

BB&T CORP
Form 10-Q
November 06, 2007

**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, 2007

Commission file number: 1-10853

BB&T CORPORATION

(Exact name of registrant as specified in its charter)

**North Carolina
(State of Incorporation)**

**56-0939887
(I.R.S. Employer Identification No.)**

**200 West Second Street
Winston-Salem, North Carolina
(Address of Principal Executive Offices)**

**27101
(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

At October 31, 2007, 549,457,032 shares of the registrant's common stock, \$5 par value, were outstanding.

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Item 1. Financial Statements

BB&T CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

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

	September 30, 2007	December 31, 2006
Assets		
Cash and due from banks	\$ 1,572	\$ 2,024
Interest-bearing deposits with banks	419	435
Federal funds sold and securities purchased under resale agreements		
or similar arrangements	477	253
Segregated cash due from banks	226	153
Trading securities at fair value	1,587	2,147
Securities available for sale at fair value	23,061	20,721
Loans held for sale	1,178	680
Loans and leases, net of unearned income	88,881	82,911
Allowance for loan and lease losses	(934)	(888)
Loans and leases, net	87,947	82,023
Premises and equipment, net of accumulated depreciation	1,504	1,410
Goodwill	5,132	4,827
Core deposit and other intangible assets	491	454
Residential mortgage servicing rights at fair value	533	484
Other assets	6,654	5,740
Total assets	\$ 130,781	\$ 121,351
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing deposits	\$ 13,197	\$ 13,393
Interest checking	1,128	1,333
Other client deposits	35,391	34,062
Client certificates of deposit	26,315	24,987
Other interest-bearing deposits	9,154	7,196
Total deposits	85,185	80,971
Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	10,618	8,087
Long-term debt	19,059	15,904
Accounts payable and other liabilities	3,517	4,644
Total liabilities	118,379	109,606
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Preferred stock, \$5 par, 5,000 shares authorized, none issued or outstanding at September 30, 2007, or at December 31, 2006	-	-
Common stock, \$5 par, 1,000,000 shares authorized;		

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2007, and	549,337 issued and outstanding at September 30,		
2006	541,475 issued and outstanding at December 31,		
		2,746	2,707
	Additional paid-in capital	3,165	2,801
	Retained earnings	6,759	6,596
	Accumulated other comprehensive loss, net of deferred income		
	taxes of \$(161) at September 30, 2007, and \$(212) at December 31, 2006	(268)	(359)
	Total shareholders' equity	12,402	11,745
	Total liabilities and shareholders' equity	\$ 130,781	\$ 121,351

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

BB&T CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Interest Income				
Interest and fees on loans and leases	\$ 1,719	\$ 1,562	\$ 5,007	\$ 4,340
Interest and dividends on securities	297	230	838	659
Interest on short-term investments	14	11	37	28
Total interest income	2,030	1,803	5,882	5,027
Interest Expense				
Interest on deposits	679	586	1,965	1,521
Interest on federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	110	75	299	221
Interest on long-term debt	263	204	729	533
Total interest expense	1,052	865	2,993	2,275
Net Interest Income	978	938	2,889	2,752
Provision for credit losses	105	62	264	167
Net Interest Income After Provision for Credit Losses	873	876	2,625	2,585
Noninterest Income				
Insurance commissions	206	209	632	599
Service charges on deposits	157	138	446	407
Investment banking and brokerage fees and commissions	87	82	258	242
Other nondeposit fees and commissions	46	42	137	122
Checkcard fees	47	42	132	115
Trust income	40	39	120	114
Mortgage banking income	27	23	88	84
Bankcard fees and merchant discounts	36	31	101	91
Securities gains (losses), net	6	-	(4)	-
Income from bank-owned life insurance	24	25	77	70
Other income	(1)	29	69	75
Total noninterest income	675	660	2,056	1,919
Noninterest Expense				
Personnel expense	514	524	1,578	1,544
Occupancy and equipment expense	118	114	351	331
Amortization of intangibles	26	27	77	77
Professional services	36	29	99	84
Merger-related and restructuring charges, net	7	10	18	9
Loan processing expenses	29	27	84	77

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Other expenses	158	184	487	472
Total noninterest expense	888	915	2,694	2,594

Earnings

Income before income taxes	660	621	1,987	1,910
Provision for income taxes	216	204	664	633
Net income	\$ 444	\$ 417	\$ 1,323	\$ 1,277

Per Common Share

Net income:

Basic	\$.81	\$.77	\$ 2.42	\$ 2.37
Diluted	\$.80	\$.77	\$ 2.40	\$ 2.35
Cash dividends paid	\$.46	\$.42	\$ 1.30	\$ 1.18

Weighted Average Shares Outstanding

Basic	550,603	538,911	546,978	538,578
Diluted	555,336	544,286	552,153	543,496

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

BB&T CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Nine Months Ended September 30, 2007 and 2006
(Unaudited)

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

	Shares of Common Stock	Common Stock	Additional Paid -In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2006	543,102	\$ 2,715	\$ 2,819	\$ 5,951	\$ (356)	11,129
Add (Deduct):						
Comprehensive income (loss):						
Net income	-	-	-	1,277	-	1,277
Unrealized holding gains (losses) arising during the period on securities available for sale, net of tax of \$16	-	-	-	-	25	25
Change in unrealized gains (losses) on securities, net of tax	-	-	-	-	25	25
Change in unrecognized gains (losses) on cash flow hedges, net of tax of \$8	-	-	-	-	13	13
Change in minimum pension liability, net of tax	-	-	-	-	1	1
Total comprehensive income (loss)	-	-	-	1,277	39	1,316
Common stock issued:						
In purchase acquisitions (1)	17,357	87	664	-	-	751
In connection with stock option exercises and other employee benefits, net of cancellations	2,500	13	59	-	-	72
Redemption of common stock	(22,307)	(112)	(818)	-	-	(930)
Cash dividends declared on common stock, \$1.22 per share	-	-	-	(656)	-	(656)
Other, net	-	-	52	-	-	52
Balance, September 30, 2006	540,652	\$ 2,703	\$ 2,776	\$ 6,572	\$ (317)	11,734
Balance, January 1, 2007	541,475	\$ 2,707	\$ 2,801	\$ 6,596	\$ (359)	11,745
Add (Deduct):						

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Comprehensive income
(loss):

Net income	-	-	-	1,323	-	1,323
Unrealized holding gains (losses) arising during the period on securities available for sale, net of tax of \$52	-	-	-	-	96	96
Reclassification adjustment for losses (gains) on securities available for sale included in net income, net of tax of \$1	-	-	-	-	3	3
Change in unrealized gains (losses) on securities, net of tax	-	-	-	-	99	99
Change in unrecognized gains (losses) on cash flow hedges, net of tax	-	-	-	-	(1)	(1)
Change in pension liability, net of tax of \$(2)	-	-	-	-	(10)	(10)
Foreign currency translation adjustment	-	-	-	-	3	3
Total comprehensive income (loss)	-	-	-	1,323	91	1,414
Common stock issued:						
In purchase acquisitions (1)	8,807	44	356	-	-	400
In connection with stock option exercises and other employee benefits, net of cancellations	2,155	11	47	-	-	58
Redemption of common stock	(3,100)	(16)	(107)	-	-	(123)
Cash dividends declared on common stock, \$1.34 per share	-	-	-	(735)	-	(735)
Cumulative effect of adoption of FIN 48	-	-	-	(119)	-	(119)
Cumulative effect of adoption of FSP FAS 13-2	-	-	-	(306)	-	(306)
Other, net	-	-	68	-	-	68
Balance, September 30, 2007	549,337	\$ 2,746	\$ 3,165	\$ 6,759	\$ (268)	\$ 12,402

(1) Additional paid-in capital includes the value of replacement stock options issued.

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

BB&T CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in millions)

For the Nine Months Ended
September 30,
2007 **2006**

Cash Flows From Operating Activities:

Net income	\$	1,323	\$	1,277
Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
Provision for credit losses		264		167
Depreciation		133		137
Amortization of intangibles		77		77
Equity-based compensation		56		47
Discount accretion and premium amortization on long-term debt, net		92		91
Discount accretion and premium amortization on securities, net		2		23
Net decrease (increase) in trading account securities		560		(175)
Loss on sales of securities, net		4		-
Gain on sales of loans and mortgage loan servicing rights, net		(53)		(46)
Gain on disposals of premises and equipment, net		(4)		(31)
Proceeds from sales of loans held for sale		5,102		3,859
Originations and purchases of loans held for sale, net of principal collected		(5,785)		(3,808)
Increase in other assets, net		(820)		(293)
Decrease in accounts payable and other liabilities, net		(1,225)		(918)
Increase in segregated cash due from banks		(73)		(29)
Other, net		16		(16)
Net cash (used in) provided by operating activities		(331)		362

Cash Flows From Investing Activities:

Proceeds from sales of securities available for sale		2,592		160
Proceeds from maturities, calls and paydowns of securities available for sale		4,905		1,242
Purchases of securities available for sale		(9,244)		(2,162)
Leases made to customers		(113)		(202)
Principal collected on leases		158		142
Originations and purchases of loans, net of principal collected		(4,271)		(4,788)
Net cash (paid) acquired in business combinations		(4)		68
Proceeds from disposals of premises and equipment		15		82
Purchases of premises and equipment		(184)		(186)
Proceeds from sales of foreclosed property or other real estate held for sale		64		70
Other, net		-		(17)
Net cash used in investing activities		(6,082)		(5,591)

Cash Flows From Financing Activities:

Net increase in deposits		3,244		3,570
Net increase in federal funds purchased, securities sold under repurchase agreements				

and short-term borrowed funds	989	433
Proceeds from issuance of long-term debt	5,405	2,852
Repayment of long-term debt	(2,707)	(186)
Net proceeds from common stock issued	58	72
Redemption of common stock	(123)	(930)
Cash dividends paid on common stock	(709)	(636)
Excess tax benefit from equity-based awards	12	4
Net cash provided by financing activities	6,169	5,179
Net Decrease in Cash and Cash Equivalents	(244)	(50)
Cash and Cash Equivalents at Beginning of Period	2,712	2,797
Cash and Cash Equivalents at End of Period	\$ 2,468	\$ 2,747

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for:

Interest	\$ 2,918	\$ 2,168
Income taxes	2,073	721
Noncash investing and financing activities:		
Transfers of loans to foreclosed property	91	63
Transfers of fixed assets to other real estate owned	9	6
Transfer of loans held for sale to loans held for investment	78	-
Common stock issued in business combinations	400	751

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

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NOTE 1. Basis of Presentation*General*

In the opinion of management, the accompanying unaudited Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Changes in Shareholders' Equity, and Consolidated Statements of Cash Flows of BB&T Corporation and subsidiaries (referred to herein as "BB&T", "the Corporation" or "the Company"), present fairly, in all material respects, BB&T's financial position at September 30, 2007 and December 31, 2006; BB&T's results of operations for the three and nine month periods ended September 30, 2007 and 2006; and BB&T's cash flows for the nine months ended September 30, 2007 and 2006. In the opinion of management, all adjustments necessary to fairly present the consolidated financial position and consolidated results of operations have been made. All adjustments during the first nine months of 2007 and 2006 were of a normal recurring nature.

These consolidated financial statements and notes are presented in accordance with the instructions for the Quarterly Report on Form 10-Q. The information contained in the footnotes included in BB&T's Annual Report on Form 10-K for the year ended December 31, 2006, should be referred to in connection with these unaudited interim consolidated financial statements.

Nature of Operations

BB&T is a financial holding company headquartered in Winston-Salem, North Carolina. BB&T conducts its operations primarily through its subsidiary bank, which has branches in North Carolina, South Carolina, Virginia, Maryland, Georgia, West Virginia, Tennessee, Kentucky, Florida, Alabama, Indiana and Washington, D.C. BB&T's subsidiary bank provides a wide range of banking services to individuals and businesses, and offers a variety of loans to businesses and consumers. Such loans are made primarily to individuals residing in the market areas described above or to businesses located within BB&T's geographic footprint. BB&T's subsidiary bank also markets a wide range of deposit services to individuals and businesses. BB&T's subsidiary bank offers, either directly, or through its subsidiaries, lease financing to businesses and municipal governments; factoring; discount brokerage services, annuities and mutual funds; life insurance, property and casualty insurance, health insurance and commercial general liability insurance on an agency basis and through a wholesale insurance brokerage operation; insurance premium financing; permanent financing arrangements for commercial real estate; loan servicing for third-party investors; direct consumer finance loans to individuals; and trust, investment and advisory services. The direct nonbank subsidiaries of BB&T provide a variety of financial services including automobile lending, equipment financing, full-service securities brokerage, payroll processing, asset management and capital markets services.

Principles of Consolidation

The consolidated financial statements of BB&T include the accounts of BB&T Corporation and those subsidiaries that are majority-owned by BB&T and over which BB&T exercises control. In consolidation, all significant intercompany accounts and transactions are eliminated. The results of operations of companies acquired are included only from the dates of acquisition. All material wholly owned and majority-owned subsidiaries are consolidated unless accounting principles generally accepted in the United States of America require otherwise.

BB&T evaluates variable interests in entities for which voting interests are not an effective means of identifying controlling financial interests. Variable interests are those in which the value of the interest changes with the fair value of the net assets of the entity exclusive of variable interests. If the results of the evaluation indicate the existence of a primary beneficiary and the entity does not effectively disperse risks among the parties involved, that primary beneficiary is required to consolidate the entity. Likewise, if the evaluation indicates that the requirements for consolidation are not met and the entity has previously been consolidated, then the entity would be deconsolidated.

BB&T is involved in creating a series of secondary marketing trusts, which are qualified special purpose entities, for the purpose of selling interests in municipal securities to third parties at short-term tax-exempt rates. The trusts purchase fixed-rate, longer-term highly rated municipal bonds with proceeds from issuing puttable floating-rate certificates and inverse floating-rate certificates. BB&T purchases the inverse floating-rate certificates, which are categorized as trading securities on the Consolidated Balance Sheet. BB&T also provides liquidity support to the trusts in order to facilitate the remarketing of the floating-rate certificates.

BB&T has variable interests in certain entities that were not required to be consolidated, including affordable housing partnership interests, historic tax credit partnerships, other partnership interests and trusts that have issued capital securities.

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

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

Reclassifications

In certain instances, amounts reported in prior periods in consolidated financial statements have been reclassified to conform to the current presentation. Such reclassifications had no effect on previously reported shareholders' equity or net income.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan and lease losses and the reserve for unfunded lending commitments, valuation of mortgage servicing rights, valuation of goodwill, intangible assets and other purchase accounting related adjustments, benefit plan obligations and expenses, and tax assets, liabilities and expenses.

Changes in Accounting Principles and Effects of New Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Staff Position FAS 13-2 *Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction* (FSP FAS 13-2), which amends Statement of Financial Accounting Standards (SFAS) No. 13, *Accounting for Leases*. FSP FAS 13-2 requires an entity to recalculate the allocation of income for a leveraged lease transaction from the inception of the lease if, during the lease term, the projected timing of the income tax cash flows generated by the transaction is revised, even if the total amount of income tax cash flows is not affected. BB&T adopted FSP FAS 13-2 effective January 1, 2007. Upon adoption, BB&T recorded a charge to retained earnings of \$306 million as a cumulative effect of a change in accounting principle. This charge to retained earnings only pertains to the timing of income recognition and will be recognized as a component of net income over the remaining lives of the respective leases.

In July 2006, the FASB issued FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* (FIN 48), an interpretation of SFAS No. 109 *Accounting for Income Taxes*. FIN 48 provides guidance for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. FIN 48 also requires additional disclosures related to an entity's accounting for uncertain tax positions. BB&T adopted FIN 48 effective January 1, 2007. Upon adoption, BB&T recorded a charge to retained earnings of \$119 million as a cumulative effect of a change in accounting principle. Additional disclosures required by FIN 48 are included in Note 12 to the consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 does not require

assets or liabilities to be measured at fair value, but will apply to other accounting pronouncements that require or permit the use of fair value for recognition or disclosure. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the effect that SFAS No. 157 may have on BB&T's consolidated financial statements.

In September 2006, the FASB reached a consensus on Emerging Issues Task Force (EITF) Issue 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*, (EITF Issue 06-4). In March 2007, the FASB reached a consensus on EITF Issue 06-10, *Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements*, (EITF Issue 06-10). Both of these standards require a company to recognize an obligation over an employee's service period based upon the substantive agreement with an employee such as the promise to maintain a life insurance policy or provide a death benefit. These standards are effective for fiscal years beginning after December 15, 2007. Management is currently evaluating the effect that EITF Issue 06-4 and EITF Issue 06-10 may have on BB&T's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*, (SFAS No. 159), which permits companies to choose to measure many financial instruments and certain other items at fair value, on an instrument-by-instrument basis. Once a company has elected to record eligible items at fair value, the decision is irrevocable. The objective of SFAS No. 159 is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the effect that SFAS No. 159 may have on BB&T's consolidated financial statements.

NOTE 2. Business Combinations and Intangible Assets*Acquisitions*

On January 2, 2007, BB&T completed the acquisition of AFCO Credit Corporation and its Canadian affiliate, CAFO, Inc. In conjunction with this transaction, BB&T recorded \$10 million in goodwill and \$50 million in amortizing intangibles, which are primarily related to broker relationships.

On May 1, 2007, BB&T completed the acquisition of Coastal Financial Corporation, a \$1.7 billion bank holding company headquartered in Myrtle Beach, South Carolina. In conjunction with this transaction, BB&T issued approximately 8.8 million shares of common stock and 574 thousand stock options valued in the aggregate at \$400 million and recorded \$247 million in goodwill and \$47 million in amortizing intangibles, which are primarily comprised of core deposit intangibles.

During the first nine months of 2007, BB&T acquired two insurance agencies. Approximately \$20 million in goodwill and \$17 million of identifiable intangibles were recorded in connection with these transactions. BB&T also divested one insurance agency during the first nine months of 2007.

Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill attributable to each of BB&T's operating segments for the nine months ended September 30, 2007 are as follows:

Goodwill Activity by Operating Segment

	Residential							
	Banking Network	Mortgage Banking	Sales Finance	Specialized Lending	Insurance Services	Financial Services	All Other	Total
	(Dollars in millions)							
Balance, January 1, 2007	\$ 3,785	\$ 7	\$ 93	\$ 52	\$ 690	\$ 174	\$ 26	\$ 4,827
Acquisitions	247	-	-	10	20	-	-	277
Contingent consideration	-	-	-	1	22	6	-	29
Divestiture	-	-	-	-	(8)	-	-	(8)
Other adjustments	7	-	-	-	-	-	-	7
Balance, September 30, 2007	\$ 4,039	\$ 7	\$ 93	\$ 63	\$ 724	\$ 180	\$ 26	\$ 5,132

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

Identifiable Intangible Assets

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	As of September 30, 2007			As of December 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Identifiable intangible assets						
Core deposit intangibles	\$ 456	\$ (271)	\$ 185	\$ 413	\$ (235)	\$ 178
Other (1)	542	(236)	306	471	(195)	276
Totals	\$ 998	\$ (507)	\$ 491	\$ 884	\$ (430)	\$ 454

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

NOTE 3. Securities

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

	Amortized Cost	September 30, 2007 Gross Unrealized		Fair Value
		Gains	Losses	
Securities available for sale:				
U.S. Treasury securities	\$ 80	\$ -	\$ -	\$ 80
U.S. government-sponsored entity securities	10,466	21	132	10,355
Mortgage-backed securities	8,519	17	137	8,399
States and political subdivisions	1,320	20	7	1,333
Equity and other securities	2,915	14	35	2,894
Total securities available for sale	\$ 23,300	\$ 72	\$ 311	\$ 23,061

	Amortized Cost	December 31, 2006 Gross Unrealized		Fair Value
		Gains	Losses	
Securities available for sale:				
U.S. Treasury securities	\$ 84	\$ -	\$ 1	\$ 83
U.S. government-sponsored entity securities	9,324	2	290	9,036
Mortgage-backed securities	8,418	27	148	8,297
States and political subdivisions	563	9	1	571
Equity and other securities	2,723	26	15	2,734
Total securities available for sale	\$ 21,112	\$ 64	\$ 455	\$ 20,721

On September 30, 2007, BB&T held certain investment securities having continuous unrealized loss positions for more than 12 months. As of September 30, 2007, the unrealized losses on these securities totaled \$122 million. Substantially all of these investments were in U.S. government-sponsored entity securities and mortgage-backed securities, which primarily consist of securities issued by the Federal Farm Credit Bureau, the Federal Home Loan Bank System, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. These agencies are rated AAA and the unrealized losses are the result of increases in market interest rates rather than changes in the underlying credit quality of the issuers. At September 30, 2007, BB&T had the ability and intent to retain these securities for a period of time sufficient to recover all unrealized losses. Accordingly, BB&T has not recognized any other-than-temporary impairment in connection with these securities during 2007.

The following tables reflect the gross unrealized losses and fair values of BB&T's securities available for sale, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position, at the dates presented.

	September 30, 2007					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in millions)						
Securities:						
U.S. Treasury securities	\$ 9	\$ -	\$ 25	\$ -	\$ 34	-
U.S. government-sponsored entity securities	1,279	44	5,997	88	7,276	132
Mortgage-backed securities	5,507	104	1,084	33	6,591	137
States and political subdivisions	306	7	4	-	310	7
Equity and other securities	1,579	34	35	1	1,614	35
Total temporarily impaired securities	\$ 8,680	\$ 189	\$ 7,145	\$ 122	\$ 15,825	\$ 311

	December 31, 2006					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in millions)						
Securities:						
U.S. Treasury securities	\$ 9	\$ -	\$ 42	\$ 1	\$ 51	\$ 1
U.S. government-sponsored entity securities	475	3	8,324	287	8,799	290
Mortgage-backed securities	1,153	5	5,241	143	6,394	148
States and political subdivisions	1	-	39	1	40	1
Equity and other securities	651	2	601	13	1,252	15
Total temporarily impaired securities	\$ 2,289	\$ 10	\$ 14,247	\$ 445	\$ 16,536	\$ 455

NOTE 4. Merger-Related and Restructuring Activities

BB&T has incurred certain merger-related and restructuring expenses, primarily in connection with business combinations. The following table presents the components of merger-related and restructuring charges included in noninterest expense. This table includes increases to previously recorded accruals and period expenses for items that must be expensed as incurred. Items that are required to be expensed as incurred include certain expenses associated with systems conversions, data processing, training, and other costs.

Summary of Merger-Related and Restructuring Charges (Gains)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Dollars in millions)			
Severance and personnel-related items	\$ 1	\$ 1	\$ 7	\$ 1
Occupancy and equipment	1	1	2	(2)
Other merger-related items	5	8	9	10
Total	\$ 7	\$ 10	\$ 18	\$ 9

In conjunction with the consummation of an acquisition or restructuring activity and completion of other requirements, BB&T typically accrues certain merger-related and restructuring expenses related to 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. The costs related to the acquired entity are accrued in accordance with the guidance in EITF Issue 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*, and generally are recorded as adjustments to the purchase price unless they are required to be expensed as incurred. The costs related to existing BB&T facilities and personnel are recorded in accordance with the guidance in SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* and SFAS No. 112, *Employers' Accounting for Postemployment Benefits*, as appropriate, and reflected as merger-related and restructuring charges in the Consolidated Statements of Income. The following table presents a summary of BB&T's merger-related and restructuring accrual activity for 2007:

**Merger-Related and Restructuring
Accrual Activity**

Balance January 1, 2007	Merger-related and Accrued acquisition restructuring charges	Utilized	Purchase price adjustments	Balance September 30, 2007
(Dollars in millions)				

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Severance and personnel-related items	\$	12	\$	4	\$	7	\$	(13)	\$	-	\$	10
Occupancy and equipment		4		1		2		(2)		1		6
Other merger-related items		2		3		9		(12)		-		2
Total	\$	18	\$	8	\$	18	\$	(27)	\$	1	\$	18

NOTE 5. Long-Term Debt

Long-term debt is summarized as follows:

	September 30, 2007	December 31, 2006
	(Dollars in millions)	
Parent Company		
7.25% Subordinated Notes Due 2007	\$ -	\$ 250
6.50% Subordinated Notes Due 2011 (1,3)	647	647
4.75% Subordinated Notes Due 2012 (1,3)	496	496
5.20% Subordinated Notes Due 2015 (1,3)	997	997
4.90% Subordinated Notes Due 2017 (1,3)	365	362
5.25% Subordinated Notes Due 2019 (1,3)	600	600
Branch Bank		
Floating Rate Secured Borrowings Due 2007 (5)	-	1,500
Fixed Rate Secured Borrowings Due 2010 (6)	4,000	-
Floating Rate Senior Notes Due 2007	500	1,250
Floating Rate Senior Notes Due 2008	500	500
Floating Rate Senior Notes Due 2009	500	500
Floating Rate Subordinated Notes Due 2016 (1)	350	350
Floating Rate Subordinated Notes Due 2017 (1)	300	-
4.875% Subordinated Notes Due 2013 (1,3)	249	249
5.625% Subordinated Notes Due 2016 (1,3)	399	399
Federal Home Loan Bank Advances to Branch Bank (4)		
Varying maturities to 2027	7,280	6,564
Junior Subordinated Debt to Unconsolidated Trusts (2)		
5.85% BB&T Capital Trust I Securities Due 2035 (3)	514	514
6.75% BB&T Capital Trust II Securities Due 2036	598	598
6.82% BB&T Capital Trust IV Securities Due 2077 (7)	600	-
Other Securities (8)	184	168
Other Long-Term Debt	8	5
Hedging Losses	(28)	(45)
Total Long-Term Debt	\$ 19,059	\$ 15,904

- (1) Subordinated notes that qualify under the risk-based capital guidelines as Tier 2 supplementary capital, subject to certain limitations.
- (2) Securities that qualify under the risk-based capital guidelines as Tier 1 capital, subject to certain limitations.
- (3) These fixed rate notes were swapped to floating rates based on LIBOR. At September 30, 2007, the effective rates paid on these borrowings ranged from 5.63% to 5.91%.
- (4) At September 30, 2007, the weighted average cost of these advances was 5.48% and the weighted average maturity was 8.8 years.
- (5) This borrowing was secured primarily by automobile loans and had a variable rate based on LIBOR.

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- (6) This borrowing is secured by automobile and mortgage loans. The fixed rate was swapped to a floating rate based on LIBOR.
- (7) These securities are fixed rate through June 12, 2037 and then switch to a floating rate based on LIBOR.
- (8) These securities were issued by companies acquired by BB&T. At September 30, 2007, the effective rate paid on these borrowings ranged from 7.09% to 10.07%. These securities have varying maturities through 2035.

In June 2007, BB&T Capital Trust IV (["BBTCT IV"]) issued \$600 million of Capital Securities. BBTCT IV, a statutory business trust created under the laws of the State of Delaware, was formed by BB&T for the sole purpose of issuing the Capital Securities and investing the proceeds thereof in Junior Subordinated Debentures issued by BB&T. BB&T has made guarantees which, taken collectively, fully, irrevocably, and unconditionally guarantee, on a subordinated basis, all of BBTCT IV's obligations under the Trust and Capital Securities. BBTCT IV's sole asset is the Junior Subordinated Debentures issued by BB&T, which have a scheduled maturity on June 12, 2057 and a final repayment date on June 12, 2077. BB&T is required to use all commercially reasonable efforts, subject to certain market disruption events, to sell adequate qualifying capital securities to permit repayment of the debentures in full on the scheduled maturity date. The Junior Subordinated Debentures are subject to early redemption (i) in whole or in part at any time at the option of BB&T pursuant to the optional redemption provisions of such security, or (ii) in whole, but not in part, under certain prescribed limited circumstances. The Capital Securities of BBTCT IV are subject to mandatory redemption in whole or in part, upon repayment of the Junior Subordinated Debentures at maturity or their earlier redemption.

NOTE 6. Contractual Obligations, Commitments, Contingent Liabilities, and Off-Balance Sheet Arrangements

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

Standby letters of credit and financial guarantees written are unconditional commitments issued by BB&T to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper issuance, bond financing and similar transactions. The credit risk involved in the issuance of these guarantees is essentially the same as that involved in extending loans to clients and as such, the instruments are collateralized when necessary. As of September 30, 2007 and December 31, 2006, BB&T had issued standby letters of credit totaling \$3.1 billion and \$3.2 billion, respectively. The carrying amount of the liability for such guarantees was \$5 million at both September 30, 2007 and December 31, 2006.

A derivative is a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or referenced interest rate. These instruments include interest-rate swaps, caps, floors, collars, financial forwards and futures contracts, swaptions, when-issued securities, foreign exchange contracts and options written and purchased. BB&T uses derivatives primarily to manage economic risk related to securities, business loans, mortgage servicing rights and mortgage banking operations, federal funds purchased, other time deposits, long-term debt and institutional certificates of deposit. BB&T also uses derivatives to facilitate transactions on behalf of its clients. BB&T held a variety of derivative financial instruments with notional values of \$43.1 billion and \$23.1 billion at September 30, 2007 and December 31, 2006, respectively. These

instruments were in a net gain position of \$34 million at September 30, 2007, and a net loss position of \$45 million at December 31, 2006.

BB&T invests in certain affordable housing and historic building rehabilitation projects throughout its market area as a means of supporting local communities and receives tax credits related to these investments. BB&T typically acts as a limited partner in these investments and does not exert control over the operating or financial policies of the partnerships. BB&T's subsidiary bank typically provides financing during the construction and development of the properties; however, permanent financing is generally obtained from independent third parties upon completion of a project. BB&T's outstanding commitments to fund affordable housing investments totaled \$247 million and \$183 million at September 30, 2007 and December 31, 2006, respectively. At September 30, 2007, BB&T's maximum exposure to loss associated with these investments totaled \$469 million.

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

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

NOTE 7. Benefit Plans

BB&T provides various benefit plans to substantially all employees, including employees of acquired entities. Employees of acquired entities generally participate in existing BB&T plans after consummation of the business combinations. The plans of acquired institutions are typically merged into the BB&T plans after consummation of the mergers, and, under these circumstances, credit is usually given to these employees for years of service at the acquired institution for vesting and eligibility purposes. Please refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2006 for descriptions and disclosures about the various benefit plans offered by BB&T.

The following tables summarize the components of net periodic benefit cost recognized for BB&T's pension plans for the three and nine month periods ended September 30, 2007 and 2006, respectively:

	Pension Plans			
	Qualified		Nonqualified	
	For the		For the	
	Three Months Ended		Three Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	(Dollars in millions)			
Service cost	\$ 16	\$ 16	\$ 2	\$ 1
Interest cost	16	14	2	2
Estimated return on plan assets	(32)	(25)	-	-
Amortization and other	-	3	1	1
Net periodic benefit cost	\$ -	\$ 8	\$ 5	\$ 4

	Pension Plans			
	Qualified		Nonqualified	
	For the		For the	
	Nine Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	(Dollars in millions)			
Service cost	\$ 53	\$ 46	\$ 4	\$ 3
Interest cost	50	43	6	5
Estimated return on plan assets	(89)	(68)	-	-
Amortization and other	1	7	2	2
Net periodic benefit cost	\$ 15	\$ 28	\$ 12	\$ 10

BB&T makes contributions to the qualified pension plan in amounts between the minimum required for funding standard accounts and the maximum amount deductible for federal income tax purposes. Under the Pension Protection Act of 2006, corporations are allowed to increase their contributions in 2006 and 2007 due to the increased deduction limit from 100% to 150% of the plan's unfunded current liability. Management elected to make a discretionary contribution of \$234 million to the qualified pension plan in the third quarter of 2006 pursuant to this change in pension law, and made a total of \$314 million in discretionary contributions during the first nine months of 2006. During the third quarter of 2007, management elected to make a discretionary contribution of \$249 million to the qualified pension plan. Management currently has no plans to make any additional contributions to the qualified pension plan in 2007.

NOTE 8. Computation of Earnings per Share

BB&T's basic and diluted earnings per share amounts for the three and nine month periods ended September 30, 2007 and 2006, respectively, were calculated as follows:

	For the Three Months		For the Nine Months	
	Ended September 30,		Ended September 30,	
	2007	2006	2007	2006
	(Dollars in millions, except per share data, shares in thousands)			
Basic Earnings Per Share:				
Weighted average number of common shares	550,603	538,911	546,978	538,578
Net income	\$ 444	\$ 417	\$ 1,323	\$ 1,277
Basic earnings per share	\$.81	\$.77	\$ 2.42	\$ 2.37
Diluted Earnings Per Share:				
Weighted average number of common shares	550,603	538,911	546,978	538,578
Add:				
Effect of dilutive equity awards	4,733	5,375	5,175	4,918
Weighted average number of diluted common shares	555,336	544,286	552,153	543,496
Net income	\$ 444	\$ 417	\$ 1,323	\$ 1,277
Diluted earnings per share	\$.80	\$.77	\$ 2.40	\$ 2.35

For the three months ended September 30, 2007 and 2006 the number of antidilutive awards was 5.5 million and 3.3 million shares, respectively. For the nine months ended September 30, 2007 and 2006 the number of antidilutive awards was 5.4 million and 10.9 million shares, respectively.

NOTE 9. Comprehensive Income (Loss)

The balances in accumulated other comprehensive loss for the periods indicated are shown in the following tables:

	September 30, 2007		
	Before-Tax Amount	Tax Benefit	After-Tax Amount
(Dollars in millions)			
Unrealized net losses on securities available for sale	\$ (239)	\$ (89)	\$ (150)
Unrecognized net pension and postretirement costs	(192)	(72)	(120)
Other	2	-	2
Total	\$ (429)	\$ (161)	\$ (268)

	December 31, 2006		
	Before-Tax Amount	Tax Benefit	After-Tax Amount
(Dollars in millions)			
Unrealized net losses on securities available for sale	\$ (391)	\$ (142)	\$ (249)
Unrecognized net pension and postretirement costs	(180)	(70)	(110)
Total	\$ (571)	\$ (212)	\$ (359)

The following table reflects the components of total comprehensive income for the three and nine month periods ended September 30, 2007 and 2006, respectively.

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2007	2006	September 30, 2007	2006
(Dollars in millions)				
Comprehensive income:				
Net income	\$ 444	\$ 417	\$ 1,323	\$ 1,277
Other comprehensive income:				
Net unrealized (losses) gains on securities	189	222	99	25
Net unrealized (losses) gains on cash flow hedges	3	12	(1)	13
Net change in pension liability	(9)	-	(10)	1
Net foreign currency translation adjustment	1	-	3	-
Total comprehensive income	\$ 628	\$ 651	\$ 1,414	\$ 1,316

NOTE 10. Operating Segments

BB&T's operations are divided into seven reportable business segments: the Banking Network, Residential Mortgage Banking, Sales Finance, Specialized Lending, Insurance Services, Financial Services and Treasury. These operating segments have been identified based on BB&T's organizational structure. The segments require unique technology and marketing strategies and offer different products and services. While BB&T is managed as an integrated organization, individual executive managers are held accountable for the operations of these business segments.

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

Please refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2006, for a description of internal accounting policies and the basis for segmentation, including a description of the segments presented in the accompanying tables.

The following tables disclose selected financial information with respect to BB&T's reportable business segments for the periods indicated:

BB&T Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

Third Quarter 2007

BB&T Corporation
Reportable Segments
For the Three Months Ended September 30, 2007 and 2006

	Banking Network		Residential Mortgage Banking		Sales Finance		Specialized Lending		Insurance Services	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006

(Dollars in millions)

Net interest income (expense)	\$ 582	\$ 603	\$ 269	\$ 231	\$ 98	\$ 80	\$ 172	\$ 130	\$ 6	\$ 4
Net funds transfer pricing	295	244	(202)	(169)	(68)	(52)	(57)	(31)	(2)	(1)
Net interest income (expense)	877	847	67	62	30	28	115	99	4	3
Economic provision for loan and lease losses	40	38	3	3	5	6	48	36	-	-
Noninterest income	285	247	30	25	-	-	21	18	198	201
Intersegment net referral fees (expense)	59	56	(23)	(22)	(3)	(3)	-	-	-	-
Noninterest expense	373	355	16	13	6	6	52	42	153	156
Allocated corporate expenses	147	131	3	3	2	2	6	5	7	7
Income (loss) before income taxes	661	626	52	46	14	11	30	34	42	41
Provision (benefit) for income taxes	239	226	19	17	5	4	11	12	16	16
Segment net income (loss)	\$ 422	\$ 400	\$ 33	\$ 29	\$ 9	\$ 7	\$ 19	\$ 22	\$ 26	\$ 25
Identifiable segment assets (period end)	\$59,107	\$55,362	\$18,406	\$16,145	\$5,868	\$5,373	\$5,470	\$3,655	\$1,035	\$1,104

	Financial Services		Treasury		All Other Segments (1)		Parent/Reconciling Items		Total BB&T Corporation	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006

(Dollars in millions)

Net interest income (expense)	\$ 8	\$ 4	\$ (31)	\$ (53)	\$ 39	\$ 45	\$ (165)	\$ (106)	\$ 978	\$ 938
Net funds transfer pricing	-	3	(46)	(23)	(31)	(34)	111	63	-	-
Net interest income (expense)	8	7	(77)	(76)	8	11	(54)	(43)	978	938
Economic provision for loan and lease losses	-	-	-	-	1	1	8	(22)	105	62
Noninterest income	121	134	38	34	23	22	(41)	(21)	675	660

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Intersegment net referral fees (expense)	4	2	-	-	-	3	(37)	(36)	-	-
Noninterest expense	115	130	2	2	21	21	150	190	888	915
Allocated corporate expenses	9	8	1	2	2	3	(177)	(161)	-	-
Income (loss) before income taxes	9	5	(42)	(46)	7	11	(113)	(107)	660	621
Provision (benefit) for income taxes	3	2	(25)	(28)	1	-	(53)	(45)	216	204
Segment net income (loss)	\$ 6	\$ 3	\$(17)	\$(18)	\$ 6	\$ 11	\$(60)	\$(62)	\$ 444	\$ 417
Identifiable segment assets (period end)	\$ 3,299	\$ 1,611	\$ 25,277	\$ 23,150	\$ 4,352	\$ 4,051	\$ 7,967	\$ 8,073	\$ 130,781	\$ 118,524

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

BB&T Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

Third Quarter 2007

BB&T Corporation
Reportable Segments
For the Nine Months Ended September 30, 2007 and 2006

	Banking Network		Residential Mortgage Banking		Sales Finance		Specialized Lending		Insurance Services	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006

(Dollars in millions)

Net interest income (expense)	\$ 1,725	\$ 1,799	\$ 764	\$ 659	\$ 276	\$ 220	\$ 503	\$ 356	\$ 14	\$ 9
Net funds transfer pricing	831	673	(575)	(473)	(188)	(138)	(163)	(83)	(3)	(2)
Net interest income (expense)	2,556	2,472	189	186	88	82	340	273	11	7
Economic provision for loan and lease losses	113	108	7	7	15	15	135	97	-	-
Noninterest income	794	715	93	87	1	1	62	52	625	578
Intersegment net referral fees (expense)	179	168	(70)	(68)	(10)	(9)	-	-	-	-
Noninterest expense	1,096	1,040	46	39	18	17	151	118	465	462
Allocated corporate expenses	440	395	8	8	7	6	17	15	21	19
Income (loss) before income taxes	1,880	1,812	151	151	39	36	99	95	150	104
Provision (benefit) for income taxes	680	655	55	55	14	13	37	35	57	40
Segment net income (loss)	\$ 1,200	\$ 1,157	\$ 96	\$ 96	\$ 25	\$ 23	\$ 62	\$ 60	\$ 93	\$ 64
Identifiable segment assets (period end)	\$59,107	\$55,362	\$18,406	\$16,145	\$5,868	\$5,373	\$5,470	\$3,655	\$1,035	\$1,104

	Financial Services		Treasury		All Other Segments (1)		Parent/Reconciling Items		Total BB&T Corporation	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006

(Dollars in millions)

Net interest income (expense)	\$ 22	\$ 10	\$ (107)	\$ (125)	\$ 111	\$ 127	\$ (419)	\$ (303)	\$ 2,889	\$ 2,752
Net funds transfer pricing	4	11	(111)	(40)	(98)	(89)	303	141	-	-
Net interest income (expense)	26	21	(218)	(165)	13	38	(116)	(162)	2,889	2,752
Economic provision for loan and lease losses	-	-	-	1	1	1	(7)	(62)	264	167
Noninterest income	388	392	79	83	70	70	(56)	(59)	2,056	1,919

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Intersegment net referral fees (expense)	10	5	-	(1)	1	7	(110)	(102)	-	-
Noninterest expense	356	358	6	7	66	60	490	493	2,694	2,594
Allocated corporate expenses	25	23	3	5	7	8	(528)	(479)	-	-
Income (loss) before income taxes	43	37	(148)	(96)	10	46	(237)	(275)	1,987	1,910
Provision (benefit) for income taxes	15	14	(87)	(67)	(5)	5	(102)	(117)	664	633
Segment net income (loss)	\$ 28	\$ 23	\$(61)	\$(29)	\$ 15	\$ 41	\$(135)	\$(158)	\$ 1,323	\$ 1,277
Identifiable segment assets (period end)	\$ 3,299	\$ 1,611	\$25,277	\$23,150	\$4,352	\$4,051	\$ 7,967	\$ 8,073	\$130,781	\$118,524

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

NOTE 11. Equity-Based Compensation Plans

BB&T has options, restricted shares of common stock and restricted share units outstanding from the following equity-based compensation plans: the 2004 Stock Incentive Plan (the "2004 Plan"), the 1995 Omnibus Stock Incentive Plan, the Non-Employee Directors' Stock Option Plan, and plans assumed from acquired entities. All plans generally allow for accelerated vesting of awards for holders who retire and have met all retirement eligibility requirements and in connection with certain other events. BB&T's shareholders have approved all equity-based compensation plans with the exception of those plans assumed from acquired companies. As of September 30, 2007, the 2004 Plan is the only plan that has awards available for future grants. Please refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2006, for further disclosures related to equity-based awards issued by BB&T.

BB&T measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants awarded in the first nine months of 2007.

Assumptions:

Risk-free interest rate	4.7%
Dividend yield	4.0
Volatility factor	14.0
Expected life	6.9yrs
Fair value of options per share	\$ 5.35

BB&T measures the fair value of restricted shares based on the price of BB&T's common stock on the grant date and the fair value of restricted share units based on the price of BB&T's common stock on the grant date less the present value of expected dividends that are foregone during the vesting period.

The following table details the activity during the first nine months of 2007 related to stock options awarded by BB&T:

	For the Nine Months Ended September 30, 2007	
	Shares	Wtd. Avg. Exercise Price
Outstanding at beginning of period	35,680,477	\$ 35.30
Issued in purchase transactions	573,506	23.06
Granted	4,782,605	44.15
Exercised	(2,175,633)	28.24
Forfeited or expired	(469,574)	38.63
Outstanding at end of period	38,391,381	\$ 36.58
Exercisable at end of period	22,979,863	\$ 34.35

The following table details the activity during the first nine months of 2007 related to restricted shares and restricted share units awarded by BB&T:

	For the Nine Months Ended September 30, 2007	
	Shares	Wtd. Avg. Grant Date Fair Value
Nonvested at beginning of period	2,430,052	\$ 32.15
Granted	1,876,162	34.45
Vested	(70,564)	32.72
Forfeited	(164,845)	31.58
Nonvested at end of period	4,070,805	\$ 33.21

NOTE 12. FIN 48

BB&T adopted FIN 48 on January 1, 2007. Upon adoption, BB&T recorded a charge to retained earnings of \$119 million as a cumulative effect of a change in accounting principle. As of January 1, 2007, BB&T had recorded \$181 million of unrecognized federal and state tax benefits, which would have reduced the effective tax rate if recognized. In addition, the Company had \$209 million in liabilities for tax-related interest and penalties recorded on its Consolidated Balance Sheets. Of this amount, \$191 million was utilized during the first nine months of 2007. BB&T classifies interest and penalties related to income taxes as a component of the provision for income taxes in the Consolidated Statements of Income.

As previously disclosed, BB&T paid \$1.2 billion to the Internal Revenue Service (IRS) during the first quarter of 2007, including \$284 million in pre-tax interest that had been previously accrued. The tax paid relates to differences in the timing of income recognition and deductions for income tax purposes for which deferred taxes had been previously provided.

During the first quarter of 2007, BB&T also paid \$50 million (\$33 million, net of federal benefit), including tax of \$40 million and interest and penalties of \$10 million in conjunction with an agreement with a state taxing authority. The agreement covered tax years through 2005 and also established the future filing methodology for that state taxing authority. These amounts were previously accrued.

BB&T does not anticipate any other significant changes to its total unrecognized tax benefits within the next 12 months.

The IRS has completed its federal tax examinations through 2001 and is currently examining 2002-2005 and has not proposed any significant adjustments. Various years remain subject to examination by state taxing authorities.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**Forward-Looking Statements**

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

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

Regulatory Considerations

BB&T and its subsidiaries and affiliates are subject to numerous examinations by federal and state banking regulators, as well as the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., and various state insurance and securities regulators. BB&T and its subsidiaries have from time to time received requests for information from regulatory authorities in various states, including state insurance commissions and state attorneys general, securities regulators and other regulatory authorities, concerning their business practices. Such requests are considered incidental to the normal conduct of business. Please refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2006 for additional disclosures with respect to laws and regulations affecting the Company's businesses.

Critical Accounting Policies

The accounting and reporting policies of BB&T Corporation and its subsidiaries are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. BB&T's financial position and results of operations are affected by management's application of accounting policies, including estimates, assumptions and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues and expenses. Different assumptions in the application of these policies could result in material changes in BB&T's consolidated financial position and/or consolidated results of operations and related disclosures. The more critical accounting and reporting policies include BB&T's accounting for the allowance for loan and lease losses and reserve for unfunded lending commitments, valuation of mortgage servicing rights, intangible assets and other purchase accounting related adjustments associated with mergers and acquisitions, costs and benefit obligations associated with BB&T's pension and postretirement benefit plans, and income taxes. Understanding BB&T's accounting policies is fundamental to understanding BB&T's consolidated financial position and consolidated results of operations. Accordingly, BB&T's significant accounting policies and changes in accounting principles are discussed in detail in Note 1 of the "Notes to Consolidated Financial Statements" in BB&T's Annual Report on Form 10-K for the year ended December 31, 2006.

The following is a summary of BB&T's critical accounting policies that are highly dependent on estimates, assumptions and judgments. These critical accounting policies are reviewed with BB&T's Audit Committee on a periodic basis.

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

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

Valuation of Mortgage Servicing Rights

BB&T has a significant mortgage loan servicing portfolio and related mortgage servicing rights. Mortgage servicing rights represent the present value of the future net servicing fees from servicing mortgage loans acquired or originated by BB&T. The methodology used to determine the fair value of mortgage servicing rights is subjective and requires the development of a number of assumptions, including anticipated prepayments of loan principal. The value of mortgage servicing rights is significantly affected by mortgage interest rates available in the marketplace, which influence the speed of mortgage loan prepayments. In general, during periods of declining interest rates, the value of mortgage servicing assets declines due to increasing prepayments attributable to increased mortgage refinance activity. Conversely, during periods of rising interest rates, the value of servicing assets generally increases due to reduced refinance activity. BB&T has two classes of mortgage servicing rights for which it separately manages the economic risks: residential and commercial. Residential mortgage servicing rights are recorded on the Consolidated Balance Sheets at fair value with changes in fair value recorded as a component of mortgage banking income each period. Commercial mortgage servicing rights are recorded as other assets on the Consolidated Balance Sheets at lower of cost or market and amortized in proportion to, and over the estimated period that, net servicing income is expected to be received based on projections of the amount and timing of estimated future net cash flows. The amount and timing of estimated future net cash flows are updated based on actual results and updated projections.

Intangible Assets

BB&T's mergers and acquisitions are accounted for using the purchase method of accounting. Under the purchase method, BB&T is required to record the assets acquired, including identified intangible assets and liabilities assumed at their fair value, which often involves estimates based on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques, all of which are inherently subjective. The amortization of identified intangible assets is based upon the estimated economic benefits to be received, which is also subjective. These estimates also include the establishment of various accruals and allowances based on planned facility dispositions and employee severance considerations, among other acquisition-related items. In addition, purchase acquisitions typically result in goodwill, which is subject to ongoing periodic impairment tests based on the fair value of net assets acquired compared to the carrying value of goodwill. The major assumptions used in the impairment testing process include the estimated future cash flows of each business unit and discount rates. Discount rates are unique to each business unit and are based upon the cost of capital specific to the industry in which the business unit operates.

Pension and Postretirement Benefit Obligations

BB&T offers various pension plans and postretirement benefit plans to employees. The calculation of the obligations and related expenses under these plans requires the use of actuarial valuation methods and assumptions. Actuarial valuations and assumptions used in the determination of future values of plan assets and liabilities are subject to management

judgment and may differ significantly if different assumptions are used.

Income Taxes

The calculation of BB&T's income tax provision is complex and requires the use of estimates and judgments. As part of the Company's analysis and implementation of business strategies, consideration is given to the tax laws and regulations that apply to the specific facts and circumstances for any tax position under evaluation. For tax positions that are uncertain in nature, management determines whether the tax position is more likely than not to be sustained upon examination. For tax positions that meet this threshold, management then estimates the amount of the tax benefit to recognize in the financial statements. Management closely monitors tax developments in order to evaluate the effect they may have on the Company's overall tax position and the estimates and judgments utilized in determining the income tax provision and records adjustments as necessary.

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EXECUTIVE SUMMARY

BB&T's total assets at September 30, 2007 were \$130.8 billion, an increase of \$9.4 billion, or 7.8%, from December 31, 2006. The asset category that experienced the largest increase was loans and leases, which grew \$6.0 billion, or 7.2%, during the first nine months of 2007. In addition, securities available for sale increased \$2.3 billion, or 11.3%, compared to the balance at December 31, 2006.

Total deposits at September 30, 2007, were \$85.2 billion, an increase of \$4.2 billion, or 5.2%, from December 31, 2006. Long-term debt increased \$3.2 billion, or 19.8%, and shorter-term borrowings increased \$2.5 billion, or 31.3%, during the first nine months of 2007. Total shareholders' equity increased \$657 million compared to December 31, 2006.

Consolidated net income for the third quarter of 2007 totaled \$444 million, an increase of 6.5% compared to \$417 million earned during the third quarter of 2006. On a diluted per share basis, earnings for the three months ended September 30, 2007 were \$.80, compared to \$.77 for the same period in 2006, an increase of 3.9%. BB&T's results of operations for the third quarter of 2007 produced an annualized return on average assets of 1.37% and an annualized return on average shareholders' equity of 14.24% compared to prior year ratios of 1.42% and 14.39%, respectively.

Consolidated net income for the first nine months of 2007 totaled \$1.32 billion, an increase of 3.6% compared to \$1.28 billion earned during the first nine months of 2006. On a diluted per share basis, earnings for the nine months ended September 30, 2007 were \$2.40, compared to \$2.35 for the same period in 2006, an increase of 2.1%. BB&T's results of operations for the first nine months of 2007 produced an annualized return on average assets of 1.42% and an annualized return on average shareholders' equity of 14.74% compared to prior year ratios of 1.51% and 15.13%, respectively.

The third quarter presented significant challenges for the financial services industry, including unusual disruptions in financial markets and a rising level of loan losses. The disruption in the financial markets resulted in losses in the third quarter from trading, hedging and other market activities. BB&T's net interest margin declined ten basis points during the third quarter of 2007 compared to the second quarter primarily due to a change in the mix of earning assets and funding sources. BB&T produced positive operating leverage for the fourth consecutive quarter due to strong expense control and improved operating efficiency.

On January 2, 2007, BB&T completed its acquisition of insurance premium finance company AFCO Credit Corporation and its Canadian affiliate, CAFO, Inc (collectively, "AFCO"). The acquisition has significantly strengthened BB&T's insurance premium finance franchise in the United States, as well as provided entry into Canada.

On May 1, 2007, BB&T completed its merger with Coastal Financial Corporation ("Coastal"), a bank holding company headquartered in Myrtle Beach, South Carolina. Coastal had \$1.7 billion in assets and operated 17 branches in the Myrtle Beach area of South Carolina and seven branches in the Wilmington area of North Carolina. Shareholders of Coastal received .385 of a share of BB&T common stock in exchange for each share of Coastal common stock.

On November 1, 2007, BB&T completed the acquisition of Collateral Real Estate Capital, LLC ("Collateral"), a commercial real estate finance company headquartered in Birmingham, Alabama. BB&T combined the operations of Collateral with its existing commercial mortgage banking subsidiary, Laureate Capital LLC. The combined company was renamed Grandbridge Real Estate Capital LLC and will be based in Charlotte, North Carolina.

Please refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2006, for additional information with respect to BB&T's recent accomplishments and significant challenges. The factors causing the fluctuations in the major balance sheet and income statement categories for the third quarter and first nine months of 2007 are further discussed in the following sections.

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ANALYSIS OF FINANCIAL CONDITION

Securities

Securities available for sale totaled \$23.1 billion at September 30, 2007, an increase of \$2.3 billion, or 11.3%, compared with December 31, 2006. Securities available for sale had net unrealized losses of \$239 million and \$391 million at September 30, 2007 and December 31, 2006, respectively. Trading securities totaled \$1.6 billion, down \$560 million, or 26.1%, compared to the balance at December 31, 2006. The decline in the trading portfolio was largely the result of a \$1.1 billion purchase of municipal securities executed late in 2006,

which matured early in 2007. BB&T's trading portfolio may fluctuate significantly from period to period based on market conditions, which affect the timing of purchases and sales of securities classified as trading.

Average total securities for the first nine months of 2007 totaled \$23.1 billion, an increase of \$1.8 billion, or 8.6%, compared to the average balance during the first nine months of 2006. Average total securities for the third quarter of 2007 amounted to \$24.2 billion, an increase of \$2.5 billion, or 11.5%, compared to the average balance during the third quarter of 2006. The increase in securities was the result of a combination of factors, including an increase in funds allocated to the securities portfolio as a result of the acquisitions of Main Street Banks, Inc. ("Main Street"), First Citizens Bancorp and Coastal, and an increase in municipal securities with states and political subdivisions primarily due to a new funding program in BB&T's Capital Markets Group.

The annualized fully taxable equivalent ("FTE") yield on the average securities portfolio for the third quarter of 2007 was 5.02%, which represents an increase of 55 basis points compared to the annualized yield earned during the third quarter of 2006. For the first nine months, the annualized FTE yield was 5.01%, which represents a 61 basis point increase compared to the annualized interest earned during the same period of 2006. The fluctuations in the annualized FTE yield on the average securities portfolio were primarily the result of changes in the overall composition of the securities portfolio including purchases of higher-yielding mortgage-backed securities and other higher-yielding securities, which primarily consist of privately-issued mortgage-backed securities.

On September 30, 2007, BB&T held certain investment securities having continuous unrealized loss positions for more than 12 months. As of September 30, 2007, the unrealized losses on these securities totaled \$122 million. Substantially all of these investments were in U.S. government-sponsored entity securities and mortgage-backed securities, which primarily consist of securities issued by the Federal Farm Credit Bureau, the Federal Home Loan Bank System, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. These agencies are rated AAA and the unrealized losses are the result of increases in market interest rates rather than changes in the underlying credit quality of the issuers. At September 30, 2007, BB&T had the ability and intent to retain these securities for a period of time sufficient to recover all unrealized losses. Accordingly, BB&T has not recognized any other-than-temporary impairment in connection with these securities.

Loans and Leases

BB&T emphasizes commercial lending to small and medium-sized businesses, consumer lending, mortgage lending and specialized lending with an overall goal of maximizing the profitability of the loan portfolio, maintaining strong asset quality and achieving an equal mix of consumer and commercial loans. For the third quarter of 2007, average total loans were \$89.1 billion, an increase of \$8.0 billion, or 9.9%, compared to the same period in 2006. For the first nine months of 2007, average total loans were \$87.0 billion, an increase of \$8.8 billion, or 11.3%, compared to the same period in 2006.

The following tables present the composition of average loans and leases for the third quarter and the nine months ended September 30, 2007 and 2006, respectively:

Table 1
Composition of Average Loans and Leases

	For the Three Months Ended		September 30, 2007		September 30, 2006	
	Balance	% of total	Balance	% of total	Balance	% of total
	(Dollars in millions)					
Commercial loans and leases	\$ 42,838	48.1 %	\$ 39,977	49.3 %		
Direct retail loans	15,534	17.4	15,100	18.6		
Sales finance loans	6,006	6.7	5,453	6.7		
Revolving credit loans	1,485	1.7	1,338	1.7		
Consumer loans	23,025	25.8	21,891	27.0		
Mortgage loans	17,922	20.1	15,803	19.5		
Specialized lending loans	5,305	6.0	3,373	4.2		
Total average loans and leases	\$ 89,090	100.0 %	\$ 81,044	100.0 %		

	For the Nine Months Ended		September 30, 2007		September 30, 2006	
	Balance	% of total	Balance	% of total	Balance	% of total
	(Dollars in millions)					
Commercial loans and leases	\$ 41,971	48.3 %	\$ 38,361	49.1 %		
Direct retail loans	15,415	17.7	14,775	18.9		
Sales finance loans	5,856	6.7	5,304	6.8		
Revolving credit loans	1,430	1.6	1,321	1.7		
Consumer loans	22,701	26.0	21,400	27.4		
Mortgage loans	17,217	19.8	15,277	19.5		
Specialized lending loans	5,101	5.9	3,138	4.0		
Total average loans and leases	\$ 86,990	100.0 %	\$ 78,176	100.0 %		

The slight fluctuation in the mix of the loan portfolio during the third quarter and the first nine months of 2007 compared to the same period of 2006 was primarily due to increased growth in the specialized lending portfolio, which grew at a faster pace than the consumer portfolio. The slower growth in the consumer portfolio was the result of decreased demand for home equity loans. The growth in loans generated by the specialized lending group was aided by the acquisition of AFCO, which added approximately \$1.3 billion in loans, and strong internal loan growth. Growth in the commercial portfolio has slowed somewhat, primarily due to a slowdown in commercial real estate lending, which has been offset by stronger growth in commercial and industrial loans.

The annualized FTE yields on commercial, consumer, mortgage and specialized lending subsidiary loans for the first nine months of 2007 were 7.87%, 7.54%, 5.97%, and 13.33%, respectively, resulting in an annualized yield on the total loan portfolio of 7.73%. The annualized FTE yields on commercial, consumer, mortgage and specialized lending subsidiary loans for the first nine months of 2006 were 7.72%, 7.16%, 5.65%, and 15.20%, respectively, resulting in an annualized yield on the total loan portfolio of 7.46%. This reflects an increase of 27 basis points in the annualized yield on the total loan portfolio during the first nine months of 2007 compared to the same period in 2006. The increase in the FTE yield on the loan portfolio was primarily the result of the repricing of maturing loans with lower yields that were replaced with higher-yielding loans and leases. In addition, the FTE yield on the total loan portfolio was positively affected by a change in the mix of loans, with a higher percentage of higher-yielding loans originated in the specialized lending group in 2007 compared to 2006.

The annualized FTE yield for the total loan portfolio for the third quarter of 2007 and 2006 was 7.70%. During the third quarter of 2007, the Federal Reserve lowered the federal funds target rate by 50 basis points in response to a slowdown in economic activity and the disruptions in the financial markets. The decrease in the federal funds target rate resulted in a change in the prime lending rate from 8.25% to 7.75%. The prime lending rate is the basis for which many commercial and consumer loans are priced. Therefore, the FTE yield on the loan portfolio is expected to decline as loans mature or reprice.

Other Interest-Earning Assets

Federal funds sold and securities purchased under resale agreements or similar arrangements totaled \$477 million at September 30, 2007, an increase of \$224 million, or 88.5%, compared to December 31, 2006. Interest-bearing deposits with banks decreased \$16 million, or 3.7%, compared to year-end 2006. These categories of earning assets are subject to large daily fluctuations based on the availability of these types of funds. The average yield on other interest-earning assets was 5.06% for the first nine months of 2007, compared to 4.07% for the same period in 2006. The average yield on other interest-earning assets was 4.96% for the third quarter of 2007, compared to 4.16% for the same period in 2006.

Goodwill and Other Assets

BB&T's other noninterest-earning assets, excluding premises and equipment and noninterest-bearing cash and due from banks, increased \$1.3 billion from December 31, 2006 to September 30, 2007. The growth in this category included an increase in goodwill of \$305 million, which resulted primarily from the acquisition of Coastal and certain contingent payments related to prior acquisitions. In addition, the prepaid pension asset increased \$232 million compared to the balance at December 31, 2006 due primarily to the discretionary contribution of \$249 million to the qualified pension plan during the third quarter of 2007. BB&T's investment in certain affordable housing and historic building rehabilitation projects increased \$134 million compared to the balance at December 31, 2006 and the cash surrender value of life insurance policies also increased \$94 million from December 31, 2006 to September 30, 2007.

Deposits

Client deposits generated through the BB&T banking network are the largest source of funds used to support asset growth. Deposits totaled \$85.2 billion at September 30, 2007, an increase of \$4.2 billion, or 5.2%, from December 31, 2006.

Average deposits for the first nine months of 2007 increased \$6.6 billion, or 8.6%, to \$82.9 billion compared to the first nine months of 2006. The categories of deposits with the highest average rates of growth for the first nine months of 2007 compared to the same period of 2006 were client certificates of deposit, which increased \$4.0 billion, or 18.2%; interest checking, which increased \$175 million, or 8.2%; and other client deposits, that includes money rate savings accounts, investor deposit accounts, savings accounts, individual retirement accounts and other time deposits, which increased \$3.0 billion, or 9.5%. In addition, other interest-bearing deposits, which consist of negotiable certificates of deposit and Eurodollar deposits, decreased \$539 million, or 6.7%, for the first nine months of 2007 compared to the same period in 2006.

Average deposits for the third quarter of 2007 increased \$5.1 billion, or 6.4%, compared to the same period in 2006. The categories of deposits with the highest growth for the third quarter of 2007 compared to the third quarter of 2006 were client certificates of deposit, which increased \$2.5 billion, or 10.5%; and other client deposits, which increased \$3.1 billion, or 9.8%. In addition, noninterest-bearing deposits decreased \$263 million, or 1.9%, while other interest-bearing deposits decreased \$239 million, or 3.1%, for the third quarter of 2007 compared to the same period in 2006.

The following table presents the composition of average deposits for the third quarter and the nine months ended September 30, 2007 and 2006:

Table 2
Composition of Average Deposits

	For the Three Months Ended			
	September 30, 2007		September 30, 2006	
	Balance	% of total	Balance	% of total
(Dollars in millions)				
Noninterest-bearing deposits	\$ 13,248	15.7 %	\$ 13,511	17.1 %
Interest checking	2,202	2.6	2,228	2.8
Other client deposits	34,836	41.4	31,713	40.0
Client certificates of deposit	26,456	31.4	23,951	30.3
Total client deposits	76,742	91.1	71,403	90.2
Other interest-bearing deposits	7,481	8.9	7,720	9.8
Total average deposits	\$ 84,223	100.0 %	\$ 79,123	100.0 %

	For the Nine Months Ended			
	September 30, 2007		September 30, 2006	
	Balance	% of total	Balance	% of total
(Dollars in millions)				
Noninterest-bearing deposits	\$ 13,188	15.9 %	\$ 13,194	17.3 %
Interest checking	2,299	2.8	2,124	2.8
Other client deposits	34,035	41.1	31,073	40.7
Client certificates of deposit	25,822	31.1	21,840	28.6
Total client deposits	75,344	90.9	68,231	89.4
Other interest-bearing deposits	7,564	9.1	8,103	10.6
Total average deposits	\$ 82,908	100.0 %	\$ 76,334	100.0 %

The change in deposit mix is primarily due to a shift from lower cost products, such as noninterest-bearing accounts, to higher cost certificates of deposit as clients continue to migrate towards these products. This change also reflects management's decision last year to more aggressively pursue retail deposits through BB&T's branch delivery network, which reduces the Corporation's reliance on other interest-bearing deposits.

For the first nine months of 2007, the annualized average rate paid on total interest-bearing deposits was 3.77%, an increase of 55 basis points compared to the first nine months of 2006. For the third quarter of 2007, the annualized average rate paid on total interest-bearing deposits was 3.80% compared to 3.54% in the same period last year. The increase in the average rate paid on interest-bearing deposits resulted primarily from the higher interest rate environment that existed during the first nine months of 2007 compared to 2006, competition in the pricing of deposit products and a shift in the deposit mix to higher cost products.

Borrowings

While client deposits remain the primary source for funding loan originations and other balance sheet growth, management uses shorter-term borrowings as a supplementary funding source for balance sheet growth. Shorter-term borrowings utilized by BB&T include federal funds purchased, securities sold under repurchase agreements, master notes, U.S. Treasury tax and loan deposit notes, and short-term bank notes. At September 30, 2007, shorter-term borrowings totaled \$10.6 billion, an increase of \$2.5 billion, or 31.3%, compared to December 31, 2006. The increase in these funds compared to December 31, 2006 was primarily due to a \$1.6 billion increase in short-term bank notes, which were generated by a new funding program offered by BB&T's Capital Markets Group.

The average annualized rate paid on shorter-term borrowed funds was 4.52% for the first nine months of 2007, an increase of 29 basis points from the average rate of 4.23% paid during the comparable period of 2006. For the third quarter of 2007 and 2006, respectively, the average rate paid on shorter-term borrowings was 4.43%. The higher rate paid on shorter-term borrowed funds during the first nine months of 2007 compared to the same period in 2006 was primarily the result of the increases in the federal funds rate.

BB&T also utilizes long-term debt for a variety of funding needs, including the repurchase of common stock and to supplement levels of regulatory capital. Long-term debt consists of FHLB advances to BB&T's banking subsidiary, corporate subordinated notes, senior and subordinated notes issued by Branch Banking and Trust Company ("Branch Bank"), junior subordinated debentures issued by BB&T and certain private borrowings by Branch Bank. Long-term debt totaled \$19.1 billion at September 30, 2007, an increase of \$3.2 billion, or 19.8%, from the balance at December 31, 2006. The increase primarily resulted from a \$4.0 billion fixed-rate private financing by Branch Bank that matures in 2010, which was partially offset by the repayment of \$1.5 billion in private financing. The fixed interest rate on the new \$4.0 billion borrowing was swapped to a floating rate during the first quarter of 2007.

In addition, BB&T and Branch Bank issued new long-term debt during the second quarter of 2007 that provides additional regulatory capital. In June 2007, BB&T issued \$600 million of capital securities, through a statutory business trust created under the laws of the State of Delaware, which was formed by BB&T for the sole purpose of issuing the capital securities and investing the proceeds thereof in junior subordinated debentures issued by BB&T. BB&T has made guarantees which, taken collectively, fully, irrevocably, and unconditionally guarantee, on a subordinated basis, all of the obligations under the trust, including the capital securities. The capital securities qualify for Tier 1 regulatory capital treatment and have a scheduled maturity on June 12, 2057 and a final repayment date of June 12, 2077. BB&T is required to use all commercially reasonable efforts, subject to certain market disruption events, to sell adequate qualifying capital securities to permit repayment of the securities in full on the scheduled maturity date. In May 2007, Branch Bank issued \$300 million of floating-rate subordinated notes due in 2017 that qualify for Tier II capital treatment. The proceeds from these issuances, along with other funding sources, were used to repay other long-term debt issuances of \$2.5 billion during the second quarter of 2007.

The average annualized rate paid on long-term debt for the third quarter of 2007 was 5.59%, an increase of 31 basis points compared to the third quarter of 2006. For the first nine months of 2007, the average rate paid on long-term debt was 5.48% compared to 5.04% during the same period in 2006. The increase in the cost of long-term funds resulted from replacing lower-rate private long-term funding, which was repaid in the second quarter of 2007, with a higher-rate hybrid capital issue, as well as increases in short-term rates in the current year compared to the prior year. The rise in short-term rates resulted in increases in the effective rates paid on the portion of BB&T's long-term debt that was issued as a floating-rate instrument or swapped to a floating rate.

Asset Quality

BB&T's nonperforming assets, which are composed of foreclosed real estate, repossessions, nonaccrual loans and restructured loans, totaled \$547 million at September 30, 2007, compared to \$349 million at December 31, 2006. As a percentage of loans and leases plus foreclosed property, nonperforming assets were .61% at September 30, 2007 and .42% at December 31, 2006. Loans 90 days or more past due and still accruing interest totaled \$149 million at September 30, 2007, compared to \$102 million at year-end 2006. This increase includes approximately \$12 million in nonperforming assets acquired from Coastal.

BB&T's net charge-offs totaled \$90 million for the third quarter and amounted to .40% of average loans and leases, on an annualized basis, compared to \$55 million, or .27%, of average loans and leases, on an annualized basis, in the corresponding period in 2006. For the nine months ended September 30, 2007 and 2006, net charge-offs totaled \$227 million and \$148 million, respectively, and represented .35% and .25%, respectively, of average loans and leases on an annualized basis.

The increases in net charge-offs and nonperforming assets were largely driven by challenges in the residential real estate market and higher default rates at Regional Acceptance, BB&T's sub-prime automobile lender. BB&T's geographic markets with the largest concentration of residential real estate credit issues are Atlanta, which has been affected by the loan portfolio acquired in the Main Street transaction, the greater metro Washington, D.C. area and, to a lesser degree, Florida.

The allowance for credit losses, which totaled \$941 million and \$888 million at September 30, 2007 and December 31, 2006, respectively, consists of the allowance for loan and lease losses, which is presented on the Consolidated Balance Sheets, and the reserve for unfunded lending commitments, which is included in other liabilities on the Consolidated Balance Sheets. The allowance for loan and lease losses totaled \$934 million at September 30, 2007, compared to \$888 million at December 31, 2006. This amounted to 1.04% of loans and leases outstanding at September 30, 2007, compared to 1.06% at year-end 2006.

Asset quality statistics for the last five calendar quarters are presented in the accompanying tables.

Table 3 - 1
Asset Quality Analysis

	For the Three Months Ended				
	9/30/07	6/30/07	3/31/07	12/31/06	9/30/06
	(Dollars in millions)				
Allowance For Credit Losses					
Beginning balance	\$ 926	\$ 901	\$ 888	\$ 884	\$ 871
Allowance for acquired (sold) loans, net	-	13	3	(1)	6
Provision for credit losses	105	88	71	73	62
Charge-offs					
Commercial loans and leases	(18)	(11)	(10)	(15)	(10)
Direct retail loans	(20)	(22)	(12)	(13)	(12)
Sales finance loans	(9)	(6)	(6)	(5)	(5)
Revolving credit loans	(12)	(12)	(12)	(12)	(11)
Mortgage loans	(1)	(2)	(1)	(2)	(1)
Specialized lending	(45)	(40)	(41)	(36)	(31)
Total charge-offs	(105)	(93)	(82)	(83)	(70)
Recoveries					
Commercial loans and leases	3	4	8	3	4
Direct retail loans	3	3	4	3	3
Sales finance loans	2	2	2	2	2
Revolving credit loans	3	3	3	3	3
Mortgage loans	-	-	-	-	-
Specialized lending	4	5	4	4	3
Total recoveries	15	17	21	15	15
Net charge-offs	(90)	(76)	(61)	(68)	(55)
Ending balance	\$ 941	\$ 926	\$ 901	\$ 888	\$ 884
Nonperforming Assets					
Nonaccrual loans and leases					
Commercial loans and leases	\$ 237	\$ 178	\$ 148	\$ 129	\$ 124
Direct retail loans	56	43	43	39	38
Sales finance loans	4	4	1	2	2
Mortgage loans	74	63	51	53	50
Specialized lending	48	36	33	37	31
Total nonaccrual loans and leases	419	324	276	260	245
Foreclosed real estate	82	61	56	54	55
Other foreclosed property	46	37	35	35	30
Restructured loans	-	1	-	-	1
Total nonperforming assets	\$ 547	\$ 423	\$ 367	\$ 349	\$ 331
Loans 90 days or more past due and still accruing					
Commercial loans and leases	\$ 21	\$ 18	\$ 18	\$ 14	\$ 8
Direct retail loans	18	17	13	20	17

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Sales finance loans	14	12	16	17	13
Revolving credit loans	7	6	7	6	6
Mortgage loans	76	48	39	37	36
Specialized lending	13	7	10	8	7
Total loans 90 days or more past due and still accruing	\$ 149	\$ 108	\$ 103	\$ 102	\$ 87

Table 3 - 2
Asset Quality Ratios

	For the Three Months Ended				
	9/30/07	6/30/07	3/31/07	12/31/06	9/30/06
Loans 90 days or more past due and still accruing as a percentage of total loans and leases	.17 %	.12 %	.12 %	.12 %	.11 %
Nonaccrual and restructured loans and leases as a percentage of total loans and leases	.47	.37	.32	.31	.30
Total nonperforming assets as a percentage of:					
Total assets	.42	.33	.30	.29	.28
Loans and leases plus foreclosed property	.61	.48	.43	.42	.40
Net charge-offs as a percentage of average loans and leases	.40	.35	.29	.33	.27
Allowance for loan and lease losses as a percentage of loans and leases	1.04	1.04	1.05	1.06	1.08
Allowance for loan and lease losses as a percentage of loans and leases held for investment	1.05	1.05	1.06	1.07	1.09
Ratio of allowance for loan and lease losses to:					
Net charge-offs	2.61 x	3.04 x	3.58 x	3.29 x	4.07 x
Nonaccrual and restructured loans and leases	2.23	2.83	3.24	3.41	3.59

Note: All items referring to loans and leases include loans held for sale and are net of unearned income. Applicable ratios are annualized.

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ANALYSIS OF RESULTS OF OPERATIONS

Consolidated net income for the third quarter of 2007 totaled \$444 million, an increase of \$27 million, or 6.5%, compared to \$417 million earned during the third quarter of 2006. On a diluted per share basis, earnings for the three months ended September 30, 2007 were \$.80, an increase of 3.9% compared to \$.77 for the same period in 2006. BB&T's results of operations for the third quarter of 2007 produced an annualized return on average assets of 1.37% and an annualized return on average shareholders' equity of 14.24%, compared to prior year ratios of 1.42% and 14.39%, respectively.

Consolidated net income for the first nine months of 2007 totaled \$1.32 billion, an increase of 3.6% compared to \$1.28 billion earned during the same period of 2006. On a diluted per share basis, earnings for the first nine months of 2007 and 2006 were \$2.40 and \$2.35, respectively, which represents an increase of 2.1%. BB&T's results of operations for

the first nine months of 2007 produced an annualized return on average assets of 1.42% and an annualized return on average shareholders' equity of 14.74%, compared to prior year ratios of 1.51% and 15.13%, respectively.

The following table sets forth selected financial ratios for the last five calendar quarters. BB&T's fourth quarter 2006 results were negatively affected by an additional tax provision of \$139 million, and securities losses of \$47 million, after-tax, resulting from a securities portfolio restructuring. Please refer to the section titled "Fourth Quarter Results" in BB&T's Annual Report on Form 10-K for the year ended December 31, 2006, for a more detailed discussion of these items.

Table 4
Annualized
Profitability Measures

	2007			2006	
	Third	Second	First	Fourth	Third
	Quarter	Quarter	Quarter	Quarter	Quarter
Return on average assets	1.37 %	1.47 %	1.41 %	.84 %	1.42 %
Return on average shareholders' equity	14.24	15.18	14.81	8.33	14.39
Net interest margin (taxable equivalent)	3.45	3.55	3.61	3.70	3.68

Net Interest Income and Net Interest Margin

Net interest income on an FTE basis was \$992 million for the third quarter of 2007 compared to \$960 million for the same period in 2006, an increase of \$32 million, or 3.3% . For the quarter ended September 30, 2007, average earning assets increased \$10.7 billion, or 10.3%, compared to the same period of 2006, while average interest-bearing liabilities increased \$11.8 billion, or 13.5%, and the net interest margin decreased from 3.68% in the third quarter of 2006 to 3.45% in the current quarter. For the first nine months of 2007, net interest income on an FTE basis was \$2.9 billion, an increase of 4.3% compared to the same period in 2006. Average earning assets for the first nine months of 2007 were \$111.1 billion, an increase of 10.7% compared to the prior year average of \$100.3 billion, while average interest-bearing liabilities increased \$12.1 billion, or 14.4%, compared to the first nine months of 2006. The net interest margin for the first nine months of 2007 was 3.54%, a decrease of 21 basis points compared to 3.75% during the first nine months of 2006. The decline in the net interest margin during 2007 compared to 2006 was affected by additional funding costs associated with a payment to the IRS that was made in January 2007 as described in the "Provision for Income Taxes" section below. In addition, the net interest margin continued to tighten in the third quarter of 2007 for three primary reasons. First, the mix of asset growth has shifted from higher-yielding commercial real estate and direct retail loans to lower-yielding mortgage loans and commercial and industrial loans. Second, higher levels of nonaccruals have negatively affected net interest income and the net interest margin. Third, increased liability costs, specifically a shift to higher-cost deposits from lower-cost transaction accounts, contributed to the margin compression.

The following tables set forth the major components of net interest income and the related annualized yields and rates for the third quarter and the first nine months of 2007 compared to the same periods in 2006, as well as the variances between the periods caused by changes in interest rates versus changes in volumes.

Table 5-1
FTE Net Interest Income and Rate / Volume Analysis
For the Three Months Ended September 30, 2007 and 2006

	Average Balances		Annualized		Income/Expense		Increase		Change due to	
	2007	2006	2007	2006	2007	2006	(Decrease)	Rate	Volume	
(Dollars in millions)										
Assets										
Securities, at amortized cost (1):										
U.S. Treasury securities	\$ 84	\$ 115	4.48 %	3.72 %	\$ 1	\$ 1	\$ -	-	\$ -	
U.S. government-sponsored entity securities (6)										
Mortgage-backed securities	10,854	11,996	4.67	4.00	127	120	7	19	(12)	
States and political subdivisions	981	596	5.48	6.90	13	10	3	(2)	5	
Other securities	2,538	1,062	6.01	5.24	39	14	25	2	23	
Trading securities	1,455	855	4.54	3.31	16	7	9	3	6	
Total securities (5)	24,246	21,736	5.02	4.47	305	243	62	24	38	
Other earning assets (2)	1,105	977	4.96	4.16	14	11	3	2	1	
Loans and leases, net of unearned income (1)(3)(4)(5)										
	89,090	81,044	7.70	7.70	1,725	1,571	154	-	154	
Total earning assets	114,441	103,757	7.11	6.99	2,044	1,825	219	26	193	
Non-earning assets	14,192	13,127								
Total assets	\$ 128,633	\$ 116,884								
Liabilities and Shareholders' Equity										
Interest-bearing deposits:										
Interest-checking	\$ 2,202	\$ 2,228	2.33	1.94	\$ 13	\$ 11	\$ 2	\$ 2	\$ -	
Other client deposits	34,836	31,713	2.94	2.61	258	208	50	28	22	
Client certificates of deposit	26,456	23,951	4.64	4.33	310	262	48	20	28	
Other interest-bearing deposits	7,481	7,720	5.22	5.36	98	105	(7)	(4)	(3)	
Total interest-bearing deposits	70,975	65,612	3.80	3.54	679	586	93	46	47	
Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds										
	9,892	6,720	4.43	4.43	110	75	35	-	35	
Long-term debt	18,721	15,433	5.59	5.28	263	204	59	13	46	

Total interest-bearing liabilities	99,588	87,765	4.20	3.91	1,052	865	187	59	128
Noninterest-bearing deposits	13,248	13,511							
Other liabilities	3,438	4,108							
Shareholders' equity	12,359	11,500							
Total liabilities and shareholders' equity	\$ 128,633	\$ 116,884							
Average interest rate spread			2.91	3.08					
Net interest margin			3.45 %	3.68 %	\$ 992	\$ 960	\$ 32	\$ (33)	\$ 65
Taxable equivalent adjustment					\$ 14	\$ 22			

- (1) Yields related to securities, loans and leases exempt from income taxes are stated on a taxable equivalent basis assuming tax rates in effect for the periods presented.
- (2) Includes Federal funds sold, securities purchased under resale agreements or similar arrangements, interest-bearing deposits with banks, and other earning assets.
- (3) Loan fees, which are not material for any of the periods shown, have been included for rate calculation purposes.
- (4) Nonaccrual loans have been included in the average balances. Only the interest collected on such loans has been included as income.
- (5) Includes assets which were held for sale or available for sale at amortized cost and trading securities at estimated fair value.
- (6) Includes stock issued by the FHLB of Atlanta.

Table 5-2
FTE Net Interest Income and Rate / Volume Analysis
For the Nine Months Ended September 30, 2007 and 2006

	Average Balances		Annualized Yield / Rate		Income / Expense		Increase (Decrease)	Change due to		
	2007	2006	2007	2006	2007	2006		Rate	Volume	
(Dollars in millions)										
Assets										
Securities, at amortized cost (1):										
U.S. Treasury securities \$	84	\$ 121	4.50 %	3.34 %	\$ 3	\$ 3	-	\$ 1	(1)	
U.S. government-sponsored entity securities (6)	10,352	11,955	4.55	3.97	354	356	(2)	49	(51)	
Mortgage-backed securities	8,282	6,762	5.11	4.92	317	250	67	10	57	
States and political subdivisions	710	617	6.21	6.85	33	32	1	(3)	4	
Other securities	2,469	981	6.32	5.48	117	40	77	7	70	
Trading securities	1,193	824	4.83	3.30	43	20	23	12	11	
Total securities (5)	23,090	21,260	5.01	4.40	867	701	166	76	90	
Other earning assets (2)	971	908	5.06	4.07	37	28	9	7	2	
Loans and leases, net of unearned income (1)(3)(4)(5)	86,990	78,176	7.73	7.46	5,029	4,364	665	162	503	
Total earning assets	111,051	100,344	7.14	6.78	5,933	5,093	840	245	595	
Non-earning assets	13,822	12,484								
Total assets	\$ 124,873	\$ 112,828								
Liabilities and Shareholders' Equity										
Interest-bearing deposits:										
Interest-checking	\$ 2,299	\$ 2,124	2.34	1.72	\$ 40	\$ 27	13	11	2	
Other client deposits	34,035	31,073	2.87	2.31	731	537	194	139	55	
Client certificates of deposit	25,822	21,840	4.63	4.02	894	657	237	108	129	
Other interest-bearing deposits	7,564	8,103	5.30	4.95	300	300	-	21	(21)	
Total interest-bearing deposits	69,720	63,140	3.77	3.22	1,965	1,521	444	279	165	
Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	8,848	6,971	4.52	4.23	299	221	78	16	62	
Long-term debt	17,769	14,132	5.48	5.04	729	533	196	50	146	

Total interest-bearing liabilities	96,337	84,243	4.15	3.61	2,993	2,275	718	345	373
Noninterest-bearing deposits	13,188	13,194							
Other liabilities	3,347	4,104							
Shareholders' equity	12,001	11,287							
Total liabilities and shareholders' equity	\$ 124,873	\$ 112,828							
Average interest rate spread			2.99	3.17					
Net interest margin			3.54 %	3.75 %	\$ 2,940	\$ 2,818	\$ 122	\$ (100)	\$ 222
Taxable equivalent adjustment					\$ 51	\$ 66			

- (1) Yields related to securities, loans and leases exempt from income taxes are stated on a taxable equivalent basis assuming tax rates in effect for the periods presented.
- (2) Includes Federal funds sold, securities purchased under resale agreements or similar arrangements, interest-bearing deposits with banks, and other earning assets.
- (3) Loan fees, which are not material for any of the periods shown, have been included for rate calculation purposes.
- (4) Nonaccrual loans have been included in the average balances. Only the interest collected on such loans has been included as income.
- (5) Includes assets which were held for sale or available for sale at amortized cost and trading securities at estimated fair value.
- (6) Includes stock issued by the FHLB of Atlanta.

Provision for Credit Losses

The provision for credit losses totaled \$105 million for the third quarter of 2007, compared to \$62 million for the third quarter of 2006. For the first nine months of 2007, the provision for credit losses totaled \$264 million, an increase of \$97 million, or 58.1%, compared to the provision of \$167 million for the same period in 2006. The increases in the provision for credit losses were driven primarily by an increase in net charge-offs, as well as growth in the lending portfolio. Net charge-offs have risen in recent periods as a result of a weakening economy and more distress by borrowers. In addition, a higher percentage of total loans in 2007 compared to 2006 were originated by the specialized lending group. Such loans have higher losses, but also produce a higher yield.

Net charge-offs were .40% of average loans and leases for the third quarter of 2007 compared to .27% of average loans and leases for the same period in 2006. The allowance for loan and lease losses was 1.04% of loans and leases outstanding and was 2.23x total nonaccrual and restructured loans and leases at September 30, 2007, compared to 1.08% and 3.59x, respectively, at September 30, 2006.

Noninterest Income

Noninterest income as a percentage of total revenues has increased in recent years due to BB&T's emphasis on growing its fee-based businesses. Fee-based service revenues lessen BB&T's dependence on traditional spread-based interest income and are a relatively stable revenue source during periods of changing interest rates. Noninterest income for the three months ended September 30, 2007 totaled \$675 million, compared to \$660 million for the same period in 2006, an increase of \$15 million, or 2.3%. For the nine months ended September 30, 2007, noninterest income totaled \$2.1 billion, an increase of \$137 million, or 7.1%, compared to the same period in 2006. The overall growth in noninterest income also reflects the impact of acquisitions.

Insurance commissions, which are BB&T's largest source of noninterest income, totaled \$206 million for the third quarter of 2007, a decrease of \$3 million, or 1.4%, compared to the same three-month period of 2006. For the first nine months of 2007, insurance commissions totaled \$632 million, up \$33 million, or 5.5%, compared to the same period last year. The decrease in insurance revenues for the third quarter of 2007 compared to the corresponding period of 2006 was primarily attributable to more competitive pricing in the commercial property and casualty insurance markets. The increase in insurance revenues for the first nine months of 2007 compared to the corresponding period of 2006 was primarily the result of growth in commissions from the sale of property and casualty coverage, which was partially offset by the competitive pricing for these products. In addition, sales of employee benefits-related insurance products increased during 2007 compared to 2006. This growth includes the impact from acquisitions and divestitures completed during 2007 and 2006.

Service charges on deposits totaled \$157 million for the third quarter of 2007, an increase of \$19 million, or 13.8%, compared to the third quarter of 2006. For the first nine months of 2007, service charges on deposits totaled \$446 million, an increase of \$39 million, or 9.6%, compared to the same period in 2006. For the third quarter and the first nine months of 2007, higher revenues were primarily attributable to growth from overdraft fees compared to the same periods last year.

Investment banking and brokerage fees and commissions totaled \$87 million for the third quarter of 2007, an increase of \$5 million, or 6.1%, from \$82 million earned in the third quarter of 2006. For the first nine months of 2007, investment banking and brokerage fees and commissions totaled \$258 million, up \$16 million, or 6.6%, compared to the same period last year. The increases during the third quarter and the nine month periods were primarily attributable to growth in fees and commissions from Scott & Stringfellow's retail brokerage activities derived from higher trading volumes and growth in assets under management. The growth for the third quarter of 2007 compared to the third quarter of 2006 was partially offset by a decline in advisory fees and underwriting fees at BB&T Capital Markets.

Mortgage banking income totaled \$27 million in the third quarter of 2007, an increase of \$4 million, compared to \$23 million earned in the third quarter of 2006. The following table provides a breakdown of the various components of mortgage banking income and other statistical information for the third quarters of 2007 and 2006:

Table 6-1
Mortgage Banking Income and Related Statistical Information

Mortgage Banking Income	For the Three Months Ended September 30,	
	2007	2006
	(Dollars in millions)	
Residential mortgage production income	\$ 8	\$ 10
Residential Mortgage Servicing:		
Residential mortgage servicing fees	28	25
Residential mortgage servicing rights decrease in fair value due to change in valuation inputs or assumptions	(54)	(40)
Mortgage servicing rights derivative gains	60	40
Net	6	-
Realization of expected residential mortgage servicing rights cash flows	(23)	(21)
Total residential mortgage servicing income	11	4
Total residential mortgage banking income	19	14
Commercial mortgage banking income	8	9
Total mortgage banking income	\$ 27	\$ 23

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Mortgage Banking Statistical Information	As of / For the Three Months Ended September 30,	
	2007	2006
	(Dollars in millions)	
Residential mortgage originations	\$ 3,225	\$ 2,461
Residential mortgage loans serviced for others	30,318	27,871
Residential mortgage loan sales	2,109	1,489
Commercial mortgage originations	\$ 608	\$ 593
Commercial mortgage loans serviced for others	9,940	8,857

For the first nine months of 2007, mortgage banking income totaled \$88 million compared to \$84 million earned during the same period of 2006. The following table provides a breakdown of the various components of mortgage banking income for the nine month periods ended September 30, 2007 and 2006, respectively:

Table 6-2
Mortgage Banking Income and Related Statistical Information

Mortgage Banking Income	For the Nine Months Ended September 30,	
	2007	2006
	(Dollars in millions)	
Residential mortgage production income	\$ 38	\$ 35
Residential Mortgage Servicing:		
Residential mortgage servicing fees	84	75
Residential mortgage servicing rights increase in fair value due to change in valuation inputs or assumptions	25	21
Mortgage servicing rights derivative losses	(16)	(14)
Net	9	7
Realization of expected residential mortgage servicing rights		
cash flows	(69)	(58)
Total residential mortgage servicing income	24	24
Total residential mortgage banking income	62	59
Commercial mortgage banking income	26	25
Total mortgage banking income	\$ 88	\$ 84

Mortgage Banking Statistical Information	As of / For the Nine Months Ended September 30,	
	2007	2006
	(Dollars in millions)	
Residential mortgage originations	\$ 8,700	\$ 7,426
Residential mortgage loan sales	5,181	3,891
Commercial mortgage originations	\$ 1,906	\$ 1,925

Other nondeposit fees and commissions, including bankcard fees and merchant discounts, and checkcard fees, totaled \$129 million for the third quarter of 2007, an increase of \$14 million, or 12.2%, compared to the third quarter of 2006. The principal drivers of the

third quarter increase were checkcard fees and bankcard income, which both increased \$5 million compared to the same period in 2006. For the nine months ended September 30, 2007, other nondeposit fees and commissions, including bankcard fees and merchant discounts, and checkcard fees totaled \$370 million, up \$42 million, or 12.8%, from the same period in 2006. The increase for the first nine months of 2007 was driven by the same factors as the quarter, including increases in checkcard fees and bankcard income of \$17 million and \$10 million, respectively.

Trust income totaled \$40 million for the third quarter of 2007, a slight increase compared to the third quarter of 2006. For the nine months ended September 30, 2007, trust income totaled \$120 million, up \$6 million, or 5.3%, compared to the same period in 2006. Trust revenues are based on the types of services provided as well as the overall market value of assets managed, which is affected by market conditions. The increase in trust income for the third quarter and the first nine months of 2007 was primarily from growth in wealth management income.

Other income, including income from bank-owned life insurance, totaled \$23 million for the third quarter of 2007, a decrease of \$31 million, or 57.4%, compared to the third quarter of 2006. The decrease in 2007 primarily resulted from losses incurred from hedging, trading and other market activities that arose primarily due to the disruptions in the financial markets during the third quarter of 2007. For the first nine months of 2007, other income totaled \$146 million, a slight increase compared to the first nine months of 2006. The increase resulted primarily from a \$19 million gain on the sale of an insurance operation and an increase of \$7 million in income generated from bank-owned life insurance, primarily due to the restructuring of certain contracts into higher-yielding separate account policies in mid-2006, which were partially offset by the losses incurred from hedging, trading and other market activities incurred during the third quarter of 2007.

Noninterest Expense

Noninterest expenses totaled \$888 million for the third quarter of 2007, compared to \$915 million for the same period a year ago, a decrease of \$27 million, or 3.0%. For the first nine months of 2007, noninterest expenses totaled \$2.7 billion, an increase of \$100 million, or 3.9%, compared to the same period in 2006. Noninterest expenses for the third quarter and the first nine months of 2007 include \$7 million and \$18 million, respectively, in net pre-tax merger-related and restructuring charges. Noninterest expenses for the third quarter and the first nine months of 2006 include \$10 million and \$9 million in net pre-tax merger-related and restructuring charges, respectively. The overall growth in noninterest expense also reflects the impact of acquisitions.

Personnel expense, the largest component of noninterest expense, was \$514 million for the current quarter compared to \$524 million for the same period in 2006, a decrease of \$10 million, or 1.9%. This decrease was primarily attributable to incentive compensation expenses and net periodic pension expense, which decreased \$8 million and \$7 million, respectively, compared to the third quarter last year. The decline in net periodic pension expense was primarily a result of an increase in the estimated return on pension assets that resulted from additional funding to the pension plan. For the first nine months of 2007, personnel expense totaled \$1.6 billion compared to \$1.5 billion in 2006, an increase of 2.2%. The increase resulted primarily from increases in salaries and wages, and health and welfare benefits expense and equity-based compensation expense, which amounted to \$20 million, \$18 million, and \$9 million, respectively. These increases for the first nine months of 2007 compared to the same period of 2006 were partially offset by a decline of \$11 million in net periodic pension costs as a result of an increase in the estimated return on plan assets that was the result of additional funding to the pension plan.

Occupancy and equipment expense for the three months ended September 30, 2007 totaled \$118 million, compared to \$114 million for the third quarter of 2006, representing an increase of \$4 million, or 3.5%. For the first nine months of 2007, occupancy and equipment expense totaled \$351 million, up \$20 million, or 6.0%, compared to 2006. The increase for the third quarter and the first nine months of 2007 was primarily related to additional rent in connection with de novo branches, acquisitions and renewals of existing leases.

Other noninterest expenses, including professional services and loan processing expenses, totaled \$223 million for the current quarter, a decrease of \$17 million, or 7.1%, compared to the same period of 2006. The decrease was primarily attributable to a charge of \$15 million that was recorded in the third quarter of 2006 related to a legal matter. For the first nine months of 2007, other noninterest expenses, including professional services and loan processing expenses, totaled \$670 million, up \$37 million, or 5.8%, compared to the same period in 2006. The increase of \$37 million was primarily attributable to a pre-tax gain of \$28 million from the sale of duplicate facilities that was recorded in 2006. In addition, the first nine months included an increase of \$15 million in professional services expense compared to the same period of 2006 and a decrease of \$15 million from the charge for the legal matter that was recorded in the third quarter of 2006.

Merger-Related and Restructuring Activities

BB&T recorded certain merger-related items and restructuring costs during both 2007 and 2006. These charges are reflected in BB&T's Consolidated Statements of Income as a category of noninterest expense.

Merger-related and restructuring charges and expenses include personnel-related expenses such as staff relocation costs, severance benefits, early retirement packages and contract settlements. They also include furniture, equipment and occupancy costs related to department and branch consolidations as well as costs related to converting the data processing systems of acquired companies to BB&T's automation platform. Additionally, merger-related and restructuring charges include professional fees, advertising and asset write-offs incurred in connection with merger and restructuring activities.

Severance and personnel-related costs include severance, employee retention, payments related to change-in-control provisions of employment contracts, outplacement services and other benefits associated with employee termination or reversals of previously estimated amounts, which typically occur in corporate support and data processing functions.

Occupancy and equipment charges or credits represent merger-related and restructuring costs or gains associated with lease terminations, obsolete equipment write-offs and the sale of duplicate facilities and equipment. Credits may result when obsolete properties or equipment are sold for more than originally estimated. Other merger-related and restructuring charges or credits include expenses necessary to convert and combine the acquired branches and operations of merged companies, direct media advertising related to acquisitions, asset and supply inventory write-offs, litigation accruals and other similar charges.

In conjunction with the consummation of an acquisition or restructuring activity and the completion of other requirements, BB&T typically accrues certain merger-related and restructuring expenses for estimated severance and other personnel 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 an acquisition. The following table presents a summary of activity with respect to BB&T's merger-related and restructuring accruals. This table includes costs reflected as expenses, as presented in the Consolidated Statements of Income, and accruals recorded through purchase accounting adjustments.

Table 7
Merger-Related and Restructuring Accrual Activity

	Balance January 1, 2007	Accrued at acquisition	Merger-related and restructuring charges	Utilized	Purchase price adjustments	Balance September 30, 2007
	(Dollars in millions)					
Severance and personnel-related items	\$ 12	\$ 4	\$ 7	\$ (13)	\$ -	\$ 10
Occupancy and equipment	4	1	2	(2)	1	6
Other merger-related items	2	3	9	(12)	-	2
Total	\$ 18	\$ 8	\$ 18	\$ (27)	\$ 1	\$ 18

The remaining accruals at September 30, 2007 were related primarily to costs associated with severance payments to certain executive officers and costs to exit certain leases and to dispose of excess facilities and equipment. These liabilities will be utilized in the future because they relate to specific contracts or legal obligations that expire in later years, or they relate to the disposal of duplicate facilities and equipment, which may take longer to complete.

In general, a major portion of accrued costs are utilized in conjunction with or immediately following the systems conversion when most of the duplicate positions are eliminated and the terminated employees begin to receive severance. Other accruals are utilized over time based on the sale, closing or disposal of duplicate facilities or equipment or the expiration of lease contracts. Merger and restructuring accruals are re-evaluated periodically and adjusted as necessary. The remaining accruals at September 30, 2007 are expected to be utilized during 2007, unless they relate to specific contracts that expire in later years.

Provision for Income Taxes

The provision for income taxes totaled \$216 million for the third quarter of 2007, an increase of \$12 million compared to the same period of 2006, primarily due to higher pretax

income. BB&T's effective income tax rates for the third quarters of 2007 and 2006 were 32.7% and 32.1%, respectively. For the first nine months of 2007, the provision for income taxes was \$664 million compared to \$633 million for the first nine months of 2006. The \$31 million increase in the provision for income taxes for the first nine months of 2007 was also primarily attributable to higher pretax income. BB&T's effective income tax rates for the first nine months of 2007 and 2006 were 33.4% and 33.1%, respectively.

BB&T has extended credit to and invested in the obligations of states and municipalities and their agencies, and has made other investments and loans that produce tax-exempt income. The income generated from these investments, together with certain other transactions that have favorable tax treatment, have reduced BB&T's overall effective tax rate from the statutory rate in 2007 and 2006.

BB&T continually monitors and evaluates the potential impact of current events and circumstances on the estimates and assumptions used in the analysis of its income tax positions and, accordingly, BB&T's effective tax rate may fluctuate in the future. On a periodic basis, BB&T evaluates its income tax positions based on tax laws and regulations and financial reporting considerations, and records adjustments as appropriate. This evaluation takes into consideration the status of taxing authorities' current examinations of BB&T's tax returns, recent positions taken by the taxing authorities on similar transactions, if any, and the overall tax environment in relation to tax-advantaged transactions. Accordingly, the results of these examinations may alter the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. In this regard, the IRS disallowed certain deductions taken by BB&T on leveraged lease transactions during 1997-2002. In 2004, BB&T filed a lawsuit against the IRS to pursue a refund of amounts assessed by the IRS related to a leveraged lease transaction entered into during 1997. On January 4, 2007, the United States Middle District Court of North Carolina issued a summary judgment in favor of the IRS related to BB&T's lawsuit. Based on a review of the summary judgment by BB&T's counsel, BB&T filed a notice of appeal with the United States Appeals Court for the Fourth Circuit, based in Richmond, Virginia.

BB&T paid \$1.2 billion to the IRS during the first quarter of 2007. This payment represented the total tax and interest due on leveraged lease transactions for all open years. The tax paid relates to differences in the timing of income recognition and deductions for income tax purposes for which deferred taxes had been previously provided.

Management has consulted with outside counsel and continues to believe that BB&T's treatment of its leveraged lease transactions was appropriate and in compliance with the tax laws and regulations applicable to the years examined.

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MARKET RISK MANAGEMENT

The effective management of market risk is essential to achieving BB&T's strategic financial objectives. As a financial institution, BB&T's most significant market risk exposure is interest rate risk; however, market risk also includes product liquidity risk, price risk and volatility risk. The primary objective of interest rate risk management is to minimize any adverse effect that changes in interest rates may have on net interest income. This is accomplished through active management of asset and liability portfolios with a focus on the strategic pricing of asset and liability accounts and management of appropriate maturity mixes of assets and liabilities. The goal of these activities is the development of appropriate maturity and repricing opportunities in BB&T's portfolios of assets and liabilities that will produce consistent net interest income during periods of changing interest rates. BB&T's

Market Risk and Liquidity Committee monitors loan, investment and liability portfolios to ensure comprehensive management of interest rate risk. These portfolios are analyzed for proper fixed-rate and variable-rate mixes under various interest rate scenarios.

The asset/liability management process is designed to achieve relatively stable net interest margins and assure liquidity by coordinating the volumes, maturities or repricing opportunities of earning assets, deposits and borrowed funds. It is the responsibility of the Market Risk and Liquidity Committee to determine and achieve the most appropriate volume and mix of earning assets and interest-bearing liabilities, as well as to ensure an adequate level of liquidity and capital, within the context of corporate performance goals. The Market Risk and Liquidity Committee also sets policy guidelines and establishes long-term strategies with respect to interest rate risk exposure and liquidity. The Market Risk and Liquidity Committee meets regularly to review BB&T's interest rate risk and liquidity positions in relation to present and prospective market and business conditions, and adopts funding and balance sheet management strategies that are intended to ensure that the potential impact on earnings and liquidity as a result of fluctuations in interest rates is within acceptable standards.

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 Board of Governors of the Federal Reserve System to regulate the availability and cost of credit have a greater effect on a financial institution's profitability than do the effects of higher costs for goods and services. Through its balance sheet management function, which is monitored by the Market Risk and Liquidity Committee, management believes that BB&T is positioned to respond to changing needs for liquidity, changes in interest rates and inflationary trends.

Management uses Interest Sensitivity Simulation Analysis ("Simulation") to measure the sensitivity of projected earnings to changes in interest rates. Simulation takes into account the current contractual agreements that BB&T has made with its customers on deposits, borrowings, loans, investments and any commitments to enter into those transactions. Management monitors BB&T's interest sensitivity by means of a computer model that incorporates the current volumes, average rates earned and paid, and scheduled maturities and payments of asset and liability portfolios, together with multiple scenarios of projected prepayments, repricing opportunities and anticipated volume growth. Using this information, the model projects earnings based on projected portfolio balances under multiple interest rate scenarios. This level of detail is needed to simulate the effect that changes in interest rates and portfolio balances may have on the earnings of BB&T. This method is subject to the accuracy of the assumptions that underlie the process, but management believes that it provides a better illustration of the sensitivity of earnings to changes in interest rates than other analyses such as static or dynamic gap.

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

Table 8
Interest Sensitivity Simulation Analysis

Linear Change in Prime Rate	Interest Rate Scenario		Annualized Hypothetical Percentage Change in Net Interest Income	
	2007	Prime Rate September 30, 2006	2007	September 30, 2006
3.00 %	10.75 %	11.25 %	(4.55) %	(2.52) %
1.50	9.25	9.75	(3.24)	(1.77)
No Change	7.75	8.25	-	-
(1.50)	6.25	6.75	2.58	0.89
(3.00)	4.75	5.25	3.05	0.79

Management has established parameters for asset/liability management, which prescribe a maximum negative impact on interest sensitive income of 3% for the next 12 months for a linear increase of 150 basis points for six months followed by a flat interest rate scenario for the remaining six month period, and a maximum negative impact of 6% for a linear increase of 300 basis points for 12 months. Consistent with BB&T's Market Risk and Liquidity Policy, management is actively analyzing various scenarios that would reduce the adverse impact of a 150 basis point increase in rates such that the results of the interest sensitivity simulation would be within the established parameters.

Derivative Financial Instruments

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

Derivative contracts are written in amounts referred to as notional amounts. Notional amounts only provide the basis for calculating payments between counterparties. Notional amounts do not represent amounts to be exchanged between parties, and are not a measure of financial risk. On September 30, 2007, BB&T had derivative financial instruments outstanding with notional amounts totaling \$43.1 billion. The estimated net fair value of open contracts was \$34 million at September 30, 2007. This compares to \$23.1 billion in notional derivatives with a fair value of \$(45 million) at December 31, 2006. The majority of the increase in notional amounts was due to the addition of \$8 billion in derivatives related to a private placement secured financing transaction. In addition, approximately \$8 billion in derivatives were added to mitigate risk in various trading positions held by BB&T. The \$79 million increase in the fair value of derivatives between December 31, 2006 and September 30, 2007 was primarily the result of changes in fair value of derivatives hedging mortgage servicing rights.

Credit risk related to derivatives arises when amounts receivable from a counterparty exceed those payable. Because the notional amount of the instruments only serves as a basis for calculating amounts receivable or payable, the risk of loss with any counterparty is limited to a small fraction of the notional amount. BB&T deals only with derivatives dealers that are national market makers with strong credit ratings in its derivatives activities. BB&T further controls the risk of loss by subjecting counterparties to credit reviews and approvals similar to those used in making loans and other extensions of credit. In addition, certain counterparties are required to provide cash collateral to BB&T when their unsecured loss positions exceed certain negotiated limits. All of the derivative contracts to which BB&T is a party settle monthly, quarterly or semiannually. Further, BB&T frequently has netting agreements with the dealers with which it does business. Because of these factors, BB&T's credit risk exposure related to derivative contracts at September 30, 2007 was not material.

The following tables set forth certain information concerning BB&T's derivative financial instruments at September 30, 2007 and December 31, 2006:

Table 9-1
Derivative Classifications and Hedging Relationships

	September 30, 2007		
	Notional Amount	Fair Value Gain Loss	
	(Dollars in Millions)		
Derivatives Designated as Cash Flow Hedges:			
Hedging business loans	\$ 2,119	\$ 14	\$ (12)
Hedging short term funding	1,200	-	(5)
Hedging medium term bank notes and FHLB advances	3,484	7	(3)
Derivatives Designated as Fair Value Hedges:			
Hedging long-term debt	8,300	53	(83)
Hedging municipal securities	426	2	(10)
Derivatives not designated as hedges	27,522	148	(77)
Total	\$ 43,051	\$ 224	\$ (190)
December 31, 2006			
	Notional Amount	Fair Value Gain Loss	
	(Dollars in Millions)		
Derivatives Designated as Cash Flow Hedges:			
Hedging business loans	\$ 2,119	\$ 8	\$ (22)
Hedging institutional certificates of deposit and other time deposits	750	-	-
Hedging medium term bank notes	1,925	20	-
Derivatives Designated as Fair Value Hedges:			
Hedging long-term debt	3,900	50	(97)
Derivatives not designated as hedges	14,403	57	(61)
Total	\$ 23,097	\$ 135	\$ (180)

Table 9-2
Derivative Financial Instruments

	September 30, 2007		December 31, 2006	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
	(Dollars in Millions)			
Receive fixed swaps	\$ 11,805	\$ 1	\$ 6,594	\$ (57)
Pay fixed swaps	6,191	(46)	3,899	4
Forward starting receive fixed swaps	1,825	48	1,285	5
Forward starting pay fixed swaps	1,581	(5)	544	-
Other swaps	4,747	(5)	264	(5)
Caps, floors and collars	2,478	14	1,619	8
Foreign exchange contracts	208	2	258	-
Futures contracts	7,136	(2)	2,364	1
Treasury forwards	75	-	-	-
Interest rate lock commitments	1,141	(1)	546	(1)
Forward commitments	1,622	(2)	1,217	2
Swaptions	2,487	30	1,188	3
When-issued securities and forward rate agreements	1,165	-	2,613	(5)
Options on contracts purchased and sold	590	-	706	-
Total	\$ 43,051	\$ 34	\$ 23,097	\$ (45)

BB&T's receive fixed swaps had weighted average receive rates of 5.01% and 4.93%, and weighted average pay rates of 5.55% and 5.33% at September 30, 2007 and December 31, 2006, respectively. In addition, BB&T's pay fixed swaps had weighted average receive rates of 5.25% and 5.24%, and weighted average pay rates of 4.75% and 4.61%, at September 30, 2007 and December 31, 2006, respectively.

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

BB&T utilizes a variety of financial instruments to meet the financial needs of its clients and reduce exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, options written, standby letters of credit and other financial guarantees, interest-rate caps, floors and collars, interest-rate swaps, swaptions, when-issued securities and forward and futures contracts. Please refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2006, for discussion with respect to BB&T's quantitative and qualitative disclosures about its fixed and determinable contractual obligations. Items disclosed in BB&T's Annual Report on Form 10-K for the year ended December 31, 2006, have not materially changed since that report was filed. A discussion of BB&T's derivative financial instruments is included in the "Derivative Financial Instruments" section herein.

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CAPITAL ADEQUACY AND RESOURCES

The maintenance of appropriate levels of capital is a management priority and is monitored on a regular basis. BB&T's principal goals related to the maintenance of capital are to provide adequate capital to support BB&T's comprehensive risk profile, preserve a sufficient capital base from which to support future growth, provide a competitive return to shareholders, comply with regulatory standards and achieve optimal credit ratings for BB&T and its subsidiaries.

Management regularly monitors the capital position of BB&T on a consolidated basis. In this regard, management's overriding policy is to maintain capital at levels that will result in BB&T being classified as "well-capitalized" for regulatory purposes and to maintain sufficient capital relative to the Corporation's level of risk. Secondarily, it is management's intent to maintain consolidated capital levels that result in regulatory risk-based capital ratios that are generally comparable with BB&T's peers of similar size, complexity and risk profile. Further, management particularly monitors and intends to maintain the following minimum capital ratios:

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

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

Total shareholders' equity at September 30, 2007 was \$12.4 billion, an increase of \$657 million compared to \$11.7 billion at December 31, 2006. BB&T's book value per common share at September 30, 2007 was \$22.58, compared to \$21.69 at December 31, 2006. BB&T's tangible shareholders' equity was \$6.9 billion at September 30, 2007, compared to \$6.6 billion at December 31, 2006. BB&T's tangible book value per common share at September 30, 2007 was \$12.60 compared to \$12.20 at December 31, 2006.

Financial holding companies and their bank subsidiaries are subject to regulatory requirements with respect to risk-based capital adequacy. Capital adequacy is an important indicator of financial stability and performance. Risk-based capital ratios measure capital as a percentage of a combination of risk-weighted balance sheet and off-balance sheet risk. The risk-weighted values of both balance sheet and off-balance sheet items are determined in accordance with risk factors specified by federal bank regulatory pronouncements. Please refer to the section titled "Capital" in BB&T's Annual Report on Form 10-K for the year ended December 31, 2006, for additional information with regard to BB&T's capital requirements.

BB&T's regulatory and tangible capital ratios for the last five calendar quarters are set forth in the following table. The decline in BB&T's capital ratios as of March 31, 2007 compared to December 31, 2006 was primarily the result of the reduction of \$425 million in retained earnings in connection with the adoption of FIN 48 and FSP FAS 13-2. BB&T replaced the lost regulatory capital that resulted from adopting these accounting standards in the second quarter of 2007 with the issuance of \$600 million in Tier 1 qualifying capital securities.

Table 10
Capital Ratios

	Third Quarter	2007 Second Quarter	First Quarter	2006 Fourth Quarter	Third Quarter
Risk-based capital ratios:					
Tier 1 capital	9.3 %	9.4 %	8.7 %	9.0 %	9.2 %
Total capital	14.5	14.7	13.9	14.3	14.6
Tier 1 leverage ratio	7.3	7.5	6.9	7.2	7.3
Tangible equity ratio	5.5	5.5	5.5	5.7	5.8

Share Repurchase Activity

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

On June 27, 2006, BB&T's Board of Directors granted authority under a new plan (the "2006 Plan") for the repurchase of up to 50 million shares of BB&T's common stock as needed for general corporate purposes. The 2006 Plan also authorizes the repurchase of the 1 million remaining shares from the previous authorization. The 2006 Plan remains in effect until all the authorized shares are repurchased unless modified by the Board of Directors.

Table 11
Share Repurchase Activity

	2007		Maximum Remaining Number of Shares	
Total Shares Repurchased (1)	Average Price Paid Per Share (2)	Total Shares Purchased Pursuant to Publicly-Announced Plan (Shares in Thousands)	Available for Repurchase Pursuant to Publicly-Announced Plan	
July 1-31	857 \$	38.38	850	50,289
August 1-31	1,007 \$	39.72	1,000	49,289
September 1-30	1,259 \$	40.21	1,250	48,039
Total	3,123 \$	39.55	3,100	48,039

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

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SEGMENT RESULTS

BB&T's operations are divided into seven reportable business segments: the Banking Network, Residential Mortgage Banking, Sales Finance, Specialized Lending, Insurance Services, Financial Services and Treasury. These operating segments have been identified based primarily on BB&T's organizational structure. See Note 10 "Operating Segments" in the notes to the consolidated financial statements contained herein for additional disclosures related to BB&T's reportable business segments. Fluctuations in noninterest income and noninterest expense incurred directly by the operating segments are more fully described in the sections titled "Noninterest Income" and "Noninterest Expense" of this discussion and analysis. The following table reflects the net income (loss) for each of BB&T's operating segments for the nine month periods ended September 30, 2007 and 2006, respectively.

BB&T Corporation
Reportable Segments

	For the Nine Months Ended	
	September 30, 2007	September 30, 2006
	(Dollars in Millions)	
Banking Network	\$ 1,200	\$ 1,157
Residential Mortgage Banking	96	96
Sales Finance	25	23
Specialized Lending	62	60
Insurance Services	93	64
Financial Services	28	23
Treasury	(61)	(29)
All Other Segments	15	41
Parent/Reconciling Items	(135)	(158)
BB&T Corporation	\$ 1,323	\$ 1,277

The \$29 million increase in net income attributable to the Insurance Services segment was largely due to a pre-tax gain of \$19 million earned on the sale of an insurance operation combined with internal growth and acquisitions. The decline of \$32 million in net income in the Treasury segment was primarily a result of a higher funds transfer pricing charge in 2007 compared to 2006. The decline of \$26 million in net income for all other segments was largely a result of a decrease in net income realized on investments managed by BB&T Capital Partners, a small business investment company, which decreased by \$8 million compared to the prior year, and a decrease of \$17 million from leveraged lease activities, primarily due to the implementation of FSP FAS 13-2.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The nature of the business of BB&T's banking and other subsidiaries ordinarily results in a certain amount of litigation. The subsidiaries of BB&T are involved in various legal proceedings, all of which are considered incidental to the normal conduct of business. Based on information currently available, advice of counsel, available insurance coverage and established reserves, BB&T's management believes that the liabilities, if any, arising from these proceedings will not have a materially adverse effect on the consolidated financial position, consolidated results of operations or consolidated cash flows of BB&T. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to BB&T's consolidated financial position, consolidated results of operations or consolidated cash flows.

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Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in BB&T's Annual Report on Form 10-K for the year ended December 31, 2006. In addition to the risk factors in our Annual Report on Form 10-K, you should carefully consider the following supplemental

risk factor. These risks could materially affect our business, financial condition or future results, and are not the only risks we face. Additional risks and uncertainties not currently known to us or that we have deemed to be immaterial also may materially adversely affect our business, financial condition, and/or operating results.

Disruptions in financial markets may affect BB&T.

Certain credit markets experienced difficult conditions and volatility during the third quarter of 2007. Uncertainties in these markets presented significant challenges for the financial services industry. As a financial services company, BB&T's operations and financial condition are affected by economic and market conditions. For example, in the third quarter of 2007, disruptions in the financial markets resulted in losses from trading, hedging and other market activities. In addition, net charge-offs have risen recently as a result of a weakening economy and more distress by borrowers. While it is difficult to predict how long these economic conditions will exist and which markets, products or other businesses of the Company will ultimately be affected, these factors could adversely impact the Company's financial condition and results of operations. For an analysis of the Company's recent charge-off experience, please refer to the "Analysis of Financial Condition -- Asset Quality" section in "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein.

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

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

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Item 6. Exhibits

- 11 Statement re Computation of Earnings Per Share.
- 12 Statement re Computation of Ratios.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

BB&T CORPORATION
(Registrant)

Date: November 6, 2007

By: /s/ Christopher L. Henson
Christopher L. Henson, Senior Executive
Vice
President and Chief Financial Officer

Date: November 6, 2007

By: /s/ Edward D. Vest
Edward D. Vest, Executive Vice President
and Corporate Controller
(Principal Accounting Officer)

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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
11	Statement re Computation of Earnings Per Share.	Filed herewith as Note 8.
12	Statement re Computation of Ratios.	Filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
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