

**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, 2019

Commission File Number: 1-10853

BB&T CORPORATION

(Exact name of registrant as specified in its charter)

North Carolina

(State or other jurisdiction of incorporation or organization)

56-0939887

(I.R.S. Employer Identification No.)

200 West Second Street

Winston-Salem, North Carolina

(Address of principal executive offices)

27101

(Zip Code)

Registrant's telephone number, including area code:

(336) 733-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$5 par value	BBT	New York Stock Exchange
Depository Shares of Series D Non-Cumulative Perpetual Preferred Stock (1)	BBT PrD	New York Stock Exchange
Depository Shares of Series E Non-Cumulative Perpetual Preferred Stock (1)	BBT PrE	New York Stock Exchange
Depository Shares of Series F Non-Cumulative Perpetual Preferred Stock (1)	BBT PrF	New York Stock Exchange
Depository Shares of Series G Non-Cumulative Perpetual Preferred Stock (1)	BBT PrG	New York Stock Exchange
Depository Shares of Series H Non-Cumulative Perpetual Preferred Stock (1)	BBT PrH	New York Stock Exchange

(1) Each depository share represents a 1/1,000th interest in a share of the respective series of preferred stock

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 ☒

Non-accelerated filer ☐

Accelerated filer ☐

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 ☒

At June 30, 2019, 766,010,180 shares of the registrant's common stock, \$5 par value, were outstanding.

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Glossary of Defined Terms

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

Term	Definition
2018 Repurchase Plan	Plan for the repurchase of up to \$1.7 billion of BB&T's common stock for the one-year period ended June 30, 2019
ACL	Allowance for credit losses
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
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
Branch Bank	Branch Banking and Trust Company
BU	Business Unit
CB-Commercial	Community Banking Commercial, an operating segment
CB-Retail	Community Banking Retail and Consumer Finance, an operating segment
CCAR	Comprehensive Capital Analysis and Review
CCRC	Culture and Conduct Risk Committee
CD	Certificate of deposit
CDI	Core deposit intangible assets
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CET1	Common equity Tier 1
CMO	Collateralized mortgage obligation
Company	BB&T Corporation and subsidiaries (interchangeable with "BB&T" above)
CRE	Commercial real estate
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
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHC	Financial Holding Company
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FNMA	Federal National Mortgage Association
FRB	Board of Governors of the Federal Reserve System
FS&CF	Financial Services and Commercial Finance, an operating segment
FTE	Full-time equivalent employee
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
HTM	Held-to-maturity
IH	Insurance Holdings, an operating segment
IPV	Independent price verification
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
MRM	Model Risk Management
MSR	Mortgage servicing right

Term	Definition
MSRB	Municipal Securities Rulemaking Board
N/A	Not applicable
NCCOB	North Carolina Office of the Commissioner of Banks
NIM	Net interest margin, computed on a TE basis
NM	Not meaningful
NPA	Nonperforming asset
NPL	Nonperforming loan
NYSE	NYSE Euronext, Inc.
OAS	Option adjusted spread
OCI	Other comprehensive income (loss)
OPEB	Other post-employment benefit
OREO	Other real estate owned
ORMC	Operational Risk Management Committee
OT&C	Other, Treasury and Corporate
OTTI	Other-than-temporary impairment
Parent Company	BB&T Corporation, the parent company of Branch Bank and other subsidiaries
PCI	Purchased credit impaired loans
Peer Group	Financial holding companies included in the industry peer group index
PSU	Performance share units
Re-REMICs	Re-securitizations of Real Estate Mortgage Investment Conduits
Regions Insurance	Regions Insurance Group, acquired by BB&T effective July 2, 2018
ROU Assets	Right-of-use assets
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
SunTrust	SunTrust Banks, Inc.
TBA	To be announced
TDR	Troubled debt restructuring
TE	Taxable-equivalent
Truist	Truist Financial Corporation
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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, regarding the financial condition, results of operations, business plans and the future performance of BB&T that are based on the beliefs and assumptions of the management of BB&T and the information available to management at the time that these disclosures were prepared. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "plans," "projects," "may," "will," "should," "could," and other similar expressions are intended to identify these forward-looking statements. Such statements are subject to factors that could cause actual results to differ materially from anticipated results. Such factors include, but are not limited to, the following:

- risks, uncertainties and other factors relating to the merger of SunTrust with and into BB&T, including the ability to obtain regulatory approvals and meet other closing conditions to the merger, and delay in closing the merger;
- general economic or business conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, slower deposit and/or asset growth, and a deterioration in credit quality and/or a reduced demand for credit, insurance or other services;
- disruptions to the national or global financial markets, including the impact of a downgrade of U.S. government obligations by one of the credit ratings agencies, the economic instability and recessionary conditions in Europe;
- changes in the interest rate environment, including interest rate changes made by the Federal Reserve, the discontinuation of LIBOR as an interest rate benchmark, as well as cash flow reassessments may reduce net interest margin and/or the volumes and values of loans and deposits as well as the value of other financial assets and liabilities;
- competitive pressures among depository and other financial institutions may increase significantly;
- legislative, regulatory or accounting changes may adversely affect the businesses in which BB&T is engaged;
- local, state or federal taxing authorities may take tax positions that are adverse to BB&T;
- a reduction may occur in BB&T's credit ratings;
- adverse changes may occur in the securities markets;
- competitors of BB&T may have greater financial resources or develop products that enable them to compete more successfully than BB&T and may be subject to different regulatory standards than BB&T;
- cyber security risks could adversely affect BB&T's business and financial performance or reputation, and BB&T could be liable for financial losses incurred by third parties due to breaches of data shared between financial institutions;
- higher-than-expected costs related to information technology infrastructure or a failure to successfully implement future system enhancements could adversely impact BB&T's financial condition and results of operations and could result in significant additional costs to BB&T;
- natural or other disasters, including acts of terrorism, could have an adverse effect on BB&T, materially disrupting BB&T's operations or the ability or willingness of customers to access BB&T's products and services;
- costs related to the integration of the businesses of BB&T and its merger partners may be greater than expected;
- failure to execute on strategic or operational plans, including the ability to successfully complete and/or integrate mergers and acquisitions or fully achieve expected cost savings or revenue growth associated with mergers and acquisitions within the expected time frames could adversely impact financial condition and results of operations;
- significant litigation and regulatory proceedings could have a material adverse effect on BB&T;
- unfavorable resolution of legal proceedings or other claims and regulatory and other governmental investigations or other inquiries could result in negative publicity, protests, fines, penalties, restrictions on BB&T's operations or ability to expand its business and other negative consequences, all of which could cause reputational damage and adversely impact BB&T's financial conditions and results of operations;
- risks resulting from the extensive use of models;
- risk management measures may not be fully effective;
- fraud or misconduct by internal or external parties, which BB&T may not be able prevent, detect or mitigate;
- deposit attrition, customer loss and/or revenue loss following completed mergers/acquisitions may exceed expectations; and
- widespread system outages, caused by the failure of critical internal systems or critical services provided by third parties, could adversely impact BB&T's financial condition and results of operations.

These and other risk factors are more fully described in this report and in BB&T's Annual Report on Form 10-K for the year ended December 31, 2018 under the sections entitled "Item 1A. Risk Factors" and from time to time, in other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Actual results may differ materially from those expressed in or implied by any forward-looking statement. Except to the extent required by applicable law or regulation, BB&T undertakes no obligation to revise or update publicly any forward-looking statements for any reason. Readers should, however, consult any further disclosures of a forward-looking nature BB&T may make in any subsequent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, or Current Reports on Form 8-K.

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, 2019	December 31, 2018
Assets			
Cash and due from banks	\$	1,831	\$ 2,753
Interest-bearing deposits with banks		707	984
Cash equivalents		148	143
Restricted cash		15	107
AFS securities at fair value		25,802	25,038
HTM securities (fair value of \$19,565 and \$20,047 at June 30, 2019 and December 31, 2018, respectively)		19,487	20,552
LHFS at fair value		1,237	988
Loans and leases		152,586	149,013
ALLL		(1,595)	(1,558)
Loans and leases, net of ALLL		150,991	147,455
Premises and equipment		2,029	2,118
Goodwill		9,830	9,818
CDI and other intangible assets		712	758
MSRs at fair value		970	1,108
Other assets		17,113	13,875
Total assets	\$	230,872	\$ 225,697
Liabilities			
Deposits	\$	159,521	\$ 161,199
Short-term borrowings		10,344	5,178
Long-term debt		22,640	23,709
Accounts payable and other liabilities		6,603	5,433
Total liabilities		199,108	195,519
Commitments and contingencies (Note 14)			
Shareholders' Equity			
Preferred stock, \$5 par, liquidation preference of \$25,000 per share		3,053	3,053
Common stock, \$5 par		3,830	3,817
Additional paid-in capital		6,889	6,849
Retained earnings		19,050	18,118
AOCI, net of deferred income taxes		(1,119)	(1,715)
Noncontrolling interests		61	56
Total shareholders' equity		31,764	30,178
Total liabilities and shareholders' equity	\$	230,872	\$ 225,697
Common shares outstanding		766,010	763,326
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.

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,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest Income				
Interest and fees on loans and leases	\$ 1,886	\$ 1,687	\$ 3,725	\$ 3,292
Interest and dividends on securities	300	294	602	585
Interest on other earning assets	20	13	52	38
Total interest income	2,206	1,994	4,379	3,915
Interest Expense				
Interest on deposits	273	148	526	266
Interest on short-term borrowings	50	23	82	43
Interest on long-term debt	193	166	385	316
Total interest expense	516	337	993	625
Net Interest Income	1,690	1,657	3,386	3,290
Provision for credit losses	172	135	327	285
Net Interest Income After Provision for Credit Losses	1,518	1,522	3,059	3,005
Noninterest Income				
Insurance income	566	481	1,076	917
Service charges on deposits	181	179	352	344
Investment banking and brokerage fees and commissions	131	109	242	222
Mortgage banking income	113	94	176	193
Trust and investment advisory revenues	70	72	138	144
Bankcard fees and merchant discounts	77	72	147	141
Checkcard fees	59	57	114	109
Operating lease income	35	36	70	73
Income from bank-owned life insurance	34	30	62	61
Other income	86	91	177	197
Securities gains (losses), net				
Gross realized gains	20	1	42	1
Gross realized losses	(20)	—	(42)	—
Total securities gains (losses), net	—	1	—	1
Total noninterest income	1,352	1,222	2,554	2,402
Noninterest Expense				
Personnel expense	1,120	1,074	2,207	2,113
Occupancy and equipment expense	184	187	371	381
Software expense	71	67	143	132
Outside IT services	29	32	59	64
Regulatory charges	19	39	37	79
Amortization of intangibles	32	31	64	64
Loan-related expense	30	26	55	55
Professional services	31	32	62	62
Merger-related and restructuring charges, net	23	24	103	52
Other expense	212	208	418	404
Total noninterest expense	1,751	1,720	3,519	3,406
Earnings				
Income before income taxes	1,119	1,024	2,094	2,001
Provision for income taxes	234	202	411	388
Net income	885	822	1,683	1,613
Noncontrolling interests	(1)	3	5	6
Dividends on preferred stock	44	44	87	87
Net income available to common shareholders	\$ 842	\$ 775	\$ 1,591	\$ 1,520
Basic EPS	\$ 1.10	\$ 1.00	\$ 2.08	\$ 1.95
Diluted EPS	1.09	0.99	2.06	1.93
Basic weighted average shares outstanding	765,958	775,836	765,052	777,716
Diluted weighted average shares outstanding	774,603	785,750	774,329	788,362

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
BB&T CORPORATION AND SUBSIDIARIES

Unaudited (Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 885	\$ 822	\$ 1,683	\$ 1,613
OCI, net of tax:				
Change in unrecognized net pension and postretirement costs	19	13	36	27
Change in unrealized net gains (losses) on cash flow hedges	(59)	26	(93)	104
Change in unrealized net gains (losses) on AFS securities	342	(99)	651	(367)
Other, net	—	(1)	2	(3)
Total OCI	<u>302</u>	<u>(61)</u>	<u>596</u>	<u>(239)</u>
Total comprehensive income	<u>\$ 1,187</u>	<u>\$ 761</u>	<u>\$ 2,279</u>	<u>\$ 1,374</u>
Income Tax Effect of Items Included in OCI:				
Change in unrecognized net pension and postretirement costs	\$ 5	\$ 5	\$ 11	\$ 9
Change in unrealized net gains (losses) on cash flow hedges	(18)	8	(29)	34
Change in unrealized net gains (losses) on AFS securities	105	(31)	200	(115)
Other, net	1	—	1	1

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

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, April 1, 2018	779,752	\$ 3,053	\$ 3,899	\$ 7,593	\$ 16,712	\$ (1,645)	\$ 50	\$ 29,662
Net income	—	—	—	—	819	—	3	822
OCI	—	—	—	—	—	(61)	—	(61)
Issued in connection with equity awards, net	456	—	2	9	—	—	—	11
Repurchase of common stock	(5,761)	—	(29)	(281)	—	—	—	(310)
Cash dividends declared on common stock	—	—	—	—	(290)	—	—	(290)
Cash dividends declared on preferred stock	—	—	—	—	(44)	—	—	(44)
Equity-based compensation expense	—	—	—	45	—	—	—	45
Other, net	—	—	—	(2)	—	—	(1)	(3)
Balance, June 30, 2018	774,447	\$ 3,053	\$ 3,872	\$ 7,364	\$ 17,197	\$ (1,706)	\$ 52	\$ 29,832
Balance, April 1, 2019	765,920	\$ 3,053	\$ 3,830	\$ 6,843	\$ 18,518	\$ (1,421)	\$ 60	\$ 30,883
Net income	—	—	—	—	886	—	(1)	885
OCI	—	—	—	—	—	302	—	302
Issued in connection with equity awards, net	90	—	—	(2)	—	—	—	(2)
Cash dividends declared on common stock	—	—	—	—	(310)	—	—	(310)
Cash dividends declared on preferred stock	—	—	—	—	(44)	—	—	(44)
Equity-based compensation expense	—	—	—	48	—	—	—	48
Other, net	—	—	—	—	—	—	2	2
Balance, June 30, 2019	766,010	\$ 3,053	\$ 3,830	\$ 6,889	\$ 19,050	\$ (1,119)	\$ 61	\$ 31,764
Balance, January 1, 2018	782,006	\$ 3,053	\$ 3,910	\$ 7,893	\$ 16,259	\$ (1,467)	\$ 47	\$ 29,695
Net income	—	—	—	—	1,607	—	6	1,613
OCI	—	—	—	—	—	(239)	—	(239)
Issued in connection with equity awards, net	4,055	—	20	(22)	—	—	—	(2)
Repurchase of common stock	(11,614)	—	(58)	(572)	—	—	—	(630)
Cash dividends declared on common stock	—	—	—	—	(582)	—	—	(582)
Cash dividends declared on preferred stock	—	—	—	—	(87)	—	—	(87)
Equity-based compensation expense	—	—	—	76	—	—	—	76
Other, net	—	—	—	(11)	—	—	(1)	(12)
Balance, June 30, 2018	774,447	\$ 3,053	\$ 3,872	\$ 7,364	\$ 17,197	\$ (1,706)	\$ 52	\$ 29,832
Balance, January 1, 2019	763,326	\$ 3,053	\$ 3,817	\$ 6,849	\$ 18,118	\$ (1,715)	\$ 56	\$ 30,178
Net income	—	—	—	—	1,678	—	5	1,683
OCI	—	—	—	—	—	596	—	596
Issued in connection with equity awards, net	2,684	—	13	(43)	—	—	—	(30)
Cash dividends declared on common stock	—	—	—	—	(619)	—	—	(619)
Cash dividends declared on preferred stock	—	—	—	—	(87)	—	—	(87)
Equity-based compensation expense	—	—	—	80	—	—	—	80
Other, net	—	—	—	3	(40)	—	—	(37)
Balance, June 30, 2019	766,010	\$ 3,053	\$ 3,830	\$ 6,889	\$ 19,050	\$ (1,119)	\$ 61	\$ 31,764

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

BB&T CORPORATION AND SUBSIDIARIES

Unaudited
Six Months Ended June 30,
(Dollars in millions)

2019 2018

Cash Flows From Operating Activities:		
Net income	\$ 1,683	\$ 1,613
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	327	285
Depreciation	212	210
Amortization of intangibles	64	64
Equity-based compensation expense	80	76
(Gain) loss on securities, net	—	(1)
Net change in operating assets and liabilities:		
LHFS	(326)	(516)
Trading and equity securities	(1,081)	(187)
Other assets, accounts payable and other liabilities	(1,164)	59
Other, net	394	(176)
Net cash from operating activities	189	1,427
Cash Flows From Investing Activities:		
Proceeds from sales of AFS securities	4,110	160
Proceeds from maturities, calls and paydowns of AFS securities	1,848	1,990
Purchases of AFS securities	(5,828)	(1,989)
Proceeds from maturities, calls and paydowns of HTM securities	1,051	1,259
Purchases of HTM securities	—	(39)
Originations and purchases of loans and leases, net of principal collected	(3,947)	(2,957)
Other, net	(41)	13
Net cash from investing activities	(2,807)	(1,563)
Cash Flows From Financing Activities:		
Net change in deposits	(1,573)	2,113
Net change in short-term borrowings	5,166	(1,362)
Proceeds from issuance of long-term debt	2,033	1,755
Repayment of long-term debt	(3,396)	(1,044)
Repurchase of common stock	—	(630)
Cash dividends paid on common stock	(619)	(582)
Cash dividends paid on preferred stock	(87)	(87)
Other, net	(192)	(57)
Net cash from financing activities	1,332	106
Net Change in Cash, Cash Equivalents and Restricted Cash	(1,286)	(30)
Cash, Cash Equivalents and Restricted Cash, January 1	3,987	3,083
Cash, Cash Equivalents and Restricted Cash, June 30	\$ 2,701	\$ 3,053
Supplemental Disclosure of Cash Flow Information:		
Net cash paid (received) during the period for:		
Interest expense	\$ 993	\$ 619
Income taxes	324	(60)

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

NOTE 1. Basis of Presentation

General

See the Glossary of Defined Terms at the beginning of this Report for terms used herein. 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, 2018 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.

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. 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.

Leases - Lessee

BB&T has operating and finance leases for data centers, corporate offices, branches, retail centers, and certain equipment. BB&T determines if an arrangement is a lease at inception. Operating leases with an original lease term in excess of one year are included in other assets and accounts payable and other liabilities in the Consolidated Balance Sheets. Finance leases are included in premises and equipment and long-term debt in the Consolidated Balance Sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating and finance lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. BB&T uses an implicit interest rate in determining the present value of lease payments when readily determinable, and a collateralized incremental borrowing rate when an implicit rate is not available. Lease terms consider options to extend or terminate based on the determination of whether such renewal or termination options are deemed reasonably certain. Rent expense and rental income on operating leases is generally recorded using the straight-line method over the appropriate lease terms.

Lease agreements that contain non-lease components are generally accounted for as a single lease component. Variable costs, such as maintenance expenses, property and sales taxes, association dues and index based rate increases, are expensed as they are incurred.

Leases - Lessor

BB&T's commercial lease portfolio consists of dealer-based financing of equipment for small businesses and commercial equipment leasing. The fair market value of the leased asset is generally equal to the original capitalized cost. Assets under operating leases are included in other assets in the Consolidated Balance Sheets. Depreciation expense for assets under operating leases is generally recorded using the straight-line method over the appropriate lease terms in other expense in the Consolidated Statements of Income.

Changes in Accounting Principles and Effects of New Accounting Pronouncements

Standard/ Adoption Date	Description	Effects on the Financial Statements
Standards Adopted During the Current Year		
Leases Jan 1, 2019	Requires lessees to recognize assets and liabilities related to certain operating leases on the balance sheet, requires additional disclosures by lessees, and contains targeted changes to accounting by lessors.	BB&T established ROU assets of \$860 million and lease liabilities of \$997 million. The net impact to equity was a reduction of \$40 million. There was no material impact to its Consolidated Statements of Income. BB&T adopted the guidance on a prospective basis and did not reassess whether any expired or existing contract contains a lease, the classification of leases or the initial direct costs.
Standards Not Yet Adopted		
Credit Losses Jan 1, 2020	Replaces the incurred loss impairment methodology 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 for expected credit losses. Any credit impairment on AFS debt securities for which the fair value is less than cost will be recorded through an allowance for expected credit losses. The standard also requires expanded disclosures related to credit losses and asset quality.	BB&T expects that the ACL could be materially higher; however, the magnitude of the increase, which is highly dependent on existing and forecasted economic conditions at the time of adoption, has not yet been quantified. BB&T performed limited parallel testing in the second quarter of 2019, and is currently conducting a more comprehensive parallel testing program that will include consideration of qualitative adjustments that among other things will include adjustments designed to capture an estimate for the inherent uncertainty related to forecasts of future economic conditions. In light of the anticipated merger with SunTrust, BB&T is also evaluating the impact of the merger on its CECL implementation project to ensure that its consolidated CECL estimate gives appropriate consideration to the acquired SunTrust loan portfolio.

NOTE 2. Business Combinations

On February 7, 2019, BB&T and SunTrust announced that both companies' Boards of Directors unanimously approved an agreement to combine in an all-stock merger-of-equals. Upon closing, each SunTrust share will be exchanged for 1.295 shares of BB&T stock. On July 10, 2019, BB&T received regulatory approval from the NCCOB for the pending merger-of-equals with SunTrust. The merger is expected to close late in the third or fourth quarter of 2019, subject to satisfaction of closing conditions, including receipt of remaining regulatory approvals. The merger is subject to a break-up fee of approximately \$1.1 billion, payable in customary circumstances. On July 30, 2019, BB&T and SunTrust shareholders approved the merger. In addition, BB&T's shareholders approved Truist Financial Corporation to be the name of the new combined company.

NOTE 3. Securities

The following tables summarize AFS and HTM securities:

June 30, 2019 (Dollars in millions)	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
AFS securities:				
U.S. Treasury	\$ 1,120	\$ 1	\$ 9	\$ 1,112
GSE	246	3	2	247
Agency MBS	23,428	184	171	23,441
States and political subdivisions	568	31	12	587
Non-agency MBS	207	175	—	382
Other	33	—	—	33
Total AFS securities	\$ 25,602	\$ 394	\$ 194	\$ 25,802
HTM securities:				
U.S. Treasury	\$ 1,099	\$ 6	\$ —	\$ 1,105
GSE	2,199	27	—	2,226
Agency MBS	16,186	101	56	16,231
States and political subdivisions	3	—	—	3
Other	—	—	—	—
Total HTM securities	\$ 19,487	\$ 134	\$ 56	\$ 19,565

December 31, 2018 (Dollars in millions)	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
AFS securities:				
U.S. Treasury	\$ 3,503	\$ 22	\$ 84	\$ 3,441
GSE	209	—	9	200
Agency MBS	20,927	15	787	20,155
States and political subdivisions	694	25	18	701
Non-agency MBS	321	184	—	505
Other	35	1	—	36
Total AFS securities	\$ 25,689	\$ 247	\$ 898	\$ 25,038
HTM securities:				
U.S. Treasury	\$ 1,099	\$ —	\$ 6	\$ 1,093
GSE	2,199	4	43	2,160
Agency MBS	17,248	27	487	16,788
States and political subdivisions	5	—	—	5
Other	1	—	—	1
Total HTM securities	\$ 20,552	\$ 31	\$ 536	\$ 20,047

Certain securities issued by FNMA and FHLMC exceeded 10% of shareholders' equity at June 30, 2019. The FNMA investments had total amortized cost and fair value of \$13.6 billion. The FHLMC investments had total amortized cost and fair value of \$9.5 billion.

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.

June 30, 2019 (Dollars in millions)	AFS		HTM	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 346	\$ 347	\$ —	\$ —
Due after one year through five years	1,011	1,002	3,300	3,332
Due after five years through ten years	278	280	563	564
Due after ten years	23,967	24,173	15,624	15,669
Total debt securities	\$ 25,602	\$ 25,802	\$ 19,487	\$ 19,565

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, 2019 (Dollars in millions)	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
AFS securities:						
U.S. Treasury	\$ —	\$ —	\$ 666	\$ 9	\$ 666	\$ 9
GSE	—	—	171	2	171	2
Agency MBS	544	1	10,219	170	10,763	171
States and political subdivisions	101	1	197	11	298	12
Total	\$ 645	\$ 2	\$ 11,253	\$ 192	\$ 11,898	\$ 194
HTM securities:						
Agency MBS	384	3	4,461	53	4,845	56
Total	\$ 384	\$ 3	\$ 4,461	\$ 53	\$ 4,845	\$ 56

December 31, 2018 (Dollars in millions)	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
AFS securities:						
U.S. Treasury	\$ 111	\$ —	\$ 2,121	\$ 84	\$ 2,232	\$ 84
GSE	3	—	176	9	179	9
Agency MBS	322	2	18,478	785	18,800	787
States and political subdivisions	100	1	288	17	388	18
Total	\$ 536	\$ 3	\$ 21,063	\$ 895	\$ 21,599	\$ 898
HTM securities:						
U.S. Treasury	\$ 698	\$ 3	\$ 395	\$ 3	\$ 1,093	\$ 6
GSE	—	—	1,749	43	1,749	43
Agency MBS	264	3	14,976	484	15,240	487
Total	\$ 962	\$ 6	\$ 17,120	\$ 530	\$ 18,082	\$ 536

Substantially all of the unrealized losses on the securities portfolio were the result of changes in market interest rates compared to the date the securities were acquired rather than the credit quality of the issuers or underlying loans.

NOTE 4. Loans and ACL

During the third quarter of 2019, a residential mortgage loan portfolio totaling approximately \$4 billion is expected to be sold. The following tables present loans and leases HFI by aging category:

June 30, 2019 (Dollars in millions)	Accruing			Nonperforming	Total	
	Current	30-89 Days Past Due	90 Days Or More Past Due			
Commercial:						
Commercial and industrial	\$ 63,468	\$ 32	\$ —	\$ 193	\$ 63,693	
CRE	20,686	3	—	33	20,722	
Lease financing	2,196	5	—	2	2,203	
Retail:						
Residential mortgage	31,673	480	350	104	32,607	
Direct	11,370	58	10	54	11,492	
Indirect	17,734	393	7	75	18,209	
Revolving credit	3,197	28	14	—	3,239	
PCI	378	17	26	—	421	
Total	\$ 150,702	\$ 1,016	\$ 407	\$ 461	\$ 152,586	

December 31, 2018 (Dollars in millions)	Accruing			Nonperforming	Total
	Current	30-89 Days Past Due	90 Days Or More Past Due		
Commercial:					
Commercial and industrial	\$ 61,701	\$ 34	\$ —	\$ 200	\$ 61,935
CRE	20,990	5	—	65	21,060
Lease financing	2,014	1	—	3	2,018
Retail:					
Residential mortgage	30,413	456	405	119	31,393
Direct	11,463	61	7	53	11,584
Indirect	16,901	436	6	82	17,425
Revolving credit	3,090	28	14	—	3,132
PCI	413	23	30	—	466
Total	\$ 146,985	\$ 1,044	\$ 462	\$ 522	\$ 149,013

The following table presents the carrying amount of loans by risk rating. PCI loans are excluded because their related ALLL is determined by loan pool performance and revolving credit loans are excluded as the loans are charged-off rather than reclassifying to nonperforming:

(Dollars in millions)	June 30, 2019			December 31, 2018		
	Commercial & Industrial	CRE	Lease Financing	Commercial & Industrial	CRE	Lease Financing
Commercial:						
Pass	\$ 62,211	\$ 20,315	\$ 2,188	\$ 60,655	\$ 20,712	\$ 2,012
Special mention	386	112	1	216	61	—
Substandard-performing	903	262	12	864	222	3
Nonperforming	193	33	2	200	65	3
Total	\$ 63,693	\$ 20,722	\$ 2,203	\$ 61,935	\$ 21,060	\$ 2,018
Retail:	Residential Mortgage	Direct	Indirect	Residential Mortgage	Direct	Indirect
Performing	\$ 32,503	\$ 11,438	\$ 18,134	\$ 31,274	\$ 11,531	\$ 17,343
Nonperforming	104	54	75	119	53	82
Total	\$ 32,607	\$ 11,492	\$ 18,209	\$ 31,393	\$ 11,584	\$ 17,425

The following tables present activity in the ACL:

(Dollars in millions)	Balance at Apr 1, 2018	Charge-Offs	Recoveries	Provision (Benefit)	Balance at Jun 30, 2018
Commercial:					
Commercial and industrial	\$ 522	\$ (23)	\$ 11	\$ 25	\$ 535
CRE	175	(2)	1	17	191
Lease financing	10	(1)	1	—	10
Retail:					
Residential mortgage	216	(5)	1	9	221
Direct	99	(17)	6	9	97
Indirect	347	(82)	17	71	353
Revolving credit	104	(21)	5	17	105
PCI	25	—	—	(7)	18
ALLL	1,498	(151)	42	141	1,530
RUFC	116	—	—	(6)	110
ACL	\$ 1,614	\$ (151)	\$ 42	\$ 135	\$ 1,640

(Dollars in millions)	Balance at Apr 1, 2019	Charge-Offs	Recoveries	Provision (Benefit)	Balance at Jun 30, 2019
Commercial:					
Commercial and industrial	\$ 548	\$ (22)	\$ 8	\$ 40	\$ 574
CRE	196	(18)	3	20	201
Lease financing	11	—	—	(1)	10
Retail:					
Residential mortgage	225	(5)	—	4	224
Direct	96	(22)	7	18	99
Indirect	358	(91)	19	73	359
Revolving credit	119	(25)	4	22	120
PCI	8	—	—	—	8
ALLL	1,561	(183)	41	176	1,595
RUFC	98	—	—	(4)	94
ACL	\$ 1,659	\$ (183)	\$ 41	\$ 172	\$ 1,689

(Dollars in millions)	Balance at Jan 1, 2018	Charge-Offs	Recoveries	Provision (Benefit)	Balance at Jun 30, 2018
Commercial:					
Commercial and industrial	\$ 522	\$ (46)	\$ 19	\$ 40	\$ 535
CRE	160	(8)	3	36	191
Lease financing	9	(2)	1	2	10
Retail:					
Residential mortgage	209	(9)	1	20	221
Direct	106	(36)	12	15	97
Indirect	348	(189)	32	162	353
Revolving credit	108	(42)	10	29	105
PCI	28	—	—	(10)	18
ALLL	1,490	(332)	78	294	1,530
RUFC	119	—	—	(9)	110
ACL	\$ 1,609	\$ (332)	\$ 78	\$ 285	\$ 1,640

(Dollars in millions)	Balance at Jan 1, 2019	Charge-Offs	Recoveries	Provision (Benefit)	Balance at Jun 30, 2019
Commercial:					
Commercial and industrial	\$ 546	\$ (39)	\$ 14	\$ 53	\$ 574
CRE	190	(26)	4	33	201
Lease financing	11	(1)	—	—	10
Retail:					
Residential mortgage	232	(10)	1	1	224
Direct	97	(40)	13	29	99
Indirect	356	(200)	36	167	359
Revolving credit	117	(51)	10	44	120
PCI	9	—	—	(1)	8
ALLL	1,558	(367)	78	326	1,595
RUFC	93	—	—	1	94
ACL	\$ 1,651	\$ (367)	\$ 78	\$ 327	\$ 1,689

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

(Dollars in millions)	June 30, 2019		December 31, 2018	
	Recorded Investment	Related ALLL	Recorded Investment	Related ALLL
Commercial:				
Commercial and industrial	\$ 63,383	\$ 546	\$ 61,629	\$ 521
CRE	20,667	197	20,960	181
Lease financing	2,201	10	2,015	11
Retail:				
Residential mortgage	31,842	168	30,539	164
Direct	11,427	94	11,517	92
Indirect	17,873	298	17,099	299
Revolving credit	3,210	109	3,104	106
PCI	421	8	466	9
Total	\$ 151,024	\$ 1,430	\$ 147,329	\$ 1,383

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

As of / For The Six Months Ended June 30, 2019 (Dollars in millions)	UPB	Recorded Investment			Average Recorded Investment	Interest Income Recognized
		Without an ALLL	With an ALLL	Related ALLL		
Commercial:						
Commercial and industrial	\$ 321	\$ 89	\$ 221	\$ 28	\$ 309	\$ 3
CRE	62	5	50	4	100	1
Lease financing	2	—	2	—	2	—
Retail:						
Residential mortgage	813	106	659	56	858	19
Direct	82	26	39	5	66	2
Indirect	346	5	331	61	328	26
Revolving credit	29	—	29	11	29	1
Total	\$ 1,655	\$ 231	\$ 1,331	\$ 165	\$ 1,692	\$ 52

As of / For The Year Ended December 31, 2018 (Dollars in millions)	UPB	Recorded Investment			Average Recorded Investment	Interest Income Recognized
		Without an ALLL	With an ALLL	Related ALLL		
Commercial:						
Commercial and industrial	\$ 318	\$ 95	\$ 211	\$ 25	\$ 343	\$ 6
CRE	102	29	71	9	97	2
Lease financing	3	—	3	—	6	—
Retail:						
Residential mortgage	904	122	732	68	841	34
Direct	86	26	41	5	72	4
Indirect	335	6	320	57	306	46
Revolving credit	28	—	28	11	29	1
Total	\$ 1,776	\$ 278	\$ 1,406	\$ 175	\$ 1,694	\$ 93

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

(Dollars in millions)	Jun 30, 2019	Dec 31, 2018
Performing TDRs:		
Commercial:		
Commercial and industrial	\$ 84	\$ 65
CRE	8	10
Retail:		
Residential mortgage	581	656
Direct	53	55
Indirect	315	305
Revolving credit	29	28
Total performing TDRs	1,070	1,119
Nonperforming TDRs (also included in NPL disclosures)	135	176
Total TDRs	\$ 1,205	\$ 1,295
ALLL attributable to TDRs	\$ 149	\$ 146

The primary reason loan modifications were classified as TDRs is summarized below. Balances represent the recorded investment at the end of the quarter in which the modification was made. Rate modifications consist of TDRs made with below market interest rates, including those that also have modifications of loan structures.

Three Months Ended June 30, (Dollars in millions)	2019			2018		
	Type of Modification		ALLL Impact	Type of Modification		ALLL Impact
	Rate	Structure		Rate	Structure	
Newly designated TDRs:						
Commercial:						
Commercial and industrial	\$ 24	\$ 3	\$ 1	\$ 20	\$ 33	\$ —
CRE	—	1	—	8	1	—
Retail:						
Residential mortgage	49	6	3	58	5	4
Direct	2	1	—	2	1	—
Indirect	50	1	6	45	1	5
Revolving credit	5	—	1	4	—	1
Re-modification of previously designated TDRs	14	11	—	31	5	—

Six Months Ended June 30, (Dollars in millions)	2019			2018		
	Type of Modification		ALLL Impact	Type of Modification		ALLL Impact
	Rate	Structure		Rate	Structure	
Newly designated TDRs:						
Commercial:						
Commercial and industrial	\$ 50	\$ 6	\$ 2	\$ 30	\$ 43	\$ —
CRE	1	1	—	27	2	—
Retail:						
Residential mortgage	122	14	7	140	15	9
Direct	5	2	—	4	1	—
Indirect	98	2	12	87	2	10
Revolving credit	11	—	2	9	—	2
Re-modification of previously designated TDRs	37	16	—	52	10	—

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

The pre-default balance for modifications that had been classified as TDRs during the previous 12 months that experienced a payment default was \$21 million and \$13 million for the three months ended June 30, 2019 and 2018, respectively, and \$39 million and \$36 million for the six months ended June 30, 2019 and 2018, respectively. Payment default is defined as movement of the TDR to nonperforming status, foreclosure or charge-off, whichever occurs first.

Unearned income, discounts and net deferred loan fees and costs were immaterial for all periods presented. Residential mortgage loans in the process of foreclosure were \$240 million at June 30, 2019 and \$253 million at December 31, 2018.

NOTE 5. Other Assets and Liabilities

Lessee Operating and Finance Leases

Operating lease costs were \$49 million and \$98 million for the three and six months ended June 30, 2019, respectively.

The following table presents additional information on operating and finance leases:

June 30, 2019 (Dollars in millions)	Operating Leases	Finance Leases
ROU assets	\$ 842	\$ 18
Maturities of lease liabilities:		
2019	\$ 86	\$ 4
2020	195	7
2021	172	6
2022	148	5
2023	118	3
2024	92	2
Thereafter	289	3
Total lease payments	1,100	30
Less: imputed interest	139	5
Total lease liabilities	\$ 961	\$ 25
Weighted average remaining term	7.5 years	5.0 years
Weighted average discount rate	3.1%	7.1%

Lessor Operating Leases

The following tables present a summary of assets under operating leases and activity related to assets under operating leases. These tables exclude subleases on assets included in premises and equipment.

(Dollars in millions)	Jun 30, 2019	Dec 31, 2018
Assets held under operating leases	\$ 1,359	\$ 1,378
Accumulated depreciation	(375)	(374)
Net	\$ 984	\$ 1,004

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Depreciation expense for assets under operating leases	\$ 29	\$ 30	\$ 58	\$ 60

The residual value of assets no longer under operating leases was immaterial.

NOTE 6. Goodwill and Other Intangible Assets

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

(Dollars in millions)	June 30, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
CDI	\$ 605	\$ (482)	\$ 123	\$ 605	\$ (460)	\$ 145
Other, primarily customer relationship intangibles	1,331	(742)	589	1,329	(716)	613
Total	\$ 1,936	\$ (1,224)	\$ 712	\$ 1,934	\$ (1,176)	\$ 758

NOTE 7. Loan Servicing

Residential Mortgage Banking Activities

The following tables summarize residential mortgage banking activities:

(Dollars in millions)	Jun 30, 2019	Dec 31, 2018
UPB of residential mortgage loan servicing portfolio	\$ 117,912	\$ 118,605
UPB of residential mortgage loans serviced for others, primarily agency conforming fixed rate	85,060	87,270
Mortgage loans sold with recourse	387	419
Maximum recourse exposure from mortgage loans sold with recourse liability	209	223
Indemnification, recourse and repurchase reserves	21	24

As of / For the Six Months Ended June 30, (Dollars in millions)	2019	2018
UPB of residential mortgage loans sold from LHFS	\$ 3,597	\$ 5,536
Pre-tax gains recognized on mortgage loans sold and held for sale	48	74
Servicing fees recognized from mortgage loans serviced for others	123	128
Approximate weighted average servicing fee on the outstanding balance of residential mortgage loans serviced for others	0.28%	0.28%
Weighted average interest rate on mortgage loans serviced for others	4.07	4.01

The following table presents a roll forward of the carrying value of residential MSR's recorded at fair value:

Six Months Ended June 30, (Dollars in millions)	2019	2018
Residential MSR's, carrying value, January 1	\$ 957	\$ 914
Additions	40	63
Change in fair value due to changes in valuation inputs or assumptions:		
Prepayment speeds	(134)	67
OAS	37	17
Servicing costs	—	—
Realization of expected net servicing cash flows, passage of time and other	(70)	(70)
Residential MSR's, carrying value, June 30	\$ 830	\$ 991
Gains (losses) on derivative financial instruments used to mitigate the income statement effect of changes in residential MSR fair value	\$ 129	\$ (84)

The sensitivity of the fair value of the residential MSR's to changes in key assumptions is presented in the following table:

(Dollars in millions)	June 30, 2019			December 31, 2018		
	Range		Weighted Average	Range		Weighted Average
	Min	Max		Min	Max	
Prepayment speed	10.3%	13.4%	12.9%	9.1%	10.5%	9.9%
Effect on fair value of a 10% increase			\$ (40)			\$ (34)
Effect on fair value of a 20% increase			(77)			(66)
OAS	5.3%	7.8%	5.9%	6.6%	8.3%	7.0%
Effect on fair value of a 10% increase			\$ (18)			\$ (24)
Effect on fair value of a 20% increase			(34)			(47)
Composition of loans serviced for others:						
Fixed-rate residential mortgage loans			99.2%			99.2%
Adjustable-rate residential mortgage loans			0.8			0.8
Total			100.0%			100.0%
Weighted average life			5.1 years			6.1 years

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. As indicated, changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in the above table, the effect of an adverse variation in one assumption on the fair value of the MSR's is calculated without changing any other assumption; while in reality, changes in one factor may result in changes in another, which may magnify or counteract the effect of the change.

Commercial Mortgage Banking Activities

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

(Dollars in millions)	Jun 30, 2019	Dec 31, 2018
UPB of CRE mortgages serviced for others	\$ 27,683	\$ 27,761
CRE mortgages serviced for others covered by recourse provisions	4,691	4,699
Maximum recourse exposure from CRE mortgages sold with recourse liability	1,312	1,317
Recorded reserves related to recourse exposure	6	6
CRE mortgages originated during the year-to-date period	3,218	7,072
Commercial MSRs at fair value	140	151

NOTE 8. Deposits

The composition of deposits is presented in the following table:

(Dollars in millions)	Jun 30, 2019	Dec 31, 2018
Noninterest-bearing deposits	\$ 52,458	\$ 53,025
Interest checking	28,021	28,130
Money market and savings	63,972	63,467
Time deposits	15,070	16,577
Total deposits	\$ 159,521	\$ 161,199
Time deposits greater than \$250,000	\$ 3,868	\$ 5,713

NOTE 9. Long-Term Debt

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

(Dollars in millions)	Maturity	Jun 30, 2019		Effective Rate	Carrying Amount	Dec 31, 2018
			Stated Rate			Carrying Amount
			Min	Max		
BB&T Corporation:						
Fixed rate senior notes	2020 to 2025	2.05%	5.38%	2.91%	\$ 10,675	\$ 10,408
Floating rate senior notes	2020 2022	2.80	3.31	3.08	1,948	2,398
Fixed rate subordinated notes	2019 2029	3.88	5.25	2.50	1,586	903
Branch Bank:						
Fixed rate senior notes	2020 2022	2.10	2.85	2.54	3,449	4,895
Floating rate senior notes	2020 2020	2.74	3.05	3.01	900	1,149
Fixed rate subordinated notes	2025 2026	3.63	3.80	3.09	2,178	2,075
FHLB advances (1)	2019 2034	—	5.50	2.77	1,743	1,749
Other long-term debt					161	132
Total long-term debt					\$ 22,640	\$ 23,709

(1) FHLB advances had a weighted average maturity of 3.5 years at June 30, 2019.

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

During the third quarter of 2019, BB&T issued \$1.0 billion in fixed rate medium term notes with a maturity date of 2024.

NOTE 10. Shareholders' Equity

Preferred Stock

On July 29, 2019, BB&T issued \$1.7 billion of series N non-cumulative perpetual preferred stock with a stated dividend rate of 4.800% per annum for net proceeds of \$1.7 billion. Dividends, if declared by the Board of Directors, are payable on the first day of March and September of each year, commencing on March 1, 2020. The dividend rate will reset on September 1, 2024, and on each following fifth anniversary of the reset date to the five-year U.S. Treasury rate plus 3.003%. BB&T issued depositary shares, each of which represents a fractional ownership interest in a share of the 68,000 shares of the Company's series N preferred stock. The preferred stock has no stated maturity and redemption is solely at the option of the Company in whole, but not in part, upon the occurrence of a regulatory capital treatment event, as defined. In addition, the preferred stock may be redeemed in whole or in part, on any dividend payment date after September 1, 2024.

Dividends

The following table presents the dividends declared related to common stock. For information related to preferred stock dividends, see Note 9. Shareholders' Equity of the Annual Report on Form 10-K for the year ended December 31, 2018.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cash dividends declared per share	\$ 0.405	\$ 0.375	\$ 0.810	\$ 0.750

Equity-Based Compensation Plans

The following table presents the activity related to awards of RSUs, PSUs and restricted shares:

(Shares in thousands)	Units/Shares	Wtd. Avg. Grant Date Fair Value
Nonvested at January 1, 2019	12,060	\$ 38.03
Granted	3,914	44.39
Vested	(3,262)	35.07
Forfeited	(204)	43.86
Nonvested at June 30, 2019	12,508	40.69

NOTE 11. AOCI

AOCI includes the after-tax change in unrecognized net costs related to defined benefit pension and OPEB plans, and unrealized gains and losses on cash flow hedges and AFS securities.

Three Months Ended (Dollars in millions)	Pension and OPEB Costs	Cash Flow Hedges	AFS Securities	Other, net	Total
AOCI balance, April 1, 2018	\$ (990)	\$ (14)	\$ (624)	\$ (17)	\$ (1,645)
OCI before reclassifications, net of tax	—	23	(100)	(2)	(79)
Amounts reclassified from AOCI:					
Before tax	18	3	1	1	23
Tax effect	5	—	—	—	5
Amounts reclassified, net of tax	13	3	1	1	18
Total OCI, net of tax	13	26	(99)	(1)	(61)
AOCI balance, June 30, 2018	\$ (977)	\$ 12	\$ (723)	\$ (18)	\$ (1,706)
AOCI balance, April 1, 2019	\$ (1,147)	\$ (65)	\$ (191)	\$ (18)	\$ (1,421)
OCI before reclassifications, net of tax	—	(61)	346	—	285
Amounts reclassified from AOCI:					
Before tax	24	2	(6)	—	20
Tax effect	5	—	(2)	—	3
Amounts reclassified, net of tax	19	2	(4)	—	17
Total OCI, net of tax	19	(59)	342	—	302
AOCI balance, June 30, 2019	\$ (1,128)	\$ (124)	\$ 151	\$ (18)	\$ (1,119)
Six Months Ended June 30, 2019 and 2018 (Dollars in millions)	Pension and OPEB Costs	Cash Flow Hedges	AFS Securities	Other, net	Total
AOCI balance, January 1, 2018	\$ (1,004)	\$ (92)	\$ (356)	\$ (15)	\$ (1,467)
OCI before reclassifications, net of tax	—	93	(382)	(4)	(293)
Amounts reclassified from AOCI:					
Before tax	36	14	20	1	71
Tax effect	9	3	5	—	17
Amounts reclassified, net of tax	27	11	15	1	54
Total OCI, net of tax	27	104	(367)	(3)	(239)
AOCI balance, June 30, 2018	(977)	12	(723)	(18)	(1,706)
AOCI balance, January 1, 2019	\$ (1,164)	\$ (31)	\$ (500)	\$ (20)	\$ (1,715)
OCI before reclassifications, net of tax	—	(91)	660	2	571
Amounts reclassified from AOCI:					
Before tax	47	(3)	(12)	—	32
Tax effect	11	(1)	(3)	—	7
Amounts reclassified, net of tax	36	(2)	(9)	—	25
Total OCI, net of tax	36	(93)	651	2	596
AOCI balance, June 30, 2019	\$ (1,128)	\$ (124)	\$ 151	\$ (18)	\$ (1,119)
Primary income statement location of amounts reclassified from AOCI	Other expense	Net interest income	Net interest income	Net interest income	

NOTE 12. Income Taxes

The effective tax rates for the three months ended June 30, 2019 and 2018 were 20.9% and 19.7%, respectively.

The effective tax rates for the six months ended June 30, 2019 and 2018 were 19.6% and 19.4%, respectively.

NOTE 13. Benefit Plans

The components of net periodic benefit cost for defined benefit pension plans are summarized in the following table:

	Location	Three Months Ended June 30,		Six Months Ended June 30,	
		2019	2018	2019	2018
Service cost	Personnel expense	\$ 55	\$ 60	\$ 109	\$ 120
Interest cost	Other expense	54	50	111	100
Estimated return on plan assets	Other expense	(114)	(112)	(227)	(224)
Amortization and other	Other expense	26	19	51	39
Net periodic benefit cost		\$ 21	\$ 17	\$ 44	\$ 35

BB&T makes contributions to the qualified pension plan in amounts between the minimum required for funding and the maximum deductible for federal income tax purposes. Discretionary contributions totaling \$549 million were made during the six months ended June 30, 2019. There are no required contributions for the remainder of 2019, though BB&T may elect to make additional discretionary contributions.

NOTE 14. Commitments and Contingencies

The following table summarizes certain commitments and contingencies. Refer to Note 15. Fair Value Disclosures for additional disclosures related to off-balance sheet financial instruments.

(Dollars in millions)	Jun 30, 2019	Dec 31, 2018
Investments in affordable housing projects:		
Carrying amount	\$ 2,178	\$ 2,088
Amount of future funding commitments included in carrying amount	914	919
Lending exposure	410	460
Tax credits subject to recapture	513	523
Private equity investments:		
Carrying amount	525	458
Amount of future funding commitments not included in carrying amount	312	331

Legal Proceedings

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

On at least a quarterly basis, liabilities and contingencies in connection with outstanding legal proceedings are assessed utilizing the latest information available. For those matters where it is probable that BB&T will incur a loss and the amount of the loss can be reasonably estimated, and is more than nominal, a liability is recorded in the consolidated financial statements. These legal reserves may be increased or decreased to reflect any relevant developments on at least a quarterly basis. For other matters, where a loss is not probable or the amount of the loss is not estimable, legal reserves are not accrued. While the outcome of legal proceedings is inherently uncertain, based on information currently available, advice of counsel and available insurance coverage, management believes that the established legal reserves are adequate and the liabilities arising from legal proceedings will not have a material adverse effect on the consolidated financial position, consolidated results of operations or consolidated cash flows. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the consolidated financial position, consolidated results of operations or consolidated cash flows of BB&T.

Following the announcement of the proposed merger with SunTrust, six civil actions were filed challenging, among other things, the adequacy of the disclosures contained in the preliminary proxy statement/prospectus filed with the SEC in connection with the proposed transaction. Five of these suits were filed by purported SunTrust stockholders against SunTrust and its board of directors, with one suit also asserting a claim against BB&T. The sixth suit was filed by a purported BB&T stockholder against BB&T and its board of directors. Following discussions, SunTrust and BB&T reached agreement with plaintiffs to resolve these actions by making certain supplemental disclosures in the joint proxy statement/prospectus filed with the SEC in connection with the proposed transaction, which became definitive on June 19, 2019. To date, one of the suits filed by purported SunTrust stockholders has been dismissed with prejudice, and the suit filed by a purported BB&T stockholder has been discontinued with prejudice. Plaintiffs in the four remaining suits have similarly agreed to dismiss their actions in their entirety, with prejudice as to the named plaintiffs only and without prejudice to all other members of the putative class.

Pledged Assets

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

(Dollars in millions)	Jun 30, 2019	Dec 31, 2018
Pledged securities	\$ 13,782	\$ 13,237
Pledged loans	79,303	77,847

NOTE 15. Fair Value Disclosures

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

June 30, 2019 (Dollars in millions)	Total	Level 1	Level 2	Level 3	Netting Adjustments (1)
Assets:					
AFS securities:					
U.S. Treasury	\$ 1,112	\$ —	\$ 1,112	\$ —	\$ —
GSE	247	—	247	—	—
Agency MBS	23,441	—	23,441	—	—
States and political subdivisions	587	—	587	—	—
Non-agency MBS	382	—	—	382	—
Other	33	—	33	—	—
Total AFS securities	25,802	—	25,420	382	—
LHFS	1,237	—	1,237	—	—
MSRs	970	—	—	970	—
Other assets:					
Trading and equity securities	1,848	413	1,435	—	—
Derivative assets	498	—	638	18	(158)
Private equity investments	449	—	—	449	—
Total assets	\$ 30,804	\$ 413	\$ 28,730	\$ 1,819	\$ (158)
Liabilities:					
Derivative liabilities	\$ 35	\$ —	\$ 156	\$ 11	\$ (132)
Securities sold short	188	—	188	—	—
Total liabilities	\$ 223	\$ —	\$ 344	\$ 11	\$ (132)
December 31, 2018 (Dollars in millions)					
	Total	Level 1	Level 2	Level 3	Netting Adjustments (1)
Assets:					
AFS securities:					
U.S. Treasury	\$ 3,441	\$ —	\$ 3,441	\$ —	\$ —
GSE	200	—	200	—	—
Agency MBS	20,155	—	20,155	—	—
States and political subdivisions	701	—	701	—	—
Non-agency MBS	505	—	114	391	—
Other	36	—	36	—	—
Total AFS securities	25,038	—	24,647	391	—
LHFS	988	—	988	—	—
MSRs	1,108	—	—	1,108	—
Other assets:					
Trading and equity securities	767	374	390	3	—
Derivative assets	246	—	234	12	—
Private equity investments	393	—	—	393	—
Total assets	\$ 28,540	\$ 374	\$ 26,259	\$ 1,907	\$ —
Liabilities:					
Derivative liabilities	\$ 247	\$ 1	\$ 246	\$ —	\$ —
Securities sold short	145	—	145	—	—
Total liabilities	\$ 392	\$ 1	\$ 391	\$ —	\$ —

(1) Refer to Note 16. Derivative Financial Instruments for additional discussion on netting adjustments.

Accounting standards define fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants, with a three level valuation input hierarchy. The following discussion focuses on the valuation techniques and significant inputs for Level 2 and Level 3 assets and liabilities.

A third-party pricing service is generally utilized in determining the fair value of the securities portfolio. Management independently evaluates the fair values provided by the pricing service through comparisons to other external pricing sources, review of additional information provided by the pricing service and other third party sources for selected securities and back-testing to compare the price realized on any security sales to the daily pricing information received from the pricing service. Fair value measurements are derived from market-based pricing matrices that were developed using observable inputs that include benchmark yields, benchmark securities, reported trades, offers, bids, issuer spreads and broker quotes. As described by security type below, additional inputs may be used, or some inputs may not be applicable. In the event that market observable data was not available, which would generally occur due to the lack of an active market for a given security, the valuation of the security would be subjective and may involve substantial judgment by management.

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

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

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

Non-agency MBS: Pricing matrices for these securities are based on observable inputs including offers, bids, reported trades, dealer quotes and market research reports, the characteristics of a specific tranche, market convention prepayment speeds and benchmark yield curves as described above. Non-agency MBS include investments in Re-REMIC trusts that primarily hold non-agency MBS, which are valued based on broker pricing models that use baseline securities yields and tranche-level yield adjustments to discount cash flows modeled using market convention prepayment speed and default assumptions.

Other securities: These securities consist primarily of corporate bonds. These securities are valued based on a review of quoted market prices for assets as well as through the various other inputs discussed previously.

LHFS: Certain mortgage loans are originated to be sold to investors, which are carried at fair value. The fair value is primarily based on quoted market prices for securities backed by similar types of loans. The changes in fair value of these assets are largely driven by changes in interest rates subsequent to loan funding and changes in the fair value of servicing associated with the mortgage LHFS.

MSRs: Residential MSRs are valued using an OAS valuation model to project cash flows over multiple interest rate scenarios, which are discounted at risk-adjusted rates. The model considers portfolio characteristics, contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. Fair value estimates and assumptions are compared to industry surveys, recent market activity, actual portfolio experience and, when available, other observable market data. Commercial MSRs are valued using a cash flow valuation model that calculates the present value of estimated future net servicing cash flows. BB&T considers actual and expected loan prepayment rates, discount rates, servicing costs and other economic factors that are determined based on current market conditions.

Trading and equity securities: Trading and equity securities primarily consist of exchange traded equity securities, and debt securities issued by the U.S. Treasury, GSEs, or states and political subdivisions. The valuation techniques for debt securities are more fully discussed above.

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

Private equity investments: In many cases there are no observable market values for these investments and therefore management must estimate the fair value based on a comparison of the operating performance of the company to multiples in the marketplace for similar entities. This analysis requires significant judgment, and actual values in a sale could differ materially from those estimated.

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

Activity for Level 3 assets and liabilities is summarized below:

Three Months Ended (Dollars in millions)	Trading and Equity Securities	Non-agency MBS	MSRs	Net Derivatives	Private Equity Investments
Balance at April 1, 2018	\$ —	\$ 441	\$ 1,119	\$ 7	\$ 400
Total realized and unrealized gains (losses):					
Included in earnings	—	7	23	1	5
Included in unrealized net holding gains (losses) in OCI	—	(9)	—	—	—
Purchases	1	—	—	—	3
Issuances	—	—	46	11	—
Sales	(1)	—	—	—	—
Settlements	—	(14)	(45)	(15)	(9)
Balance at June 30, 2018	\$ —	\$ 425	\$ 1,143	\$ 4	\$ 399
Balance at April 1, 2019	\$ 11	\$ 386	\$ 1,036	\$ 7	\$ 388
Total realized and unrealized gains (losses):					
Included in earnings	—	(7)	(51)	13	1
Included in unrealized net holding gains (losses) in OCI	—	11	—	—	—
Purchases	—	—	—	—	61
Issuances	—	—	30	17	—
Sales	(11)	—	—	—	(1)
Settlements	—	(8)	(45)	(20)	—
Transfers into Level 3	—	—	—	(10)	—
Balance at June 30, 2019	\$ —	\$ 382	\$ 970	\$ 7	\$ 449
Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at June 30, 2019	\$ —	\$ (7)	\$ (51)	\$ 17	\$ —
Six Months Ended June 30, 2019 and 2018 (Dollars in millions)	Trading and Equity Securities	Non-agency MBS	MSRs	Net Derivatives	Private Equity Investments
Balance at January 1, 2018	\$ —	\$ 432	\$ 1,056	\$ 3	\$ 404
Total realized and unrealized gains (losses):					
Included in earnings	—	6	91	1	11
Included in unrealized net holding gains (losses) in OCI	—	14	—	—	—
Purchases	1	—	—	—	27
Issuances	—	—	83	6	—
Sales	(1)	—	—	—	(24)
Settlements	—	(27)	(87)	(6)	(19)
Balance at June 30, 2018	\$ —	\$ 425	\$ 1,143	\$ 4	\$ 399
Balance at January 1, 2019	\$ 3	\$ 391	\$ 1,108	\$ 12	\$ 393
Total realized and unrealized gains (losses):					
Included in earnings	—	(5)	(105)	21	24
Included in unrealized net holding gains (losses) in OCI	—	12	—	—	—
Purchases	15	—	—	—	68
Issuances	—	—	52	34	—
Sales	(18)	—	—	—	(34)
Settlements	—	(16)	(85)	(50)	(2)
Transfers into Level 3	—	—	—	(10)	—
Balance at June 30, 2019	\$ —	\$ 382	\$ 970	\$ 7	\$ 449
Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at June 30, 2019	\$ —	\$ (5)	\$ (105)	\$ 18	\$ 4
Primary income statement location of realized gains (losses) included in earnings	Interest income	Interest income	Mortgage banking income	Mortgage banking income	Other income

The non-agency MBS categorized as Level 3 represent ownership interests in various tranches of Re-REMIC trusts. These securities are valued at a discount, which is unobservable in the market, to the fair value of the underlying securities owned by the trusts. The Re-REMIC tranches do not have an active market and therefore are categorized as Level 3. At June 30, 2019, the fair value of Re-REMIC non-agency MBS represented a discount of 21.7% to the fair value of the underlying securities owned by the Re-REMIC trusts.

The majority of private equity investments are in SBIC qualified funds, which primarily focus on equity and subordinated debt investments in privately-held middle market companies. The majority of these VIE investments are not redeemable and distributions are received as the underlying assets of the funds liquidate. The timing of distributions, which are expected to occur on various dates on an approximately ratable basis through 2029, is uncertain and dependent on various events such as recapitalizations, refinance transactions and ownership changes among others. As of June 30, 2019, restrictions on the ability to sell the investments include, but are not limited to, consent of a majority member or general partner approval for transfer of ownership. These investments are spread over numerous privately-held middle market companies, and thus the sensitivity to a change in fair value for any single investment is limited. The significant unobservable inputs for these investments are EBITDA multiples that ranged from 6x to 12x, with a weighted average of 9x, at June 30, 2019.

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

(Dollars in millions)	June 30, 2019			December 31, 2018		
	Fair Value	UPB	Difference	Fair Value	UPB	Difference
LHFS at fair value	\$ 1,237	\$ 1,221	\$ 16	\$ 988	\$ 975	\$ 13

Excluding government guaranteed, LHFS that were nonperforming or 90 days or more past due and still accruing interest were not material at June 30, 2019.

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

As of / For The Six Months Ended June 30, (Dollars in millions)	2019		2018	
	Carrying Value	Valuation Adjustments	Carrying Value	Valuation Adjustments
Impaired loans	\$ 113	\$ (20)	\$ 174	\$ (22)
Foreclosed real estate	36	(117)	43	(114)

For financial instruments not recorded at fair value, estimates of fair value are based on relevant market data and information about the instrument. Values obtained relate to one trading unit without regard to any premium or discount that may result from concentrations of ownership, possible tax ramifications, estimated transaction costs that may result from bulk sales or the relationship between various instruments.

An active market does not exist for certain financial instruments. Fair value estimates for these instruments are based on current economic conditions, currency and interest rate risk characteristics, loss experience and other factors. Many of these estimates involve uncertainties and matters of significant judgment and cannot be determined with precision. Therefore, the fair value estimates in many instances cannot be substantiated by comparison to independent markets and, in many cases, may not be realizable in a current sale of the instrument. In addition, changes in assumptions could significantly affect these fair value estimates. The following assumptions were used to estimate the fair value of these financial instruments.

Cash and cash equivalents and restricted cash: For these short-term instruments, the carrying amounts are a reasonable estimate of fair values.

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

Loans receivable: The fair values for loans are estimated using discounted cash flow analyses, applying interest rates currently being offered for loans with similar terms and credit quality, which are deemed to be indicative of orderly transactions in the current market. For commercial loans and leases, discount rates may be adjusted to address additional credit risk on lower risk grade instruments. For residential mortgage and other consumer loans, internal prepayment risk models are used to adjust contractual cash flows. Loans are aggregated into pools of similar terms and credit quality and discounted using a LIBOR based rate. The carrying amounts of accrued interest approximate fair values.

Deposit liabilities: The fair values for demand deposits are equal to the amount payable on demand. Fair values for CDs are estimated using a discounted cash flow calculation that applies current interest rates to aggregate expected maturities. BB&T has developed long-term relationships with its deposit customers, commonly referred to as CDIs, that have not been considered in the determination of the deposit liabilities' fair value.

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

Long-term debt: The fair values of long-term debt instruments are estimated based on quoted market prices for the instrument if available, or for similar instruments if not available, or by using discounted cash flow analyses, based on current incremental borrowing rates for similar types of instruments.

Contractual commitments: The fair values of commitments are estimated using the fees charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The fair values of guarantees and letters of credit are estimated based on the counterparties' creditworthiness and average default rates for loan products with similar risks. These respective fair value measurements are categorized within Level 3 of the fair value hierarchy. Retail lending and revolving credit commitments have an immaterial fair value as BB&T typically has the ability to cancel such commitments.

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

(Dollars in millions)	Fair Value Hierarchy	June 30, 2019		December 31, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:					
HTM securities	Level 2	\$ 19,487	\$ 19,565	\$ 20,552	\$ 20,047
Loans and leases HFI, net of ALLL	Level 3	150,991	150,295	147,455	145,591
Financial liabilities:					
Time deposits	Level 2	15,070	15,141	16,577	16,617
Long-term debt	Level 2	22,640	23,005	23,709	23,723

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

(Dollars in millions)	June 30, 2019		December 31, 2018	
	Notional/ Contract Amount	Fair Value	Notional/ Contract Amount	Fair Value
Commitments to extend, originate or purchase credit	\$ 75,677	\$ 262	\$ 72,435	\$ 280
Residential mortgage loans sold with recourse	387	3	419	3
CRE mortgages serviced for others covered by recourse provisions	4,691	6	4,699	6
Letters of credit	2,269	16	2,389	18

NOTE 16. Derivative Financial Instruments

The following table provides a summary of derivative strategies and the related accounting treatment:

	Cash Flow Hedges	Fair Value Hedges	Derivatives Not Designated as Hedges
Risk exposure	Variability in cash flows of interest payments on floating rate business loans, overnight funding and various LIBOR funding instruments.	Changes in value on fixed rate long-term debt, CDs, FHLB advances, loans and state and political subdivision securities due to changes in interest rates.	Risk associated with an asset or liability, including mortgage banking operations and MSR, or for client needs. Includes exposure to changes in market rates and conditions subsequent to the interest rate lock and funding date for mortgage loans originated for sale.
Risk management objective	Hedge the variability in the interest payments and receipts on future cash flows for forecasted transactions related to the first unhedged payments and receipts of variable interest.	Convert the fixed rate paid or received to a floating rate, primarily through the use of swaps.	For interest rate lock commitment derivatives and LHFS, use mortgage-based derivatives such as forward commitments and options to mitigate market risk. For MSR, mitigate the income statement effect of changes in the fair value of the MSR. For client swaps, hedges are executed with dealer counterparties to offset market risk.
Treatment during the hedge period	Changes in value of the hedging instruments are recognized in AOCI until the related cash flows from the hedged item are recognized in earnings.	Changes in value of both the hedging instruments and the assets or liabilities being hedged are recognized in the income statement line item associated with the instrument being hedged.	Entire change in fair value recognized in current period income.
Treatment if hedge ceases to be highly effective or is terminated	Hedge is dedesignated. Changes in value recorded in AOCI before dedesignation are amortized to yield over the period the forecasted hedged transactions impact earnings.	If hedged item remains outstanding, the basis adjustment that resulted from hedging is amortized into earnings over the lesser of the designated hedged period or the maturity date of the instrument, and cash flows from terminations are reported in the same category as the cash flows from the hedged item.	Not applicable
Treatment if transaction is no longer probable of occurring during forecast period or within a short period thereafter	Hedge accounting ceases and any gain or loss in AOCI is reported in earnings immediately.	Not applicable	Not applicable

Impact of Derivatives on the Consolidated Balance Sheets

In the second quarter of 2019, BB&T began applying the offsetting provisions for contracts that are covered by legally enforceable master netting agreements. Application of these provisions was not material to BB&T's consolidated financial statements. Gross amounts are presented in the December 31, 2018 consolidated balance sheet. The following table presents the notional amount and estimated fair value of derivative instruments:

(Dollars in millions)	Hedged Item or Transaction	June 30, 2019			December 31, 2018		
		Notional Amount	Fair Value		Notional Amount	Fair Value	
			Gain	Loss		Gain	Loss
Cash flow hedges:							
Interest rate contracts:							
Pay fixed swaps	3 mo. LIBOR funding	\$ 2,500	\$ —	\$ —	\$ 6,500	\$ —	\$ —
Fair value hedges:							
Interest rate contracts:							
Receive fixed swaps	Long-term debt	11,529	108	(25)	12,908	5	(74)
Options	Long-term debt	4,785	—	(2)	4,785	—	(2)
Pay fixed swaps	Commercial loans	419	—	—	505	2	—
Pay fixed swaps	Municipal securities	151	—	—	259	—	—
Total		16,884	108	(27)	18,457	7	(76)
Not designated as hedges:							
Client-related and other risk management:							
Interest rate contracts:							
Receive fixed swaps		12,709	471	(6)	11,577	128	(98)
Pay fixed swaps		12,520	1	(68)	11,523	19	(32)
Other		1,342	2	(3)	1,143	2	(3)
Forward commitments		5,345	20	(27)	2,883	11	(13)
Foreign exchange contracts		524	1	(3)	529	5	(2)
Total		32,440	495	(107)	27,655	165	(148)
Mortgage banking:							
Interest rate contracts:							
Interest rate lock commitments		1,779	18	(1)	702	12	—
When issued securities, forward rate agreements and forward commitments		2,339	3	(28)	1,753	2	(20)
Other		56	—	—	271	2	(1)
Total		4,174	21	(29)	2,726	16	(21)
MSRs:							
Interest rate contracts:							
Receive fixed swaps		3,381	—	—	4,328	—	—
Pay fixed swaps		2,442	1	—	3,224	—	—
Options		1,203	22	—	3,155	48	(2)
When issued securities, forward rate agreements and forward commitments		1,841	9	(4)	1,590	10	—
Other		102	—	—	103	—	—
Total		8,969	32	(4)	12,400	58	(2)
Total derivatives not designated as hedges		45,583	548	(140)	42,781	239	(171)
Total derivatives		\$ 64,967	656	(167)	\$ 67,738	246	(247)
Gross amounts in the Consolidated Balance Sheets:							
Amounts subject to master netting arrangements			(57)	57		(47)	47
Cash collateral (received) posted for amounts subject to master netting arrangements			(101)	75		(53)	82
Net amount			\$ 498	\$ (35)		\$ 146	\$ (118)
Derivative instruments under master netting agreements			\$ 159	\$ (141)		\$ 102	\$ (131)
Derivative instruments not under master netting agreements			497	(26)		144	(116)
Total derivatives			\$ 656	\$ (167)		\$ 246	\$ (247)

The following table presents additional information for fair value hedging relationships:

(Dollars in millions)	June 30, 2019			December 31, 2018		
	Hedged Asset / Liability Basis	Hedge Basis Adjustment		Hedged Asset / Liability Basis	Hedge Basis Adjustment	
		Items Currently Designated	Items No Longer Designated		Items Currently Designated	Items No Longer Designated
AFS securities	\$ 467	\$ 13	\$ 56	\$ 493	\$ 5	\$ 54
Loans and leases	572	21	(1)	562	—	(3)
Long-term debt	13,652	212	(1)	15,397	(98)	12

Impact of Derivatives on the Consolidated Statements of Income and Comprehensive Income

No portion of the change in fair value of derivatives designated as hedges has been excluded from effectiveness testing.

The following table summarizes amounts related to cash flow hedges, which consist of interest rate contracts:

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Pre-tax gain (loss) recognized in OCI:				
Deposits	\$ (33)	\$ 8	\$ (43)	\$ 29
Short-term borrowings	12	2	2	2
Long-term debt	(58)	21	(78)	93
Total	\$ (79)	\$ 31	(119)	\$ 124
Pre-tax gain (loss) reclassified from AOCI into interest expense:				
Deposits	\$ (1)	(1)	1	(3)
Short-term borrowings	—	—	1	—
Long-term debt	(1)	(2)	1	(11)
Total	\$ (2)	\$ (3)	\$ 3	\$ (14)

The following table summarizes the impact on net interest income related to fair value hedges, which consist of interest rate contracts:

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
AFS securities:				
Amounts related to interest settlements	\$ —	\$ (2)	\$ —	\$ (4)
Recognized on derivatives	(10)	5	(17)	16
Recognized on hedged items	8	(5)	13	(16)
Net income (expense) recognized	(2)	(2)	(4)	(4)
Loans and leases:				
Amounts related to interest settlements	—	(1)	—	(1)
Recognized on derivatives	(14)	3	(22)	6
Recognized on hedged items	14	(3)	22	(6)
Net income (expense) recognized	—	(1)	—	(1)
Long-term debt:				
Amounts related to interest settlements	(16)	(7)	(38)	1
Recognized on derivatives	192	(62)	308	(243)
Recognized on hedged items	(188)	75	(296)	267
Net income (expense) recognized	(12)	6	(26)	25
Net income (expense) recognized, total	\$ (14)	\$ 3	\$ (30)	\$ 20

The following table presents pre-tax gain (loss) recognized in income for derivative instruments not designated as hedges:

(Dollars in millions)		Three Months Ended June 30,		Six Months Ended June 30,	
		2019	2018	2019	2018
Client-related and other risk management:					
Interest rate contracts	Other noninterest income	\$ 16	\$ 10	\$ 26	\$ 25
Foreign exchange contracts	Other noninterest income	(1)	6	1	13
Mortgage banking:					
Interest rate contracts	Mortgage banking income	(2)	(8)	(5)	(4)
MSRs:					
Interest rate contracts	Mortgage banking income	83	(23)	137	(90)
Total		\$ 96	\$ (15)	\$ 159	\$ (56)

The following table presents information about BB&T's cash flow and fair value hedges:

(Dollars in millions)	Jun 30, 2019	Dec 31, 2018
Cash flow hedges:		
Net unrecognized after-tax gain (loss) on active hedges recorded in AOCI	\$ (12)	\$ (18)
Net unrecognized after-tax gain (loss) on terminated hedges recorded in AOCI (to be recognized in earnings through 2022)	(112)	(13)
Estimated portion of net after-tax gain (loss) on active and terminated hedges to be reclassified from AOCI into earnings during the next 12 months	(45)	4
Maximum time period over which BB&T has hedged a portion of the variability in future cash flows for forecasted transactions excluding those transactions relating to the payment of variable interest on existing instruments	1 year	4 years
Fair value hedges:		
Unrecognized pre-tax net gain (loss) on terminated hedges (to be recognized as interest primarily through 2029)	\$ (56)	\$ (39)
Portion of pre-tax net gain (loss) on terminated hedges to be recognized as a change in interest during the next 12 months	(1)	15

Derivatives Credit Risk – Dealer Counterparties

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

Derivative contracts with dealer counterparties settle on a monthly, quarterly or semiannual basis, with daily movement of collateral between counterparties required within established netting agreements. BB&T only transacts with dealer counterparties with strong credit standings.

Derivatives Credit Risk – Central Clearing Parties

With the exception of the central clearing party used for TBA transactions that does not post variation margin to BB&T, central clearing parties exchange cash on a daily basis to settle changes in exposure. Certain derivatives are cleared through central clearing parties that require initial margin collateral. Initial margin collateral requirements are established on varying bases, with such amounts generally designed to offset the risk of non-payment. Initial margin is generally calculated by applying the maximum loss experienced in value over a specified time horizon to the portfolio of existing trades.

Derivatives Credit Risk – Risk Participation Agreements

BB&T has entered into risk participation agreements to share the credit exposure with other financial institutions on client-related interest rate derivative contracts. These amounts are included with other client-related and other risk management interest rate contracts in the table presenting the impact of derivatives on the consolidated balance sheets. The following table presents additional information related to interest rate derivative risk participation agreements:

(Dollars in millions)	Jun 30, 2019	Dec 31, 2018
Notional amount	\$ 752	\$ 446
Maximum exposure assuming all underlying third party customers referenced in the interest rate contracts defaulted in a zero LIBOR rate environment	47	26

The following table summarizes collateral positions with counterparties:

(Dollars in millions)	Jun 30, 2019	Dec 31, 2018
Dealer counterparties:		
Cash collateral received from dealer counterparties	\$ 103	\$ 56
Derivatives in a net gain position secured by collateral received	102	55
Unsecured positions in a net gain with dealer counterparties after collateral postings	1	2
Cash collateral posted to dealer counterparties	62	75
Derivatives in a net loss position secured by collateral received	60	76
Additional collateral that would have been posted had BB&T's credit ratings dropped below investment grade	—	1
Central clearing parties:		
Cash collateral, including initial margin, posted to central clearing parties	21	17
Derivatives in a net loss position	24	8
Securities pledged to central clearing parties	138	124

NOTE 17. Computation of EPS

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

(Dollars in millions, except per share data, shares in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income available to common shareholders	\$ 842	\$ 775	\$ 1,591	\$ 1,520
Weighted average number of common shares	765,958	775,836	765,052	777,716
Effect of dilutive outstanding equity-based awards	8,645	9,914	9,277	10,646
Weighted average number of diluted common shares	774,603	785,750	774,329	788,362
Basic EPS	\$ 1.10	\$ 1.00	\$ 2.08	\$ 1.95
Diluted EPS	\$ 1.09	\$ 0.99	\$ 2.06	\$ 1.93
Anti-dilutive awards	26	—	18	45

NOTE 18. Operating Segments

BB&T's business segment structure aligns with how management reviews performance and makes decisions by client, segment and business unit. There are four major reportable business segments: CB-Retail, CB-Commercial, FS&CF and IH. In addition, there is an OT&C segment. For additional information, see Note 19. Operating Segments of the Annual Report on Form 10-K for the year ended December 31, 2018.

The following table presents results by segment:

Three Months Ended June 30, (Dollars in millions)	CB-Retail		CB-Commercial		FS&CF	
	2019	2018	2019	2018	2019	2018
Net interest income (expense)	\$ 850	\$ 853	\$ 541	\$ 491	\$ 197	\$ 169
Net intersegment interest income (expense)	126	69	47	54	13	19
Segment net interest income	976	922	588	545	210	188
Allocated provision for credit losses	123	110	39	43	14	(4)
Segment net interest income after provision	853	812	549	502	196	192
Noninterest income	387	355	114	110	329	303
Noninterest expense	654	659	255	254	311	312
Income (loss) before income taxes	586	508	408	358	214	183
Provision (benefit) for income taxes	141	125	89	80	45	38
Segment net income (loss)	\$ 445	\$ 383	\$ 319	\$ 278	\$ 169	\$ 145
	IH		OT&C (1)		Total	
	2019	2018	2019	2018	2019	2018
Net interest income (expense)	\$ 35	\$ 29	\$ 67	\$ 115	\$ 1,690	\$ 1,657
Net intersegment interest income (expense)	(10)	(7)	(176)	(135)	—	—
Segment net interest income	25	22	(109)	(20)	1,690	1,657
Allocated provision for credit losses	2	—	(6)	(14)	172	135
Segment net interest income after provision	23	22	(103)	(6)	1,518	1,522
Noninterest income	570	484	(48)	(30)	1,352	1,222
Noninterest expense	444	408	87	87	1,751	1,720
Income (loss) before income taxes	149	98	(238)	(123)	1,119	1,024
Provision (benefit) for income taxes	38	25	(79)	(66)	234	202
Segment net income (loss)	\$ 111	\$ 73	\$ (159)	\$ (57)	\$ 885	\$ 822
Six Months Ended June 30, (Dollars in millions)	CB-Retail		CB-Commercial		FS&CF	
	2019	2018	2019	2018	2019	2018
Net interest income (expense)	\$ 1,693	\$ 1,690	\$ 1,077	\$ 955	\$ 386	\$ 328
Net intersegment interest income (expense)	235	117	91	124	34	37
Segment net interest income	1,928	1,807	1,168	1,079	420	365
Allocated provision for credit losses	253	232	58	80	15	(9)
Segment net interest income after provision	1,675	1,575	1,110	999	405	374
Noninterest income	709	695	223	216	613	604
Noninterest expense	1,299	1,319	506	507	608	613
Income (loss) before income taxes	1,085	951	827	708	410	365
Provision (benefit) for income taxes	261	234	180	159	85	76
Segment net income (loss)	\$ 824	\$ 717	\$ 647	\$ 549	\$ 325	\$ 289
Identifiable assets (period end)	\$ 76,246	\$ 72,696	\$ 56,450	\$ 57,011	\$ 33,595	\$ 30,446
	IH		OT&C (1)		Total	
	2019	2018	2019	2018	2019	2018
Net interest income (expense)	\$ 69	\$ 55	\$ 161	\$ 262	\$ 3,386	\$ 3,290
Net intersegment interest income (expense)	(21)	(13)	(339)	(265)	—	—
Segment net interest income	48	42	(178)	(3)	3,386	3,290
Allocated provision for credit losses	5	1	(4)	(19)	327	285
Segment net interest income after provision	43	41	(174)	16	3,059	3,005
Noninterest income	1,085	923	(76)	(36)	2,554	2,402
Noninterest expense	861	783	245	184	3,519	3,406
Income (loss) before income taxes	267	181	(495)	(204)	2,094	2,001
Provision (benefit) for income taxes	68	46	(183)	(127)	411	388
Segment net income (loss)	\$ 199	\$ 135	\$ (312)	\$ (77)	\$ 1,683	\$ 1,613
Identifiable assets (period end)	\$ 7,162	\$ 6,321	\$ 57,419	\$ 56,207	\$ 230,872	\$ 222,681

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

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

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

Regulatory Considerations

The extensive regulatory framework applicable to financial institutions is intended primarily for the protection of depositors, the DIF and the stability of the financial system, rather than for the protection of shareholders and creditors. In addition to banking laws, regulations and regulatory agencies, BB&T is subject to various other laws, regulations, supervision and examination by other regulatory agencies, all of which affect the operations and management of BB&T and its ability to make distributions to shareholders. Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2018 for additional disclosures with respect to significant laws and regulations affecting BB&T.

In April 2019, the FRB terminated its cease and desist order related to BB&T's anti-money laundering program. No money laundering activity was identified and no financial penalty was levied in relation to this order.

In July 2019, the federal bank regulatory agencies issued a final rule that reduces regulatory burden by simplifying the capital treatment for mortgage servicing rights, certain deferred tax assets, investments in the capital instruments of unconsolidated financial institutions and minority interest. The final rule applies to non-advanced approaches banking organizations and is effective April 1, 2020.

Executive Overview

Overview of Significant Events and Financial Results

On February 7, 2019, BB&T entered into an agreement and plan of merger, by and between BB&T and SunTrust, pursuant to which SunTrust will merge with and into BB&T, with BB&T as the surviving entity in the merger. Immediately following the merger, SunTrust's wholly owned subsidiary, SunTrust Bank, will merge with and into Branch Bank, with Branch Bank as the surviving entity. Under the terms of the merger agreement, shareholders of SunTrust will receive 1.295 shares of BB&T common stock for each share of SunTrust common stock. The merger agreement was unanimously approved by both companies' Boards of Directors. The merger is expected to close late in the third or fourth quarter of 2019, subject to satisfaction of closing conditions, including receipt of remaining regulatory approvals. The merger is subject to a mutual break-up fee of approximately \$1.1 billion, payable in customary circumstances. Merger-of-equals updates include:

- On July 10, 2019, BB&T received regulatory approval from the NCCOB for the pending merger-of-equals with SunTrust. Management is continuing to work with regulators on the remaining approvals.
- On July 16, 2019, BB&T and SunTrust announced the Truist Bank Community Benefits Plan under which the combined company will lend or invest \$60 billion to low and moderate-income borrowers and communities over a three-year period from 2020 to 2022.
- Management agreed on a one-time bonus to be paid to certain associates of Truist following the closing of the merger. The estimated bonus payments total approximately \$70 million.
- On July 24, 2019, BB&T and SunTrust Executives attended a U.S. House Committee on Financial Services hearing.
- On July 30, 2019, BB&T and SunTrust shareholders approved the merger. In addition, BB&T's shareholders approved Truist Financial Corporation to be the name of the combined company.

Consolidated net income available to common shareholders for the second quarter of 2019 was \$842 million. On a diluted per common share basis, earnings for the second quarter of 2019 were \$1.09, an increase of \$0.10 compared to the second quarter of 2018.

BB&T's results of operations for the second quarter of 2019 produced an annualized return on average assets of 1.55% and an annualized return on average common shareholders' equity of 11.98%, compared to ratios for the same quarter of the prior year of 1.49% and 11.74%, respectively.

Total revenues on a TE basis were \$3.1 billion for the second quarter of 2019, an increase of \$165 million compared to the same period in 2018, which reflects an increase of \$35 million in TE net interest income and an increase of \$130 million in noninterest income.

The provision for credit losses was \$172 million compared to \$135 million for the second quarter of 2018. Net charge-offs were 0.38% of average loans and leases on an annualized basis for the second quarter of 2019, up eight basis point compared to the second quarter of 2018.

Noninterest income for the second quarter of 2019 was up \$130 million compared to the earlier quarter primarily due to increases in insurance income, mortgage banking income, and investment banking and brokerages fees and commissions.

Noninterest expense for the second quarter of 2019 was up \$31 million compared to the earlier quarter. Excluding merger-related and restructuring charges and incremental operating expenses related to the merger, noninterest expense was up \$23 million.

The provision for income taxes was \$234 million for the second quarter of 2019, compared to \$202 million for the earlier quarter. This produced an effective tax rate for the second quarter of 2019 of 20.9%, compared to 19.7% for the earlier quarter.

BB&T declared common dividends of \$0.405 per share during the second quarter of 2019, which resulted in a dividend payout ratio of 36.8%. The Board of Directors approved a proposal to increase the dividend 11.1% to \$0.45 per share at their July meeting. As previously communicated, BB&T has suspended its share repurchase program due to the merger-of-equals.

Analysis of Results of Operations

Net Interest Income and NIM

Second Quarter 2019 compared to Second Quarter 2018

Net interest income on a TE basis was \$1.7 billion for the second quarter of 2019, an increase of \$35 million compared to the same period in 2018. Interest income increased \$214 million, which reflects higher rates and loan growth. Interest expense increased \$179 million primarily due to higher funding costs reflecting the impact of rate increases.

Net interest margin was 3.42%, down three basis points compared to the earlier quarter. Average earning assets increased \$5.7 billion. The increase in average earning assets reflects a \$5.8 billion increase in average total loans and leases. Average interest-bearing liabilities increased \$6.1 billion compared to the earlier quarter. Average interest-bearing deposits increased \$3.5 billion and average short-term borrowings increased \$3.0 billion, while average long-term debt decreased \$406 million. The annualized yield on the total loan portfolio for the second quarter of 2019 was 5.05%, up 35 basis points compared to the earlier quarter, reflecting the impact of rate increases. The annualized yield on the average securities portfolio was 2.62%, up nine basis points compared to the earlier period.

The average annualized cost of total deposits was 0.68%, up 31 basis points compared to the earlier quarter. The average annualized cost of interest-bearing deposits was 1.02%, up 45 basis points compared to the earlier quarter. The average annualized rate on long-term debt was 3.33%, up 52 basis points compared to the earlier quarter. The average annualized rate on short-term borrowings was 2.40%, up 63 basis points compared to the earlier quarter. The higher rates on interest-bearing liabilities reflect the impact of rate increases.

Six Months of 2019 compared to Six Months of 2018

Net interest income on a TE basis was \$3.4 billion for the six months ended June 30, 2019, an increase of \$99 million compared to the same period in 2018. Interest income increased \$467 million, which reflects higher rates and loan growth. Interest expense increased \$368 million primarily due to higher funding costs reflecting the impact of rate increases.

Net interest margin was 3.47% for the six months ended June 30, 2019, up two basis points compared to the same period of 2018. The annualized TE yield for the total loan portfolio for the six months ended June 30, 2019 was 5.05%, up 42 basis points compared to the corresponding period of 2018. The increase was primarily due to rate increases. The annualized TE yield on the average securities portfolio for the six months ended June 30, 2019 was 2.61%, up 13 basis points compared to the same period of 2018.

The average annualized cost of total deposits for the six months ended June 30, 2019 was 0.66%, up 32 basis points compared to the prior year. The average annualized cost of interest-bearing deposits for the six months ended June 30, 2019 was 0.99%, up 47 basis points compared to the prior year. The average annualized rate on short-term borrowings was 2.37% for the six months ended June 30, 2019, up 77 basis points compared to the same period in 2018. The average annualized rate on long-term debt for the six months ended June 30, 2019 was 3.31%, up 64 basis points compared to the same period in 2018. The higher rates on interest-bearing liabilities reflect the impact of rate increases.

The major components of net interest income and the related annualized yields and rates as well as the variances between the periods caused by changes in interest rates versus changes in volumes are summarized below.

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

Three Months Ended June 30, (Dollars in millions)	Average Balances (6)		Annualized Yield/ Rate		Income/Expense		Incr. (Decr.)	Change due to	
	2019	2018	2019	2018	2019	2018		Rate	Volume
Assets									
Total securities, at amortized cost: (2)									
U.S. Treasury	\$ 2,662	\$ 3,537	2.04%	1.80%	\$ 14	\$ 17	\$ (3)	\$ 2	\$ (5)
GSE	2,440	2,384	2.25	2.23	13	14	(1)	—	(1)
Agency MBS	40,112	39,777	2.57	2.44	258	241	17	15	2
States and political subdivisions	566	1,051	4.37	3.79	6	8	(2)	1	(3)
Non-agency MBS	302	354	13.28	17.35	10	17	(7)	(4)	(3)
Other	33	42	3.85	3.26	1	—	1	—	1
Total securities	46,115	47,145	2.62	2.53	302	297	5	14	(9)
Other earning assets (3)	3,167	2,197	2.59	2.24	20	13	7	2	5
Loans and leases, net of unearned income: (4)(5)									
Commercial and industrial	62,563	59,548	4.35	3.92	679	580	99	68	31
CRE	20,748	21,546	5.03	4.64	260	252	8	18	(10)
Lease financing	2,122	1,862	3.29	3.05	17	12	5	2	3
Residential mortgage	32,066	29,272	4.00	4.01	321	291	30	(1)	31
Direct	11,506	11,680	5.80	5.10	166	150	16	18	(2)
Indirect	17,879	16,804	7.99	7.46	356	311	45	24	21
Revolving credit	3,151	2,831	9.39	9.16	74	67	7	2	5
PCI	432	559	21.63	18.92	24	26	(2)	4	(6)
Total loans and leases HFI	150,467	144,102	5.05	4.70	1,897	1,689	208	135	73
LHFS	1,090	1,650	4.17	4.02	11	17	(6)	1	(7)
Total loans and leases	151,557	145,752	5.05	4.70	1,908	1,706	202	136	66
Total earning assets	200,839	195,094	4.45	4.14	2,230	2,016	214	152	62
Nonearning assets	28,410	26,250							
Total assets	\$ 229,249	\$ 221,344							
Liabilities and Shareholders' Equity									
Interest-bearing deposits:									
Interest-checking	\$ 27,708	\$ 26,969	0.65	0.42	45	29	16	15	1
Money market and savings	63,394	62,105	1.03	0.56	163	86	77	75	2
Time deposits	15,730	13,966	1.58	0.86	63	30	33	29	4
Foreign deposits - interest-bearing	379	673	2.43	1.77	2	3	(1)	1	(2)
Total interest-bearing deposits (7)	107,211	103,713	1.02	0.57	273	148	125	120	5
Short-term borrowings	8,367	5,323	2.40	1.77	50	23	27	10	17
Long-term debt	23,233	23,639	3.33	2.81	193	166	27	30	(3)
Total interest-bearing liabilities	138,811	132,675	1.49	1.02	516	337	179	160	19
Noninterest-bearing deposits (7)	52,680	53,963							
Other liabilities	6,457	5,121							
Shareholders' equity	31,301	29,585							
Total liabilities and shareholders' equity	\$ 229,249	\$ 221,344							
Average interest-rate spread			2.96%	3.12%					
NIM/net interest income			3.42%	3.45%	\$ 1,714	\$ 1,679	\$ 35	\$ (8)	\$ 43
Taxable-equivalent adjustment					\$ 24	\$ 22			

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

(2) Total securities include AFS and HTM securities.

(3) Includes cash equivalents, interest-bearing deposits with banks, trading securities, FHLB stock and other earning assets.

(4) Loan fees, which are not material for any of the periods shown, are included for rate calculation purposes.

(5) NPLs are included in the average balances.

(6) Excludes basis adjustments for fair value hedges.

(7) Total deposit costs were 0.68% and 0.37% for the three months ended June 30, 2019 and 2018, respectively.

Table 1-2: TE Net Interest Income and Rate / Volume Analysis (1)

Six Months Ended June 30, (Dollars in millions)	Average Balances (6)		Annualized Yield/ Rate		Income/Expense		Incr. (Decr.)	Change due to	
	2019	2018	2019	2018	2019	2018		Rate	Volume
Assets									
Total securities, at amortized cost: (2)									
U.S. Treasury	\$ 2,980	\$ 3,538	2.02%	1.79%	\$ 30	\$ 32	\$ (2)	\$ 4	\$ (6)
GSE	2,429	2,384	2.24	2.23	27	27	—	—	—
Agency MBS	40,078	40,292	2.58	2.43	516	489	27	30	(3)
States and political subdivisions	593	1,133	4.04	3.78	12	19	(7)	1	(8)
Non-agency MBS	308	364	12.89	12.41	20	24	(4)	1	(5)
Other	35	45	3.90	2.73	1	—	1	1	—
Total securities	46,423	47,756	2.61	2.48	606	591	15	37	(22)
Other earning assets (3)	2,684	2,223	3.98	3.40	53	38	15	7	8
Loans and leases, net of unearned income: (4)(5)									
Commercial and industrial	61,970	59,090	4.34	3.82	1,335	1,117	218	160	58
CRE	20,826	21,472	5.05	4.56	521	486	35	50	(15)
Lease financing	2,071	1,867	3.31	3.03	34	26	8	4	4
Residential mortgage	31,720	29,049	4.07	4.01	645	580	65	9	56
Direct	11,500	11,735	5.77	5.00	329	291	38	44	(6)
Indirect	17,609	16,859	7.95	7.39	694	615	79	50	29
Revolving credit	3,131	2,815	9.44	9.05	147	134	13	4	9
PCI	444	595	19.77	19.07	44	56	(12)	2	(14)
Total loans and leases HFI	149,271	143,482	5.06	4.64	3,749	3,305	444	323	121
LHFS	910	1,352	4.25	3.87	19	26	(7)	2	(9)
Total loans and leases	150,181	144,834	5.05	4.63	3,768	3,331	437	325	112
Total earning assets	199,288	194,813	4.47	4.09	4,427	3,960	467	369	98
Nonearning assets	28,133	26,568							
Total assets	\$ 227,421	\$ 221,381							
Liabilities and Shareholders' Equity									
Interest-bearing deposits:									
Interest-checking	\$ 27,665	\$ 27,119	0.62	0.39	85	54	31	30	1
Money market and savings	63,360	61,899	0.99	0.50	313	153	160	156	4
Time deposits	16,059	13,907	1.54	0.77	123	53	70	61	9
Foreign deposits - interest-bearing	400	803	2.43	1.57	5	6	(1)	3	(4)
Total interest-bearing deposits (7)	107,484	103,728	0.99	0.52	526	266	260	250	10
Short-term borrowings	7,003	5,399	2.37	1.60	82	43	39	24	15
Long-term debt	23,240	23,658	3.31	2.67	385	316	69	75	(6)
Total interest-bearing liabilities	137,727	132,785	1.45	0.94	993	625	368	349	19
Noninterest-bearing deposits (7)	52,484	53,681							
Other liabilities	6,287	5,359							
Shareholders' equity	30,923	29,556							
Total liabilities and shareholders' equity	\$ 227,421	\$ 221,381							
Average interest-rate spread			3.02%	3.15%					
NIM/net interest income			3.47%	3.45%	\$ 3,434	\$ 3,335	\$ 99	\$ 20	\$ 79
Taxable-equivalent adjustment					\$ 48	\$ 45			

- (1) Yields are stated on a TE basis utilizing the marginal income tax rates. The change in interest not solely due to changes in rate or volume has been allocated on a pro-rata basis based on the absolute dollar amount of each.
- (2) Total securities include AFS and HTM securities.
- (3) Includes cash equivalents, interest-bearing deposits with banks, trading securities, FHLB stock and other earning assets.
- (4) Loan fees, which are not material for any of the periods shown, are included for rate calculation purposes.
- (5) NPLs are included in the average balances.
- (6) Excludes basis adjustments for fair value hedges.
- (7) Total deposit costs were 0.66% and 0.34% for the six months ended June 30, 2019 and 2018, respectively.

Provision for Credit Losses

Second Quarter 2019 compared to Second Quarter 2018

The provision for credit losses was \$172 million, compared to \$135 million for the earlier quarter. Net charge-offs for the second quarter of 2019 totaled \$142 million compared to \$109 million in the earlier period.

Net charge-offs were 0.38% of average loans and leases on an annualized basis for the second quarter of 2019, up eight basis points compared to the second quarter of 2018. The increase in net charge-offs was primarily related to CRE and indirect loans.

Six Months of 2019 compared to Six Months of 2018

The provision for credit losses totaled \$327 million for the six months ended June 30, 2019, compared to \$285 million for 2018. The ratio of the ALLL to net charge-offs was 2.74X for 2019, compared to 2.99X for 2018.

Net charge-offs for the six months ended June 30, 2019 were \$289 million, compared to \$254 million for the six months ended June 30, 2018. Net charge-offs were 0.39% of average loans and leases for the six months ended June 30, 2019, compared to 0.36% of average loans and leases for 2018. The increase in net charge-offs was primarily related to CRE, indirect and revolving credit loans.

Noninterest Income

Noninterest income is a significant contributor to BB&T's financial results. Management focuses on diversifying its sources of revenue to further reduce BB&T's reliance on traditional spread-based interest income, as certain fee-based activities are a relatively stable revenue source during periods of changing interest rates.

Table 2: Noninterest Income

(Dollars in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Insurance income	\$ 566	\$ 481	17.7%	\$ 1,076	\$ 917	17.3%
Service charges on deposits	181	179	1.1	352	344	2.3
Investment banking and brokerage fees and commissions	131	109	20.2	242	222	9.0
Mortgage banking income	113	94	20.2	176	193	(8.8)
Trust and investment advisory revenues	70	72	(2.8)	138	144	(4.2)
Bankcard fees and merchant discounts	77	72	6.9	147	141	4.3
Checkcard fees	59	57	3.5	114	109	4.6
Operating lease income	35	36	(2.8)	70	73	(4.1)
Income from bank-owned life insurance	34	30	13.3	62	61	1.6
Securities gains (losses), net	—	1	NM	—	1	NM
Other income	86	91	(5.5)	177	197	(10.2)
Total noninterest income	\$ 1,352	\$ 1,222	10.6	\$ 2,554	\$ 2,402	6.3

Second Quarter 2019 compared to Second Quarter 2018

Noninterest income for the second quarter of 2019 was up \$130 million compared to the earlier quarter. Insurance income increased \$85 million to record levels due to higher production and the acquisition of Regions Insurance. Mortgage banking income increased \$19 million primarily due to an increase of \$28 million for net mortgage servicing rights valuation adjustments, which was partially offset by lower residential and commercial mortgage banking revenues. Investment banking and brokerage fees and commissions increased \$22 million primarily due to higher revenue from investment banking transactions and higher managed account fees.

Six Months of 2019 compared to Six Months of 2018

Noninterest income for the six months ended June 30, 2019 was \$2.6 billion, up \$152 million compared to 2018. Insurance income was \$1.1 billion, up \$159 million compared to 2018, due to higher production levels and the acquisition of Regions Insurance. Investment banking and brokerage fees and commissions were \$242 million, up \$20 million compared to 2018, due to higher managed account fees and higher investment banking income. Mortgage banking income was \$176 million, down \$17 million compared to 2018, due to lower residential mortgage sales, partially offset by an increase of \$28 million for net mortgage service rights valuation adjustments.

Noninterest Expense

The following table provides a breakdown of BB&T's noninterest expense:

Table 3: Noninterest Expense

(Dollars in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Personnel expense	\$ 1,120	\$ 1,074	4.3%	\$ 2,207	\$ 2,113	4.4%
Occupancy and equipment expense	184	187	(1.6)	371	381	(2.6)
Software expense	71	67	6.0	143	132	8.3
Outside IT services	29	32	(9.4)	59	64	(7.8)
Regulatory charges	19	39	(51.3)	37	79	(53.2)
Amortization of intangibles	32	31	3.2	64	64	—
Loan-related expense	30	26	15.4	55	55	—
Professional services	31	32	(3.1)	62	62	—
Merger-related and restructuring charges, net	23	24	(4.2)	103	52	98.1
Other expense	212	208	1.9	418	404	3.5
Total noninterest expense	\$ 1,751	\$ 1,720	1.8	\$ 3,519	\$ 3,406	3.3

Second Quarter 2019 compared to Second Quarter 2018

Noninterest expense for the second quarter of 2019 was up \$31 million compared to the earlier quarter. Merger-related and restructuring charges was essentially flat, as the current quarter included charges in connection with the announced merger-of-equals with SunTrust, whereas the earlier quarter included charges associated with facilities optimization. The current quarter also included \$9 million of incremental operating expenses related to the merger. Excluding these charges, noninterest expense was up \$23 million, or 1.4% compared to the earlier quarter.

Personnel expense increased \$46 million compared to the earlier quarter, primarily due to higher incentives, partially due to the Regions Insurance acquisition, and lower capitalized employee costs. The lower capitalized employee costs reflect efficiencies in the loan closing process. Regulatory charges decreased \$20 million as a result of the deposit insurance fund reaching the targeted level.

Six Months of 2019 compared to Six Months of 2018

Noninterest expense totaled \$3.5 billion for the six months ended June 30, 2019, an increase of \$113 million, or 3.3%, from the same period in the prior year. Merger-related and restructuring expense was \$103 million, an increase of \$51 million, primarily due to the announced merger-of-equals with SunTrust. Additionally, the six months ended June 30, 2019 included \$11 million of incremental operating expenses related to the merger. Excluding these charges, noninterest expense was up \$51 million or 1.5% compared to the earlier period.

Personnel expense was \$2.2 billion for the six months ended June 30, 2019, an increase of \$94 million compared to the six months ended June 30, 2018, primarily due to higher incentives, partially due to the Regions Insurance acquisition, and lower capitalized employee costs. The lower capitalized employee costs reflect efficiencies in the loan closing process.

Regulatory charges decreased \$42 million as a result of the DIF reaching the targeted level.

Merger-Related and Restructuring Charges

The following table presents a summary of merger-related and restructuring charges and the related accruals:

Table 4: Merger-Related and Restructuring Accrual Activity

(Dollars in millions)	Accrual at Apr 1, 2019	Expense	Utilized	Accrual at Jun 30, 2019	Accrual at Jan 1, 2019	Expense	Utilized	Accrual at Jun 30, 2019
Severance and personnel-related	\$ 10	\$ 5	\$ (7)	\$ 8	\$ 43	\$ 21	\$ (56)	\$ 8
Occupancy and equipment (1)	—	3	(3)	—	—	12	(12)	—
Professional services	44	9	—	53	1	60	(8)	53
Other adjustments	2	6	(7)	1	—	10	(9)	1
Total	\$ 56	\$ 23	\$ (17)	\$ 62	\$ 44	\$ 103	\$ (85)	\$ 62

(1) Certain lease reserves are no longer required as a result of new lease accounting guidance adopted in the first quarter of 2019. See additional information in Note 1. Basis of Presentation.

Provision for Income Taxes

Second Quarter 2019 compared to Second Quarter 2018

The provision for income taxes was \$234 million for the second quarter of 2019, compared to \$202 million for the earlier quarter. This produced an effective tax rate for the second quarter of 2019 of 20.9%, compared to 19.7% for the earlier quarter.

Six Months of 2019 compared to Six Months of 2018

The provision for income taxes was \$411 million for the six months ended June 30, 2019, compared to \$388 million for 2018. This produced an effective tax rate for the six months ended June 30, 2019 of 19.6%, compared to 19.4% for 2018.

Segment Results

See Note 18. Operating Segments herein and Note 19. Operating Segments in BB&T's Annual Report on Form 10-K for the year ended December 31, 2018, for additional disclosures related to BB&T's reportable business segments. Fluctuations in noninterest income and noninterest expense incurred directly by the segments are more fully discussed in the Noninterest Income and Noninterest Expense sections above.

Table 5: Net Income by Reportable Segment

(Dollars in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Community Banking Retail and Consumer Finance	\$ 445	\$ 383	16.2%	\$ 824	\$ 717	14.9%
Community Banking Commercial	319	278	14.7	647	549	17.9
Financial Services and Commercial Finance	169	145	16.6	325	289	12.5
Insurance Holdings	111	73	52.1	199	135	47.4
Other, Treasury & Corporate	(159)	(57)	178.9	(312)	(77)	NM
BB&T Corporation	\$ 885	\$ 822	7.7	\$ 1,683	\$ 1,613	4.3

Second Quarter 2019 compared to Second Quarter 2018

Community Banking Retail and Consumer Finance

CB-Retail serves retail clients by offering a variety of loan and deposit products, payment services, bankcard products and other financial services by connecting clients to a wide range of financial products and services. CB-Retail includes Dealer Retail Services, which originates loans on an indirect basis to consumers for the purchase of automobiles, boats and recreational vehicles. Additionally, CB-Retail includes specialty finance lending, small equipment leasing and other products for consumers. CB-Retail also includes Residential Mortgage Banking, which originates and purchases mortgage loans to either hold for investment or sell to third parties. BB&T generally retains the servicing rights to loans sold. Mortgage products include fixed and adjustable-rate government guaranteed and conventional loans used for the purpose of constructing, purchasing or refinancing residential properties. Substantially all of the properties are owner-occupied. Residential Mortgage Banking also includes Mortgage Warehouse Lending, which provides short-term lending solutions to finance first-lien residential mortgages held-for-sale by independent mortgage companies.

CB-Retail net income was \$445 million for the second quarter of 2019, an increase of \$62 million compared to the earlier quarter. Segment net interest income increased \$54 million primarily due to average loan growth and higher funding spreads on deposits, partially offset by lower credit spreads on loans. Noninterest income increased \$32 million primarily due to an increase in mortgage banking income resulting from net residential mortgage servicing rights valuation adjustments. The allocated provision for credit losses increased \$13 million primarily due to higher net charge-offs in the current quarter due to portfolio growth, partially offset by reserve rate changes at Regional Acceptance Corporation. Noninterest expense decreased primarily due to lower personnel expense.

CB-Retail average loans and leases held for investment increased \$4.4 billion, or 7.0%, compared to the earlier quarter. The increase was primarily driven by increases in average residential mortgage loans of \$2.8 billion, or 9.6%, and increases in average indirect lending of \$1.1 billion.

CB-Retail average total deposits increased \$117 million, or 0.1%, compared to the earlier quarter. The increase was primarily driven by growth in average money market and savings of \$926 million, or 2.6%, and average noninterest-bearing deposits of \$390 million, or 2.3%, partially offset by a decline in interest checking of \$1.3 billion, or 8.2%.

Community Banking Commercial

CB-Commercial serves large, medium and small business clients by offering a variety of loan and deposit products and connecting clients to the combined organization's broad array of financial services. CB-Commercial includes CRE lending, commercial and industrial lending, corporate banking, asset-based lending, dealer inventory financing, tax-exempt financing, cash management and treasury services, and commercial deposit products.

CB-Commercial net income was \$319 million for the second quarter of 2019, an increase of \$41 million compared to the earlier quarter. Segment net interest income increased \$43 million primarily driven by higher funding spreads, partially offset by lower credit spreads on loans. Noninterest income increased compared to the earlier quarter primarily due to higher referral fees in the current quarter. The allocated provision for credit losses decreased primarily due to the impact of average loan growth in the earlier quarter and reserve rate changes primarily due to overall credit improvement in the past year, partially offset by higher net charge-offs. Noninterest expense was essentially flat compared to the earlier quarter.

CB-Commercial average loans and leases held for investment decreased \$222 million, or 0.4%, compared to the earlier quarter. Average commercial real estate loans declined \$741 million, or 3.8%, partially offset by increases in average commercial and industrial loans of \$572 million, or 1.8%. Average total deposits increased \$324 million, or 0.5%, compared to the earlier quarter driven by an increase in average money market and savings of \$837 million, or 5.5%, and interest checking of \$797 million, or 9.3%, partially offset by a decline in noninterest-bearing deposits of \$1.4 billion, or 4.2%.

Financial Services and Commercial Finance

FS&CF provides personal trust administration, estate planning, investment counseling, wealth management, asset management, corporate retirement services, capital markets and corporate banking services, specialty finance and corporate trust services to individuals, corporations, institutions, foundations and government entities. In addition, the segment includes BB&T Securities, a full-service brokerage and investment banking firm, which offers clients a variety of investment services, including discount brokerage services, equities, annuities, mutual funds and government bonds. The Corporate Banking Division originates and services large corporate relationships, syndicated lending relationships and client derivatives while the specialty finance products offered by FS&CF include equipment finance, tax-exempt financing for local governments and special-purpose entities, and full-service commercial mortgage banking lending.

FS&CF net income was \$169 million for the second quarter of 2019, an increase of \$24 million compared to the earlier quarter. Segment net interest income increased \$22 million primarily driven by average loan growth and higher funding spreads, partially offset by lower credit spreads on loans. Noninterest income increased \$26 million primarily due to an increase in investment banking and brokerage fees and commissions related to several large deals in the current quarter as well as market driven asset growth. The allocated provision for credit losses increased \$18 million primarily due to the release of specific reserves in the earlier quarter. Noninterest expense was essentially flat compared to the earlier quarter.

FS&CF average loans and leases held for investment increased \$2.4 billion, or 8.9%, compared to the earlier quarter. The increase was primarily driven by growth in Corporate Banking loans of \$2.0 billion, or 13.3%, and Equipment Finance of \$532 million, or 19.0%, partially offset by a decline for Governmental Finance of \$384 million, or 7.4%.

FS&CF average total deposits increased \$106 million, or 0.4%, compared to the earlier quarter primarily driven by growth in average total deposits for Wealth and Retirement Services of \$268 million, or 1.6%.

Insurance Holdings

BB&T's insurance agency / brokerage network is the sixth largest in the world. IH provides property and casualty, employee benefits and life insurance to businesses and individuals. It also provides small business and corporate services, such as workers compensation and professional liability, as well as surety coverage and title insurance. In addition, IH includes commercial and retail insurance premium finance.

IH net income was \$111 million for the second quarter of 2019, an increase of \$38 million compared to the earlier quarter. Noninterest income increased \$86 million, primarily due to higher production and the acquisition of Regions Insurance, which contributed \$32 million. Noninterest expense increased \$36 million primarily due to the acquisition of Regions Insurance and commissions on higher production.

Other, Treasury & Corporate

Net income in OT&C can vary due to the changing needs of the Corporation, including the size of the investment portfolio, the need for wholesale funding and income received from derivatives used to hedge the balance sheet.

OT&C generated a net loss of \$159 million in the second quarter of 2019, compared to a net loss of \$57 million in the earlier quarter. Segment net interest income decreased \$89 million primarily due to an increase in the net credit for funds provided to other operating segments, and an increase in the rates on long-term debt. Noninterest income decreased \$18 million primarily due to lower hedge and client derivative income and income related to assets for certain post-employment benefits. The benefit for income taxes increased \$13 million primarily due to a higher pre-tax loss, partially offset by a higher tax benefit from discrete items in the earlier quarter.

Six Months of 2019 compared to Six Months of 2018

Community Banking Retail and Consumer Finance

CB-Retail net income was \$824 million for the six months ended June 30, 2019, an increase of \$107 million, or 14.9%, compared to the same period of the prior year. Segment net interest income increased \$121 million primarily due to higher funding spreads and average loan growth, partially offset by lower credit spreads on loans. Noninterest income increased primarily due to an increase in checkcard fees, bankcard fees and merchant discounts, and service charges on deposits. The allocated provision for credit losses increased \$21 million primarily due to higher net charge-offs. Noninterest expense decreased \$20 million primarily due to declines in personnel expense and net occupancy expense.

CB-Retail average loans and leases HFI increased \$3.7 billion, or 5.9%, compared to the earlier period. Average residential mortgage loans increased \$2.7 billion, or 9.2%, and average indirect retail loans increased \$758 million, or 4.5%, and average revolving credit increased \$317 million, or 11.3%.

CB-Retail average total deposits increased \$142 million, or 0.2%, compared to the earlier period. Average money market and savings increased \$817 million, or 2.3%, and average noninterest-bearing deposits increased \$425 million, or 2.6%, while average interest checking decreased \$1.2 billion, or 7.4%.

Community Banking Commercial

CB-Commercial net income was \$647 million for the six months ended June 30, 2019, an increase of \$98 million, or 17.9%, compared to the same period of the prior year. Segment net interest income increased \$89 million driven primarily by higher funding spreads. The allocated provision for credit losses decreased \$22 million primarily due to a decrease in incurred loss estimates and loan growth, partially offset by an increase in net charge-offs.

CB-Commercial average loans and leases HFI were essentially flat compared with the earlier period. Average commercial and industrial loans increased \$777 million, or 2.4%, while average commercial real estate loans decreased \$666 million, or 3.4%.

CB-Commercial average total deposits decreased \$165 million, or 0.3%, compared to the earlier period. Average noninterest-bearing deposits declined \$1.4 billion, or 4.0%, while average money market and savings increased \$658 million, or 4.4%, and average interest checking increased \$405 million, or 4.6%.

Financial Services and Commercial Finance

FS&CF net income was \$325 million for the six months ended June 30, 2019, an increase of \$36 million, or 12.5%, compared to the same period of the prior year. Segment net interest income increased \$55 million due to higher average loan growth and funding spreads. Noninterest income increased primarily due to higher revenue from managed account fees, investment commissions, and investment banking transactions, and client derivatives due to higher sales volumes, partially offset by declines in commercial mortgage banking income primarily due to lower sales volume. The allocated provision for credit losses increased \$24 million primarily due to the release of specific reserves and reserve rate changes driven by overall credit improvement in the earlier period. Noninterest expense decreased primarily due to lower allocated corporate expenses, partially offset by higher personnel expense.

FS&CF average loans and leases HFI increased \$2.3 billion, or 8.3%, compared to the earlier period. Average loans and leases HFI for Corporate Banking and Equipment Finance increased \$1.9 billion, or 12.5%, and \$407 million, or 14.6%, respectively. FS&CF average total deposits increased \$389 million, or 1.4%, compared to the earlier period primarily driven by growth in average total deposits for Wealth and Retirement Services of \$363 million, or 2.2%.

Client invested assets totaled \$170.4 billion as of June 30, 2019, an increase of \$6.3 billion, or 3.9%, compared to the earlier period.

Insurance Holdings

IH net income was \$199 million for the six months ended June 30, 2019, an increase of \$64 million, or 47.4%, compared to the same period of the prior year. Noninterest income increased \$162 million due to the acquisition of Regions Insurance, which contributed \$78 million, and organic growth. Noninterest expense increased \$78 million primarily due to the acquisition of Regions Insurance and commissions on higher production.

Other, Treasury & Corporate

OT&C generated a net loss of \$312 million for the six months ended June 30, 2019, compared to a net loss of \$77 million for the earlier period. Segment net interest income decreased \$175 million primarily due to an increase in the net credit for funds provided to other operating segments, an increased net cost for long-term debt and short-term borrowings, and a decline in volume for securities and short-term borrowings. Noninterest income decreased \$40 million primarily due lower hedge and client derivative income and income related to assets for certain post-employment benefits. The allocated provision for credit losses increased \$15 million primarily due to an increase in the provision for unfunded lending commitments. Noninterest expense increased \$61 million due to merger-related charges in the current period, as well as higher personnel expense resulting from capitalized employee costs allocated to the segments in the current quarter, which were partially offset by lower regulatory charges. The benefit for income taxes increased \$56 million primarily due to an increase in pre-tax loss, partially offset by a lower tax benefit from discrete items compared to the earlier period.

Analysis of Financial Condition

Investment Activities

The securities portfolio totaled \$45.3 billion at June 30, 2019, compared to \$45.6 billion at December 31, 2018.

As of June 30, 2019, approximately 6.4% of the securities portfolio was variable rate, compared to 6.5% as of December 31, 2018. The effective duration of the securities portfolio was 3.3 years at June 30, 2019, compared to 4.8 years at December 31, 2018. The duration of the securities portfolio excludes certain non-agency MBS.

U.S. Treasury, GSE and Agency MBS represented 97.8% of the total securities portfolio as of June 30, 2019, compared to 97.3% as of prior year end.

Lending Activities

Loans HFI totaled \$152.6 billion at June 30, 2019, compared to \$149.0 billion at December 31, 2018. Management continuously evaluates the composition of the loan portfolio taking into consideration the current and expected market conditions, interest rate environment and risk profiles to optimize profitability. Based upon this evaluation, management may decide to focus efforts on growing or decreasing exposures in certain portfolios through both organic changes and portfolio acquisitions or sales. During the third quarter of 2019, a residential mortgage loan portfolio totaling approximately \$4 billion is expected to be sold.

Certain residential mortgage loans have an initial period where the borrower is only required to pay the periodic interest. After the interest-only period, the loan will require the payment of both interest and principal over the remaining term. The outstanding balances of variable rate residential mortgage loans in the interest-only phase were approximately \$57 million and \$64 million at June 30, 2019 and December 31, 2018, respectively. At June 30, 2019, approximately 100.0% of the interest-only balances will begin amortizing within the next three years compared to 95.9% at December 31, 2018.

The direct retail portfolio includes variable rate home equity lines and other lines of credit whose rate typically reset on a monthly basis. Home equity lines generally require interest-only payments during the first 15 years after origination. After this initial period, the outstanding balance begins amortizing and requires the payment of both interest and principal. The following table presents additional information over variable rate lines of credit:

Table 6: Variable Rate Lines of Credit

(Dollars in millions)	Home Equity Lines		Other Lines of Credit	
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018
Total variable rate lines	\$ 6,831	\$ 7,201	\$ 1,092	\$ 1,067
Amount in interest-only phase	5,487	5,730	985	949
Percent in interest-only phase that will begin amortizing within 3 years	10.7%	10.3%	13.0%	15.9%

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

Table 7: Composition of Average Loans and Leases

For the Three Months Ended (Dollars in millions)	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Commercial:					
Commercial and industrial	\$ 62,563	\$ 61,370	\$ 60,553	\$ 59,900	\$ 59,548
CRE	20,748	20,905	21,301	21,496	21,546
Lease financing	2,122	2,021	1,990	1,941	1,862
Retail:					
Residential mortgage	32,066	31,370	31,103	30,500	29,272
Direct	11,506	11,493	11,600	11,613	11,680
Indirect	17,879	17,337	17,436	17,282	16,804
Revolving credit	3,151	3,110	3,070	2,947	2,831
PCI	432	455	486	518	559
Total average loans and leases HFI	\$ 150,467	\$ 148,061	\$ 147,539	\$ 146,197	\$ 144,102

Average loans held for investment for the second quarter of 2019 were \$150.5 billion, up \$2.4 billion or 6.5% annualized, compared to the first quarter of 2019.

Average commercial and industrial loans increased \$1.2 billion driven by strong growth in mortgage warehouse lending, corporate banking, equipment finance and dealer floor plan. Average CRE loans decreased \$157 million, primarily due to a decrease in construction loans.

Average residential mortgage loans increased \$696 million primarily due to the retention of a portion of the conforming mortgage production.

Average indirect retail loans increased \$542 million. The increase was across all categories of indirect lending. Growth was led by prime automobile lending and complemented with seasonally strong growth in power sports and recreational lending.

Asset Quality

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

Table 8: Asset Quality

(Dollars in millions)	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
NPAs:					
NPLs:					
Commercial and industrial	\$ 193	\$ 196	\$ 200	\$ 238	\$ 243
CRE	33	75	65	46	61
Lease financing	2	1	3	6	9
Residential mortgage	104	121	119	120	119
Direct	54	53	53	55	58
Indirect	75	80	82	72	68
Total NPLs HFI	461	526	522	537	558
Foreclosed real estate	36	33	35	39	43
Other foreclosed property	26	25	28	25	23
Total nonperforming assets (1)	\$ 523	\$ 584	\$ 585	\$ 601	\$ 624
Performing TDRs:					
Commercial and industrial	\$ 84	\$ 63	\$ 65	\$ 56	\$ 44
CRE	8	9	10	12	11
Residential mortgage	581	669	656	643	647
Direct	53	54	55	56	58
Indirect	315	306	305	295	284
Revolving credit	29	29	28	28	29
Total performing TDRs (2)(3)	\$ 1,070	\$ 1,130	\$ 1,119	\$ 1,090	\$ 1,073
Loans 90 days or more past due and still accruing:					
Residential mortgage	\$ 350	\$ 377	\$ 405	\$ 367	\$ 374
Direct	10	7	7	6	4
Indirect	7	5	6	6	4
Revolving credit	14	14	14	12	10
PCI	26	28	30	40	43
Total loans 90 days or more past due and still accruing	\$ 407	\$ 431	\$ 462	\$ 431	\$ 435
Loans 30-89 days past due:					
Commercial and industrial	\$ 32	\$ 36	\$ 34	\$ 35	\$ 26
CRE	3	3	5	4	4
Lease financing	5	3	1	1	2
Residential mortgage	480	478	456	510	441
Direct	58	67	61	59	52
Indirect	393	316	436	418	337
Revolving credit	28	27	28	27	21
PCI	17	18	23	21	22
Total loans 30-89 days past due	\$ 1,016	\$ 948	\$ 1,044	\$ 1,075	\$ 905

Excludes loans held for sale.

- (1) Sales of nonperforming loans totaled \$48 million, \$30 million, \$30 million, \$20 million and \$12 million for the quarter ended June 30, 2019, March 31, 2019, December 31, 2018, September 30, 2018 and June 30, 2018, respectively.
- (2) Excludes TDRs that are nonperforming totaling \$135 million, \$178 million, \$176 million, \$176 million and \$191 million at June 30, 2019, March 31, 2019, December 31, 2018, September 30, 2018 and June 30, 2018, respectively. These amounts are included in total nonperforming assets.
- (3) Sales of performing TDRs, which were primarily residential mortgage loans, totaled \$120 million, \$33 million, \$15 million, \$34 million and \$17 million for the quarter ended June 30, 2019, March 31, 2019, December 31, 2018, September 30, 2018 and June 30, 2018, respectively.

Nonperforming assets totaled \$523 million at June 30, 2019, down \$61 million compared to March 31, 2019. Nonperforming loans and leases represented 0.30% of loans and leases held for investment, down five basis points compared to March 31, 2019.

Performing TDRs were down \$60 million during the second quarter primarily in residential mortgage loans, which was partially offset by an increase in commercial and industrial loans.

Loans 90 days or more past due and still accruing totaled \$407 million at June 30, 2019, down \$24 million compared to the prior quarter. The ratio of loans 90 days or more past due and still accruing as a percentage of loans and leases was 0.27% at June 30, 2019, compared to 0.29% for the prior quarter. Excluding government guaranteed and PCI loans, the ratio of loans 90 days or more past due and still accruing as a percentage of loans and leases was 0.04% at June 30, 2019, unchanged from the prior quarter.

Loans 30-89 days past due and still accruing totaled \$1.0 billion at June 30, 2019, up \$68 million compared to the prior quarter, primarily due to an expected seasonal increase in indirect automobile lending.

Problem loans include NPLs and loans that are 90 days or more past due and still accruing as disclosed in Table 8. In addition, for the commercial portfolio segment, loans that are rated special mention or substandard performing are closely monitored by management as potential problem loans. Refer to Note 4. Loans and ACL herein for additional disclosures related to these potential problem loans.

Table 9: Asset Quality Ratios

As of / For the Three Months Ended	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Loans 30-89 days past due and still accruing as a percentage of loans and leases HFI	0.67%	0.64%	0.70%	0.73%	0.62%
Loans 90 days or more past due and still accruing as a percentage of loans and leases HFI	0.27	0.29	0.31	0.29	0.30
NPLs as a percentage of loans and leases HFI	0.30	0.35	0.35	0.37	0.38
NPA's as a percentage of:					
Total assets	0.23	0.26	0.26	0.27	0.28
Loans and leases HFI plus foreclosed property	0.34	0.39	0.39	0.41	0.43
Net charge-offs as a percentage of average loans and leases HFI	0.38	0.40	0.38	0.35	0.30
ALLL as a percentage of loans and leases HFI	1.05	1.05	1.05	1.05	1.05
Ratio of ALLL to:					
Net charge-offs	2.80x	2.62x	2.76x	3.05x	3.49x
NPLs	3.46x	2.97x	2.99x	2.86x	2.74x
Loans 90 days or more past due and still accruing as a percentage of loans and leases HFI (1)	0.04%	0.04%	0.04%	0.04%	0.04%

Applicable ratios are annualized.

- (1) This asset quality ratio has been adjusted to remove the impact of government guaranteed mortgage loans and PCI. Management believes the inclusion of such assets in this asset quality ratio results in distortion of this ratio such that it might not be reflective of asset collectability or might not be comparable to other periods presented or to other portfolios that do not have government guarantees or were not impacted by PCI accounting requirements.

The following table presents activity related to NPAs:

Table 10: Rollforward of NPAs

(Dollars in millions)	2019	2018
Balance, January 1	\$ 585	\$ 627
New NPAs	600	616
Advances and principal increases	107	226
Disposals of foreclosed assets (1)	(235)	(222)
Disposals of NPLs (2)	(78)	(45)
Charge-offs and losses	(141)	(124)
Payments	(237)	(366)
Transfers to performing status	(78)	(87)
Other, net	—	(1)
Ending balance, June 30	\$ 523	\$ 624

- (1) Includes charge-offs and losses recorded upon sale of \$106 million and \$105 million for the six months ended June 30, 2019 and 2018, respectively.

- (2) Includes charge-offs and losses recorded upon sale of \$17 million and \$11 million for the six months ended June 30, 2019 and 2018, respectively.

TDRs occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term and a concession has been granted to the borrower. As a result, BB&T will work with the borrower to prevent further difficulties and ultimately improve the likelihood of recovery on the loan. To facilitate this process, a concessionary modification that would not otherwise be considered may be granted, resulting in classification of the loan as a TDR.

The following table provides a summary of performing TDR activity:

Table 11: Rollforward of Performing TDRs

(Dollars in millions)	2019	2018
Balance, January 1	\$ 1,119	\$ 1,043
Inflows	283	256
Payments and payoffs	(90)	(83)
Charge-offs	(31)	(31)
Transfers to nonperforming TDRs, net	(36)	(36)
Removal due to the passage of time	(15)	(25)
Non-concessionary re-modifications	(7)	(5)
Transferred to LHFS and/or sold	(153)	(46)
Balance, June 30	\$ 1,070	\$ 1,073

The following table provides further details regarding the payment status of TDRs outstanding at June 30, 2019:

Table 12: Payment Status of TDRs (1)

June 30, 2019 (Dollars in millions)	Current		Past Due 30-89 Days		Past Due 90 Days Or More		Total
Performing TDRs:							
Commercial:							
Commercial and industrial	\$ 84	100.0%	\$ —	—%	\$ —	—%	\$ 84
CRE	8	100.0	—	—	—	—	8
Retail:							
Residential mortgage	315	54.2	107	18.4	159	27.4	581
Direct	51	96.2	2	3.8	—	—	53
Indirect	260	82.5	55	17.5	—	—	315
Revolving credit	25	86.3	3	10.3	1	3.4	29
Total performing TDRs	743	69.4	167	15.6	160	15.0	1,070
Nonperforming TDRs	58	43.0	15	11.1	62	45.9	135
Total TDRs	\$ 801	66.5	\$ 182	15.1	\$ 222	18.4	\$ 1,205

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

ACL

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

Table 13: Activity in ACL

(Dollars in millions)	For the Three Months Ended					For the Six Months Ended	
	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	2019	2018
Balance, beginning of period	\$ 1,659	\$ 1,651	\$ 1,648	\$ 1,640	\$ 1,614	\$ 1,651	\$ 1,609
Provision for credit losses (excluding PCI loans)	172	156	147	141	142	328	295
Provision (benefit) for PCI loans	—	(1)	(1)	(6)	(7)	(1)	(10)
Charge-offs:							
Commercial and industrial	(22)	(17)	(18)	(28)	(23)	(39)	(46)
CRE	(18)	(8)	(5)	—	(2)	(26)	(8)
Lease financing	—	(1)	(1)	(1)	(1)	(1)	(2)
Residential mortgage	(5)	(5)	(8)	(4)	(5)	(10)	(9)
Direct	(22)	(18)	(18)	(17)	(17)	(40)	(36)
Indirect	(91)	(109)	(108)	(94)	(82)	(200)	(189)
Revolving credit	(25)	(26)	(22)	(20)	(21)	(51)	(42)
PCI	—	—	—	(2)	—	—	—
Total charge-offs	(183)	(184)	(180)	(166)	(151)	(367)	(332)
Recoveries:							
Commercial and industrial	8	6	7	13	11	14	19
CRE	3	1	4	1	1	4	3
Lease financing	—	—	—	—	1	—	1
Residential mortgage	—	1	1	—	1	1	1
Direct	7	6	5	6	6	13	12
Indirect	19	17	15	15	17	36	32
Revolving credit	4	6	5	4	5	10	10
Total recoveries	41	37	37	39	42	78	78
Net charge-offs	(142)	(147)	(143)	(127)	(109)	(289)	(254)
Balance, end of period	\$ 1,689	\$ 1,659	\$ 1,651	\$ 1,648	\$ 1,640	\$ 1,689	\$ 1,640
ALLL (excluding PCI loans)	\$ 1,587	\$ 1,553	\$ 1,549	\$ 1,528	\$ 1,512		
ALLL for PCI loans	8	8	9	10	18		
RUFC	94	98	93	110	110		
Total ACL	\$ 1,689	\$ 1,659	\$ 1,651	\$ 1,648	\$ 1,640		

The ACL consists of the ALLL, which is presented separately on the Consolidated Balance Sheets, and the RUFC, which is included in other liabilities on the Consolidated Balance Sheets. The ACL totaled \$1.7 billion at June 30, 2019, up \$38 million compared to December 31, 2018.

Net charge-offs during the second quarter totaled \$142 million, down \$5 million compared to the prior quarter. As a percentage of average loans and leases, annualized net charge-offs were 0.38%, down two basis points compared to the prior quarter.

The allowance for loan and lease losses, excluding the allowance for PCI loans, was \$1.6 billion, up \$34 million compared to the prior quarter. As of June 30, 2019, the total allowance for loan and lease losses was 1.05% of loans and leases held for investment, unchanged compared to March 31, 2019.

The allowance for loan and lease losses was 3.46 times nonperforming loans and leases held for investment, compared to 2.97 times at March 31, 2019. At June 30, 2019, the allowance for loan and lease losses was 2.80 times annualized net charge-offs, compared to 2.62 times at March 31, 2019.

The following table presents an allocation of the ALLL at the periods shown. This allocation of the ALLL is calculated on an approximate basis and is not necessarily indicative of future losses or allocations. The entire amount of the allowance is available to absorb losses occurring in any category of loans and leases.

Table 14: Allocation of ALLL by Category

(Dollars in millions)	June 30, 2019		December 31, 2018	
	Amount	% Loans in each category	Amount	% Loans in each category
Commercial and industrial	\$ 574	41.8%	\$ 546	41.5%
CRE	201	13.6	190	14.1
Lease financing	10	1.4	11	1.4
Residential mortgage	224	21.4	232	21.1
Direct	99	7.5	97	7.8
Indirect	359	11.9	356	11.7
Revolving credit	120	2.1	117	2.1
PCI	8	0.3	9	0.3
Total ALLL	1,595	100.0%	1,558	100.0%
RUFC	94		93	
Total ACL	\$ 1,689		\$ 1,651	

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

BB&T has limited ability to monitor the delinquency status of the first lien, unless the first lien is held or serviced by BB&T. As a result, using migration assumptions that are based on historical experience and adjusted for current trends, BB&T estimates the volume of second lien positions where the first lien is delinquent and adjusts the ALLL to reflect the increased risk of loss on these credits. Finally, BB&T also provides additional reserves for second lien positions when the estimated combined current loan to value ratio for the credit exceeds 100%. As of June 30, 2019, BB&T held or serviced the first lien on 29.6% of its second lien positions.

Funding Activities

Deposits

Deposits totaled \$159.5 billion at June 30, 2019, a decrease of \$1.7 billion from December 31, 2018, primarily due to a decline in commercial time deposits.

The following table presents the most recent composition of average deposits:

Table 15: Composition of Average Deposits

Three Months Ended (Dollars in millions)	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Noninterest-bearing deposits	\$ 52,680	\$ 52,283	\$ 53,732	\$ 54,174	\$ 53,963
Interest checking	27,708	27,622	26,921	26,655	26,969
Money market and savings	63,394	63,325	62,261	62,957	62,105
Time deposits	15,730	16,393	14,682	13,353	13,966
Foreign office deposits - interest-bearing	379	422	246	132	673
Total average deposits	\$ 159,891	\$ 160,045	\$ 157,842	\$ 157,271	\$ 157,676

Average deposits for the second quarter were \$159.9 billion, down \$154 million compared to the prior quarter. Average noninterest-bearing deposits increased \$397 million, primarily due to increases in personal and commercial balances, partially offset by a seasonal decrease in public funds balances. Average time deposits decreased \$663 million primarily due to a decrease in commercial balances.

Noninterest-bearing deposits represented 32.9% of total average deposits for the second quarter, compared to 32.7% for the prior quarter and 34.2% for the same quarter a year ago. The cost of average total deposits was 0.68% for the second quarter, up four basis points compared to the prior quarter. The cost of average interest-bearing deposits was 1.02% for the second quarter, up seven basis points compared to the prior quarter.

Borrowings

At June 30, 2019, short-term borrowings totaled \$10.3 billion, an increase of \$5.2 billion compared to December 31, 2018. Short-term borrowings fluctuate based on the Company's funding needs. Average short-term borrowings were \$8.4 billion or 3.6% of total funding on average in the second quarter of 2019 as compared to \$5.3 billion or 2.4% in the same period of 2018.

Long-term debt provides funding and, to a lesser extent, regulatory capital, and primarily consists of senior and subordinated notes issued by BB&T and Branch Bank. Long-term debt totaled \$22.6 billion at June 30, 2019, a decrease of \$1.1 billion compared to December 31, 2018. The decrease is primarily due to the maturities of \$1.8 billion of senior notes issued by Branch Bank and \$1.6 billion of senior notes issued by BB&T, partially offset by the corporate issuance of \$1.4 billion of senior notes and \$650 million of subordinated notes. The average cost of long-term debt was 3.31% for the six months ended June 30, 2019, up 64 basis points compared to the same period in 2018. During the third quarter of 2019, BB&T issued \$1.0 billion in fixed rate medium term notes with a maturity date of 2024.

FHLB advances represented 7.7% of total outstanding long-term debt at June 30, 2019, compared to 7.4% at December 31, 2018. See Note 9. Long-Term Debt for additional disclosures.

Shareholders' Equity

Total shareholders' equity was \$31.8 billion at June 30, 2019, an increase of \$1.6 billion from December 31, 2018. Significant additions include net income of \$1.7 billion and an increase in AOCI of \$596 million, which was partially offset by a decrease of \$706 million for common and preferred dividends. BB&T's book value per common share at June 30, 2019 was \$37.40, compared to \$35.46 at December 31, 2018.

On July 29, 2019, BB&T issued \$1.7 billion of series N non-cumulative perpetual preferred stock with a stated dividend rate of 4.800% per annum for net proceeds of \$1.7 billion. Dividends, if declared by the Board of Directors, are payable on the first day of March and September of each year, commencing on March 1, 2020. The dividend rate will reset on September 1, 2024, and on each following fifth anniversary of the reset date to the five-year U.S. Treasury rate plus 3.003%. BB&T issued depositary shares, each of which represents a fractional ownership interest in a share of the 68,000 shares of the Company's series N preferred stock. The preferred stock has no stated maturity and redemption is solely at the option of the Company in whole, but not in part, upon the occurrence of a regulatory capital treatment event, as defined. In addition, the preferred stock may be redeemed in whole or in part, on any dividend payment date after September 1, 2024.

Risk Management

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

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

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

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

Management has formed a cross-functional project team to address the LIBOR transition. The project team has performed an assessment to identify the potential risks related to the transition from LIBOR to a new index. The project team is continuing to develop a transition plan and providing regular reports to the Board of Directors and Risk Management Committee.

The principal types of inherent risk include compliance, credit, liquidity, market, operational, cyber security, model, reputation and strategic risks. Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2018 for disclosures related to each of these risks under the section titled "Risk Management."

Market Risk Management

The effective management of market risk is essential to achieving BB&T's strategic financial objectives. As a financial institution, BB&T's most significant market risk exposure is interest rate risk in its balance sheet; however, market risk also includes product liquidity risk, price risk and volatility risk in BB&T's BUs. The primary objectives of market risk management are to minimize any adverse effect that changes in market risk factors may have on net interest income, net income and capital and to offset the risk of price changes for certain assets recorded at fair value. At BB&T, market risk management also includes the enterprise-wide IPV function.

Interest Rate Market Risk (Other than Trading)

BB&T actively manages market risk associated with asset and liability portfolios with a focus on the strategic pricing of asset and liability accounts and management of appropriate maturity mixes of assets and liabilities. The goal of these activities is the development of appropriate maturity and repricing opportunities in BB&T's portfolios of assets and liabilities that will produce reasonably consistent net interest income during periods of changing interest rates. These portfolios are analyzed for proper fixed-rate and variable-rate mixes under various interest rate scenarios.

The asset/liability management process is designed to achieve relatively stable NIM and assure liquidity by coordinating the volumes, maturities or repricing opportunities of earning assets, deposits and borrowed funds. Among other things, this process gives consideration to prepayment trends related to securities, loans and leases and certain deposits that have no stated maturity. Prepayment assumptions are developed using a combination of market data and internal historical prepayment experience for residential mortgage-related loans and securities, and internal historical prepayment experience for client deposits with no stated maturity and loans that are not residential mortgage related. These assumptions are subject to monthly review and adjustment, and are modified as deemed necessary to reflect changes in interest rates relative to the reference rate of the underlying assets or liabilities. On a monthly basis, BB&T evaluates the accuracy of its Simulation model, which includes an evaluation of its prepayment assumptions, to ensure that all significant assumptions inherent in the model appropriately reflect changes in the interest rate environment and related trends in prepayment activity. It is the responsibility of the MRLCC to determine and achieve the most appropriate volume and mix of earning assets and interest-bearing liabilities, as well as to ensure an adequate level of liquidity and capital, within the context of corporate performance goals. The MRLCC also sets policy guidelines and establishes long-term strategies with respect to interest rate risk exposure and liquidity. The MRLCC meets regularly to review BB&T's interest rate risk and liquidity positions in relation to present and prospective market and business conditions, and adopts funding and balance sheet management strategies that are intended to ensure that the potential impacts on earnings and liquidity as a result of fluctuations in interest rates are within acceptable tolerance guidelines.

BB&T uses derivatives primarily to manage economic risk related to securities, commercial loans, MSRs and mortgage banking operations, long-term debt and other funding sources. BB&T also uses derivatives to facilitate transactions on behalf of its clients. As of June 30, 2019, BB&T had derivative financial instruments outstanding with notional amounts totaling \$65.0 billion, with a net fair value of \$489 million. See Note 16. Derivative Financial Instruments for additional disclosures.

The majority of BB&T's assets and liabilities are monetary in nature and, therefore, differ from most commercial and industrial companies that have significant investments in fixed assets or inventories. Fluctuations in interest rates and actions of the FRB to regulate the availability and cost of credit have a greater effect on a financial institution's profitability than do the effects of higher costs for goods and services. Through its balance sheet management function, which is monitored by the MRLCC, management believes that BB&T is positioned to respond to changing needs for liquidity, changes in interest rates and inflationary trends.

Management uses the Simulation to measure the sensitivity of projected earnings to changes in interest rates. The Simulation projects net interest income and interest rate risk for a rolling two-year period of time. The Simulation takes into account the current contractual agreements that BB&T has made with its customers on deposits, borrowings, loans, investments and commitments to enter into those transactions. Furthermore, the Simulation considers the impact of expected customer behavior. Management monitors BB&T's interest sensitivity by means of a model that incorporates the current volumes, average rates earned and paid, and scheduled maturities and payments of asset and liability portfolios, together with multiple scenarios that include projected prepayments, repricing opportunities and anticipated volume growth. Using this information, the model projects earnings based on projected portfolio balances under multiple interest rate scenarios. This level of detail is needed to simulate the effect that changes in interest rates and portfolio balances may have on the earnings of BB&T. This method is subject to the accuracy of the assumptions that underlie the process, but management believes that it provides a better illustration of the sensitivity of earnings to changes in interest rates than other analyses such as static or dynamic gap. In addition to the Simulation, BB&T uses EVE analysis to focus on projected changes in asset and liability values given potential changes in interest rates. This measure also allows BB&T to analyze interest rate risk that falls outside the analysis window contained in the Simulation. The EVE model is a discounted cash flow of the portfolio of assets, liabilities, and derivative instruments. The difference in the present value of assets minus the present value of liabilities is defined as the economic value of equity.

The asset/liability management process requires a number of key assumptions. Management determines the most likely outlook for the economy and interest rates by analyzing external factors, including published economic projections and data, the effects of likely monetary and fiscal policies, as well as any enacted or prospective regulatory changes. BB&T's current and prospective liquidity position, current balance sheet volumes and projected growth, accessibility of funds for short-term needs and capital maintenance are also considered. This data is combined with various interest rate scenarios to provide management with the information necessary to analyze interest sensitivity and to aid in the development of strategies to reach performance goals.

The following table shows the effect that the indicated changes in interest rates would have on net interest income as projected for the next twelve months assuming a gradual change in interest rates as described below. Key assumptions in the preparation of the table include prepayment speeds of mortgage-related and other assets, cash flows and maturities of derivative financial instruments, loan volumes and pricing, deposit beta, customer preferences and capital plans. The resulting change in net interest income reflects the level of interest rate sensitivity that income has in relation to the investment, loan and deposit portfolios.

Table 16: Interest Sensitivity Simulation Analysis

Linear Change in Prime Rate	Interest Rate Scenario		Annualized Hypothetical Percentage Change in Net Interest Income	
	Prime Rate		Jun 30, 2019	Jun 30, 2018
	Jun 30, 2019	Jun 30, 2018		
Up 200	7.50%	7.00%	0.57%	3.05%
Up 100	6.50	6.00	0.73	1.93
No Change	5.50	5.00	—	—
Down 25	5.25	4.75	(0.87)	N/A
Down 100	4.50	4.00	(4.26)	(4.64)

Rate sensitivity decreased from June 30, 2018, primarily driven by loan and deposit mix changes.

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

Beta represents the correlation between overall market interest rates and the rates paid by BB&T on interest-bearing deposits. BB&T applies an average deposit beta of approximately 50% to its non-maturity interest-bearing deposit accounts for determining its interest rate sensitivity. Non-maturity interest-bearing deposit accounts include interest checking accounts, savings accounts and money market accounts that do not have a contractual maturity. BB&T regularly conducts sensitivity on other key variables to determine the impact they could have on the interest rate risk position. This allows BB&T to evaluate the likely impact on its balance sheet management strategies due to a more extreme variation in a key assumption than expected.

The following table shows the results of BB&T's interest-rate sensitivity position assuming the loss of demand deposits and an associated increase in managed rate deposits under various scenarios. For purposes of this analysis, BB&T modeled the incremental beta for the replacement of the lost demand deposits at 100%.

Table 17: Deposit Mix Sensitivity Analysis

Linear Change in Rates	Base Scenario at June 30, 2019 (1)	Results Assuming a Decrease in Noninterest-Bearing Demand Deposits	
		\$1 Billion	\$5 Billion
Up 200 bps	0.57%	0.36%	(0.48)%
Up 100	0.73	0.60	0.08

(1) The base scenario is equal to the annualized hypothetical percentage change in net interest income at June 30, 2019 as presented in the preceding table.

If rates increased 200 basis points, BB&T could absorb the loss of \$2.7 billion, or 5.2%, of noninterest-bearing deposits and replace them with managed rate deposits with a beta of 100% before becoming neutral to interest rate changes.

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

Table 18: EVE Simulation Analysis

Change in Interest Rates	EVE/Assets		Hypothetical Percentage Change in EVE	
	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Up 100	11.8	12.5	4.4	(2.7)
No Change	11.3	12.8	—	—
Down 25	11.0	N/A	(2.8)	N/A
Down 100	9.4	12.5	(16.3)	(2.9)

Market Risk from Trading Activities

BB&T also manages market risk from trading activities which consists of acting as a financial intermediary to provide its customers access to derivatives, foreign exchange and securities markets. Trading market risk is managed through the use of statistical and non-statistical risk measures and limits. BB&T utilizes a historical VaR methodology to measure and aggregate risks across its covered trading BUs. This methodology uses two years of historical data to estimate economic outcomes for a one-day time horizon at a 99% confidence level. The average 99% one-day VaR and the maximum daily VaR for the three months ended June 30, 2019 and 2018, respectively, were each less than \$1 million. Market risk disclosures under Basel II.5 are available in the Additional Disclosures section of the Investor Relations site on BBT.com.

Liquidity

Liquidity represents the continuing ability to meet funding needs, including deposit withdrawals, timely repayment of borrowings and other liabilities, and funding of loan commitments. In addition to the level of liquid assets, such as cash, cash equivalents and AFS securities, many other factors affect the ability to meet liquidity needs, including access to a variety of funding sources, maintaining borrowing capacity in national money markets, growing core deposits, the repayment of loans and the ability to securitize or package loans for sale. BB&T has the ability to utilize sources such as FHLB letters of credit to reduce the securities we have pledged.

BB&T monitors the ability to meet customer demand for funds under both normal and stressed market conditions. In considering its liquidity position, management evaluates BB&T's funding mix based on client core funding, client rate-sensitive funding and national markets funding. In addition, management also evaluates exposure to rate-sensitive funding sources that mature in one year or less. Management also measures liquidity needs against 30 days of stressed cash outflows for Branch Bank and BB&T. To ensure a strong liquidity position, management maintains a liquid asset buffer of cash on hand and highly liquid unpledged securities. BB&T follows the FRB's enhanced prudential standards for purposes of determining the liquid asset buffer. BB&T's policy is to use the greater of either 5% of total assets or a range of projected net cash outflows over a 30 day period. As of June 30, 2019 and December 31, 2018, BB&T's liquid asset buffer was 14.3% and 14.7%, respectively, of total assets.

BB&T is considered to be a "modified LCR" holding company. BB&T would be subject to full LCR requirements if its assets were to increase above \$250 billion or if it were to be considered internationally active. In October 2018, the federal banking agencies proposed changes to applicability thresholds for liquidity requirements that would amend the full LCR such that BHC's with assets between \$250 billion and \$700 billion, and less than \$75 billion in certain other risk related exposures, would be subject to a reduced full LCR. See additional disclosures in the "Regulatory Considerations" section.

BB&T produces LCR calculations to effectively manage the position of high-quality liquid assets and the balance sheet deposit mix to optimize BB&T's liquidity position. BB&T's preliminary modified average LCR was approximately 129% for the three months ended June 30, 2019, compared to the regulatory minimum for such entities of 100%, which puts BB&T in full compliance with the rule. The LCR can experience volatility due to issues like maturing debt rolling into the 30 day measurement period, or client inflows and outflows. The daily change in BB&T's modified LCR averaged less than 2% for the three months ended June 30, 2019 with a maximum daily change of approximately 5%.

BB&T routinely evaluates the impact of becoming subject to the full LCR requirement. This includes an evaluation of the changes to the balance sheet and investment strategy that would be necessary to comply with the requirement. Management does not currently expect the required changes to have a material impact on BB&T's financial condition or results of operations.

Parent Company

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

The primary source of funds used for Parent Company cash requirements was dividends received from subsidiaries. See Note 15. Parent Company Financial Information of the Annual Report on Form 10-K for the year ended December 31, 2018 for additional information regarding dividends from subsidiaries and debt transactions.

Liquidity at the Parent Company is more susceptible to market disruptions. BB&T prudently manages cash levels at the Parent Company to cover a minimum of one year of projected cash outflows which includes unfunded external commitments, debt service, common and preferred dividends and scheduled debt maturities without the benefit of any new cash infusions. Generally, BB&T maintains a significant buffer above the projected one year of cash outflows. In determining the buffer, BB&T considers cash requirements for common and preferred dividends, unfunded commitments to affiliates, being a source of strength to its banking subsidiary and being able to withstand sustained market disruptions that could limit access to the capital markets. At June 30, 2019 and December 31, 2018, the Parent Company had 33 months and 28 months, respectively, of cash on hand to satisfy projected contractual cash outflows, and 22 months and 19 months, respectively, taking into account common stock dividends.

Branch Bank

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

Branch Bank has several major sources of funding to meet its liquidity requirements, including access to capital markets through issuance of senior or subordinated bank notes and institutional CDs, access to the FHLB system, dealer repurchase agreements and repurchase agreements with commercial clients, access to the overnight and term Federal funds markets, use of a Cayman branch facility, access to retail brokered CDs and a borrower in custody program with the FRB for the discount window. At June 30, 2019, Branch Bank has approximately \$81.6 billion of secured borrowing capacity, which represents approximately 4.1 times the amount of one year wholesale funding maturities.

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

Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2018 for discussion with respect to BB&T's quantitative and qualitative disclosures about its fixed and determinable contractual obligations. Additional disclosures about BB&T's contractual obligations, commitments and derivative financial instruments are included in Note 14. Commitments and Contingencies, Note 15. Fair Value Disclosures and Note 16. Derivative Financial Instruments.

Capital

The maintenance of appropriate levels of capital is a management priority and is monitored on a regular basis. BB&T's principal goals related to the maintenance of capital are to provide adequate capital to support BB&T's risk profile consistent with the Board-approved risk appetite, provide financial flexibility to support future growth and client needs, comply with relevant laws, regulations, and supervisory guidance, achieve optimal credit ratings for BB&T and its subsidiaries and provide a competitive return to shareholders. Risk-based capital ratios, which include CET1 capital, Tier 1 capital and Total capital are calculated based on regulatory guidance related to the measurement of capital and risk-weighted assets.

BB&T regularly performs stress testing on its capital levels and is required to periodically submit the company's capital plans to the banking regulators. On February 5, 2019, the FRB notified banks with less than \$250 billion in assets that they will not need to participate in the 2019 supervisory stress test.

Management regularly monitors the capital position of BB&T on both a consolidated and bank-level basis. In this regard, management's overriding policy is to maintain capital at levels that are in excess of internal capital targets, which are above the regulatory "well capitalized" levels. Management has implemented stressed capital ratio minimum targets to evaluate whether capital ratios calculated with planned capital actions are likely to remain above minimums specified by the FRB for the annual CCAR. Breaches of stressed minimum targets prompt a review of the planned capital actions included in BB&T's capital plan.

Table 19: Capital Requirements Under Basel III

	Minimum Capital	Well-Capitalized	Minimum Capital Plus Capital Conservation Buffer	BB&T Targets	
				Operating (1)	Stressed
CET1 capital to risk-weighted assets	4.5%	6.5%	7.0%	8.5%	6.0%
Tier 1 capital to risk-weighted assets	6.0	8.0	8.5	10.0	7.5
Total capital to risk-weighted assets	8.0	10.0	10.5	12.0	9.5
Leverage ratio	4.0	5.0	N/A	8.0	5.5

(1) BB&T's goal is to maintain capital levels above all regulatory minimums.

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

BB&T's capital ratios are presented in the following table:

Table 20: Capital Ratios - BB&T Corporation

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

	Jun 30, 2019	Dec 31, 2018
Risk-based:	(preliminary)	
CET1 capital to risk-weighted assets	10.3%	10.2%
Tier 1 capital to risk-weighted assets	12.0	11.8
Total capital to risk-weighted assets	14.2	13.8
Leverage ratio	10.2	9.9
Non-GAAP capital measure (1):		
Tangible common equity per common share	\$ 23.93	\$ 21.89
Calculation of tangible common equity (1):		
Total shareholders' equity	\$ 31,764	\$ 30,178
Less:		
Preferred stock	3,053	3,053
Noncontrolling interests	61	56
Intangible assets, net of deferred taxes	10,317	10,360
Tangible common equity	\$ 18,333	\$ 16,709
Risk-weighted assets	\$ 187,942	\$ 181,260
Common shares outstanding at end of period	766,010	763,326

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

Capital levels remained strong at June 30, 2019. BB&T declared common dividends of \$0.405 per share during the second quarter of 2019, which resulted in dividend and total payout ratios of 36.8%. The Board of Directors approved a proposal to increase the dividend 11.1% to \$0.45 per share at their July meeting. As previously communicated, BB&T has suspended its share repurchases under the 2018 Repurchase Plan due to the merger-of-equals.

Share Repurchase Activity

Table 21: Share Repurchase Activity

(Dollars in millions, except per share data, shares in thousands)	Total Shares Repurchased (1)	Average Price Paid Per Share (2)	Total Shares Repurchased Pursuant to Publicly-Announced Plan (3)	Maximum Remaining Dollar Value of Shares Available for Repurchase Pursuant to Publicly-Announced Plan
April 2019	—	\$ —	—	\$ 1,125
May 2019	—	—	—	1,125
June 2019	—	—	—	—
Total	—	—	—	—

- (1) Includes shares exchanged or surrendered in connection with the exercise of equity-based awards under BB&T's equity-based compensation plans.
- (2) Excludes commissions.
- (3) Pursuant to the 2018 Repurchase Plan, announced on June 28, 2018, which authorized up to \$1.7 billion of share repurchases over the one-year period ending June 30, 2019.

Critical Accounting Policies

The accounting and reporting policies of BB&T are in accordance with GAAP and conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. BB&T's financial position and results of operations are affected by management's application of accounting policies, including estimates, assumptions and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues and expenses. Different assumptions in the application of these policies could result in material changes in the consolidated financial position and/or consolidated results of operations and related disclosures. The more critical policies include accounting for the ACL, determining fair value of financial instruments, intangible assets, and costs and benefit obligations associated with pension and postretirement benefit plans. Understanding BB&T's accounting policies is fundamental to understanding the consolidated financial position and consolidated results of operations. The critical accounting policies are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in BB&T's Annual Report on Form 10-K for the year ended December 31, 2018. Significant accounting policies and changes in accounting principles and effects of new accounting pronouncements are discussed in Note 1. Basis of Presentation in Form 10-K for the year ended December 31, 2018. Additional disclosures regarding the effects of new accounting pronouncements are included in the Note 1. Basis of Presentation included herein. There have been no other changes to the significant accounting policies during 2019.

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 CEO and CFO, carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to the Legal Proceeding section in Note 14. Commitments and Contingencies, which is incorporated by reference into this item.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in BB&T's Annual Report on Form 10-K for the year ended December 31, 2018. Additional risks and uncertainties not currently known to BB&T or that management has deemed to be immaterial also may materially adversely affect BB&T's business, financial condition, and/or operating results.

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

Refer to the Share Repurchase Activity section in the Management's Discussion and Analysis of Financial Condition and Results of Operations section, which is incorporated by reference into this item.

ITEM 6. EXHIBITS

Exhibit No.	Description	Location
2.1	First Amendment to the Agreement and Plan of Merger, dated as of June 14, 2019, by and between SunTrust Banks, Inc. and BB&T Corporation.	Incorporated herein by reference to Exhibit 2.1 of the Current Report on Form 8-K, filed June 14, 2019.
10.1*	Form of Synergy Incentive Award Letter with each of Daryl N. Bible and Clarke R. Starnes, III	Incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed June 3, 2019.
10.2*	Synergy Incentive Award Letter with Donna C. Goodrich	Incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-K, filed June 3, 2019.
10.3*	Synergy Incentive Award Letter with Christopher L. Henson	Incorporated herein by reference to Exhibit 10.3 of the Current Report on Form 8-K, filed June 3, 2019.
10.4*	Form of First Amendment to Employment Agreement with each of Daryl N. Bible and Clarke R. Starnes, III	Incorporated herein by reference to Exhibit 10.4 of the Current Report on Form 8-K, filed June 3, 2019.
10.5*	Form of First Amendment to Employment Agreement with each of Donna C. Goodrich and Christopher L. Henson	Incorporated herein by reference to Exhibit 10.5 of the Current Report on Form 8-K, filed June 3, 2019.
10.6*	First Amendment to 2016 Employment Agreement with W. Bennett Bradley	Filed herewith.
10.7*	First Amendment to 2016 Employment Agreement with Jim. D. Godwin	Filed herewith.
10.8*	First Amendment to 2014 Employment Agreement with Robert J. Johnson, Jr.	Filed herewith.
10.9*	First Amendment to 2016 Employment Agreement with Brant J. Standridge	Filed herewith.
10.10*	First Amendment to 2016 Employment Agreement with David H. Weaver	Filed herewith.
10.11*	First Amendment to 2016 Employment Agreement with Dontá L. Wilson	Filed herewith.
10.12*	First Amendment to 2012 Employment Agreement with W. Rufus Yates	Filed herewith.
10.13*	Form of Synergy Incentive Award Letter with each of W. Bennett Bradley, Jim. D. Godwin, Robert J. Johnson, Jr. and W. Rufus Yates	Filed herewith.
10.14*	Form of Synergy Incentive Award Letter with each of Brant J. Standridge, David H. Weaver and Dontá L. Wilson	Filed herewith.
11	Statement re computation of earnings per share.	Filed herewith as Computation of EPS note to the consolidated financial statements.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
101.INS	XBRL Instance Document – the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase.	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.	Filed herewith.
101.DEF	XBRL Taxonomy Definition Linkbase.	Filed herewith.

* Management compensatory plan or arrangement.

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: July 30, 2019

By: /s/ Daryl N. Bible
Daryl N. Bible
Senior Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: July 30, 2019

By: /s/ Cynthia B. Powell
Cynthia B. Powell
Executive Vice President and Corporate Controller
(Principal Accounting Officer)

FIRST AMENDMENT TO
2016 EMPLOYMENT AGREEMENT

This First Amendment (this “**Amendment**”) to the 2016 Employment Agreement, effective as of January 1, 2016 (the “**Employment Agreement**”), by and among BB&T Corporation (“**BB&T**”), Branch Banking and Trust Company and William Bennett Bradley (“**Executive**”), is entered into as of May __, 2019, and amends the Employment Agreement with effect upon, and subject to, the consummation of the transactions (the “**Merger**”) contemplated by the Agreement and Plan of Merger, dated as of February 7, 2019, by and between BB&T and SunTrust Banks, Inc. (the “**Merger Agreement**”). Capitalized terms used herein without definitions have the meanings ascribed to such terms in the Employment Agreement.

WHEREAS, Executive is party to the Employment Agreement, which, pursuant to the Notice of Non-Extension of Term, dated as of March 1, 2019, will expire on March 1, 2022, unless earlier terminated in accordance with Section 1.6 of the Employment Agreement;

WHEREAS, in furtherance of the retention and integration planning associated with the Merger, the Compensation Committee of the Board of Directors of BB&T has determined that it is in the best interests of BB&T and its shareholders to amend the Employment Agreement to modify and clarify the intent of certain provisions; and

WHEREAS, this Amendment shall be entered into as of the date first above written and be binding as of such date, but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided* that as of such date, Executive has remained in continuous employment with Employer.

NOW, THEREFORE, for good and valuable consideration, the parties hereto agree as follows:

1. **Section 1.6.7** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

Notwithstanding the foregoing, Executive hereby waives any right Executive may have to terminate employment for Good Reason under this Agreement or any other plan or arrangement of or with BB&T or its Affiliates containing such term or a similar term, in each case, as a result of the assignment to Executive of duties inconsistent with the position and status as a Senior Executive Vice President of Employer (the “**Duties Trigger**”) due to the changes in Executive’s position effective as of the date of consummation of the merger of BB&T and SunTrust Banks, Inc. (the “**Merger**”, and the date of consummation of the Merger, the “**Closing Date**”) as reflected in the synergy incentive award letter between Executive and BB&T dated May 17, 2019 (the “**Synergy Letter**”); *provided, however*, that, subject to Executive’s continued employment in good standing with Employer through the applicable notice date during the periods set forth below, Executive shall have the right to provide notice of a Good Reason Termination based on the Duties Trigger due to the changes in Executive’s position as reflected in the Synergy Letter, during the following two periods after the Closing Date: (i) June 1, 2021 through August 31, 2021 and (ii) November 1, 2021 through November 30, 2021 (each, a “**Window Period**”). If Executive provides a notice of a Good Reason Termination during a Window Period, Employer shall not have the right to cure the circumstances giving rise to the Good Reason Termination due to the changes in Executive’s position as reflected in the Synergy Letter, and the Termination Date shall be the date mutually agreed between Executive and Employer, which shall be no earlier than ten (10) business days following the date of delivery of such notice and no later than (A) September 30, 2021, in the case of notice delivered during the Window Period ending August 31, 2021, or (B) December 31, 2021, in the case of notice delivered during the Window Period ending November 30, 2021.

2. **Section 1.7.1** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

In addition, if following the Closing Date and prior to December 1, 2021, Executive experiences a termination of employment due to death, whether or not Executive has previously received a notice of termination Without Just Cause from Employer or provided Employer with a notice of a Good Reason Termination, Executive's estate or beneficiary, as applicable, shall be entitled to receive the Termination Compensation in a lump sum (discounted based on the then-applicable rate for lump sum distributions under the Pension Plan) within thirty (30) days of the Executive's death.

3. The parenthetical in **Section 1.7.3(i)** of the Agreement is hereby amended in its entirety to read as follows:

(including, without limitation, compliance with the nonsolicitation covenants of Sections 2.1(iii), (iv) and (v), it being agreed that the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a termination Without Just Cause)

4. The parenthetical in **Section 1.7.4(i)** of the Agreement is hereby amended in its entirety to read as follows:

(including, without limitation, compliance with the nonsolicitation covenants of Sections 2.1(iii), (iv) and (v), it being agreed that the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a Good Reason Termination)

5. Each of **Section 1.7.3(ii)**, **Section 1.7.4(ii)** and **Section 1.7.5(ii)** of the Agreement is hereby amended in its entirety to read as follows:

(ii) Any unvested benefits of Executive under any employee stock-based, cash long-term incentive performance awards or other benefit plan or arrangement (other than the award under the Synergy Letter, which will vest and be payable in accordance with the terms of the Synergy Letter) shall become fully and immediately vested, with performance awards for which the performance period is not complete as of the Termination Date to be earned as provided in the applicable award agreement, and the payment or delivery of such awards or benefits shall be accelerated to the extent permitted by Section 409A or other applicable law and the terms of such plan or arrangement.

6. Each of **Section 1.7.3** and **Section 1.7.4** of the Agreement is hereby amended to add the following clause (v) immediately following clause (iv) of such Sections 1.7.3 and 1.7.4:

(v) If the Termination Date occurs prior to the payment of the annual bonus in respect of the Termination Year (other than with respect to a termination in 2022, in which case, Executive shall be eligible for a full annual cash bonus in respect of the 2021 year, but not an annual bonus, prorated or otherwise, in respect of the 2022 year), Executive shall receive an annual bonus in respect of the Termination Year, prorated if the Termination Date occurs prior to December 31 of such year (the "**Prorated Annual Bonus**"). Any such Prorated Annual Bonus shall equal the product of (A) the actual annual bonus that would have been earned by Executive in respect of the Termination Year had Executive's employment not terminated and (B) a fraction, the numerator of which is the number of days elapsed in the Termination Year through and including the Termination Date, and the denominator of which is the total number of days in the Termination Year. Any Prorated Annual Bonus shall be paid in accordance with the applicable bonus plan at the same time annual bonuses are paid to senior executives of Employer generally, but in no event later than March 15 of the calendar year following the Termination Year.

7. **Section 2.1** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

Notwithstanding anything to the contrary contained herein, including clause (iii) of the penultimate sentence (taking into account the amendment in Item 2 above) of Section 1.7.1, the noncompetition

covenants of Sections 2.1(i) and (ii) shall not apply upon a termination Without Just Cause or a Good Reason Termination, and for the avoidance of doubt, in the event of a termination of employment for any reason following March 1, 2022, the obligations under Section 2.1 of the Employment Agreement shall be inapplicable.

8. **Section 3.12(f)** of the Agreement is hereby amended in its entirety to read as follows:

f. “Compensation Continuance Period” means the time period commencing with the Commencement Month and ending on the date that coincides with the expiration of the thirty-six (36)-consecutive-month period which began with the Commencement Month.

9. **Section 3.12(n)** of the Agreement is hereby amended in its entirety to read as follows:

n. “Termination Compensation” means a monthly cash amount equal to one-twelfth (1/12th) of the highest amount of the annual cash compensation (including cash bonuses and other cash-based compensation, including for these purposes amounts earned or payable whether or not deferred) received by Executive during any one of the three (3) calendar years immediately preceding the calendar year in which Executive’s Termination Date occurs or, if higher, during any one of the three (3) calendar years immediately preceding the calendar year in which the Closing Date occurs (such highest amount, the **“Highest Prior Year Compensation”**); *provided* that, if the cash compensation received by Executive during the Termination Year exceeds the Highest Prior Year Compensation the cash compensation received by Executive during the Termination Year shall be deemed to be Executive’s highest amount of annual cash compensation for purposes of calculating the Termination Compensation. In no event shall Executive’s Termination Compensation include equity-based compensation (e.g., income realized as a result of Executive’s exercise of non-qualified stock options or other stock-based benefits) or any retention or integration bonus awarded in connection with the Merger, including the award under the Synergy Letter.

10. This Amendment shall be binding on the parties hereto effective as of the date hereof but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided* that as of such date, Executive has remained in continuous employment with Employer. If the Merger is abandoned and the Merger Agreement is terminated in accordance with its terms, this Amendment shall be of no force.
11. In all other respects, the parties hereby ratify and affirm the terms of the Agreement. This Amendment may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date hereof.

BB&T CORPORATION

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

BRANCH BANKING AND TRUST COMPANY

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

WILLIAM BENNETT BRADLEY

FIRST AMENDMENT TO
2016 EMPLOYMENT AGREEMENT

This First Amendment (this “**Amendment**”) to the 2016 Employment Agreement, effective as of August 1, 2016 (the “**Employment Agreement**”), by and among BB&T Corporation (“**BB&T**”), Branch Banking and Trust Company and Jimmy Dale Godwin (“**Executive**”), is entered into as of May __, 2019, and amends the Employment Agreement with effect upon, and subject to, the consummation of the transactions (the “**Merger**”) contemplated by the Agreement and Plan of Merger, dated as of February 7, 2019, by and between BB&T and SunTrust Banks, Inc. (the “**Merger Agreement**”). Capitalized terms used herein without definitions have the meanings ascribed to such terms in the Employment Agreement.

WHEREAS, Executive is party to the Employment Agreement, which, pursuant to the Notice of Non-Extension of Term, dated as of March 1, 2019, will expire on March 1, 2022, unless earlier terminated in accordance with Section 1.6 of the Employment Agreement;

WHEREAS, in furtherance of the retention and integration planning associated with the Merger, the Compensation Committee of the Board of Directors of BB&T has determined that it is in the best interests of BB&T and its shareholders to amend the Employment Agreement to modify and clarify the intent of certain provisions; and

WHEREAS, this Amendment shall be entered into as of the date first above written and be binding as of such date, but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided* that as of such date, Executive has remained in continuous employment with Employer.

NOW, THEREFORE, for good and valuable consideration, the parties hereto agree as follows:

1. **Section 1.6.7** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

Notwithstanding the foregoing, Executive hereby waives any right Executive may have to terminate employment for Good Reason under this Agreement or any other plan or arrangement of or with BB&T or its Affiliates containing such term or a similar term, in each case, as a result of the assignment to Executive of duties inconsistent with the position and status as a Senior Executive Vice President of Employer (the “**Duties Trigger**”) due to the changes in Executive’s position effective as of the date of consummation of the merger of BB&T and SunTrust Banks, Inc. (the “**Merger**”, and the date of consummation of the Merger, the “**Closing Date**”) as reflected in the synergy incentive award letter between Executive and BB&T dated May 17, 2019 (the “**Synergy Letter**”); *provided, however*, that, subject to Executive’s continued employment in good standing with Employer through the applicable notice date during the periods set forth below, Executive shall have the right to provide notice of a Good Reason Termination based on the Duties Trigger due to the changes in Executive’s position as reflected in the Synergy Letter, during the following two periods after the Closing Date: (i) June 1, 2021 through August 31, 2021 and (ii) November 1, 2021 through November 30, 2021 (each, a “**Window Period**”). If Executive provides a notice of a Good Reason Termination during a Window Period, Employer shall not have the right to cure the circumstances giving rise to the Good Reason Termination due to the changes in Executive’s position as reflected in the Synergy Letter, and the Termination Date shall be the date mutually agreed between Executive and Employer, which shall be no earlier than ten (10) business days following the date of delivery of such notice and no later than (A) September 30, 2021, in the case of notice delivered during the Window Period ending August 31, 2021, or (B) December 31, 2021, in the case of notice delivered during the Window Period ending November 30, 2021.

2. **Section 1.7.1** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

In addition, if following the Closing Date and prior to December 1, 2021, Executive experiences a termination of employment due to death, whether or not Executive has previously received a notice of termination Without Just Cause from Employer or provided Employer with a notice of a Good Reason Termination, Executive's estate or beneficiary, as applicable, shall be entitled to receive the Termination Compensation in a lump sum (discounted based on the then-applicable rate for lump sum distributions under the Pension Plan) within thirty (30) days of the Executive's death.

3. The parenthetical in **Section 1.7.3(i)** of the Agreement is hereby amended in its entirety to read as follows:

(including, without limitation, compliance with the nonsolicitation covenants of Sections 2.1(iii), (iv) and (v), it being agreed that the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a termination Without Just Cause)

4. The parenthetical in **Section 1.7.4(i)** of the Agreement is hereby amended in its entirety to read as follows:

(including, without limitation, compliance with the nonsolicitation covenants of Sections 2.1(iii), (iv) and (v), it being agreed that the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a Good Reason Termination)

5. Each of **Section 1.7.3(ii)**, **Section 1.7.4(ii)** and **Section 1.7.5(ii)** of the Agreement is hereby amended in its entirety to read as follows:

(ii) Any unvested benefits of Executive under any employee stock-based, cash long-term incentive performance awards or other benefit plan or arrangement (other than the award under the Synergy Letter, which will vest and be payable in accordance with the terms of the Synergy Letter) shall become fully and immediately vested, with performance awards for which the performance period is not complete as of the Termination Date to be earned as provided in the applicable award agreement, and the payment or delivery of such awards or benefits shall be accelerated to the extent permitted by Section 409A or other applicable law and the terms of such plan or arrangement.

6. Each of **Section 1.7.3** and **Section 1.7.4** of the Agreement is hereby amended to add the following clause (v) immediately following clause (iv) of such Sections 1.7.3 and 1.7.4:

(v) If the Termination Date occurs prior to the payment of the annual bonus in respect of the Termination Year (other than with respect to a termination in 2022, in which case, Executive shall be eligible for a full annual cash bonus in respect of the 2021 year, but not an annual bonus, prorated or otherwise, in respect of the 2022 year), Executive shall receive an annual bonus in respect of the Termination Year, prorated if the Termination Date occurs prior to December 31 of such year (the "**Prorated Annual Bonus**"). Any such Prorated Annual Bonus shall equal the product of (A) the actual annual bonus that would have been earned by Executive in respect of the Termination Year had Executive's employment not terminated and (B) a fraction, the numerator of which is the number of days elapsed in the Termination Year through and including the Termination Date, and the denominator of which is the total number of days in the Termination Year. Any Prorated Annual Bonus shall be paid in accordance with the applicable bonus plan at the same time annual bonuses are paid to senior executives of Employer generally, but in no event later than March 15 of the calendar year following the Termination Year.

7. **Section 2.1** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

Notwithstanding anything to the contrary contained herein, including clause (iii) of the penultimate sentence (taking into account the amendment in Item 2 above) of Section 1.7.1, the noncompetition

covenants of Sections 2.1(i) and (ii) shall not apply upon a termination Without Just Cause or a Good Reason Termination, and for the avoidance of doubt, in the event of a termination of employment for any reason following March 1, 2022, the obligations under Section 2.1 of the Employment Agreement shall be inapplicable.

8. **Section 3.12(f)** of the Agreement is hereby amended in its entirety to read as follows:

f. “Compensation Continuance Period” means the time period commencing with the Commencement Month and ending on the date that coincides with the expiration of the thirty-six (36)-consecutive-month period which began with the Commencement Month.

9. **Section 3.12(n)** of the Agreement is hereby amended in its entirety to read as follows:

n. “Termination Compensation” means a monthly cash amount equal to one-twelfth (1/12th) of the highest amount of the annual cash compensation (including cash bonuses and other cash-based compensation, including for these purposes amounts earned or payable whether or not deferred) received by Executive during any one of the three (3) calendar years immediately preceding the calendar year in which Executive’s Termination Date occurs or, if higher, during any one of the three (3) calendar years immediately preceding the calendar year in which the Closing Date occurs (such highest amount, the **“Highest Prior Year Compensation”**); *provided* that, if the cash compensation received by Executive during the Termination Year exceeds the Highest Prior Year Compensation the cash compensation received by Executive during the Termination Year shall be deemed to be Executive’s highest amount of annual cash compensation for purposes of calculating the Termination Compensation. In no event shall Executive’s Termination Compensation include equity-based compensation (e.g., income realized as a result of Executive’s exercise of non-qualified stock options or other stock-based benefits) or any retention or integration bonus awarded in connection with the Merger, including the award under the Synergy Letter.

10. This Amendment shall be binding on the parties hereto effective as of the date hereof but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided* that as of such date, Executive has remained in continuous employment with Employer. If the Merger is abandoned and the Merger Agreement is terminated in accordance with its terms, this Amendment shall be of no force.
11. In all other respects, the parties hereby ratify and affirm the terms of the Agreement. This Amendment may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date hereof.

BB&T CORPORATION

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

BRANCH BANKING AND TRUST COMPANY

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

JIMMY DALE GODWIN

FIRST AMENDMENT TO
2014 EMPLOYMENT AGREEMENT

This First Amendment (this “**Amendment**”) to the 2014 Employment Agreement, effective as of January 1, 2014 (the “**Employment Agreement**”), by and among BB&T Corporation (“**BB&T**”), Branch Banking and Trust Company and Robert J. Johnson, Jr. (“**Executive**”), is entered into as of May __, 2019, and amends the Employment Agreement with effect upon, and subject to, the consummation of the transactions (the “**Merger**”) contemplated by the Agreement and Plan of Merger, dated as of February 7, 2019, by and between BB&T and SunTrust Banks, Inc. (the “**Merger Agreement**”). Capitalized terms used herein without definitions have the meanings ascribed to such terms in the Employment Agreement.

WHEREAS, Executive is party to the Employment Agreement, which, pursuant to the Notice of Non-Extension of Term, dated as of March 1, 2019, will expire on March 1, 2022, unless earlier terminated in accordance with Section 1.6 of the Employment Agreement;

WHEREAS, in furtherance of the retention and integration planning associated with the Merger, the Compensation Committee of the Board of Directors of BB&T has determined that it is in the best interests of BB&T and its shareholders to amend the Employment Agreement to modify and clarify the intent of certain provisions; and

WHEREAS, this Amendment shall be entered into as of the date first above written and be binding as of such date, but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided* that as of such date, Executive has remained in continuous employment with Employer.

NOW, THEREFORE, for good and valuable consideration, the parties hereto agree as follows:

1. **Section 1.6.7** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

Notwithstanding the foregoing, Executive hereby waives any right Executive may have to terminate employment for Good Reason under this Agreement or any other plan or arrangement of or with BB&T or its Affiliates containing such term or a similar term, in each case, as a result of the assignment to Executive of duties inconsistent with the position and status as a Senior Executive Vice President and General Counsel of Employer (the “**Duties Trigger**”) due to the changes in Executive’s position effective as of the date of consummation of the merger of BB&T and SunTrust Banks, Inc. (the “**Merger**”, and the date of consummation of the Merger, the “**Closing Date**”) as reflected in the synergy incentive award letter between Executive and BB&T dated May 17, 2019 (the “**Synergy Letter**”); *provided, however*, that, subject to Executive’s continued employment in good standing with Employer through the applicable notice date during the periods set forth below, Executive shall have the right to provide notice of a Good Reason Termination based on the Duties Trigger due to the changes in Executive’s position as reflected in the Synergy Letter, during the following two periods after the Closing Date: (i) June 1, 2021 through August 31, 2021 and (ii) November 1, 2021 through November 30, 2021 (each, a “**Window Period**”). If Executive provides a notice of a Good Reason Termination during a Window Period, Employer shall not have the right to cure the circumstances giving rise to the Good Reason Termination due to the changes in Executive’s position as reflected in the Synergy Letter, and the Termination Date shall be the date mutually agreed between Executive and Employer, which shall be no earlier than ten (10) business days following the date of delivery of such notice and no later than (A) September 30, 2021, in the case of notice delivered during the Window Period ending August 31, 2021, or (B) December 31, 2021, in the case of notice delivered during the Window Period ending November 30, 2021.

2. **Section 1.7.1** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

In addition, if following the Closing Date and prior to December 1, 2021, Executive experiences a termination of employment due to death, whether or not Executive has previously received a notice of termination Without Just Cause from Employer or provided Employer with a notice of a Good Reason Termination, Executive's estate or beneficiary, as applicable, shall be entitled to receive the Termination Compensation in a lump sum (discounted based on the then-applicable rate for lump sum distributions under the Pension Plan) within thirty (30) days of the Executive's death.

3. Each of **Section 1.7.3(ii)**, **Section 1.7.4(ii)** and **Section 1.7.5(ii)** of the Agreement is hereby amended in its entirety to read as follows:

(ii) Any unvested benefits of Executive under any employee stock-based, cash long-term incentive performance awards or other benefit plan or arrangement (other than the award under the Synergy Letter, which will vest and be payable in accordance with the terms of the Synergy Letter) shall become fully and immediately vested, with performance awards for which the performance period is not complete as of the Termination Date to be earned as provided in the applicable award agreement, and the payment or delivery of such awards or benefits shall be accelerated to the extent permitted by Section 409A or other applicable law and the terms of such plan or arrangement.

4. Each of **Section 1.7.3** and **Section 1.7.4** of the Agreement is hereby amended to add the following clause (v) immediately following clause (iv) of such Sections 1.7.3 and 1.7.4:

(v) If the Termination Date occurs prior to the payment of the annual bonus in respect of the Termination Year (other than with respect to a termination in 2022, in which case, Executive shall be eligible for a full annual cash bonus in respect of the 2021 year, but not an annual bonus, prorated or otherwise, in respect of the 2022 year), Executive shall receive an annual bonus in respect of the Termination Year, prorated if the Termination Date occurs prior to December 31 of such year (the "**Prorated Annual Bonus**"). Any such Prorated Annual Bonus shall equal the product of (A) the actual annual bonus that would have been earned by Executive in respect of the Termination Year had Executive's employment not terminated and (B) a fraction, the numerator of which is the number of days elapsed in the Termination Year through and including the Termination Date, and the denominator of which is the total number of days in the Termination Year. Any Prorated Annual Bonus shall be paid in accordance with the applicable bonus plan at the same time annual bonuses are paid to senior executives of Employer generally, but in no event later than March 15 of the calendar year following the Termination Year.

5. **Section 2.1** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

Notwithstanding anything to the contrary contained herein, including clause (iii) of the last sentence of Section 1.7.1, in the event of a termination of employment for any reason following March 1, 2022, the obligations under Section 2.1 of the Employment Agreement shall be inapplicable.

6. **Section 3.12(f)** of the Agreement is hereby amended in its entirety to read as follows:

f. "Compensation Continuance Period" means the time period commencing with the Commencement Month and ending on the date that coincides with the expiration of the thirty-six (36)-consecutive-month period which began with the Commencement Month.

7. **Section 3.12(n)** of the Agreement is hereby amended in its entirety to read as follows:

n. "Termination Compensation" means a monthly cash amount equal to one-twelfth (1/12th) of the highest amount of the annual cash compensation (including cash bonuses and other cash-based

compensation, including for these purposes amounts earned or payable whether or not deferred) received by Executive during any one of the three (3) calendar years immediately preceding the calendar year in which Executive's Termination Date occurs or, if higher, during any one of the three (3) calendar years immediately preceding the calendar year in which the Closing Date occurs (such highest amount, the "**Highest Prior Year Compensation**"); *provided* that, if the cash compensation received by Executive during the Termination Year exceeds the Highest Prior Year Compensation the cash compensation received by Executive during the Termination Year shall be deemed to be Executive's highest amount of annual cash compensation for purposes of calculating the Termination Compensation. In no event shall Executive's Termination Compensation include equity-based compensation (e.g., income realized as a result of Executive's exercise of non-qualified stock options or other stock-based benefits) or any retention or integration bonus awarded in connection with the Merger, including the award under the Synergy Letter.

8. This Amendment shall be binding on the parties hereto effective as of the date hereof but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided* that as of such date, Executive has remained in continuous employment with Employer. If the Merger is abandoned and the Merger Agreement is terminated in accordance with its terms, this Amendment shall be of no force.
9. In all other respects, the parties hereby ratify and affirm the terms of the Agreement. This Amendment may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date hereof.

BB&T CORPORATION

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

BRANCH BANKING AND TRUST COMPANY

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

ROBERT J. JOHNSON, JR.

FIRST AMENDMENT TO
2016 EMPLOYMENT AGREEMENT

This First Amendment (this “**Amendment**”) to the 2016 Employment Agreement, effective as of August 1, 2016 (the “**Employment Agreement**”), by and among BB&T Corporation (“**BB&T**”), Branch Banking and Trust Company and Brantley Jacob Standridge (“**Executive**”), is entered into as of May __, 2019, and amends the Employment Agreement with effect upon, and subject to, the consummation of the transactions (the “**Merger**”) contemplated by the Agreement and Plan of Merger, dated as of February 7, 2019, by and between BB&T and SunTrust Banks, Inc. (the “**Merger Agreement**”). Capitalized terms used herein without definitions have the meanings ascribed to such terms in the Employment Agreement.

WHEREAS, Executive is party to the Employment Agreement, which, pursuant to the Notice of Non-Extension of Term, dated as of March 1, 2019, will expire on March 1, 2022, unless earlier terminated in accordance with Section 1.6 of the Employment Agreement;

WHEREAS, in furtherance of the retention and integration planning associated with the Merger, the Compensation Committee of the Board of Directors of BB&T has determined that it is in the best interests of BB&T and its shareholders to amend the Employment Agreement to modify and clarify the intent of certain provisions; and

WHEREAS, this Amendment shall be entered into as of the date first above written and be binding as of such date, but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided* that as of such date, Executive has remained in continuous employment with Employer.

NOW, THEREFORE, for good and valuable consideration, the parties hereto agree as follows:

1. The parenthetical in **Section 1.7.3(i)** of the Agreement is hereby amended in its entirety to read as follows:

(including, without limitation, compliance with the nonsolicitation covenants of Sections 2.1(iii), (iv) and (v), it being agreed that the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a termination Without Just Cause)

2. The parenthetical in **Section 1.7.4(i)** of the Agreement is hereby amended in its entirety to read as follows:

(including, without limitation, compliance with the nonsolicitation covenants of Sections 2.1(iii), (iv) and (v), it being agreed that the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a Good Reason Termination)

3. Each of **Section 1.7.3(ii)**, **Section 1.7.4(ii)** and **Section 1.7.5(ii)** of the Agreement is hereby amended in its entirety to read as follows:

(ii) Any unvested benefits of Executive under any employee stock-based, cash long-term incentive performance awards or other benefit plan or arrangement (other than the award under the synergy incentive award letter between Executive and BB&T dated May 17, 2019 (the “**Synergy Letter**”), which will vest and be payable in accordance with the terms of the Synergy Letter) shall become fully and immediately vested, with performance awards for which the performance period is not complete as of the Termination Date to be earned as provided in the applicable award agreement, and the payment or delivery of such awards or benefits shall be accelerated to the extent permitted by Section 409A or other applicable law and the terms of such plan or arrangement.

4. Each of **Section 1.7.3** and **Section 1.7.4** of the Agreement is hereby amended to add the following clause (v) immediately following clause (iv) of such Sections 1.7.3 and 1.7.4:

(v) If the Termination Date occurs prior to the payment of the annual bonus in respect of the Termination Year (other than with respect to a termination in 2022, in which case, Executive shall be eligible for a full annual cash bonus in respect of the 2021 year, but not an annual bonus, prorated or otherwise, in respect of the 2022 year), Executive shall receive an annual bonus in respect of the Termination Year, prorated if the Termination Date occurs prior to December 31 of such year (the “**Prorated Annual Bonus**”). Any such Prorated Annual Bonus shall equal the product of (A) the actual annual bonus that would have been earned by Executive in respect of the Termination Year had Executive’s employment not terminated and (B) a fraction, the numerator of which is the number of days elapsed in the Termination Year through and including the Termination Date, and the denominator of which is the total number of days in the Termination Year. Any Prorated Annual Bonus shall be paid in accordance with the applicable bonus plan at the same time annual bonuses are paid to senior executives of Employer generally, but in no event later than March 15 of the calendar year following the Termination Year.

5. **Section 2.1** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

Notwithstanding anything to the contrary contained herein, including clause (iii) of the last sentence of Section 1.7.1, the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a termination Without Just Cause or a Good Reason Termination, and for the avoidance of doubt, in the event of a termination of employment for any reason following March 1, 2022, the obligations under Section 2.1 of the Employment Agreement shall be inapplicable.

6. **Section 3.12(f)** of the Agreement is hereby amended in its entirety to read as follows:

f. “Compensation Continuance Period” means the time period commencing with the Commencement Month and ending on the date that coincides with the expiration of the thirty-six (36)-consecutive-month period which began with the Commencement Month.

7. **Section 3.12(n)** of the Agreement is hereby amended in its entirety to read as follows:

n. “Termination Compensation” means a monthly cash amount equal to one-twelfth (1/12th) of the highest amount of the annual cash compensation (including cash bonuses and other cash-based compensation, including for these purposes amounts earned or payable whether or not deferred) received by Executive during any one of the three (3) calendar years immediately preceding the calendar year in which Executive’s Termination Date occurs or, if higher, during any one of the three (3) calendar years immediately preceding the calendar year in which the date of consummation of the merger of BB&T and SunTrust Banks, Inc. (the “**Merger**”) occurs (such highest amount, the “**Highest Prior Year Compensation**”); *provided that*, if the cash compensation received by Executive during the Termination Year exceeds the Highest Prior Year Compensation the cash compensation received by Executive during the Termination Year shall be deemed to be Executive’s highest amount of annual cash compensation for purposes of calculating the Termination Compensation. In no event shall Executive’s Termination Compensation include equity-based compensation (e.g., income realized as a result of Executive’s exercise of non-qualified stock options or other stock-based benefits) or any retention or integration bonus awarded in connection with the Merger, including the award under the Synergy Letter.

8. This Amendment shall be binding on the parties hereto effective as of the date hereof but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided that* as of such date, Executive has remained in continuous employment with Employer. If the Merger is abandoned and the Merger Agreement is terminated in accordance with its terms, this Amendment shall be of no force.

9. In all other respects, the parties hereby ratify and affirm the terms of the Agreement. This Amendment may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date hereof.

BB&T CORPORATION

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

BRANCH BANKING AND TRUST COMPANY

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

BRANTLEY JACOB STANDRIDGE

FIRST AMENDMENT TO
2016 EMPLOYMENT AGREEMENT

This First Amendment (this “**Amendment**”) to the 2016 Employment Agreement, effective as of January 1, 2016 (the “**Employment Agreement**”), by and among BB&T Corporation (“**BB&T**”), Branch Banking and Trust Company and David H. Weaver (“**Executive**”), is entered into as of May __, 2019, and amends the Employment Agreement with effect upon, and subject to, the consummation of the transactions (the “**Merger**”) contemplated by the Agreement and Plan of Merger, dated as of February 7, 2019, by and between BB&T and SunTrust Banks, Inc. (the “**Merger Agreement**”). Capitalized terms used herein without definitions have the meanings ascribed to such terms in the Employment Agreement.

WHEREAS, Executive is party to the Employment Agreement, which, pursuant to the Notice of Non-Extension of Term, dated as of March 1, 2019, will expire on March 1, 2022, unless earlier terminated in accordance with Section 1.6 of the Employment Agreement;

WHEREAS, in furtherance of the retention and integration planning associated with the Merger, the Compensation Committee of the Board of Directors of BB&T has determined that it is in the best interests of BB&T and its shareholders to amend the Employment Agreement to modify and clarify the intent of certain provisions; and

WHEREAS, this Amendment shall be entered into as of the date first above written and be binding as of such date, but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided* that as of such date, Executive has remained in continuous employment with Employer.

NOW, THEREFORE, for good and valuable consideration, the parties hereto agree as follows:

1. The parenthetical in **Section 1.7.3(i)** of the Agreement is hereby amended in its entirety to read as follows:

(including, without limitation, compliance with the nonsolicitation covenants of Sections 2.1(iii), (iv) and (v), it being agreed that the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a termination Without Just Cause)

2. The parenthetical in **Section 1.7.4(i)** of the Agreement is hereby amended in its entirety to read as follows:

(including, without limitation, compliance with the nonsolicitation covenants of Sections 2.1(iii), (iv) and (v), it being agreed that the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a Good Reason Termination)

3. Each of **Section 1.7.3(ii)**, **Section 1.7.4(ii)** and **Section 1.7.5(ii)** of the Agreement is hereby amended in its entirety to read as follows:

(ii) Any unvested benefits of Executive under any employee stock-based, cash long-term incentive performance awards or other benefit plan or arrangement (other than the award under the synergy incentive award letter between Executive and BB&T dated May 17, 2019 (the “**Synergy Letter**”), which will vest and be payable in accordance with the terms of the Synergy Letter) shall become fully and immediately vested, with performance awards for which the performance period is not complete as of the Termination Date to be earned as provided in the applicable award agreement, and the payment or delivery of such awards or benefits shall be accelerated to the extent permitted by Section 409A or other applicable law and the terms of such plan or arrangement.

4. Each of **Section 1.7.3** and **Section 1.7.4** of the Agreement is hereby amended to add the following clause (v) immediately following clause (iv) of such Sections 1.7.3 and 1.7.4:

(v) If the Termination Date occurs prior to the payment of the annual bonus in respect of the Termination Year (other than with respect to a termination in 2022, in which case, Executive shall be eligible for a full annual cash bonus in respect of the 2021 year, but not an annual bonus, prorated or otherwise, in respect of the 2022 year), Executive shall receive an annual bonus in respect of the Termination Year, prorated if the Termination Date occurs prior to December 31 of such year (the **“Prorated Annual Bonus”**). Any such Prorated Annual Bonus shall equal the product of (A) the actual annual bonus that would have been earned by Executive in respect of the Termination Year had Executive’s employment not terminated and (B) a fraction, the numerator of which is the number of days elapsed in the Termination Year through and including the Termination Date, and the denominator of which is the total number of days in the Termination Year. Any Prorated Annual Bonus shall be paid in accordance with the applicable bonus plan at the same time annual bonuses are paid to senior executives of Employer generally, but in no event later than March 15 of the calendar year following the Termination Year.

5. **Section 2.1** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

Notwithstanding anything to the contrary contained herein, including clause (iii) of the last sentence of Section 1.7.1, the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a termination Without Just Cause or a Good Reason Termination, and for the avoidance of doubt, in the event of a termination of employment for any reason following March 1, 2022, the obligations under Section 2.1 of the Employment Agreement shall be inapplicable.

6. **Section 3.12(f)** of the Agreement is hereby amended in its entirety to read as follows:

f. “Compensation Continuance Period” means the time period commencing with the Commencement Month and ending on the date that coincides with the expiration of the thirty-six (36)-consecutive-month period which began with the Commencement Month.

7. **Section 3.12(n)** of the Agreement is hereby amended in its entirety to read as follows:

n. “Termination Compensation” means a monthly cash amount equal to one-twelfth (1/12th) of the highest amount of the annual cash compensation (including cash bonuses and other cash-based compensation, including for these purposes amounts earned or payable whether or not deferred) received by Executive during any one of the three (3) calendar years immediately preceding the calendar year in which Executive’s Termination Date occurs or, if higher, during any one of the three (3) calendar years immediately preceding the calendar year in which the date of consummation of the merger of BB&T and SunTrust Banks, Inc. (the **“Merger”**) occurs (such highest amount, the **“Highest Prior Year Compensation”**); *provided that*, if the cash compensation received by Executive during the Termination Year exceeds the Highest Prior Year Compensation the cash compensation received by Executive during the Termination Year shall be deemed to be Executive’s highest amount of annual cash compensation for purposes of calculating the Termination Compensation. In no event shall Executive’s Termination Compensation include equity-based compensation (e.g., income realized as a result of Executive’s exercise of non-qualified stock options or other stock-based benefits) or any retention or integration bonus awarded in connection with the Merger, including the award under the Synergy Letter.

8. This Amendment shall be binding on the parties hereto effective as of the date hereof but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided that* as of such date, Executive has remained in continuous employment with Employer. If the Merger is abandoned and the Merger Agreement is terminated in accordance with its terms, this Amendment shall be of no force.

9. In all other respects, the parties hereby ratify and affirm the terms of the Agreement. This Amendment may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date hereof.

BB&T CORPORATION

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

BRANCH BANKING AND TRUST COMPANY

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

DAVID H. WEAVER

FIRST AMENDMENT TO
2016 EMPLOYMENT AGREEMENT

This First Amendment (this “**Amendment**”) to the 2016 Employment Agreement, effective as of August 1, 2016 (the “**Employment Agreement**”), by and among BB&T Corporation (“**BB&T**”), Branch Banking and Trust Company and Dontá L. Wilson (“**Executive**”), is entered into as of May __, 2019, and amends the Employment Agreement with effect upon, and subject to, the consummation of the transactions (the “**Merger**”) contemplated by the Agreement and Plan of Merger, dated as of February 7, 2019, by and between BB&T and SunTrust Banks, Inc. (the “**Merger Agreement**”). Capitalized terms used herein without definitions have the meanings ascribed to such terms in the Employment Agreement.

WHEREAS, Executive is party to the Employment Agreement, which, pursuant to the Notice of Non-Extension of Term, dated as of March 1, 2019, will expire on March 1, 2022, unless earlier terminated in accordance with Section 1.6 of the Employment Agreement;

WHEREAS, in furtherance of the retention and integration planning associated with the Merger, the Compensation Committee of the Board of Directors of BB&T has determined that it is in the best interests of BB&T and its shareholders to amend the Employment Agreement to modify and clarify the intent of certain provisions; and

WHEREAS, this Amendment shall be entered into as of the date first above written and be binding as of such date, but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided* that as of such date, Executive has remained in continuous employment with Employer.

NOW, THEREFORE, for good and valuable consideration, the parties hereto agree as follows:

1. The parenthetical in **Section 1.7.3(i)** of the Agreement is hereby amended in its entirety to read as follows:

(including, without limitation, compliance with the nonsolicitation covenants of Sections 2.1(iii), (iv) and (v), it being agreed that the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a termination Without Just Cause)

2. The parenthetical in **Section 1.7.4(i)** of the Agreement is hereby amended in its entirety to read as follows:

(including, without limitation, compliance with the nonsolicitation covenants of Sections 2.1(iii), (iv) and (v), it being agreed that the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a Good Reason Termination)

3. Each of **Section 1.7.3(ii)**, **Section 1.7.4(ii)** and **Section 1.7.5(ii)** of the Agreement is hereby amended in its entirety to read as follows:

(ii) Any unvested benefits of Executive under any employee stock-based, cash long-term incentive performance awards or other benefit plan or arrangement (other than the award under the synergy incentive award letter between Executive and BB&T dated May 17, 2019 (the “**Synergy Letter**”), which will vest and be payable in accordance with the terms of the Synergy Letter) shall become fully and immediately vested, with performance awards for which the performance period is not complete as of the Termination Date to be earned as provided in the applicable award agreement, and the payment or delivery of such awards or benefits shall be accelerated to the extent permitted by Section 409A or other applicable law and the terms of such plan or arrangement.

4. Each of **Section 1.7.3** and **Section 1.7.4** of the Agreement is hereby amended to add the following clause (v) immediately following clause (iv) of such Sections 1.7.3 and 1.7.4:

(v) If the Termination Date occurs prior to the payment of the annual bonus in respect of the Termination Year (other than with respect to a termination in 2022, in which case, Executive shall be eligible for a full annual cash bonus in respect of the 2021 year, but not an annual bonus, prorated or otherwise, in respect of the 2022 year), Executive shall receive an annual bonus in respect of the Termination Year, prorated if the Termination Date occurs prior to December 31 of such year (the **"Prorated Annual Bonus"**). Any such Prorated Annual Bonus shall equal the product of (A) the actual annual bonus that would have been earned by Executive in respect of the Termination Year had Executive's employment not terminated and (B) a fraction, the numerator of which is the number of days elapsed in the Termination Year through and including the Termination Date, and the denominator of which is the total number of days in the Termination Year. Any Prorated Annual Bonus shall be paid in accordance with the applicable bonus plan at the same time annual bonuses are paid to senior executives of Employer generally, but in no event later than March 15 of the calendar year following the Termination Year.

5. **Section 2.1** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

Notwithstanding anything to the contrary contained herein, including clause (iii) of the last sentence of Section 1.7.1, the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a termination Without Just Cause or a Good Reason Termination, and for the avoidance of doubt, in the event of a termination of employment for any reason following March 1, 2022, the obligations under Section 2.1 of the Employment Agreement shall be inapplicable.

6. **Section 3.12(f)** of the Agreement is hereby amended in its entirety to read as follows:

f. "Compensation Continuance Period" means the time period commencing with the Commencement Month and ending on the date that coincides with the expiration of the thirty-six (36)-consecutive-month period which began with the Commencement Month.

7. **Section 3.12(n)** of the Agreement is hereby amended in its entirety to read as follows:

n. "Termination Compensation" means a monthly cash amount equal to one-twelfth (1/12th) of the highest amount of the annual cash compensation (including cash bonuses and other cash-based compensation, including for these purposes amounts earned or payable whether or not deferred) received by Executive during any one of the three (3) calendar years immediately preceding the calendar year in which Executive's Termination Date occurs or, if higher, during any one of the three (3) calendar years immediately preceding the calendar year in which the date of consummation of the merger of BB&T and SunTrust Banks, Inc. (the **"Merger"**) occurs (such highest amount, the **"Highest Prior Year Compensation"**); *provided that*, if the cash compensation received by Executive during the Termination Year exceeds the Highest Prior Year Compensation the cash compensation received by Executive during the Termination Year shall be deemed to be Executive's highest amount of annual cash compensation for purposes of calculating the Termination Compensation. In no event shall Executive's Termination Compensation include equity-based compensation (e.g., income realized as a result of Executive's exercise of non-qualified stock options or other stock-based benefits) or any retention or integration bonus awarded in connection with the Merger, including the award under the Synergy Letter.

8. This Amendment shall be binding on the parties hereto effective as of the date hereof but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided that* as of such date, Executive has remained in continuous employment with Employer. If the Merger is abandoned and the Merger Agreement is terminated in accordance with its terms, this Amendment shall be of no force.

9. In all other respects, the parties hereby ratify and affirm the terms of the Agreement. This Amendment may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date hereof.

BB&T CORPORATION

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

BRANCH BANKING AND TRUST COMPANY

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

DONTÁ L. WILSON

FIRST AMENDMENT TO
2012 EMPLOYMENT AGREEMENT

This First Amendment (this “**Amendment**”) to the 2012 Employment Agreement, effective as of September 1, 2012 (the “**Employment Agreement**”), by and among BB&T Corporation (“**BB&T**”), Branch Banking and Trust Company and William R. Yates (“**Executive**”), is entered into as of May __, 2019, and amends the Employment Agreement with effect upon, and subject to, the consummation of the transactions (the “**Merger**”) contemplated by the Agreement and Plan of Merger, dated as of February 7, 2019, by and between BB&T and SunTrust Banks, Inc. (the “**Merger Agreement**”). Capitalized terms used herein without definitions have the meanings ascribed to such terms in the Employment Agreement.

WHEREAS, Executive is party to the Employment Agreement, which, pursuant to the Notice of Non-Extension of Term, dated as of March 1, 2019, will expire on March 1, 2022, unless earlier terminated in accordance with Section 1.6 of the Employment Agreement;

WHEREAS, in furtherance of the retention and integration planning associated with the Merger, the Compensation Committee of the Board of Directors of BB&T has determined that it is in the best interests of BB&T and its shareholders to amend the Employment Agreement to modify and clarify the intent of certain provisions; and

WHEREAS, this Amendment shall be entered into as of the date first above written and be binding as of such date, but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided* that as of such date, Executive has remained in continuous employment with Employer.

NOW, THEREFORE, for good and valuable consideration, the parties hereto agree as follows:

1. **Section 1.6.7** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

Notwithstanding the foregoing, Executive hereby waives any right Executive may have to terminate employment for Good Reason under this Agreement or any other plan or arrangement of or with BB&T or its Affiliates containing such term or a similar term, in each case, as a result of the assignment to Executive of duties inconsistent with the position and status as a Senior Executive Vice President of Employer (the “**Duties Trigger**”) due to the changes in Executive’s position effective as of the date of consummation of the merger of BB&T and SunTrust Banks, Inc. (the “**Merger**”, and the date of consummation of the Merger, the “**Closing Date**”) as reflected in the synergy incentive award letter between Executive and BB&T dated May 17, 2019 (the “**Synergy Letter**”); *provided, however*, that, subject to Executive’s continued employment in good standing with Employer through the applicable notice date during the periods set forth below, Executive shall have the right to provide notice of a Good Reason Termination based on the Duties Trigger due to the changes in Executive’s position as reflected in the Synergy Letter, during the following two periods after the Closing Date: (i) June 1, 2021 through August 31, 2021 and (ii) November 1, 2021 through November 30, 2021 (each, a “**Window Period**”). If Executive provides a notice of a Good Reason Termination during a Window Period, Employer shall not have the right to cure the circumstances giving rise to the Good Reason Termination due to the changes in Executive’s position as reflected in the Synergy Letter, and the Termination Date shall be the date mutually agreed between Executive and Employer, which shall be no earlier than ten (10) business days following the date of delivery of such notice and no later than (A) September 30, 2021, in the case of notice delivered during the Window Period ending August 31, 2021, or (B) December 31, 2021, in the case of notice delivered during the Window Period ending November 30, 2021.

2. **Section 1.7.1** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

In addition, if following the Closing Date and prior to December 1, 2021, Executive experiences a termination of employment due to death, whether or not Executive has previously received a notice of termination Without Just Cause from Employer or provided Employer with a notice of a Good Reason Termination, Executive's estate or beneficiary, as applicable, shall be entitled to receive the Termination Compensation in a lump sum (discounted based on the then-applicable rate for lump sum distributions under the Pension Plan) within thirty (30) days of the Executive's death.

3. The parenthetical in **Section 1.7.3(i)** of the Agreement is hereby amended in its entirety to read as follows:

(including, without limitation, compliance with the nonsolicitation covenants of Sections 2.1(iii), (iv) and (v), it being agreed that the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a termination Without Just Cause)

4. The parenthetical in **Section 1.7.4(i)** of the Agreement is hereby amended in its entirety to read as follows:

(including, without limitation, compliance with the nonsolicitation covenants of Sections 2.1(iii), (iv) and (v), it being agreed that the noncompetition covenants of Sections 2.1(i) and (ii) shall not apply upon a Good Reason Termination)

5. Each of **Section 1.7.3(ii)**, **Section 1.7.4(ii)** and **Section 1.7.5(ii)** of the Agreement is hereby amended in its entirety to read as follows:

(ii) Any unvested benefits of Executive under any employee stock-based, cash long-term incentive performance awards or other benefit plan or arrangement (other than the award under the Synergy Letter, which will vest and be payable in accordance with the terms of the Synergy Letter) shall become fully and immediately vested, with performance awards for which the performance period is not complete as of the Termination Date to be earned as provided in the applicable award agreement, and the payment or delivery of such awards or benefits shall be accelerated to the extent permitted by Section 409A or other applicable law and the terms of such plan or arrangement.

6. Each of **Section 1.7.3** and **Section 1.7.4** of the Agreement is hereby amended to add the following clause (v) immediately following clause (iv) of such Sections 1.7.3 and 1.7.4:

(v) If the Termination Date occurs prior to the payment of the annual bonus in respect of the Termination Year (other than with respect to a termination in 2022, in which case, Executive shall be eligible for a full annual cash bonus in respect of the 2021 year, but not an annual bonus, prorated or otherwise, in respect of the 2022 year), Executive shall receive an annual bonus in respect of the Termination Year, prorated if the Termination Date occurs prior to December 31 of such year (the "**Prorated Annual Bonus**"). Any such Prorated Annual Bonus shall equal the product of (A) the actual annual bonus that would have been earned by Executive in respect of the Termination Year had Executive's employment not terminated and (B) a fraction, the numerator of which is the number of days elapsed in the Termination Year through and including the Termination Date, and the denominator of which is the total number of days in the Termination Year. Any Prorated Annual Bonus shall be paid in accordance with the applicable bonus plan at the same time annual bonuses are paid to senior executives of Employer generally, but in no event later than March 15 of the calendar year following the Termination Year.

7. **Section 2.1** of the Agreement is hereby amended to add the following immediately after the end of the last sentence thereof:

Notwithstanding anything to the contrary contained herein, including clause (iii) of the penultimate sentence (taking into account the amendment in Item 2 above) of Section 1.7.1, the noncompetition

covenants of Sections 2.1(i) and (ii) shall not apply upon a termination Without Just Cause or a Good Reason Termination, and for the avoidance of doubt, in the event of a termination of employment for any reason following March 1, 2022, the obligations under Section 2.1 of the Employment Agreement shall be inapplicable.

8. **Section 3.12(f)** of the Agreement is hereby amended in its entirety to read as follows:

f. “Compensation Continuance Period” means the time period commencing with the Commencement Month and ending on the date that coincides with the expiration of the thirty-six (36)-consecutive-month period which began with the Commencement Month.

9. **Section 3.12(n)** of the Agreement is hereby amended in its entirety to read as follows:

n. “Termination Compensation” means a monthly cash amount equal to one-twelfth (1/12th) of the highest amount of the annual cash compensation (including cash bonuses and other cash-based compensation, including for these purposes amounts earned or payable whether or not deferred) received by Executive during any one of the three (3) calendar years immediately preceding the calendar year in which Executive’s Termination Date occurs or, if higher, during any one of the three (3) calendar years immediately preceding the calendar year in which the Closing Date occurs (such highest amount, the **“Highest Prior Year Compensation”**); *provided* that, if the cash compensation received by Executive during the Termination Year exceeds the Highest Prior Year Compensation the cash compensation received by Executive during the Termination Year shall be deemed to be Executive’s highest amount of annual cash compensation for purposes of calculating the Termination Compensation. In no event shall Executive’s Termination Compensation include equity-based compensation (e.g., income realized as a result of Executive’s exercise of non-qualified stock options or other stock-based benefits) or any retention or integration bonus awarded in connection with the Merger, including the award under the Synergy Letter.

10. This Amendment shall be binding on the parties hereto effective as of the date hereof but shall only become effective as of upon, and subject to, the consummation of the Merger, *provided* that as of such date, Executive has remained in continuous employment with Employer. If the Merger is abandoned and the Merger Agreement is terminated in accordance with its terms, this Amendment shall be of no force.
11. In all other respects, the parties hereby ratify and affirm the terms of the Agreement. This Amendment may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date hereof.

BB&T CORPORATION

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

BRANCH BANKING AND TRUST COMPANY

Name: Kelly S. King
Title: Chairman and Chief Executive Officer

WILLIAM R. YATES

May 17, 2019

[Name]
Winston-Salem, NC 27101

Dear [Name],

As you know, BB&T Corporation (“**BB&T**”) and SunTrust Banks, Inc. (“**SunTrust**”) have announced that they will merge as provided in the Agreement and Plan of Merger, dated as of February 7, 2019 (the “**Merger**”). You are a valued executive, and we hope that you will play a key role in the integration and ongoing leadership of BB&T and SunTrust (the “**Combined Company**”). Because retaining your services is an essential consideration for us, we are providing you with the opportunity to earn the cash award described in this letter (this “**Letter**”). This Letter also confirms our discussions regarding your ongoing position with the Combined Company as of the closing of the Merger and the changes we have agreed to with respect to your existing arrangements in support of your position.

Your Position Following the Merger. Effective as of the closing of the Merger, notwithstanding anything to the contrary in the Date Employment Agreement between you, BB&T and Branch Banking and Trust Company, as amended (the “**Employment Agreement**”), you will have the position, reporting relationship, principal work location and compensation set forth on the attached Annex. As set forth in Item 1 of the First Amendment (the “**First Amendment**”) to the Employment Agreement, dated on or about the date hereof, you agree that you will not terminate your employment for a Good Reason Termination (as defined in the Employment Agreement) pursuant to the Duties Trigger (as defined in the First Amendment) as a result of the change in your position (and associated duties) as set forth in this Letter, other than during a Window Period (as defined in the First Amendment). Consistent with BB&T’s practice today, the other terms and conditions of your employment, including your eligibility for incentive awards, will be subject to the terms of the applicable plans or programs as in effect from time to time.

Synergy Incentive Award. Pursuant to the terms of this Letter, you are awarded a cash retention incentive award in the aggregate amount of [\$Amount] (the “**Synergy Incentive**”).

Vesting and Payment. The Synergy Incentive will vest in two installments, with [\$Amount] vesting on the earlier of (i) the date on which the conversion of the bank systems of the banking operations of BB&T and SunTrust is determined to be successfully completed (as determined by the Chief Executive Officer of the Combined Company in consultation with the Compensation Committee of the Board of Directors of the Combined Company, subject only to the requirement that a single and uniform determination will be applicable to all Synergy Incentive arrangements) and (ii) August 1, 2021 (the “**First Vesting Date**”), and [\$Amount] vesting on January 15, 2022 (the “**Second Vesting Date**,” and each, a “**Vesting Date**”), subject to your continued employment with the Combined Company (or its affiliates) in good standing on the applicable Vesting Date (and provided that you have not delivered notice of termination for any reason to the Combined Company prior to the applicable Vesting Date). If, prior to a Vesting Date, your employment terminates for any reason (other than as provided below), you will not be entitled to any then-unvested portion of the Synergy Incentive and it will be forfeited; *provided that*, if, prior to the First Vesting Date, your employment is terminated by the Combined Company Without Just Cause or by you due to a Good Reason Termination (other than pursuant to the Duties Trigger as a result of the change in your position as set forth herein) (each as defined in the Employment Agreement), the first installment of your Synergy Incentive will vest as of your date of termination, and the second installment will be forfeited. The vested portion of the Synergy Incentive will be paid to you in a lump sum within fifteen (15) business days of the applicable Vesting Date or your date of termination if vesting of the first installment occurs due to a termination of employment.

Effectiveness. This Letter will become effective on the closing of the Merger. If your employment terminates for any reason before the closing of the Merger or the Merger is abandoned and does not occur, this Letter will automatically terminate and be of no further force or effect and neither of us will have any obligations under it.

Miscellaneous.

- The Synergy Incentive is neither intended nor should be construed as being an addition to base salary or included in calculations of salary increases, annual or other incentive payment opportunities or awards or severance or termination pay.
- Nothing herein shall confer upon you any additional right to remain in the employ or service of BB&T or the Combined Company, and nothing herein shall further restrict the ability of the BB&T or the Combined Company from terminating your service.
- Neither you, nor any person claiming under you, shall have the power to anticipate, encumber or dispose of any right, title, interest or benefit hereunder in any manner or at any time, until the same shall have been actually distributed free and clear of the terms of this Letter.
- The Combined Company is authorized to withhold from the Synergy Incentive, all amounts of withholding and other taxes due in connection with the payment of the Synergy Incentive.
- This Letter is intended to be exempt from, or comply with, Section 409A of the Internal Revenue Code of 1986, as amended (the “**Code**”), and shall at all times be administered and interpreted in accordance with such intent. Any payments that qualify for the “short-term deferral” exception shall be paid no later than March 15 of the calendar year following the year in which vesting occurs. Each payment under this letter shall be treated as a separate payment for purposes of Section 409A of the Code. You shall have no binding right to distributions made to you in error or any right to designate the time of payment of any portion of the Synergy Incentive.
- This Letter shall be governed by the laws of the State of North Carolina, without giving effect to conflicts of law principles.
- This Letter shall inure to the benefit of you and your heirs and beneficiaries. This Letter shall be binding on and inure to the benefit of BB&T and the Combined Company and their respective successors and assigns, whether by merger, sale of assets or otherwise.
- This Letter represents the complete understanding of the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous discussions and agreements between any parties with respect to such subject matter. This Letter can be amended on by a writing executed by both parties.

We appreciate your efforts leading up to the Merger and look forward to your continued contribution. Please sign this Letter and return it to _____ as soon as practicable, but no later than 12 pm EST on May 28, 2019.

Sincerely,

Name: Kelly S. King

Title: Chairman and Chief Executive Officer

I agree with and accept the terms and conditions of this Letter:

Name: [Name]

Date: May __, 2019

Annex

Name:

Position:

Reporting Relationship(s):

Primary Work Location:

Target Total Direct Compensation:

May 17, 2019

[Name]
Winston-Salem, NC 27101

Dear [Name],

As you know, BB&T Corporation (“**BB&T**”) and SunTrust Banks, Inc. (“**SunTrust**”) have announced that they will merge as provided in the Agreement and Plan of Merger, dated as of February 7, 2019 (the “**Merger**”). You are a valued executive, and we hope that you will play a key role in the integration and ongoing leadership of BB&T and SunTrust (the “**Combined Company**”). Because retaining your services is an essential consideration for us, we are providing you with the opportunity to earn the cash award described in this letter (this “**Letter**”).

Synergy Incentive Award. Pursuant to the terms of this Letter, you are awarded a cash retention incentive award in the aggregate amount of [\$Amount] (the “**Synergy Incentive**”).

Vesting and Payment. The Synergy Incentive will vest in two installments, with [\$Amount] vesting on the earlier of (i) the date on which the conversion of the bank systems of the banking operations of BB&T and SunTrust is determined to be successfully completed (as determined by the Chief Executive Officer of the Combined Company in consultation with the Compensation Committee of the Board of Directors of the Combined Company, subject only to the requirement that a single and uniform determination will be applicable to all Synergy Incentive arrangements) and (ii) August 1, 2021 (the “**First Vesting Date**”), and [\$Amount] vesting on January 15, 2022 (the “**Second Vesting Date**,” and each, a “**Vesting Date**”), subject to your continued employment with the Combined Company (or its affiliates) in good standing on the applicable Vesting Date (and provided that you have not delivered notice of termination for any reason to the Combined Company prior to the applicable Vesting Date). If, prior to a Vesting Date, your employment terminates for any reason (other than as provided below), you will not be entitled to any then-unvested portion of the Synergy Incentive and it will be forfeited; *provided that*, if, prior to the First Vesting Date, your employment is terminated by the Combined Company Without Just Cause or by you due to a Good Reason Termination (each as defined in the 2016 Employment Agreement between you, BB&T and Branch Banking and Trust Company, as amended), the first installment of your Synergy Incentive will vest as of your date of termination, and the second installment will be forfeited. The vested portion of the Synergy Incentive will be paid to you in a lump sum within fifteen (15) business days of the applicable Vesting Date or your date of termination if vesting of the first installment occurs due to a termination of employment.

Effectiveness. This Letter will become effective on the closing of the Merger. If your employment terminates for any reason before the closing of the Merger or the Merger is abandoned and does not occur, this Letter will automatically terminate and be of no further force or effect and neither of us will have any obligations under it.

Miscellaneous.

- The Synergy Incentive is neither intended nor should be construed as being an addition to base salary or included in calculations of salary increases, annual or other incentive payment opportunities or awards or severance or termination pay.
- Nothing herein shall confer upon you any additional right to remain in the employ or service of BB&T or the Combined Company, and nothing herein shall further restrict the ability of the BB&T or the Combined Company from terminating your service.

- Neither you, nor any person claiming under you, shall have the power to anticipate, encumber or dispose of any right, title, interest or benefit hereunder in any manner or at any time, until the same shall have been actually distributed free and clear of the terms of this Letter.
- The Combined Company is authorized to withhold from the Synergy Incentive, all amounts of withholding and other taxes due in connection with the payment of the Synergy Incentive.
- This Letter is intended to be exempt from, or comply with, Section 409A of the Internal Revenue Code of 1986, as amended (the “**Code**”), and shall at all times be administered and interpreted in accordance with such intent. Any payments that qualify for the “short-term deferral” exception shall be paid no later than March 15 of the calendar year following the year in which vesting occurs. Each payment under this letter shall be treated as a separate payment for purposes of Section 409A of the Code. You shall have no binding right to distributions made to you in error or any right to designate the time of payment of any portion of the Synergy Incentive.
- This Letter shall be governed by the laws of the State of North Carolina, without giving effect to conflicts of law principles.
- This Letter shall inure to the benefit of you and your heirs and beneficiaries. This Letter shall be binding on and inure to the benefit of BB&T and the Combined Company and their respective successors and assigns, whether by merger, sale of assets or otherwise.
- This Letter represents the complete understanding of the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous discussions and agreements between any parties with respect to such subject matter. This Letter can be amended on by a writing executed by both parties.

We appreciate your efforts leading up to the Merger and look forward to your continued contribution. Please sign this Letter and return it to _____ as soon as practicable, but no later than 12 pm EST on May 28, 2019.

Sincerely,

Name: Kelly S. King

Title: Chairman and Chief Executive Officer

I agree with and accept the terms and conditions of this Letter:

Name: *[Name]*

Date: May __, 2019

CERTIFICATIONS

I, Kelly S. King, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BB&T Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2019

/s/ Kelly S. King

Kelly S. King
Chairman and Chief Executive Officer

CERTIFICATIONS

I, Daryl N. Bible, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BB&T Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2019

/s/ Daryl N. Bible

Daryl N. Bible
Senior Executive Vice President and
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**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Chief Executive Officer and Chief Financial Officer of BB&T Corporation (the "Company"), do hereby certify that:

1. The Quarterly Report on Form 10-Q for the fiscal period ended June 30, 2019 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2019

/s/ Kelly S. King

Kelly S. King
Chairman and Chief Executive Officer

/s/ Daryl N. Bible

Daryl N. Bible
Senior Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to BB&T Corporation and will be retained by BB&T Corporation and furnished to the Securities and Exchange Commission or its staff upon request.