BB&T CORP
Form 10-Q
July 28, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the quarterly period ended: June 30, 2017
Commission File Number: 1-10853

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

North Carolina	56-0939887
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 West Second Street Winston-Salem, North Carolina	27101
(Address of principal executive offices)	(Zip Code)

(336) 733-2000
(Registrant's telephone number, including area code)

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

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

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

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

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

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

At June 30, 2017, 808,092,503 shares of the Registrant's common stock, $5 par value, were outstanding.

TABLE OF CONTENTS

BB&T CORPORATION
FORM 10-Q
June 30, 2017

Table of Contents

Glossary of Defined Terms

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

Term	Definition
2015 Repurchase Plan	Plan for the repurchase of up to 50 million shares of BB&T's common stock
ACL	Allowance for credit losses
Acquired from FDIC	Assets of Colonial that were formerly covered under loss sharing agreements
AFS	Available-for-sale
Agency MBS	Mortgage-backed securities issued by a U.S. government agency or GSE
ALLL	Allowance for loan and lease losses
American Coastal	American Coastal Insurance Company
AOCI	Accumulated other comprehensive income (loss)
Basel III	Global regulatory standards on bank capital adequacy and liquidity published by the BCBS
BB&T	BB&T Corporation and subsidiaries
BCBS	Basel Committee on Banking Supervision
BHC	Bank holding company
BHCA	Bank Holding Company Act of 1956, as amended
Branch Bank	Branch Banking and Trust Company
BSA/AML	Bank Secrecy Act/Anti-Money Laundering
BU	Business Unit
CCAR	Comprehensive Capital Analysis and Review
CD	Certificate of deposit
CDI	Core deposit intangible assets
CEO	Chief Executive Officer
CET1	Common equity Tier 1
CFPB	Consumer Financial Protection Bureau
CMO	Collateralized mortgage obligation
Colonial	Collectively, certain assets and liabilities of Colonial Bank acquired by BB&T in 2009
Company	BB&T Corporation and subsidiaries (interchangeable with "BB&T" above)
CRA	Community Reinvestment Act of 1977
CRE	Commercial real estate
CRMC	Credit Risk Management Committee
CROC	Compliance Risk Oversight Committee
DIF	Deposit Insurance Fund administered by the FDIC
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EPS	Earnings per common share
EVE	Economic value of equity
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FATCA	Foreign Account Tax Compliance Act
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHC	Financial Holding Company
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FINRA	Financial Industry Regulatory Authority
FNMA	Federal National Mortgage Association
FRB	Board of Governors of the Federal Reserve System
FTP	Funds transfer pricing

GAAP	Accounting principles generally accepted in the United States of America
GNMA	Government National Mortgage Association
Grandbridge	Grandbridge Real Estate Capital, LLC
GSE	U.S. government-sponsored enterprise
HFI	Held for investment
HMDA	Home Mortgage Disclosure Act
HTM	Held-to-maturity
IDI	Insured depository institution

Table of Contents

Term	Definition
IPV	Independent price verification
IRC	Internal Revenue Code
IRS	Internal Revenue Service
ISDA	International Swaps and Derivatives Association, Inc.
LCR	Liquidity Coverage Ratio
LHFS	Loans held for sale
LIBOR	London Interbank Offered Rate
MBS	Mortgage-backed securities
MRLCC	Market Risk, Liquidity and Capital Committee
MSR	Mortgage servicing right
MSRB	Municipal Securities Rulemaking Board
N/A	Not applicable
National Penn	National Penn Bancshares, Inc., acquired by BB&T effective April 1, 2016
NIM	Net interest margin, computed on a TE basis
NM	Not meaningful
NPA	Nonperforming asset
NPL	Nonperforming loan
NSFR	Net stable funding ratio
NYSE	NYSE Euronext, Inc.
OAS	Option adjusted spread
OCI	Other comprehensive income (loss)
OREO	Other real estate owned
ORMC	Operational Risk Management Committee
OTTI	Other-than-temporary impairment
Parent Company	BB&T Corporation, the parent company of Branch Bank and other subsidiaries
Patriot Act	Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001
PCI	Purchased credit impaired loans as well as assets of Colonial Bank acquired from the FDIC during 2009, which were formerly covered under loss sharing agreements
Re-REMICs	Re-securitizations of Real Estate Mortgage Investment Conduits
RMC	Risk Management Committee
RMO	Risk Management Organization
RSU	Restricted stock unit
RUFC	Reserve for unfunded lending commitments
SBIC	Small Business Investment Company
SEC	Securities and Exchange Commission
Short-Term Borrowings	Federal funds purchased, securities sold under repurchase agreements and other short-term borrowed funds with original maturities of less than one year
Simulation	Interest sensitivity simulation analysis
Susquehanna	Susquehanna Bancshares, Inc., acquired by BB&T effective August 1, 2015
Swett & Crawford	CGSC North America Holdings Corporation, acquired by BB&T effective April 1, 2016
TBA	To be announced
TDR	Troubled debt restructuring
TE	Taxable-equivalent
U.S.	United States of America
U.S. Treasury	United States Department of the Treasury
UPB	Unpaid principal balance
VaR	Value-at-risk

VIE	Variable interest entity

Table of Contents

ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS
BB&T CORPORATION AND SUBSIDIARIES

Unaudited (Dollars in millions, except per share data, shares in thousands)	June 30, 2017	December 31, 2016
Assets		
Cash and due from banks	$2,201	$ 1,897
Interest-bearing deposits with banks	671	1,895
Federal funds sold and other cash equivalents	137	144
Restricted cash	419	488
AFS securities at fair value	26,899	26,926
HTM securities (fair value of $18,307 and $16,546 at June 30, 2017 and December 31, 2016, respectively)	18,384	16,680
LHFS at fair value	1,471	1,716
Loans and leases	143,645	143,322
ALLL	(1,485)	(1,489)
Loans and leases, net of ALLL	142,160	141,833
Premises and equipment	2,084	2,107
Goodwill	9,618	9,638
CDI and other intangible assets	782	854
MSRs at fair value	1,052	1,052
Other assets	15,314	14,046
Total assets	$221,192	$ 219,276
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing deposits	$53,343	$ 50,697
Interest-bearing deposits	103,625	109,537
Total deposits	156,968	160,234
Short-term borrowings	6,142	1,406
Long-term debt	21,738	21,965
Accounts payable and other liabilities	5,995	5,745
Total liabilities	190,843	189,350
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, $5 par, liquidation preference of $25,000 per share	3,053	3,053
Common stock, $5 par	4,040	4,047
Additional paid-in capital	8,966	9,104
Retained earnings	15,321	14,809
AOCI, net of deferred income taxes	(1,073)	(1,132)
Noncontrolling interests	42	45
Total shareholders' equity	30,349	29,926
Total liabilities and shareholders' equity	$221,192	$ 219,276
Common shares outstanding	808,093	809,475
Common shares authorized	2,000,000	2,000,000

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

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

Table of Contents

CONSOLIDATED STATEMENTS OF INCOME
BB&T CORPORATION AND SUBSIDIARIES

Unaudited (Dollars in millions, except per share data, shares in thousands)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Interest Income				
Interest and fees on loans and leases	$1,540	$1,509	$3,041	$2,951
Interest and dividends on securities	272	286	530	541
Interest on other earning assets	12	10	28	34
Total interest income	1,824	1,805	3,599	3,526
Interest Expense				
Interest on deposits	80	64	149	128
Interest on short-term borrowings	5	3	7	5
Interest on long-term debt	104	121	199	247
Total interest expense	189	188	355	380
Net Interest Income	1,635	1,617	3,244	3,146
Provision for credit losses	135	111	283	295
Net Interest Income After Provision for Credit Losses	1,500	1,506	2,961	2,851
Noninterest Income				
Insurance income	481	465	939	884
Service charges on deposits	176	166	344	320
Mortgage banking income	94	111	197	202
Investment banking and brokerage fees and commissions	105	102	196	199
Trust and investment advisory revenues	70	67	138	129
Bankcard fees and merchant discounts	75	60	134	116
Checkcard fees	54	50	105	95
Operating lease income	37	35	73	69
Income from bank-owned life insurance	32	31	61	62
FDIC loss share income, net	—	(64)	—	(124)
Other income	96	107	204	149
Securities gains (losses), net				
Gross realized gains	—	—	—	45
Gross realized losses	—	—	—	—
OTTI charges	—	—	—	—
Non-credit portion recognized in OCI	—	—	—	—
Total securities gains (losses), net	—	—	—	45
Total noninterest income	1,220	1,130	2,391	2,146
Noninterest Expense				
Personnel expense	1,042	1,039	2,053	1,954
Occupancy and equipment expense	198	194	391	385
Software expense	57	53	115	104
Outside IT services	39	44	88	85
Amortization of intangibles	36	42	74	74
Regulatory charges	36	32	75	62
Professional services	38	26	60	48
Loan-related expense	36	36	66	68
Merger-related and restructuring charges, net	10	92	46	115
Loss (gain) on early extinguishment of debt	—	—	392	(1)

Other expense	250	239	484	448
Total noninterest expense	1,742	1,797	3,844	3,342
Earnings				
Income before income taxes	978	839	1,508	1,655
Provision for income taxes	304	252	408	498
Net income	674	587	1,100	1,157
Noncontrolling interests	(1)	3	4	9
Dividends on preferred stock	44	43	87	80
Net income available to common shareholders	$631	$541	$1,009	$1,068
Basic EPS	$0.78	$0.67	$1.25	$1.34
Diluted EPS	$0.77	$0.66	$1.23	$1.32
Cash dividends declared per share	$0.30	$0.28	$0.60	$0.55
Basic weighted average shares outstanding	808,980	814,261	809,439	797,727
Diluted weighted average shares outstanding	819,389	823,682	821,072	806,839

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

4

Table of Contents

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
BB&T CORPORATION AND SUBSIDIARIES

	Three Months Ended		Six Months Ended	
Unaudited	June 30,		June 30,	
(Dollars in millions)	2017	2016	2017	2016
Net Income	$674	$587	$1,100	$1,157
OCI, net of tax:				
Change in unrecognized net pension and postretirement costs	12	11	21	22
Change in unrealized net gains (losses) on cash flow hedges	(34)	(49)	(36)	(164)
Change in unrealized net gains (losses) on AFS securities	74	100	72	297
Change in FDIC's share of unrealized gains/losses on AFS securities	—	17	—	32
Other, net	—	1	2	4
Total OCI	52	80	59	191
Total comprehensive income	$726	$667	$1,159	$1,348
Income Tax Effect of Items Included in OCI:				
Change in unrecognized net pension and postretirement costs	$7	$7	$14	$14
Change in unrealized net gains (losses) on cash flow hedges	(20)	(30)	(21)	(98)
Change in unrealized net gains (losses) on AFS securities	43	60	42	178
Change in FDIC's share of unrealized gains/losses on AFS securities	—	10	—	18
Other, net	—	—	—	—

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

Table of Contents

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

Unaudited (Dollars in millions, shares in thousands)	Shares of Common Stock	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	AOCI	Noncontrolling Interests	Total Shareholders' Equity
Balance, January 1, 2016	780,337	$ 2,603	$ 3,902	$ 8,365	$ 13,464	$ (1,028)	$ 34	$ 27,340
Add (Deduct):								
Net income	—	—	—	—	1,148	—	9	1,157
Net change in AOCI	—	—	—	—	—	191	—	191
Stock transactions:								
Issued in business combinations	31,666	—	158	905	—	—	—	1,063
Issued in connection with equity awards, net	2,497	—	13	(22)	—	—	—	(9)
Issued in connection with preferred stock offerings	—	450						450
Cash dividends declared on common stock	—	—	—	—	(439)	—	—	(439)
Cash dividends declared on preferred stock	—	—	—	—	(80)	—	—	(80)
Equity-based compensation expense	—	—	—	65	—	—	—	65
Other, net	—	—	—	(2)	11	—	(4)	5
Balance, June 30, 2016	814,500	$ 3,053	$ 4,073	$ 9,311	$ 14,104	$ (837)	$ 39	$ 29,743
Balance, January 1, 2017	809,475	$ 3,053	$ 4,047	$ 9,104	$ 14,809	$ (1,132)	$ 45	$ 29,926
Add (Deduct):								
Net income	—	—	—	—	1,096	—	4	1,100
Net change in AOCI	—	—	—	—	—	59	—	59
Stock transactions:								
Issued in connection with equity awards, net	6,644	—	33	55	—	—	—	88
Repurchase of common stock	(8,026)	—	(40)	(280)	—	—	—	(320)
Cash dividends declared on common stock	—	—	—	—	(485)	—	—	(485)
Cash dividends declared on preferred stock	—	—	—	—	(87)	—	—	(87)
Equity-based compensation expense	—	—	—	74	—	—	—	74
Other, net	—	—	—	13	(12)	—	(7)	(6)
Balance, June 30, 2017	808,093	$ 3,053	$ 4,040	$ 8,966	$ 15,321	$ (1,073)	$ 42	$ 30,349

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

Table of Contents

CONSOLIDATED STATEMENTS OF CASH FLOWS
BB&T CORPORATION AND SUBSIDIARIES

Unaudited	Six Months Ended June 30,	
(Dollars in millions)	2017	2016
Cash Flows From Operating Activities:		
Net income	$1,100	$1,157
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	283	295
Depreciation	200	195
Loss (gain) on early extinguishment of debt	392	(1)
Amortization of intangibles	74	74
Equity-based compensation expense	74	65
(Gain) loss on securities, net	—	(45)
Net change in operating assets and liabilities:		
LHFS	394	(1,413)
Trading securities	(655)	595
Other assets	(556)	(438)
Accounts payable and other liabilities	179	282
Other, net	3	95
Net cash from operating activities	1,488	861
Cash Flows From Investing Activities:		
Proceeds from sales of AFS securities	224	4,480
Proceeds from maturities, calls and paydowns of AFS securities	2,531	2,466
Purchases of AFS securities	(2,599)	(6,912)
Proceeds from maturities, calls and paydowns of HTM securities	1,138	2,964
Purchases of HTM securities	(2,859)	(3,122)
Originations and purchases of loans and leases, net of principal collected	(1,049)	(1,103)
Net cash received (paid) for acquisitions and divestitures	—	(789)
Other, net	57	(38)
Net cash from investing activities	(2,557)	(2,054)
Cash Flows From Financing Activities:		
Net change in deposits	(3,256)	3,499
Net change in short-term borrowings	4,736	(3,515)
Proceeds from issuance of long-term debt	4,650	3,028
Repayment of long-term debt	(5,271)	(3,008)
Net cash from common stock transactions	(232)	(9)
Net proceeds from preferred stock issued	—	450
Cash dividends paid on common stock	(485)	(439)
Cash dividends paid on preferred stock	(87)	(80)
Other, net	87	169
Net cash from financing activities	142	95
Net Change in Cash and Cash Equivalents	(927)	(1,098)
Cash and Cash Equivalents at Beginning of Period	3,936	3,711
Cash and Cash Equivalents at End of Period	$3,009	$2,613

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for:		
Interest	$347	$395
Income taxes	187	263
Noncash investing activities:		
Transfers of loans to foreclosed assets	267	229
Stock issued in business combinations	—	1,063

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

7

Table of Contents

NOTE 1. Basis of Presentation

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

General

These consolidated financial statements and notes are presented in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flow activity required in accordance with GAAP. In the opinion of management, all normal recurring adjustments necessary for a fair statement of the consolidated financial position and consolidated results of operations have been made. The year-end consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. The information contained in the financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2016 should be referred to in connection with these unaudited interim consolidated financial statements.

Reclassifications

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change include the determination of the ACL, determination of fair value for financial instruments, valuation of MSRs, goodwill, intangible assets and other purchase accounting related adjustments, benefit plan obligations and expenses, and tax assets, liabilities and expense.

Changes in Accounting Principles and Effects of New Accounting Pronouncements

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

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

Investments - eliminated the requirement to retroactively adjust the financial statements when a change in ownership or influence causes an existing investment to qualify for the equity method of accounting. The guidance also requires the investor to add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting.

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

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

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

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

Table of Contents

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

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

Liabilities - requires companies to recognize breakage on prepaid stored-value products in accordance with the recently issued guidance on Revenue from Contracts with Customers. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years.

Revenue from Contracts with Customers - requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Because the guidance does not apply to revenue associated with financial instruments, including loans and securities, the new guidance is not expected to have a material impact on the components of the Consolidated Statement of Income most closely associated with financial instruments, including securities gains/losses and interest income. BB&T's preliminary evaluation of the impact of changes for in-scope items within noninterest income has not identified material changes. The Company continues to evaluate the related changes to disclosures that may be required. The guidance is effective for interim and annual reporting periods beginning after December 15, 2017.

Financial Instruments - requires the majority of equity investments to be measured at fair value with changes in fair value recognized in net income, excluding equity investments that are consolidated or accounted for under the equity method of accounting. The new guidance allows equity investments without readily determinable fair values to be measured at cost minus impairment, with a qualitative assessment required to identify impairment. For financial instruments recorded at amortized cost, the new guidance requires public companies to disclose all fair values using an exit price and eliminates the disclosure requirements related to measurement assumptions. The new guidance also requires separate presentation of financial assets and liabilities based on form and measurement category. This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years.

Leases - requires lessees to recognize assets and liabilities related to certain operating leases on the balance sheet. The new guidance also requires additional disclosures by lessees and contains targeted changes to accounting by lessors. Upon adoption, the Company expects assets and liabilities will likely be significantly higher; however, the Company's implementation efforts are on-going, including the installation of a software solution, which will aid in determining the magnitude of the increases and its impact on the Consolidated Financial Statements. This guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years.

Credit Losses - replaces the incurred loss impairment methodology in current GAAP with an expected credit loss methodology and requires consideration of a broader range of information to determine credit loss estimates. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. Purchased credit deteriorated loans will receive an allowance account for expected credit losses at the acquisition date that represents a component of the purchase price allocation. For AFS debt securities where the fair value is less than cost, any credit impairment will be recorded through an allowance for expected credit losses. Upon adoption, the Company expects that the ACL will likely be materially higher; however, the Company is still in the process of determining the magnitude of the increase and its impact on the Consolidated Financial Statements. This guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years.

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

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

Table of Contents

NOTE 2. Acquisitions and Divestitures

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

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

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

NOTE 3. Securities

	June 30, 2017			
	Amortized	Gross Unrealized		Fair
(Dollars in millions)	Cost	Gains	Losses	Value
AFS securities:				
U.S. Treasury	$3,765	$ 7	$ 63	$3,709
GSE	188	—	6	182
Agency MBS	21,024	12	467	20,569
States and political subdivisions	1,788	48	37	1,799
Non-agency MBS	418	214	—	632
Other	8	—	—	8
Total AFS securities	$27,191	$ 281	$ 573	$26,899
HTM securities:				
U.S. Treasury	$1,098	$ 21	$ —	$1,119
GSE	2,197	16	16	2,197
Agency MBS	14,979	49	150	14,878
States and political subdivisions	64	—	—	64
Other	46	3	—	49
Total HTM securities	$18,384	$ 89	$ 166	$18,307

	December 31, 2016			
	Amortized	Gross Unrealized		Fair
(Dollars in millions)	Cost	Gains	Losses	Value
AFS securities:				
U.S. Treasury	$2,669	$ 2	$ 84	$2,587
GSE	190	—	10	180
Agency MBS	21,819	13	568	21,264
States and political subdivisions	2,198	56	49	2,205
Non-agency MBS	446	233	—	679
Other	11	—	—	11
Total AFS securities	$27,333	$ 304	$ 711	$26,926
HTM securities:				
U.S. Treasury	$1,098	$ 20	$ —	$1,118
GSE	2,197	14	30	2,181
Agency MBS	13,225	40	180	13,085
States and political subdivisions	110	—	—	110
Other	50	2	—	52

Total HTM securities	$16,680	$ 76	$ 210	$16,546

Certain investments in marketable debt securities and MBS issued by FNMA and FHLMC exceeded 10% of shareholders' equity at June 30, 2017. The FNMA investments had total amortized cost and fair value of $15.3 billion and $15.0 billion, respectively. The FHLMC investments had total amortized cost and fair value of $8.7 billion and $8.5 billion, respectively.

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

Table of Contents

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

	June 30, 2017			
	AFS		HTM	
(Dollars in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$456	$457	$—	$—
Due after one year through five years	1,825	1,832	1,798	1,824
Due after five years through ten years	2,548	2,486	1,545	1,540
Due after ten years	22,362	22,124	15,041	14,943
Total debt securities	$27,191	$26,899	$18,384	$18,307

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

	June 30, 2017					
	Less than 12 months		12 months or more		Total	
(Dollars in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
AFS securities:						
U.S. Treasury	$2,146	$ 58	$130	$ 5	$2,276	$ 63
GSE	132	4	50	2	182	6
Agency MBS	13,515	253	5,438	214	18,953	467
States and political subdivisions	65	1	419	36	484	37
Total	$15,858	$ 316	$6,037	$ 257	$21,895	$ 573
HTM securities:						
GSE	$1,531	$ 16	$—	$ —	$1,531	$ 16
Agency MBS	7,206	133	695	17	7,901	150
Total	$8,737	$ 149	$695	$ 17	$9,432	$ 166

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

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

At June 30, 2017, the majority of the unrealized losses on states and political subdivisions securities was the result of fair value hedge basis adjustments that are a component of amortized cost. These securities in an unrealized loss position are evaluated for credit impairment through a qualitative analysis of issuer performance and the primary source of repayment. At June 30, 2017, none of these securities had credit impairment.

Table of Contents

NOTE 4. Loans and ACL

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

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

	June 30, 2017				
	Accruing				
(Dollars in millions)	Current	30-89 Days Past Due	90 Days Or More Past Due	Nonaccrual	Total
Commercial:					
Commercial and industrial	$52,266	$18	$—	$ 295	$52,579
CRE-income producing properties	14,815	1	—	35	14,851
CRE-construction and development	3,859	2	—	15	3,876
Dealer floor plan	1,522	—	—	—	1,522
Other lending subsidiaries	8,237	16	—	8	8,261
Retail:					
Direct retail lending	11,875	54	7	65	12,001
Revolving credit	2,600	20	10	—	2,630
Residential mortgage-nonguaranteed	27,878	265	51	125	28,319
Residential mortgage-government guaranteed	414	128	350	6	898
Sales finance	10,024	57	4	5	10,090
Other lending subsidiaries	7,496	284	—	58	7,838
PCI	680	29	71	—	780
Total	$141,666	$874	$493	$ 612	$143,645

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

Sales finance	11,179	76	6	6		11,267
Other lending subsidiaries	6,931					