

BB&T CORP  
Form DEF 14A  
March 25, 2005

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- |  |  |
|--|--|
| <input type="checkbox"/> Preliminary Proxy Statement                 | <input type="checkbox"/> Confidential, for Use of the Commission |
| <input checked="" type="checkbox"/> Definitive Proxy Statement       | <input type="checkbox"/> Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> Definitive Additional Materials             |  |
| <input type="checkbox"/> Soliciting Material Pursuant to §240.14a-12 |  |

**BB&T Corporation**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Edgar Filing: BB&T CORP - Form DEF 14A

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

---

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

---

**BB&T CORPORATION**

March 25, 2005

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of BB&T Corporation scheduled for 11:00 A.M. on Tuesday, April 26, 2005, at the Renaissance Vinoy Resort and Golf Club, 501 Fifth Avenue, N.E., St. Petersburg, Florida. The matters scheduled for consideration at the meeting are described in detail in the Notice of Annual Meeting of Shareholders and the Proxy Statement. In order to be sure your shares are voted at the meeting if you cannot attend, please complete, sign and return the enclosed proxy card or vote by using the telephone or the Internet as soon as possible.

Enclosed with the proxy materials is a copy of our Annual Report on Form 10-K, which includes, among other required disclosures, the Corporation's financial statements for the year ended December 31, 2004. Also included in the package is a Summary 2004 Annual Review that contains additional information about the Corporation, including a financial summary, our letter to shareholders and selected financial data.

We trust that this presentation will satisfy your informational needs, and, at the same time, provide you with a better understanding of both the financial history and strategic direction of BB&T Corporation.

Sincerely,

John A. Allison IV

Chairman and Chief Executive Officer

**BB&T CORPORATION**

**200 West Second Street**

**Winston-Salem, North Carolina 27101**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD APRIL 26, 2005**

TO THE SHAREHOLDERS OF

BB&T CORPORATION:

Notice is hereby given that the Annual Meeting of Shareholders of BB&T Corporation (the Corporation or BB&T ) will be held on Tuesday, April 26 , 2005, at 11:00 A.M. local time, at the Renaissance Vinoy Resort and Golf Club, 501 Fifth Avenue, N.E., St. Petersburg, Florida, for the following purposes:

- (1) To elect five directors.
- (2) To ratify the reappointment of PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm for 2005.
- (3) To transact such other business as may properly come before the meeting.

Pursuant to the provisions of the North Carolina Business Corporation Act, March 7, 2005 has been fixed as the record date for the determination of holders of BB&T Common Stock entitled to notice of and to vote at the Annual Meeting of Shareholders or any adjournment thereof. Accordingly, only shareholders of record at the close of business on the record date will be entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. It is important that your shares of BB&T Common Stock be represented at this meeting to help ensure the presence of a quorum.

A copy of our Annual Report on Form 10-K, containing the financial statements of the Corporation for the year ended December 31, 2004, accompanies these proxy materials.

By Order of the Board of Directors

John A. Allison IV

Chairman and Chief Executive Officer

March 25, 2005

## Edgar Filing: BB&T CORP - Form DEF 14A

Even if you plan to attend the Annual Meeting in person, please vote your shares of BB&T Common Stock by dating and signing the enclosed proxy and promptly mailing your proxy in the postage-paid, self-addressed envelope enclosed for this purpose. Alternatively, you may vote your shares of BB&T Common Stock by proxy by using the Internet or telephone as described in the proxy statement and on the form of proxy. If you attend the Annual Meeting, you may revoke your proxy and vote your shares in person.

**BB&T CORPORATION**

**200 West Second Street**

**Winston-Salem, North Carolina 27101**

**PROXY STATEMENT**

**GENERAL INFORMATION**

The enclosed proxy, for use at the Annual Meeting of Shareholders to be held April 26, 2005, at the Renaissance Vinoy Resort and Golf Club, St. Petersburg, Florida, at 11:00 A.M. local time, and any adjournment thereof (the Annual Meeting), is solicited on behalf of the Board of Directors of BB&T Corporation (the Corporation or BB&T). The approximate date that these proxy materials are first being sent to shareholders is March 25, 2005. All expenses incurred in this solicitation will be paid by the Corporation. In addition to the Corporation soliciting proxies by mail, over the Internet and by telephone, the Corporation's directors, officers and employees may solicit proxies on behalf of the Corporation without additional compensation. Banks, brokerage houses and other institutions, nominees and fiduciaries will be requested to forward the proxy materials to beneficial owners and to obtain authorization for the execution of proxies. The Corporation will, upon request, reimburse such parties for their reasonable expenses in forwarding proxy materials to beneficial owners.

**Delivery of Proxy Materials**

To reduce the expenses of delivering duplicate proxy materials to shareholders, the Corporation is relying upon SEC rules that permit it to deliver only one proxy statement and annual report to multiple shareholders who share an address unless the Corporation received contrary instructions from any shareholder at that address. All shareholders sharing such an address will continue to receive separate proxy cards based on their registered ownership of BB&T Common Stock. Any shareholder sharing such an address who does not receive an individual proxy statement and annual report may write or call BB&T Shareholder Services as specified below and the Corporation will promptly send the materials to the shareholder at no cost. For future meetings, a shareholder may request separate copies of the Corporation's proxy statement and annual report, or request that the Corporation only send one set of these materials if the shareholder is receiving multiple copies, by contacting BB&T Shareholder Services, P.O. Box 1290, Winston-Salem, NC 27102, or by telephoning BB&T Shareholder Services toll-free at 1-800-682-6902, extension 33477.

**Voting Methods**

The accompanying proxy is for use at the Annual Meeting if a shareholder either is unable to attend in person or will attend but wishes to vote by proxy. Shares may be voted by completing the enclosed proxy card and mailing it in the postage-paid envelope provided, voting over the Internet or using a toll-free telephone number. Please refer to the proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available. Shareholders who vote over the Internet may incur costs, such as telephone and Internet access charges, for which the shareholder is responsible. The Internet and telephone voting facilities for eligible shareholders of record will close at 11:59 p.m., Eastern Daylight Time, on April 25, 2005. Specific instructions to be followed by any shareholder interested in voting via the Internet or telephone are shown on the enclosed proxy card. The Internet and telephone voting procedures are designed to authenticate the shareholder's identity and to allow shareholders to vote their shares and confirm that their instructions have been properly recorded. In the event that a shareholder's proxy does not reference Internet or telephone information because the shareholder is not the registered owner of the shares, the shareholder should complete and return the paper proxy card in the self-addressed, postage-paid envelope provided. The proxy may be revoked by a shareholder at any time before it is exercised by filing with the Secretary of the Corporation an instrument revoking it, filing a duly

Edgar Filing: BB&T CORP - Form DEF 14A

executed proxy bearing a later date (including a proxy given over the Internet or by telephone), or by attending the meeting and electing to vote in person.

Even if you plan to attend the Annual Meeting, we encourage you to vote your shares by proxy. If you are a shareholder of record and choose to attend the Annual Meeting, please be prepared to present a photo I.D. or other satisfactory proof of identification for entrance into the meeting. If you hold your shares in street name and plan to attend the Annual Meeting, please be prepared to present a recent proxy or letter validating your ownership of the shares from your bank, broker or other nominee that holds your shares and a photo I.D. or other satisfactory proof of identification for entrance into the meeting.

All shares of BB&T Common Stock represented by valid proxies received pursuant to this solicitation, and not revoked before they are exercised, will be voted in the manner specified therein. If no specification is made, the proxies will be voted **FOR:** (i) the proposal to elect five directors, and (ii) the proposal to ratify the reappointment of PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm for 2005. If any other matters are properly presented for consideration at the Annual Meeting, the persons named as attorneys-in-fact and acting thereunder will have discretion to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote.

### **Record Date; Shares Outstanding**

Pursuant to the provisions of the North Carolina Business Corporation Act, March 7, 2005 has been fixed as the record date for the determination of holders of BB&T Common Stock entitled to notice of and to vote at the Annual Meeting. Each share of BB&T Common Stock issued and outstanding on March 7, 2005 is entitled to one vote on all proposals at the meeting, except that shares held in a fiduciary capacity by Branch Banking and Trust Company ( Branch Bank VA ), Branch Banking and Trust Company of South Carolina ( Branch Bank SC ), Branch Banking and Trust Company of Virginia ( Branch Bank VA ), and certain other BB&T affiliates may only be voted in accordance with the instruments creating the fiduciary capacity. As of the close of business on March 7, 2005, there were 548,505,056 shares of BB&T Common Stock outstanding and entitled to vote.

### **Quorum; Votes Required**

In order to conduct the Annual Meeting, a majority of shares of BB&T Common Stock represented at the meeting must be present in person or by proxy. This is called a quorum. Shareholders who deliver valid proxies or vote in person at the meeting will be considered part of the quorum. Once a share is represented for any purpose at the meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjourned meeting.

Abstentions and broker non-votes will be counted as present and entitled to vote for purposes of determining a quorum. New York Stock Exchange ( NYSE ) rules allow banks, brokers and other nominees to vote shares held by them for a customer on matters that the NYSE determines to be routine, even though the bank, broker or other nominee has not received instructions from the customer. A broker non-vote occurs when a bank, broker or other nominee has not received voting instructions from the customer and the bank, broker or other nominee cannot vote the shares because the matter is not considered a routine matter under NYSE rules.

If a shareholder provides specific voting instructions, his or her shares will be voted as instructed. If a shareholder holds shares in his or her name and returns a properly executed proxy without giving specific voting instructions, the shareholder's shares will be voted for Proposals 1 and 2 as recommended by the Corporation's Board of Directors. If a shareholder holds shares in his or her name and does not return valid proxy instructions or vote in person at the Annual Meeting, such shares will not be voted. If a shareholder holds shares in the name of a bank, broker or other nominee, and the shareholder does not give that nominee instructions on how he or she wants the shares to be voted, the nominee generally has the authority to vote the shares on certain routine matters as described above. Both Proposals 1 and 2 are considered routine proposals by the NYSE and nominees may vote shares of BB&T Common Stock held by them on Proposals 1 and 2 at the Annual Meeting.



Edgar Filing: BB&T CORP - Form DEF 14A

In Proposal 1, shareholders are being asked to consider and elect five directors at the Annual Meeting. Directors are elected by a plurality of the votes cast at the meeting. Plurality means that the nominees receiving

the largest number of votes cast are elected as directors up to the maximum number of directors to be elected at the meeting. Shares not voted, whether by marking **ABSTAIN** on the proxy card or otherwise, will have no impact on the election of directors. Unless a properly executed proxy is marked **WITHHOLD AUTHORITY** as to any or all nominees or directs that shares be voted for one or more specified nominees, the proxy given will be voted **FOR** each of the five nominees for director. Thus, abstentions and broker non-votes will not be included in vote totals and will not affect the outcome of the vote.

A majority of votes cast at the Annual Meeting is required to approve Proposal 2 regarding ratification of the appointment of the Corporation's independent registered public accounting firm. Abstentions and broker non-votes will not be counted as votes cast for this proposal.

## SECURITY OWNERSHIP

The table below sets forth the beneficial ownership of BB&T Common Stock by all directors and nominees, all named executive officers of the Corporation (see Summary Compensation Table below) and all directors and executive officers of the Corporation as a group as of March 7, 2005. Unless otherwise indicated, all persons listed below have sole voting and investment powers over all shares beneficially owned. No shareholder is known to the Corporation to be the beneficial owner of more than 5% of the outstanding BB&T Common Stock as of March 7, 2005.

| Name of Beneficial Owner/Number of Persons in Group      | Amount and Nature of Beneficial Ownership    |   |                            |
|--|--|---|----------------------------|
|  | Shares of Common Stock Beneficially Owned(1) | Shares of Common Stock Subject to a Right to Acquire(2) | Percentage of Common Stock |
| John A. Allison IV(3)                                    | 430,107                                      | 1,181,201   | *                          |
| Jennifer S. Banner                                       | 1,360  | 4,319   | *                          |
| Anna R. Cablik   | 635  | 0   | *                          |
| Nelle R. Chilton   | 82,095                                       | 13,043  | *                          |
| Alfred E. Cleveland                                      | 65,308(4)                                    | 24,663  | *                          |
| Ronald E. Deal   | 94,786(5)                                    | 55,349  | *                          |
| Tom D. Efird   | 82,486(6)                                    | 31,007  | *                          |
| Barry J. Fitzpatrick                                     | 321,000                                      | 0   | *                          |
| L. Vincent Hackley                                       | 2,601(7)                                     | 51,766  | *                          |
| Jane P. Helm   | 2,356  | 23,185  | *                          |
| John P. Howe III, M.D.                                   | 0  | 0   | *                          |
| James H. Maynard   | 379,340(8)                                   | 52,971  | *                          |
| Albert O. McCauley                                       | 50,118                                       | 50,417  | *                          |
| J. Holmes Morrison                                       | 35,359(9)                                    | 94,878  | *                          |
| Nido R. Qubein   | 131,625(10)                                  | 48,352  | *                          |
| E. Rhone Sasser  | 294,389(11)                                  | 8,660   | *                          |
| Albert F. Zettlemoyer                                    | 6,300  | 0   | *                          |
| W. Kendall Chalk   | 123,065(12)                                  | 257,767   | *                          |
| Robert E. Greene   | 41,248                                       | 197,445   | *                          |
| Kelly S. King  | 176,620(13)                                  | 376,734   | *                          |
| Scott E. Reed  | 178,042(14)                                  | 266,034   | *                          |
| Henry G. Williamson, Jr.(15)                             | 179,068                                      | 871,715   | *                          |
| Directors and Executive Officers as a group (27 persons) | 2,817,537                                    | 3,886,730   | 1.22%                      |

\* Less than 1%.

(1)

## Edgar Filing: BB&T CORP - Form DEF 14A

As reported to BB&T by the directors, nominees and Executive Officers, and includes shares held by spouses, minor children, affiliated companies, partnerships and trusts as to which each such person has beneficial ownership. With respect to Executive Officers, also

- includes shares allocated to such persons individual accounts under the BB&T Corporation 401(k) Savings Plan and the BB&T Corporation Non-Qualified Defined Contribution Plan.
- (2) Amount includes options to acquire shares of BB&T Common Stock that are or become exercisable within sixty days of March 7, 2005.
  - (3) Amounts include 126,280 shares held by spouse with sole investment and voting powers and 45,722 option shares held by spouse.
  - (4) Amount includes 19,590 shares held in a trust for which Mr. Cleveland, as trustee, has sole investment and voting powers and 4,906 shares held by spouse as to which Mr. Cleveland disclaims beneficial ownership.
  - (5) Amount includes 31,960 shares held in a trust for which Mr. Deal, as co-trustee, shares investment and voting powers and 2,270 shares held by spouse with sole investment and voting powers.
  - (6) Amount includes 100 shares held by spouse with sole investment and voting powers.
  - (7) Amount includes 146 shares jointly owned with spouse with shared investment and voting powers.
  - (8) Amount includes 300,750 shares held by an affiliate holding company of Mr. Maynard with sole investment and voting powers, 29,263 shares held by spouse with sole voting and investment powers and 4,970 shares held by spouse, as trustee, for children with sole investment and voting powers.
  - (9) Amount includes 12,002 shares held in a trust by spouse, as trustee, with sole investment and voting powers.
  - (10) Amount includes 13,640 shares held by spouse with sole investment and voting powers and 8,162 shares held by spouse, as custodian, for children with sole investment and voting powers.
  - (11) Amount includes 71,000 shares held by a family limited liability company for which Mr. Sasser and his spouse serve as co-managers and share investment and voting powers.
  - (12) Amount includes 21,330 shares held by spouse with sole investment and voting powers.
  - (13) Amount includes 1,264 shares held by Mr. King, as custodian, for a minor child and 37,404 shares held by spouse with sole investment and voting powers.
  - (14) Amount includes 19,745 shares held by spouse with sole investment and voting powers.
  - (15) Mr. Williamson retired as Chief Operating Officer of the Corporation on June 30, 2004. Under the terms of the 1995 Omnibus Stock Incentive Plan, all outstanding, unvested stock options granted to Mr. Williamson became fully vested and exercisable as of the date of his retirement. Mr. Williamson's beneficial ownership of shares of BB&T Common Stock is reported as of June 30, 2004 (and includes 77,808 shares held by spouse with sole investment and voting powers). Beneficial ownership of shares subject to a right to acquire (including option shares) is reported as of March 7, 2005.

**PROPOSAL 1 ELECTION OF DIRECTORS**

The Corporation's bylaws provide that the number of directors shall be not less than three nor more than thirty, as determined from time to time by the Board of Directors. The Corporation's Board of Directors currently consists of seventeen persons, who are divided into three classes, with each class being as nearly equal in number as possible.

Each of the five nominees listed below for election as a director of the Corporation currently serves on the Board of Directors. With the exception of Messrs. Cleveland and Zettlemoyer as described below, the nominees, if elected, will each serve for a three-year term expiring in 2008.

Under the terms of the Agreement and Plan of Reorganization dated as of January 20, 2003, between the Corporation and First Virginia Banks, Inc. ( First Virginia ), Barry J. Fitzpatrick, Jennifer S. Banner and Albert F. Zettlemoyer, directors of First Virginia, were appointed to serve on the Corporation's Board until the 2004 Annual Meeting of Shareholders and the Corporation agreed to nominate such persons to serve for additional terms on the Corporation's Board until the earlier of the fifth anniversary of the merger of First Virginia into the Corporation or, with the exception of Mr. Zettlemoyer, the date the person reaches age 70. At the 2004 Annual Meeting, Mr. Fitzpatrick was nominated and elected by shareholders to serve for a three year term expiring in 2007, Ms. Banner was nominated and elected by shareholders to serve for a two year term expiring in 2006, and Mr. Zettlemoyer was nominated and elected to serve for a one year term expiring in 2005. Pursuant to the terms of the Agreement and Plan of Reorganization with First Virginia, the Corporation's Board is re-nominating Mr. Zettlemoyer to serve for a partial term that will expire December 31, 2005, when Mr. Zettlemoyer will retire under the Corporation's director retirement policy.

Under the Corporation's director retirement policy, a director is permitted to serve through the calendar year in which such director reaches age 70. Pursuant to this policy, J. Ernest Lathem, M.D., Richard L. Player, Jr. and Jack E. Shaw (all age 70) retired as directors of the Corporation on December 31, 2004. The Corporation's Board is re-nominating Alfred E. Cleveland to serve for a partial term that will expire December 31, 2005, when Mr. Cleveland will retire under the Corporation's director retirement policy.

The persons named as attorneys-in-fact in the accompanying proxy are expected to vote to elect the five nominees listed below as directors, unless authority to so vote is withheld. Although the Corporation's Board of Directors expects that each of the nominees will be available for election, in the event a vacancy in the slate of nominees occurs, it is intended that shares of BB&T Common Stock represented by proxies will be voted for the election of a substitute nominee selected by the persons named as attorneys-in-fact in the accompanying proxy or the Board may reduce the number of persons to be elected by the number of persons unable to serve (subject to the requirement that each class be as nearly equal in number as possible). Holders of BB&T Common Stock do not have cumulative voting rights in the election of directors.

The names of the nominees for election and the other continuing members of the Corporation's Board of Directors, their principal occupations for at least the previous five years, and certain other information with respect to such persons are set forth below.

**NOMINEES FOR ELECTION AS DIRECTORS FOR THREE-YEAR TERMS EXPIRING IN 2008\***

| Name, Age, Principal Occupation During the Past Five Years,<br>Certain Other Directorships, Committee Memberships<br>and Residence   | Director of BB&T<br>or BB&T Financial(1)<br>Since |
|--|---|
| <b>ALFRED E. CLEVELAND</b> (69). Member/Manager of McCoy, Weaver, Wiggins & Cleveland, P.L.L.C. (attorneys) since 1960; Chair of the Compensation Committee and Member of the Nominating and Corporate Governance Committee; Fayetteville, North Carolina.   | 1997  |
| * Mr. Cleveland's term, if elected, will expire December 31, 2005.   |   |
| <b>ANNA R. CABLIK</b> (52). President of Anasteel & Supply Company, LLC (reinforcing steel fabricator) since 1994; President of Anatek Inc. (general contractor) since 1982; Member of the Audit Committee; Marietta, Georgia.   | November 2004                                     |
| <b>JOHN P. HOWE III, M.D.</b> (61). President and Chief Executive Officer of Project HOPE (international health foundation) since 2001; President and Chief Executive Officer of University of Texas Health Science Center from 1985 to 2000; Director of Beverly Enterprises, Inc. (elder care health services) since 2001; Trustee of the Southwest Foundation for Biomedical Research and the Southwest Research Institute since 1985; Chairman of the Board of Overseers of Harvard College Committee to Visit the Medical School and School of Dental Medicine since 2003; Member of the Compensation Committee and Nominating and Corporate Governance Committee; Washington, D.C. | January 2005                                      |

| Name, Age, Principal Occupation During the Past Five Years,<br>Certain Other Directorships, Committee Memberships<br>and Residence  | Director of BB&T<br>or BB&T Financial(1)<br>Since |
|---|---|
| <p><b>NIDO R. QUBEIN</b> (56). President of High Point University since January 1, 2005; Chairman of Creative Services, Inc. (international management consulting) since 1973; Chairman of McNeil Lehman, Inc. (public relations and advertising) since 1992; Chairman of Great Harvest Bread Company since 2001; Chairman of Business Life, Inc. (publishing) since 2001; Member of the Executive Committee; High Point, North Carolina.</p> | 1990  |
| <p><b>ALBERT F. ZETTLEMOYER</b> (70). Retired; former President of Government Systems Group of UNISYS Corporation from 1993 to 1995; Executive Vice President of UNISYS Corporation from 1993 to 1995; Member of the Compensation Committee and the Nominating and Corporate Governance Committee; Naples, Florida.</p>   | 2003  |

\* Mr. Zettlemoyer's term, if elected, will expire December 31, 2005.

**THE BOARD OF DIRECTORS OF THE CORPORATION RECOMMENDS A VOTE FOR EACH OF THE DIRECTOR NOMINEES NAMED ABOVE.**

---

**CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2006**

| Name, Age, Principal Occupation During the Past Five Years,<br>Certain Other Directorships, Committee Memberships<br>and Residence  | Director of BB&T<br>or BB&T Financial(1)<br>Since |
|---|---|
| <p><b>JENNIFER S. BANNER</b> (45). Chief Executive Officer of Schaad Properties (real estate construction and development) since January 2005; CPA and Principal of Pershing Yoakley &amp; Associates, P.C. (public accounting) from 1987 to January 2005; Member of the Audit Committee; Knoxville, Tennessee.</p>   | 2003  |
| <p><b>NELLE R. CHILTON</b> (65). Director (since 1993) and President (since 2003) of Dickinson Fuel Company, Inc. (property management); Director (since 1986) and Vice President (since 1993) of TerraCo, Inc. and TerraCare, Inc. (commercial landscaping); Director (since 1991) and Vice President (since 1994) of TerraSalis, Inc. (retail landscaping); Vice President of Dickinson Fuel Company, Inc. from 1993 to 2003; Chair of the Nominating and Corporate Governance Committee and Member of the Compensation Committee; Charleston, West Virginia.</p> | 2000  |
| <p><b>L. VINCENT HACKLEY, PhD.</b> (64). President and Chief Executive Officer of Hackley &amp; Associates of North Carolina (consultant for character, ethics and leadership development) since 1999; Consultant (since 1994) and Chairman (1994 to 2001) of Character Counts! Coalition (public service); Director of Tyson Foods, Inc. since 1992; Director of Southern Poverty Law Center since 2002; Member of the Audit Committee; Chapel Hill, North Carolina.</p>   | 1992  |



| Name, Age, Principal Occupation During the Past Five Years,<br>Certain Other Directorships, Committee Memberships<br>and Residence  | Director of BB&T<br>or BB&T Financial (1)<br>Since |
|---|--|
| <b>JANE P. HELM</b> (62). Vice Chancellor of Business Affairs, Appalachian State University since 1994; Chair of the Audit Committee; Boone, North Carolina.  | 1997   |
| <b>JAMES H. MAYNARD</b> (65). Chairman and Chief Executive Officer of Investors Management Corporation (holding company) since 1970; Chairman of Golden Corral Corporation (restaurants) since 1971; Chair of the Executive Committee; Raleigh, North Carolina. | 1985   |
| <b>E. RHONE SASSER</b> (67). Retired; Chairman and Chief Executive Officer of United Carolina Bancshares Corporation from 1983 to 1997; Member of the Executive Committee; Whiteville, North Carolina.  | 1997   |

**CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2007**

| Name, Age, Principal Occupation During the Past Five Years,<br>Certain Other Directorships, Committee Memberships<br>and Residence  | Director of BB&T<br>or BB&T Financial (1)<br>Since |
|---|--|
| <b>JOHN A. ALLISON IV</b> (56). Chairman and Chief Executive Officer of BB&T Corporation and Branch Bank since 1989; Member of the Executive Committee; Lewisville, North Carolina.                                 | 1986   |
| <b>RONALD E. DEAL</b> (61). Chairman of Wesley Hall, Inc. (furniture manufacturer) since 1990; Member of the Compensation Committee and the Nominating and Corporate Governance Committee; Hickory, North Carolina. | 1986   |
| <b>TOM D. EFIRD</b> (65). President of Standard Distributors, Inc. (beverage wholesaler) since 1967; Member of the Audit Committee; Gastonia, North Carolina.   | 1982   |

| Name, Age, Principal Occupation During the Past Five Years,<br>Certain Other Directorships, Committee Memberships<br>and Residence   | Director of BB&T<br>or BB&T Financial (1)<br>Since |
|--|--|
| <p><b>BARRY J. FITZPATRICK</b> (64). Chairman of Branch Bank-VA since 2003; President and Chief Executive Officer of Branch Bank-VA from July 2003 to February 2004; Chairman, President and Chief Executive Officer of First Virginia Banks, Inc. from 1995 to 2003; Member of the Executive Committee; Great Falls, Virginia.</p>  | 2003   |
| <p><b>ALBERT O. McCAULEY</b> (64). President and Chief Executive Officer of McCauley &amp; McDonald Investments, Inc. (real estate investment) since 2002; President and Chief Executive Officer of McCauley Moving &amp; Storage of Fayetteville, Inc. from 1965 to 2002; Member of the Compensation Committee and the Nominating and Corporate Governance Committee; Fayetteville, North Carolina.</p> | 1993   |
| <p><b>J. HOLMES MORRISON</b> (64). Executive Vice President of Branch Bank since 2000; Chairman, President and Chief Executive Officer of One Valley Bancorp, Inc. from 1991 to 2000; Member of the Executive Committee; Charleston, West Virginia.</p>  | 2000   |

- (1) On February 28, 1995, the merger of BB&T Financial Corporation ( BB&T Financial ) into Southern National Corporation ( SNC ) was consummated and certain directors of BB&T Financial became directors of SNC, which is now named BB&T Corporation.

---

## CORPORATE GOVERNANCE MATTERS

The Board of Directors periodically reviews the Corporation's corporate governance policies, practices and procedures to ensure that the Corporation meets or exceeds the requirements of applicable laws, regulations and rules, including the Sarbanes-Oxley Act of 2002, the related rules of the Securities and Exchange Commission (the "SEC") and the corporate governance listing standards of the NYSE. In this regard, the Corporation's ultimate purpose is to create a strong, sound and profitable financial services company with long-term growth and value for its shareholders.

### Director Independence

As a part of its listing standards, the NYSE has adopted certain bright-line criteria that the Corporation's Board of Directors considers when determining director independence. Under the NYSE rules, the Board of Directors also broadly considers all other relevant facts and circumstances that bear on the materiality of each director's relationship with the Corporation, including the potential for conflicts of interest, when determining director independence. To assist the Board of Directors in making determinations of independence, the NYSE rules permit the Board to adopt categorical standards relating to director independence. The Corporation's Board of Directors has adopted such categorical standards, which, among others, incorporate the NYSE's bright-line criteria. Under these standards, a director must satisfy each of the following in order to be found independent by the Board of Directors:

All loans to the director and his or her associates from the Corporation or its subsidiaries must be made in compliance with the provisions of Federal Reserve Board Regulation O and must be made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others and do not involve more than the normal risk of collectibility or present other unfavorable features, and none of such credits may be classified as non-accrual, restructured or potential problem loans.

All deposit, investment, fiduciary or other relationships between the director and the Corporation or any of its subsidiaries must be conducted in the ordinary course of business on substantially the same terms and conditions as available to other nonaffiliated customers for comparable transactions with the Corporation or the subsidiary involved.

The Board of Directors must affirmatively determine that the director has no material relationship with the Corporation (directly or indirectly as a partner, shareholder or officer of an organization that has a relationship with the Corporation).

The director is not permitted to have been an employee of the Corporation during the preceding three years and no member of the director's immediate family is permitted to have been an executive officer of the Corporation during the preceding three years.

The director, including any member of the director's immediate family, is not permitted to have received more than \$100,000 per year in direct compensation from the Corporation during the preceding three years, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service with the Corporation).

The director, including any member of the director's immediate family working in a professional capacity, is not permitted to have been affiliated with or employed by a present or former internal or external auditor of the Corporation during the preceding three years.

The director, including any member of the director's immediate family, is not permitted to have been employed as an executive officer of another company where any of the Corporation's executive officers have served on that company's compensation committee during the preceding three years.



The director is not permitted to have been an executive officer or employee, and no member of the director's immediate family is permitted to have been an executive officer, of a company that has made payments to or received payments from the Corporation for property or services in an amount which, in any single fiscal year, exceeded the greater of \$1 million or 2% of such other company's consolidated gross revenues for the preceding three years.

The Corporation's Board of Directors has applied the foregoing standards to each member of the Board (and his or her immediate family members, as applicable) and has affirmatively determined that of the seventeen members of the Board, the following twelve directors are independent: Messrs. Cleveland, Deal, Efird, Hackley, Howe, Maynard, McCauley, and Zettlemoyer and Mmes. Banner, Cablik, Chilton and Helm. These categorical standards, as well as other corporate governance initiatives adopted by the Corporation, are set forth in the Corporation's Corporate Governance Guidelines and are accessible at <http://www.bbandt.com/investor/corpgovernance/pdf/CorporateGovernanceGuidelines.pdf>.

### **Attendance and Committees of the Board**

The Board of Directors has established the following committees: the Executive Committee, the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Each member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee has been determined by the Board to be independent in accordance with the requirements of the NYSE (including the specific SEC and NYSE independence requirements for audit committee members) and the Corporation's Corporate Governance Guidelines. See *Director Independence* above. A copy of each of the charters of these committees is available for review on the Corporation's website at <http://www.bbandt.com/investor/corpgovernance/bdofcomm.asp> and will be mailed to shareholders upon written request. Each committee has the authority to, as it deems appropriate, independently engage outside legal, accounting or other advisors or consultants. Regularly scheduled executive sessions for nonmanagement directors only are authorized for all committees. Additionally, each committee annually conducts a review and evaluation of the performance of such committee. The current charter of each committee is reviewed and reassessed annually by the committee to determine its adequacy in light of any changes to applicable rules and regulations.

Pursuant to the Corporation's Corporate Governance Guidelines, directors are expected to attend Board meetings, meetings of assigned committees, and annual meetings of shareholders. All directors attended more than 75% of the Board of Directors' meetings and assigned committee meetings held in 2004. During 2004, the Board held nine meetings; the Executive Committee held four meetings; the Audit Committee held six meetings; the Compensation Committee held four meetings; and the Nominating and Corporate Governance Committee held five meetings. All of the Corporation's directors attended the 2004 Annual Meeting of Shareholders.

A summary of the responsibilities of each of the committees follows:

*Executive Committee.* The Executive Committee is generally authorized to have and to exercise all of the powers of the Board between Board meetings, subject to restrictions imposed by the Corporation's bylaws and by statute. The Executive Committee also is responsible for reviewing and recommending approval of policies related to management of the BB&T subsidiaries' investment portfolios, interest rate risk, loan portfolios and mortgage banking activities.

*Audit Committee.* The Audit Committee assists the Board in its oversight of the integrity of the Corporation's financial statements and disclosures and other internal control processes. The Audit Committee also (i) solely selects, retains, establishes the compensation for, oversees and evaluates the qualifications, performance and independence of the independent registered public accounting firm; (ii) oversees the Corporation's internal audit function; (iii) receives regular reports from the Corporation's internal auditor; and (iv) monitors the Corporation's compliance with legal and regulatory requirements. The Audit Committee has five members and the Board has determined that each member is financially literate, as determined in accordance with NYSE standards. The Audit Committee has engaged PricewaterhouseCoopers LLP as the Corporation's



independent registered public accounting firm for 2005. See Proposal 2 Ratification of PricewaterhouseCoopers LLP as Independent Registered Public Accounting Firm for 2005 below. See also Audit Committee Report below.

The SEC and the NYSE have established standards relating to audit committee membership and functions. With regard to such membership standards, the Board has determined that Jane P. Helm, the Chair of the Audit Committee, meets the requirements of an audit committee financial expert as defined by the SEC, and is independent and has the requisite financial literacy and accounting or related financial management expertise required generally of an audit committee member under the NYSE standards. Accordingly, Ms. Helm has been designated by the Board as the Corporation's audit committee financial expert. In addition, the Board has determined that Jennifer S. Banner, a member of the Audit Committee, meets the qualifications of an audit committee financial expert under SEC regulations.

*Compensation Committee.* The Compensation Committee reviews and approves the Corporation's compensation philosophy and practices, the Chief Executive Officer's salary and the remuneration of other members of Executive Management. The Compensation Committee also (i) oversees the Corporation's short- and long-term compensation plans and incentive compensation plans and (ii) reviews and recommends action by the Board on the Corporation's various employee benefit plans, as appropriate. In addition, the Compensation Committee recommends to the full Board compensation for directors. See Compensation Committee Report on Executive Compensation below.

*Nominating and Corporate Governance Committee.* The Nominating and Corporate Governance Committee reviews the composition and structure of the Board and its committees and evaluates the qualifications and independence of members of the Board on a periodic basis. The Nominating and Corporate Governance Committee considers the performance of incumbent directors in determining whether or not to nominate them for re-election. The Nominating and Corporate Governance Committee also (i) reviews qualified candidates for election as directors, as needed; (ii) proposes the slate of director nominees for approval by the Board and subsequent election by shareholders; and (iii) recommends the composition of Board committee membership. With regard to corporate governance, the Nominating and Corporate Governance Committee reviews the Corporation's Corporate Governance Guidelines and codes of ethics and recommends revisions, as needed, to the Board for approval. The Nominating and Corporate Governance Committee periodically reviews and recommends to the Board director nomination procedures for adoption. See Director Nominations and Other Matters Proposals for 2006 Annual Meeting below.

## **Executive Sessions**

Under the Corporation's Corporate Governance Guidelines, the Corporation's nonmanagement directors are required to meet in regular executive sessions of the Board of Directors at least three times per year and at such other times as they deem necessary or advisable. The Chair of the Executive Committee, a nonmanagement director, or, in his absence, the Chair of the Nominating and Corporate Governance Committee, will preside over executive sessions of the Board. Shareholders may communicate with a nonmanagement director by contacting a specific nonmanagement director or the nonmanagement directors as a group as described under Shareholder Communications with the Board below.

## **Corporate Governance Guidelines**

The Board of Directors has adopted written Corporate Governance Guidelines, which provide the framework for fulfillment of the Board's duties and responsibilities in light of the best practices in corporate governance and applicable laws and regulations. The Corporate Governance Guidelines address a number of matters applicable to directors, including director qualification standards and director independence requirements, share ownership guidelines, board responsibilities, retirement, meetings of nonmanagement directors, board compensation and other matters. The Corporate Governance Guidelines are available on the Corporation's website at <http://www.bbandt.com/investor/corpgovernance/pdf/CorporateGovernanceGuidelines.pdf>. A shareholder also may request a copy of the Corporate Governance Guidelines by contacting the Corporate Secretary, BB&T Corporation, 200 W. Second Street, Winston-Salem, North Carolina 27101.





## Codes of Ethics

The Corporation maintains the Code of Ethics for Employees, which has been approved by the Board of Directors, to ensure that each employee of the Corporation and its subsidiaries understands the basic principles that govern BB&T's corporate conduct and the conduct of its employees generally. The Board also has adopted the Code of Ethics for Senior Financial Officers that incorporates the Code of Ethics for Employees, and the Code of Ethics for Directors. A copy of each of the Code of Ethics for Employees, the Code of Ethics for Senior Financial Officers and the Code of Ethics for Directors may be found on the Corporation's website at <http://www.bbandt.com/investor/corpgovernance/CodeofEthics.asp>. A shareholder also may request a copy of each of the codes of ethics by contacting the Corporate Secretary, BB&T Corporation, 200 W. Second Street, Winston-Salem, North Carolina 27101. Any waivers or substantive amendments of the codes of ethics applicable to the Corporation's directors and certain of its executive officers (including members of Executive Management) also will be disclosed on the Corporation's website.

## Shareholder Communications with the Board

Any shareholder desiring to contact the Board of Directors or any individual director serving on the Board may do so by written communication mailed to: Board of Directors (Attention: (name of director(s), as applicable), care of the Corporate Secretary, BB&T Corporation, 200 W. Second Street, Winston-Salem, North Carolina 27101. Any proper communication so received will be processed by the Corporate Secretary as agent for the Board. Unless, in the judgment of the Corporate Secretary, the matter is not intended or appropriate for the Board (and subject to any applicable regulatory requirements), the Corporate Secretary will prepare a summary of the communication for prompt delivery to each member of the Board or, as appropriate, to the member(s) of the Board named in the communication. Any director may request the Corporate Secretary to produce for his or her review the original of the shareholder communication.

## Director Nominations

As noted above, one of the primary responsibilities of the Nominating and Corporate Governance Committee is to assist the Board of Directors in identifying and reviewing qualifications of prospective directors of the Corporation. The committee is charged with selecting individuals who demonstrate the highest personal and professional integrity, have demonstrated exceptional ability and judgment and who are expected to be the most effective in serving the long-term interests of the Corporation and its shareholders.

Director nominees are recommended to the Board of Directors annually by the Nominating and Corporate Governance Committee for election by the shareholders. The Nominating and Corporate Governance Committee will consider qualified director nominees recommended by shareholders when such recommendations are submitted in accordance with the Corporation's bylaws and policies regarding director nominations. Shareholders may submit in writing the names and qualifications of potential director nominees to the Corporate Secretary, BB&T Corporation, 200 W. Second Street, Winston-Salem, North Carolina 27101, for delivery to the Chair of the Nominating and Corporate Governance Committee for consideration. When submitting a nomination to the Corporation for consideration, a shareholder must provide the following minimum information for each director nominee: full name and address, age, principal occupation during the past five years, current directorships on publicly held companies and investment companies, number of shares of BB&T Common Stock owned, if any, and a signed statement by the nominee consenting to serve as a director if elected. Shareholder nominations for director also must be made in a timely manner and otherwise in accordance with the Corporation's bylaws (please refer to Article II, Section 10 of the Corporation's bylaws to determine the precise requirements for any shareholder nomination.) If the Nominating and Corporate Governance Committee receives a director nomination from a shareholder or group of shareholders who (individually or in the aggregate) beneficially own greater than 5% of the Corporation's outstanding voting stock for at least one year as of the date of such recommendation, the Corporation, as required by applicable securities law, will identify the candidate and shareholder or group of shareholders recommending the candidate and will disclose in its proxy statement whether the Nominating and Corporate Governance Committee chose to nominate the candidate, as well as certain other information.



In addition to potential director nominees submitted by shareholders, the Nominating and Corporate Governance Committee considers candidates submitted by directors, as well as self-nominations by directors and, from time to time, it may consider candidates submitted by a third-party search firm hired for the purpose of identifying director candidates. The Nominating and Corporate Governance Committee conducts an extensive due diligence process to review potential director candidates and their individual qualifications, and all such candidates, including those submitted by shareholders, will be similarly evaluated by the Nominating and Corporate Governance Committee using the board membership criteria described above.

No candidates for director nominations were submitted to the Nominating and Corporate Governance Committee by any shareholder in connection with the Annual Meeting. Any shareholder desiring to present a nomination for consideration by the Nominating and Corporate Governance Committee prior to the 2006 annual meeting must do so in accordance with the Corporation's policies and bylaws. See also "Other Matters" Proposals for 2006 Annual Meeting below.

### **Share Ownership of Directors and Executive Management**

Pursuant to the Corporation's Corporate Governance Guidelines, each director and member of Executive Management is expected to own at least 1,000 shares of BB&T Common Stock within one year after initial election or appointment and to continue to own such shares throughout the full term of service of the director or member of Executive Management.

### **Audit Committee Pre-Approval Policy**

Under the terms of its charter, the Audit Committee must pre-approve all auditing services and permitted non-audit services (including the fees and terms of such services) to be performed for the Corporation by its independent registered public accounting firm, subject to a *de minimis* exception for non-audit services that are approved by the Audit Committee prior to the completion of the audit and otherwise in accordance with the terms of applicable SEC rules. To qualify for the *de minimis* exception, the aggregate amount of all such non-audit services provided to the Corporation must constitute not more than 5% of the total amount of revenues paid by the Corporation to its independent registered public accounting firm during the fiscal year in which the services are provided; such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and the non-audit services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee to whom authority to grant such approval has been delegated by the Audit Committee. Under the terms of its charter, the Audit Committee may delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant pre-approvals of audit and permitted non-audit services, as long as the decisions of such subcommittee(s) to grant pre-approvals are presented to the full Audit Committee at its next scheduled meeting. In 2004, all of the non-audit services (see "Fees to Auditors" below, for a description of such services) provided by the Corporation's independent registered public accounting firm were approved by the Audit Committee.

### **Policy for Accounting and Legal Complaints**

The Audit Committee has adopted a policy that governs the reporting of (i) employee complaints regarding accounting, internal accounting controls or auditing matters, and (ii) evidence of a material violation by the Corporation or any of its officers, directors, employees or agents of federal or state securities laws, a material breach of fiduciary duty arising under federal or state law or a similar material violation when such evidence is obtained by an attorney authorized to appear or practice before the SEC. Any complaints regarding such matters will be reported to the Corporation's General Counsel, who will investigate or cause to be investigated all matters reported pursuant to this policy and will maintain a record of such complaints that includes the tracking of their receipt, investigation and resolution. The General Counsel will periodically prepare a summary report of such



complaints for the Audit Committee, which will oversee the consideration of all reported complaints covered by this policy. A copy of this policy may be found on the Corporation's website at <http://www.bbandt.com/investor/corpgovernance/pdf/AcctLegalComplaintPolicy.pdf>.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Under federal securities laws, the Corporation's directors and certain of its executive officers are required to report their beneficial ownership of BB&T Common Stock and any changes in that ownership to the SEC. Specific dates for such reporting have been established by the SEC and the Corporation is required to report in this proxy statement any failure to file by the established dates during 2004. In 2004, all of these filing requirements were satisfied by the Corporation's directors and executive officers subject to Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act), except for Jack E. Shaw, a retired director as of December 31, 2004, who failed to timely report the purchase in December 1996 of 510 shares of BB&T Common Stock and the acquisition of 510 shares of BB&T Common Stock resulting from the two for one stock split declared by the Corporation in August 1998. In making this statement, the Corporation has relied on the written representations of its directors and executive officers subject to Section 16 and copies of the reports that have been filed with the SEC.

### AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is currently composed of five directors and operates under an amended charter adopted by the Board of Directors on February 22, 2005. The Board of Directors has determined in its business judgment that each member of the Audit Committee is independent as required by applicable securities law and is financially literate based on standards adopted by the NYSE and the Corporation's Board of Directors. The primary duties and responsibilities of the Audit Committee are to monitor (i) the integrity of the Corporation's financial statements, including the financial reporting process and systems of internal controls regarding finance and accounting; (ii) the compliance by the Corporation with related legal and regulatory requirements; and (iii) the independence and performance of the Corporation's internal and external auditors. The Audit Committee also selects the Corporation's independent registered public accounting firm. Management of the Corporation is responsible for the internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Corporation's financial statements in accordance with generally accepted auditing standards and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In the performance of its oversight function, the Audit Committee has performed the duties required by its charter, including meeting and holding discussions with management and the independent registered public accounting firm, and has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee also has discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards Number 61, *Communication with Audit Committees*, as currently in effect.

The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard Number 1, *Independence Discussions with Audit Committees*, as currently in effect, and the Audit Committee has discussed with the independent registered public accounting firm its independence. The Audit Committee also has received confirmations from management and has considered whether the provision of any non-audit services by the independent registered public accounting firm to the Corporation is compatible with maintaining the independence of the auditors.

Based upon a review of the reports by, and discussions with, management and the independent registered public accounting firm and the Audit Committee's review of the representations of management and the Report of Independent Registered Public Accounting Firm, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004, to be filed with the SEC.

The directors who constituted the Audit Committee as of March 7, 2005 were:

Jane P. Helm, Chair  
Jennifer S. Banner  
Anna R. Cablik

Tom D. Efird  
L. Vincent Hackley

## COMPENSATION OF EXECUTIVE OFFICERS

The following table presents information relating to total compensation paid during the last three calendar years to the Chief Executive Officer and the five next most highly compensated executive officers of the Corporation (the BB&T Named Executives).

### Summary Compensation Table

| Name and Principal Position  | Year | Annual Compensation |            |                                | Long Term Compensation            |                   | All Other Compensation (\$)(1) |
|--|------|---------------------|------------|--------------------------------|-----------------------------------|-------------------|--------------------------------|
|  |      | Salary (\$)         | Bonus (\$) | Other Annual Compensation (\$) | Awards                            | Payouts           |                                |
|  |      |                     |            |                                | Securities Underlying Options (#) | LTIP Payouts (\$) |                                |
| John A. Allison IV<br>Chairman and<br>Chief Executive Officer                | 2004 | 900,000             | 911,250    | 0                              | 186,545                           | 1,250,003         | 101,631                        |
|  | 2003 | 887,186             | 0          | 0                              | 253,526                           | 688,106           | 185,193                        |
|  | 2002 | 844,480             | 1,007,211  | 0                              | 160,460                           | 1,102,941         | 152,797                        |
|  |      |                     |            |                                |                                   |                   |                                |
| Kelly S. King<br>Chief Operating Officer (2)                                 | 2004 | 500,000             | 506,250    | 0                              | 87,727                            | 555,461           | 51,067                         |
|  | 2003 | 481,075             | 0          | 0                              | 94,761                            | 295,120           | 83,084                         |
|  | 2002 | 422,225             | 402,870    | 0                              | 66,858                            | 460,194           | 65,635                         |
| W. Kendall Chalk<br>Senior Executive Vice President and Chief Credit Officer | 2004 | 390,000             | 355,388    | 0                              | 62,045                            | 341,597           | 36,881                         |
|  | 2003 | 372,062             | 0          | 0                              | 66,453                            | 179,096           | 55,331                         |
|  | 2002 | 316,687             | 245,514    | 0                              | 40,115                            | 274,426           | 45,505                         |
| Scott E. Reed<br>Senior Executive Vice President and Chief Financial Officer | 2004 | 390,000             | 355,388    | 0                              | 62,045                            | 341,597           | 36,851                         |
|  | 2003 | 372,062             | 0          | 0                              | 66,453                            | 179,096           | 55,278                         |
|  | 2002 | 316,687             | 245,514    | 0                              | 40,115                            | 274,051           | 35,496                         |
| Robert E. Greene<br>Senior Executive Vice President                          | 2004 | 375,000             | 284,766    | 11,828(4)                      | 47,727                            | 333,285           | 34,332                         |
|  | 2003 | 360,812             | 0          | 0                              | 51,555                            | 177,077           | 52,885                         |
|  | 2002 | 316,687             | 245,514    | 0                              | 40,115                            | 274,426           | 45,123                         |
| Henry G. Williamson, Jr.<br>Chief Operating Officer (3)                      | 2004 | 368,182             | 372,784    | 0                              | 139,909                           | 712,436           | 56,972                         |
|  | 2003 | 665,375             | 0          | 0                              | 154,833                           | 473,079           | 129,413                        |
|  | 2002 | 633,375             | 679,884    | 0                              | 110,316                           | 753,430           | 102,023                        |

- (1) The compensation shown as All Other Compensation for 2004 consisted of the following: (i) BB&T's matching contribution under the BB&T 401(k) Savings Plan in the amount of \$12,300 for each of the BB&T Named Executives; (ii) BB&T's contribution to the BB&T Non-Qualified Defined Contribution Plan in the amount of \$83,289 for Mr. Allison, \$21,948 for Mr. Chalk, \$21,108 for Mr. Greene, \$35,545 for Mr. King, \$21,947 for Mr. Reed and \$41,951 for Mr. Williamson; (iii) reimbursement for annual physical expenses in the amount of \$66 to Mr. Allison; (iv) cash benefit adjustment pursuant to election to opt out of BB&T group life insurance coverage in the amount of \$5,052 for Mr. Allison, \$1,709 for Mr. Chalk, \$2,298 for Mr. King, \$1,680 for Mr. Reed and \$1,797 for Mr. Williamson; and (v) home security system 2004 annual maintenance costs in the amount of \$924 for each of the BB&T Named Executives.
- (2) Mr. King was appointed Chief Operating Officer to succeed Mr. Williamson on June 30, 2004. Prior to that date, Mr. King served as President of BB&T.
- (3) Mr. Williamson retired as Chief Operating Officer of BB&T on June 30, 2004.
- (4) Payment, adjusted for taxes, equal to that portion of the annual premium due on Mr. Greene's whole life insurance policy for which BB&T is responsible under the terms of the SNC Senior Officers Insurance Program Agreement assumed by BB&T in 1995.





The following table provides information concerning options for BB&T Common Stock granted to the BB&T Named Executives in 2004.

### Option Grants in Last Fiscal Year (1)

| Name                     | Individual Grants                                   |  |                                |                 | Potential  |            |
|--------------------------|---|--|--------------------------------|-----------------|--|------------|
|                          | Number of Securities Underlying Options Granted (#) | % of Total Options Granted to Employees in Fiscal Year | Exercise or Base Price (\$/Sh) | Expiration Date | Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term |            |
| 5% (\$)                  |   |  |                                |                 | 10% (\$)   |            |
| John A. Allison IV       | 186,545   | 2.52   | 36.68                          | 2/24/2014       | 4,303,193  | 10,905,136 |
| Kelly S. King            | 87,727  | 1.19   | 36.68                          | 2/24/2014       | 2,023,674  | 5,128,386  |
| W. Kendall Chalk         | 62,045  | .84  | 36.68                          | 2/24/2014       | 1,431,245  | 3,627,056  |
| Scott E. Reed            | 62,045  | .84  | 36.68                          | 2/24/2014       | 1,431,245  | 3,627,056  |
| Robert E. Greene         | 47,727  | .65  | 36.68                          | 2/24/2014       | 1,100,960  | 2,790,048  |
| Henry G. Williamson, Jr. | 139,909   | 1.89   | 36.68                          | 2/24/2014       | 3,227,401  | 8,178,867  |

- (1) All options granted in 2004 (i) were granted as non-qualified stock options, (ii) have an exercise price equal to the market value on the date of grant, and (iii) generally become exercisable over the five-year period following the grant date in equal annual installments. Non-qualified options may be transferred by gift to certain immediate family members and related entities upon approval by the Compensation Committee or its designee. No SARs have been granted to the BB&T Named Executives.

The following table provides information concerning options for BB&T Common Stock exercised by each of the BB&T Named Executives in 2004 and the value of options held by each at December 31, 2004.

### Aggregated Option Exercises in Last Fiscal Year

#### and FY-End Option Values (1)

| Name | Shares Acquired on Exercise (#) | Value Realized (\$)(2) | Number of Securities Underlying Unexercised Options at FY-End (#) |               | Value of Unexercised In-the-Money Options at FY-End (\$)(3) |               |
|------|---------------------------------|------------------------|---|---------------|---|---------------|
|      |                                 |                        | Exercisable   | Unexercisable | Exercisable   | Unexercisable |

Edgar Filing: BB&T CORP - Form DEF 14A

|                              |        |           |         |         |            |           |
|------------------------------|--------|-----------|---------|---------|------------|-----------|
| John A. Allison IV           | 80,544 | 2,220,907 | 992,908 | 443,923 | 11,548,599 | 3,190,478 |
| Kelly S. King                | 35,734 | 938,951   | 332,361 | 186,268 | 3,815,593  | 1,301,374 |
| W. Kendall Chalk             | 16,882 | 449,400   | 218,427 | 128,848 | 3,073,394  | 903,447   |
| Scott E. Reed                | 26,824 | 834,822   | 226,694 | 128,848 | 3,327,390  | 903,447   |
| Robert E. Greene             | 0      | 0         | 188,955 | 102,611 | 2,277,661  | 714,640   |
| Henry G. Williamson, Jr. (4) | 20,404 | 474,553   | 871,715 | 0       | 9,348,585  | 0         |

- (1) No SARs have been granted to the BB&T Named Executives.
- (2) Value represents the difference between the option price and the market value of the Common Stock on the date of exercise, rounded to the nearest dollar.
- (3) Value represents the difference between the option price and the market value of the Common Stock on December 31, 2004, rounded to the nearest dollar.
- (4) Mr. Williamson retired as Chief Operating Officer on June 30, 2004. Under the terms of the 1995 Omnibus Stock Incentive Plan, all outstanding, unvested option shares awarded to Mr. Williamson during his employment with BB&T became fully vested and exercisable on the date of his retirement.

The following table provides information concerning Long Term Incentive Plan ( LTIP ) awards made during 2004 to the BB&T Named Executives.

**Long-Term Incentive Plan Awards in Last Fiscal Year(1)**

| Name                         | Number of Shares,<br>Units or Other<br>Rights (#) | Performances<br>or Other Period Until<br>Maturation<br>or Payout | Estimated Future Payouts under Non-<br>Stock Price-Based Plans |                     |                      |
|------------------------------|---|--|--|---------------------|----------------------|
|                              |   |  | Threshold<br>(\$ or #)   | Target (\$<br>or #) | Maximum<br>(\$ or #) |
| John A. Allison IV           | 29,771  | 2004-2006  | 279,108  | 1,116,432           | 2,232,864            |
| Kelly S. King                | 11,440  | 2004-2006  | 107,250  | 429,000             | 858,000              |
| W. Kendall Chalk             | 8,063   | 2004-2006  | 75,592   | 302,367             | 604,734              |
| Scott E. Reed                | 8,063   | 2004-2006  | 75,592   | 302,367             | 604,734              |
| Robert E. Greene             | 6,202   | 2004-2006  | 58,148   | 232,590             | 465,180              |
| Henry G. Williamson, Jr. (2) | 18,235  | 2004-2006  | 170,954  | 683,815             | 1,367,630            |

- (1) For a description of the LTIP Performance Unit Plan, see Compensation Committee Report on Executive Compensation Components of Executive Compensation Three-Year Long-Term Incentive Plan below. The performance criteria applied in determining amounts payable under the plan is return on equity with a target of 20.26% and a maximum of 23.10%, and the target payment is 120% of average base salary for Mr. Allison, 98% of average base salary for Mr. Williamson, 83% of average base salary for Mr. King, 75% of average base salary for each of Messrs. Chalk and Reed, and 60% of average base salary for Mr. Greene. The award is payable in cash or shares of BB&T Common Stock at the discretion of the Compensation Committee.
- (2) Pursuant to the terms of the LTIP, the number of performance units awarded to Mr. Williamson in 2004 that will be earned at maturity, if any, will be reduced, on a prorated basis, to the date of his retirement on June 30, 2004.

The following table provides information concerning securities to be issued upon the exercise of outstanding options, the weighted average price of such options and the securities remaining available for future issuance, as of December 31, 2004.

**Equity Compensation Plan Information**

| Plan Category  | (a)(1)<br>Number of securities<br>to be issued upon<br>exercise of<br>outstanding options,<br>warrants and rights | (b)(1)<br>Weighted-average<br>exercise price<br>of<br>outstanding<br>options,<br>warrants<br>and rights | (c)(1)(2)<br>Number of<br>securities<br>remaining<br>available for<br>future issuance<br>under equity<br>compensation plans<br>(excluding securities<br>reflected in (a)) |
|--|---|---|---|
|  |   |   |   |
| Equity compensation plans approved by security holders | 29,649,597  | \$ 32.24  | 32,317,582  |

Edgar Filing: BB&T CORP - Form DEF 14A

|  |                             |                             |                             |
|--|-----------------------------|-----------------------------|-----------------------------|
| Equity compensation plans not approved by security holders | - 0 -                       | - 0 -                       | - 0 -                       |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total  | 29,649,597                  | \$ 32.24                    | 32,317,582                  |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |

- (1) The table does not include 560,306 option shares outstanding at December 31, 2004, at a weighted average exercise price of \$25.49, which are administered under First Virginia option plans that were assumed by BB&T in its acquisition by merger of First Virginia. No future options will be issued by BB&T under the First Virginia option plans.

- (2) Since 1995, BB&T's principal equity-based plan has been the 1995 Omnibus Stock Incentive Plan (the 1995 Stock Plan). No awards will be granted under the 1995 Stock Plan after April 9, 2005. All future equity based compensation awards will be issued under the terms of the BB&T Corporation 2004 Stock Incentive Plan (the 2004 Stock Plan), which was approved by the Corporation's shareholders at the 2004 Annual Meeting of Shareholders.

#### **Retirement Plans**

*Tax-Qualified Defined Benefit Plan.* The Corporation maintains the BB&T Corporation Pension Plan (the Retirement Plan), a tax-qualified defined benefit retirement plan for eligible employees. Substantially all employees of the Corporation and its subsidiaries, who have attained age 21, are eligible to participate in the Retirement Plan after completing one year of service. Contributions to the Retirement Plan are computed on an actuarial basis. A participant's normal annual retirement benefit under the Retirement Plan at age 65 is an amount equal to 1.0% of the participant's final average compensation, plus .5% of the participant's final average compensation in excess of Social Security covered compensation multiplied by the number of years of creditable service completed with the Corporation and certain of its subsidiaries up to a maximum of thirty-five years. A participant's final average compensation is his or her average annual compensation, including salary, wages, overtime, bonuses and incentive compensation, for the five consecutive years in the last ten years that produce the highest average. For the BB&T Named Executives, such annual compensation generally approximates amounts set forth under the Salary, Bonus and LTIP Payouts columns of the Summary Compensation Table above, subject to certain limitations imposed by the Internal Revenue Code of 1986, as amended (the Code).

The table below shows the estimated annual benefits payable under the Retirement Plan upon retirement at age 65 to persons in specified average compensation and years of service classifications. The amounts shown are based on a life annuity and are not subject to offsets based upon Social Security amounts or other amounts.

**BB&T Corporation**

**Estimated Annual Retirement Benefits**

**Based on Years of Credited Service**

| <u>Remuneration(1), (2)</u> | <u>10 Years</u> | <u>15 Years</u> | <u>20 Years</u> | <u>25 Years</u> | <u>30 Years</u> | <u>35 Years</u> |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 300,000                  | \$ 42,686       | \$ 64,029       | \$ 85,372       | \$ 106,715      | \$ 128,057      | \$ 149,400      |
| \$ 350,000                  | 50,186          | 75,279          | 100,372         | 125,465         | 150,557         | 175,650         |
| \$ 400,000                  | 57,686          | 86,529          | 115,372         | 144,215         | 173,057         | 201,900         |
| \$ 450,000                  | 65,186          | 97,779          | 130,372         | 162,965         | 195,557         | 228,150         |
| \$ 500,000                  | 72,686          | 109,029         | 145,372         | 181,715         | 218,057         | 254,400         |
| \$ 550,000                  | 80,186          | 120,279         | 160,372         | 200,465         | 240,557         | 280,650         |
| \$ 600,000                  | 87,686          | 131,529         | 175,372         | 219,215         | 263,057         | 306,900         |
| \$ 650,000                  | 95,186          | 142,779         | 190,372         | 237,965         | 285,557         | 333,150         |
| \$ 700,000                  | 102,686         | 154,029         | 205,372         | 256,715         | 308,057         | 359,400         |
| \$ 750,000                  | 110,186         | 165,279         | 220,372         | 275,465         | 330,557         | 385,650         |
| \$ 800,000                  | 117,686         | 176,529         | 235,372         | 294,215         | 353,057         | 411,900         |
| \$ 850,000                  | 125,186         | 187,779         | 250,372         | 312,965         | 375,557         | 438,150         |
| \$ 900,000                  | 132,686         | 199,029         | 265,372         | 331,715         | 398,057         | 464,400         |
| \$1,000,000                 | 147,686         | 221,529         | 295,372         | 369,215         | 443,057         | 516,900         |
| \$1,100,000                 | 162,686         | 244,029         | 325,372         | 406,715         | 488,057         | 569,400         |
| \$1,200,000                 | 177,686         | 266,529         | 355,372         | 444,215         | 533,057         | 621,900         |
| \$1,300,000                 | 192,686         | 289,029         | 385,372         | 481,715         | 578,057         | 674,400         |
| \$1,400,000                 | 207,686         | 311,529         | 415,372         | 519,215         | 623,057         | 726,900         |
| \$1,500,000                 | 222,686         | 334,029         | 445,372         | 556,715         | 668,057         | 779,400         |
| \$1,600,000                 | 237,686         | 356,529         | 475,372         | 594,215         | 713,057         | 831,900         |
| \$1,700,000                 | 252,686         | 379,029         | 505,372         | 631,715         | 758,057         | 884,400         |
| \$1,800,000                 | 267,686         | 401,529         | 535,372         | 669,215         | 803,057         | 936,900         |
| \$1,900,000                 | 282,686         | 424,029         | 565,372         | 706,715         | 848,057         | 989,400         |
| \$2,000,000                 | 297,686         | 446,529         | 595,372         | 744,215         | 893,057         | 1,041,900       |
| \$2,100,000                 | 312,686         | 469,029         | 625,372         | 781,715         | 938,057         | 1,094,400       |
| \$2,200,000                 | 327,686         | 491,529         | 655,372         | 819,215         | 983,057         | 1,146,900       |
| \$2,300,000                 | 342,686         | 514,029         | 685,372         | 856,715         | 1,028,057       | 1,199,400       |
| \$2,400,000                 | 357,686         | 536,529         | 715,372         | 894,215         | 1,073,057       | 1,251,900       |
| \$2,500,000                 | 372,686         | 559,029         | 745,372         | 931,715         | 1,118,057       | 1,304,400       |
| \$2,600,000                 | 387,686         | 581,529         | 775,372         | 969,215         | 1,163,057       | 1,356,900       |
| \$2,700,000                 | 402,686         | 604,029         | 805,372         | 1,006,715       | 1,208,057       | 1,409,400       |
| \$2,800,000                 | 417,686         | 626,529         | 835,372         | 1,044,215       | 1,253,057       | 1,461,900       |
| \$2,900,000                 | 432,686         | 649,029         | 865,372         | 1,081,715       | 1,298,057       | 1,514,400       |
| \$3,000,000                 | 447,686         | 671,529         | 895,372         | 1,119,215       | 1,343,057       | 1,566,900       |
| \$3,200,000                 | 477,686         | 716,529         | 955,372         | 1,194,215       | 1,433,057       | 1,671,900       |
| \$3,400,000                 | 507,686         | 761,529         | 1,015,372       | 1,269,215       | 1,523,057       | 1,776,900       |
| \$3,600,000                 | 537,686         | 806,529         | 1,075,372       | 1,344,215       | 1,613,057       | 1,881,900       |
| \$3,800,000                 | 567,686         | 851,529         | 1,135,372       | 1,419,215       | 1,703,057       | 1,986,900       |
| \$4,000,000                 | 597,686         | 896,529         | 1,195,372       | 1,494,215       | 1,793,057       | 2,091,900       |

- (1) Remuneration means average compensation for five consecutive years of highest compensation within final ten years of employment.  
(2) The amounts shown exceed statutory benefit and compensation limitations under the Retirement Plan in some instances. To the extent an amount cannot be earned under the Retirement Plan due to such limitations, it will be earned under the Corporation's Non-Qualified

Edgar Filing: BB&T CORP - Form DEF 14A

Defined Benefit Plan or the Corporation's Target Pension Plan, both of which are discussed below.



## Edgar Filing: BB&T CORP - Form DEF 14A

As of December 31, 2004, for purposes of computing benefits under the Retirement Plan, the age and years of credited service for the BB&T Named Executives are as follows:

| Name                     | Age | Years of Service |
|--------------------------|-----|------------------|
| John A. Allison IV       | 56  | 34               |
| Kelly S. King            | 56  | 33               |
| W. Kendall Chalk         | 59  | 30               |
| Scott E. Reed            | 56  | 33               |
| Robert E. Greene         | 54  | 32               |
| Henry G. Williamson, Jr. | 57  | 33               |

*Non-Qualified Defined Benefit Plan.* The Corporation also maintains the BB&T Corporation Non-Qualified Defined Benefit Plan. This plan is designed to provide special supplemental retirement benefits to supplement the benefits payable to participants under the tax-qualified Retirement Plan. This plan is an unfunded, excess benefit plan maintained for the purpose of providing deferred compensation to certain highly compensated employees, including the BB&T Named Executives (other than Mr. Greene). The primary purpose of this plan is to supplement the benefits payable to participants under the Retirement Plan to the extent that such benefits are curtailed by application of certain limitations contained in the Code. Benefits payable under the plan are included in the table above.

*Supplemental Executive Retirement Plan.* The Corporation also maintains the BB&T Corporation Target Pension Plan, a supplemental executive retirement plan (the SERP), which became effective January 1, 1989. The SERP covers certain management employees of the Corporation and participating subsidiaries as designated by its administrative committee. Under the SERP, participants who retire either at or after age 55 with fifteen years of service under the Retirement Plan, or at or after age 65, receive monthly retirement benefits equal to the greater of: (i) the difference between 55% of final average monthly earnings less the participant's projected monthly benefits under the Retirement Plan and 50% of the participant's projected monthly Social Security benefit as defined in the SERP; or (ii) the difference between the monthly benefit the participant would have received under the Retirement Plan, but for certain limitations imposed by the Code and the participant's actual monthly benefit under the Retirement Plan. Benefits are payable in the form of a joint and 75% survivor annuity for married participants and a ten-year certain and life annuity for unmarried participants, and are reduced in the event payment commences prior to age 65. Mr. Greene is the only BB&T Named Executive who participates in the SERP. His estimated annual benefit payable upon retirement at normal retirement age, assuming no salary increase, is \$390,854.

*Other Employee Benefit Plans.* The BB&T Corporation 401(k) Savings Plan is maintained to provide a means for substantially all employees of the Corporation and its subsidiaries to defer up to 25% of their cash compensation on a pre-tax basis. The plan provides for the Corporation to match the employee's contribution with up to 6% of the employee's compensation. The Corporation also maintains the BB&T Corporation Non-Qualified Defined Contribution Plan. This plan is an unfunded, excess benefit plan that provides deferred compensation to certain highly compensated employees, including the BB&T Named Executives. The purpose of this plan is to supplement the benefits under the tax-qualified BB&T 401(k) Savings Plan to the extent that such benefits are curtailed by the application of certain limits imposed by the Code. This plan also is intended to provide participants in the Corporation's incentive compensation plans with an effective means of electing to defer on a pre-tax basis a portion of the payments that they are entitled to receive under such plans. The Corporation's contributions to each of the BB&T Named Executives during 2004 under the Non-Qualified Defined Contribution Plan and the 401(k) Savings Plan are included under the All Other Compensation column in the Summary Compensation Table above.

### Employment Agreements

The Corporation and Branch Bank have entered into Employment Agreements with ten senior executive management officers, including the BB&T Named Executives (collectively, Executive Management; each, an Executive Officer).



The Employment Agreements provide for five-year terms that are extended automatically each month (absent contrary notice by either party). As a result, five years remain on the term of each Employment Agreement at any time unless either party elects not to extend the term. However, the term of any Employment Agreement may not be extended beyond the month in which the Executive Officer reaches age 65. The Employment Agreements provide that the Executive Officers are guaranteed minimum annual salaries equal to their current annual base salaries and continued participation in specified incentive compensation plans. During the term of the Employment Agreements, each Executive Officer will be entitled to receive, on the same basis as other similarly situated officers of the Corporation and Branch Bank, employee pension and welfare benefits and group employee benefits such as sick leave, vacation, group disability and health, life and accident insurance and similar non-cash compensation that the Corporation or Branch Bank may from time to time extend to its officers.

In the event the Executive Officer's employment is terminated by the Corporation or Branch Bank other than for Just Cause (which is generally defined as dishonesty, commission of a felony or willful disobedience), the Executive Officer will be entitled to receive cash compensation (including salary, bonuses and deferred compensation) on a monthly basis at the highest rate in effect over the past five years (Termination Compensation), as well as employee pension and welfare benefits, including health insurance and outplacement services, for the full five-year term (or until age 65 if that is a shorter period), subject to compliance with the noncompetition provisions of the Employment Agreement. In addition, if an Executive Officer is terminated by the Corporation or Branch Bank other than for Just Cause, the Corporation and Branch Bank will use their best efforts to accelerate vesting of any unvested benefits to which the Executive Officer may be entitled under any stock-based or other benefit plan or arrangement to the extent permitted by the terms of such plan(s).

The Executive Officers have the right to terminate their employment voluntarily at any time for Good Reason, which is generally defined in the Employment Agreements to include a reduction in the Executive Officer's status, responsibilities, duties, salary or benefits. If the Executive Officer voluntarily terminates his employment for Good Reason, he will be entitled to receive Termination Compensation for the full five-year term (or until age 65 if that is a shorter period), employee pension and welfare benefits, including health insurance, outplacement services, and accelerated vesting of unvested benefits under employee stock and benefit plans to the extent permitted by such plans, subject to compliance with the noncompetition provisions of the Employment Agreements.

The Employment Agreements also provide that if the Executive Officer is terminated for any reason (other than for Just Cause or on account of the death of the Executive Officer) within twelve months after a Change of Control (as defined below) of the Corporation or Branch Bank, the Executive Officer will be entitled to receive Termination Compensation and the other benefits described above. To the extent that payments under the Employment Agreements, subsequent to a Change of Control, cause an Executive Officer to have excise taxes imposed pursuant to Section 280G of the Code, Branch Bank will compensate the Executive Officer for such excise taxes. A Change of Control is deemed to have occurred under the Employment Agreements if: (i) any person or group acquires 20% or more of the voting securities of the Corporation or Branch Bank; (ii) during any two-year period persons who were directors of the Corporation at the beginning of the two-year period cease to constitute at least two-thirds of the Corporation's Board; (iii) the shareholders of the Corporation approve any merger, share exchange or consolidation of the Corporation with another company that would result in less than 60% of the voting securities outstanding after the merger, share exchange or consolidation being held by persons who were shareholders of the Corporation immediately prior to the merger, share exchange or consolidation; (iv) the shareholders of the Corporation approve a plan of complete liquidation or an agreement for the sale or disposition of substantially all of the Corporation's assets; or (v) any other event occurs that the Corporation's Board of Directors determines should constitute a Change of Control. In addition, the Corporation's Board of Directors can determine, in its discretion, that a transaction constitutes a Merger of Equals, even though one or more of the above definitions of a Change of Control is met, and, upon such determination, the Executive Officers will not be entitled to terminate their Employment Agreement voluntarily and receive continued salary and benefits unless Good Reason exists.

The Corporation and Branch Bank also have the right under the Employment Agreements to terminate the Executive Officer's employment at any time for Just Cause. If the Corporation or Branch Bank terminates an Executive Officer's employment for Just Cause, the Executive Officer will have no right to receive any compensation or other benefits under the Employment Agreement for any period after such termination.

The Employment Agreements also provide that under certain circumstances upon leaving the employment of the Corporation and Branch Bank, the Executive Officer may not engage directly or indirectly in the banking, financial services or any other business in which the Corporation, Branch Bank and their subsidiaries are engaged in the States of North Carolina and South Carolina and in any counties contiguous to any counties located in such states, nor may the Executive Officer solicit or assist in the solicitation of any depositors or customers of the Corporation or its affiliates or induce any employees to terminate their employment with the Corporation or its affiliates. This noncompetition provision generally will be effective if the Executive Officer is terminated by the Corporation or Branch Bank other than for Just Cause, until the earlier of the first anniversary of the Executive Officer's termination or the date as of which the Executive Officer elects to forego receiving the Termination Compensation. This noncompetition provision is not effective if the Executive Officer voluntarily terminates employment after a Change in Control.

The Employment Agreement of Mr. Allison also provides that he will be Chairman of the Board and Chief Executive Officer of the Corporation and Branch Bank for the term of his Employment Agreement.

## **COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

The Compensation Committee is composed entirely of nonmanagement directors, each of whom has been determined in the Board's business judgment to be independent based on the categorical standards for independence adopted by the Board of Directors, which include the applicable NYSE standards. The Committee is responsible for oversight and review of BB&T's compensation and benefit plans, including administering BB&T's executive incentive plan, fixing the compensation for the Chief Executive Officer and reviewing and approving the compensation for the other nine members of Executive Management.

### **Compensation Philosophy**

The Compensation Committee reviews on an annual basis the appropriateness and effectiveness of BB&T's compensation philosophy and guiding principles, which consist of the following:

1. Compensation and reward systems should be a management tool to achieve business results;
2. Competitive total compensation opportunities should be provided based primarily on external competitive performance factors using a peer group of financial institutions comparable to BB&T; and
3. Total compensation should be aligned with relative internal performance targets and contribution to the overall achievement of BB&T's objectives.

## Edgar Filing: BB&T CORP - Form DEF 14A

Compensation for Executive Management is structured to emphasize variable pay based on performance, with base salary set comparable to market median and cash incentive opportunities generally set comparable to market median, so that total cash compensation opportunities will approximate comparable market median. To achieve this goal, total compensation opportunities are compared to a peer group of publicly-traded bank or financial services holding companies that the Compensation Committee has determined is an appropriate comparison group for this purpose ( Peer Group ). This same group of companies serves as the Peer Group in the Performance Graph set forth in this Proxy Statement.

BB&T has established incentive compensation programs for Executive Management that consist of an annual cash incentive, stock-based awards, three-year performance-based incentives, and standard employee benefits. These programs emphasize variable compensation for Executive Management that is tied to the

financial results of BB&T. The Compensation Committee approves, on an annual basis, target award opportunities and performance criteria to be utilized in both the annual incentive plan and the long-term incentive plan.

The Committee routinely engages and engaged in 2004 an outside compensation consultant to make recommendations relating to overall compensation philosophy, the peer financial group to be used for external comparison purposes, comparable base salary levels, short-term and long-term incentive compensation plans, appropriate performance parameters for such plans, and related compensation matters.

### **Components of Executive Compensation**

*Annual Base Salary.* For 2004, the Compensation Committee, after considering a number of factors, including the recommendation of the Chief Executive Officer, did not adjust the base salary of the Chief Executive Officer or any member of Executive Management (as set on April 1, 2003, other than adjustments for certain members of Executive Management added in 2003 and 2004) because the Corporation did not reach all of its 2003 Profit Plan earnings objectives.

*Annual Executive Incentive Plan.* In 1995, BB&T established the BB&T Corporation Short-Term Incentive Plan ( Bonus Plan ), covering Executive Management and other senior officers selected by the Compensation Committee, which plan was approved by the shareholders in 1996 and again in 2001. The Compensation Committee determined that it was appropriate to establish performance targets within the parameters of the Bonus Plan for 2004. The Bonus Plan provides cash awards to participants based on the achievement of performance goals established by the Compensation Committee. Awards are based on corporate performance, business unit/function performance, individual performance or any combination of these criteria. Corporate performance is determined primarily based on the attainment of earnings per share goals and return on asset goals. Business unit/function performance is determined primarily based on the attainment of financial or non-financial goals, growth and market share. Individual performance is determined primarily based on the attainment of selected business criteria such as process improvement, sales, loan growth, deposit growth and expense management. The size of the cash awards is determined by establishing target incentive awards expressed as a percentage of base salary, up to a maximum amount established by the Compensation Committee.

For 2004, the Compensation Committee provided that the target incentive award would be established for the Chief Executive Officer, Chief Operating Officer and President at 100% of base salary, and for other members of Executive Management depending on position at 90% or 75% of base salary. The performance criteria applicable to the Chief Executive Officer and the rest of Executive Management for purposes of the Bonus Plan are determined based solely on corporate performance. For the Chief Executive Officer and the rest of Executive Management, the Compensation Committee established corporate performance goals for 2004 based on cash basis earnings per share (weighted at 80%) and return on assets (weighted at 20%), with specific goals established by budgeted earnings, industry standards and other similar factors. In 2004, BB&T achieved approximately 77% of the cash basis earnings per share target (weighted at 80%), and achieved over 200% of the return on assets target (weighted at 20%). As a result, members of Executive Management were eligible for bonus payments for 2004. In accordance with the Compensation Committee's authority under the Bonus Plan, Bonus Plan payments were paid to the Chief Executive Officer and other members of Executive Management for 2004 based on the respective percentages outlined above.

*Stock Incentive Plans.* Since 1995, the Corporation's principal equity compensation plan has been the 1995 Omnibus Stock Incentive Plan (the 1995 Stock Plan ). The Compensation Committee selects individuals who will participate in the 1995 Stock Plan and, from time to time, may grant stock options, stock appreciation rights ( SARs ), restricted stock awards, performance units and performance shares to selected participants. Stock options granted under the 1995 Stock Plan may be incentive stock options or non-qualified stock options. In October 2002, the Committee determined that future grants would consist entirely of non-qualified stock options. In 2004, awards were granted under the 1995 Stock Plan. No awards may be granted under the 1995 Stock Plan after April 9, 2005.

In 2004, the Board of Directors unanimously approved the adoption of a new equity incentive plan, the 2004 Stock Incentive Plan (the 2004 Stock Plan), which was approved by shareholders at the 2004 Annual Meeting of Shareholders. Benefits may be granted under the 2004 Stock Plan to selected participants as determined by the Board of Directors or the Compensation Committee. Awards that may be granted under the 2004 Stock Plan include incentive stock options and non-qualified stock options; SARs in the form of related SARs and freestanding SARs; restricted awards in the form of restricted stock awards and restricted stock units; performance awards in the form of performance shares and performance units; and phantom stock awards. No awards were granted under the 2004 Stock Plan in 2004.

In its most recent executive compensation review, the Compensation Committee determined that option grants will be based on competitive market factors and that the Black-Scholes methodology for computing the value of options will be utilized. The Compensation Committee also determined that the number of shares subject to a grant generally will be equal to a percentage of the employee's salary as projected at the time of the grant. Following this methodology, in February 2004, the Compensation Committee approved the award of options for 6,445,502 shares to 5,523 employees of the Corporation. In 2004, the awards to the BB&T Named Executives represented approximately 10% of the total awards made and were as follows; Mr. Allison options for 186,545 shares; Mr. King options for 87,727 shares; Mr. Chalk options for 62,045 shares; Mr. Reed options for 62,045 shares; Mr. Greene options for 47,727 shares; and Mr. Williamson options for 139,909 shares. No SARs, performance shares or restricted stock awards were granted in 2004. The grant of performance units under the 1995 Stock Plan and the 2004 Stock Plan is discussed below under Three-Year Long-Term Incentive Plan.

*Three-Year Long-Term Incentive Plan.* In 1996, BB&T established a long-term performance unit incentive plan (LTIP), which operates as a component of the 1995 Stock Plan and the 2004 Stock Plan. Performance units are performance-based awards payable, in the Compensation Committee's discretion, in shares of BB&T Common Stock, cash or a combination of both. The Compensation Committee establishes for each performance unit (i) a performance target and (ii) an applicable percentage (which cannot be less than zero, but which can exceed 100% of the value of the performance unit to be paid to the participant based upon the degree to which the performance target is met). A performance target is a profitability target that serves as the basis for valuing a performance unit. A performance target is based on certain performance criteria determined by the Compensation Committee and is earned based on the performance unit value during each valuation period (generally, the calendar year following the date of the award). The Compensation Committee establishes the number of valuation periods applicable to a performance unit, which number may not be less than three. The value of a performance unit equals the applicable percentage, as set by the Compensation Committee, times the fair market value of Common Stock on the date of grant, plus such other nominal value as may be set by the Compensation Committee. In 2002, the 2002-2004 performance unit LTIP was established by the Compensation Committee and provided that the performance criteria would be cash basis return on equity for the three-year period, with a target goal of 22.54%. For this three-year period, the Corporation attained a cash basis return on equity of 23.59%, which entitled the participants to receive an award of 158.33% of their target payout. In 2004, the LTIP awards to the BB&T Named Executives were as follows: Mr. Allison \$1,250,003; Mr. King \$555,461; Mr. Chalk \$341,597; Mr. Reed \$341,597; Mr. Greene \$333,285; and Mr. Williamson \$712,436. In 2004, the Compensation Committee established the 2004-2006 performance unit LTIP and provided that the performance criteria would be cash basis return on equity. The Compensation Committee approved a target payout for Mr. Allison of 120% of average base salary, for Mr. Williamson of 98% of average base salary, for Mr. King of 83% of average base salary, for Messrs. Chalk and Reed of 75% of average base salary, and for Mr. Greene of 60% of average base salary. The Compensation Committee established a cash basis return on equity target goal, based on the average of the Peer Group, of 20.26% for the three-year period of the LTIP, with a maximum goal of 23.10%.

*Perquisites Practices.* Perquisites for members of Executive Management are limited to (i) the installation and maintenance (approximately \$924 per year) of a residential security system, at the Corporation's expense, for the protection of the members of Executive Management, and (ii) cash benefit adjustments pursuant to an election to opt out of BB&T group life insurance coverage for several members of Executive Management in

2004 as follows: Mr. Allison \$5,052; Mr. Williamson \$1,797; Mr. King \$2,298; Mr. Chalk \$1,709; and Mr. Reed \$1,680.

*Other Employee Benefit Plans.* During 2004, the Corporation maintained various employee benefit plans that constitute a portion of the total compensation package available to Executive Management and all eligible employees of BB&T. These plans consisted of a 401(k) Savings Plan (which permits employees to contribute up to 25% of their compensation with the Corporation matching up to 6% of their contribution); a retirement plan covering substantially all employees of the Corporation, including Executive Management; a health care plan that provides medical and dental coverage for all eligible employees; and certain non-qualified deferred compensation plans. See *Retirement Plans* above. The Compensation Committee concluded that these plans are consistent with plans provided by peer bank holding companies and industry standards and that no material modification of such plans was necessary in 2004. In addition, the Compensation Committee determines the base salary and incentive compensation for the Chief Executive Officer and other members of Executive Management within the context of these other employee benefit plans that are part of the total compensation packages.

### **Compliance with Section 162(m) of the Internal Revenue Code**

BB&T's compensation philosophy and policies are intended to comply with Section 162(m) of the Code and related regulations, which establish certain requirements in order for performance-based compensation in excess of \$1,000,000 that is paid to certain executive officers to be deductible by the Corporation. In establishing and administering BB&T's compensation programs, the Compensation Committee generally intends that performance-based compensation will be deductible under Section 162(m), although the Corporation retains the flexibility to pay compensation that is not eligible for such treatment if it is in the best interest of the Corporation to do so.

### **Chief Executive Officer's 2004 Compensation**

The Chief Executive Officer's compensation is based upon the same factors as described above for other members of Executive Management. In establishing the overall compensation package for Mr. Allison for 2004, which included base salary, annual incentive opportunities, long-term incentive opportunities and stock awards, the Committee considered BB&T's overall performance, record of long-term increase in shareholder value, and the incumbent Chief Executive Officer's success in meeting strategic and short-term objectives. These factors were considered in relation to BB&T's financial results for 2003 and in comparison with the performance of the Peer Group. Mr. Allison's base salary for 2004 (on an annualized basis) was set at \$900,000, the same base salary he received in 2003. This base salary was consistent with the Corporation's compensation philosophy of having base salary approximate the median for chief executive officers in the Peer Group, and having a total compensation package that is incentive driven, based on external performance and linked to the long-term financial interest of the shareholders. As with the other BB&T Named Executives, Mr. Allison received an award under the Bonus Plan for 2004 based upon the Corporation's performance as previously discussed under *Annual Executive Incentive Plan* above. Mr. Allison's awards under the LTIP and the 1995 Stock Plan, as shown on the Summary Compensation Table, were determined on the same basis as those of the other members of Executive Management previously discussed above.

### **Conclusion**

The Compensation Committee believes that the components of its total compensation program are consistent with market standards and with comparable programs of the Peer Group and other peer bank holding companies. The executive compensation programs are based on financial performance of the Corporation compared to both market medians and peer group averages and appropriately link executive performance to the annual financial and operational results of the Corporation and the long-term financial interests of the shareholders. The Committee believes that the foregoing compensation philosophy has served and will continue





to serve as a basis for administering the total compensation program of the Corporation, both for Executive Management and all employees, for the foreseeable future.

Submitted by the Compensation Committee of the Board of Directors, whose current members are:

Alfred E. Cleveland, Chair  
Nelle R. Chilton  
Ronald E. Deal

John P. Howe III, M.D.  
Albert O. McCauley  
Albert F. Zettlemoyer

#### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The directors who constituted the Compensation Committee during some or all of 2004 were Alfred E. Cleveland, Chair, Jennifer S. Banner, Nelle R. Chilton, Ronald E. Deal, Albert O. McCauley, Richard L. Player, Jr. and Albert F. Zettlemoyer.

Nelle R. Chilton, a director of the Corporation, is an officer and director of TerraCare, Inc., which provides commercial landscaping services. TerraCare, Inc. has entered into service contracts with Branch Bank pursuant to which the company could receive fees up to the amount of \$594,655. Under such service contracts, Branch Bank paid TerraCare \$131,109 for landscaping services at certain bank offices during 2004. Management believes that the terms of these transactions were as favorable as could have been obtained from a non-affiliated entity and Branch Bank will continue to utilize TerraCare's services in 2005.

Alfred E. Cleveland is a member of the law firm of McCoy, Weaver, Wiggins & Cleveland, P.L.L.C. The firm provided legal services to the Corporation and its subsidiaries during 2004 and was paid less than \$30,000 for such services. Management intends to use the firm in 2005.

A daughter of Albert F. Zettlemoyer is employed by BB&T Insurance Services, Inc., a Branch Bank subsidiary, and, prior to the First Virginia merger, was employed by a First Virginia subsidiary. During 2004, she received compensation in the amount of \$108,777 from BB&T Insurance Services, Inc.

---

**PERFORMANCE GRAPH**

Set forth below is a graph comparing the total returns (assuming reinvestment of dividends) of BB&T Common Stock, the S&P 500 Index, and an Industry Peer Group Index. The graph assumes \$100 invested on December 31, 1999 in BB&T Common Stock and in each of the indices. In 2004, the financial holding companies in the Industry Peer Group Index (the Peer Group ) were AmSouth Bancorporation, Comerica Corporation, Fifth-Third BanCorp, Huntington Bancshares, Inc., KeyCorp, M&T Bank Corporation, Marshall & Ilsley Corporation, National City Corporation, PNC Financial Services Group, Inc., Popular, Incorporated, Regions Financial Corporation, SunTrust Banks, Inc., and UnionBanCal Corporation. The Peer Group consists of bank holding companies with assets between approximately \$30.5 billion and \$125.4 billion. The Compensation Committee utilized the Peer Group for comparison to the Corporation to determine appropriate levels of compensation for the BB&T Named Executives in 2004. See Compensation Committee Report on Executive Compensation Compensation Philosophy above.

\*\$100 invested on 12/31/99 in stock or index, including reinvestment of dividends.

|                  | Cumulative Total Return For Fiscal Year Ending |           |           |           |           |           |
|------------------|--|-----------|-----------|-----------|-----------|-----------|
|                  | 12/99  | 12/00     | 12/01     | 12/02     | 12/03     | 12/04     |
| BB&T CORPORATION | \$ 100.00                                      | \$ 140.64 | \$ 139.96 | \$ 147.94 | \$ 159.99 | \$ 180.56 |
| S&P 500 INDEX    | \$ 100.00                                      | \$ 90.90  | \$ 80.09  | \$ 62.39  | \$ 80.29  | \$ 89.02  |
| PEER GROUP       | \$ 100.00                                      | \$ 115.59 | \$ 119.64 | \$ 115.90 | \$ 143.89 | \$ 154.78 |

---

**COMPENSATION OF DIRECTORS****General**

In 2004, each nonmanagement director of the Corporation received an annual retainer of \$39,650 and meeting fees in the amount of \$1,500 for each Board meeting and each assigned committee meeting attended by the director in person or by teleconference. For board service in 2005, each non-employee director will receive a \$50,000 annual retainer, \$30,000 in nonqualified BB&T Common Stock options granted under the terms of the 2004 Stock Plan (see Director Option Program below), and \$1,500 per board and assigned committee meeting attended by the director. Beginning 2005, a chair's fee of \$5,000 and \$2,500, respectively, will be paid to the Chair of the Audit Committee and the Chair of the Compensation Committee. A director who is an employee of the Corporation or its subsidiaries is not eligible to receive any retainer or fees for service on the Board of Directors.

During 2004, and in addition to service on the Corporation's Board, four directors served as members of local advisory boards of Branch Bank and received compensation as follows: Alfred E. Cleveland and Albert O. McCauley served on the Branch Bank Local Advisory Board, Fayetteville, North Carolina, and received, respectively, \$625 and \$250; Nelle R. Chilton served on the Branch Bank Local Advisory Board, Charleston, West Virginia, and received \$4,000; and Nido R. Qubein served on the Branch Bank Local Advisory Board, High Point, North Carolina, and received \$750.

**Non-Employee Directors' Deferred Compensation and Stock Option Plan**

The Corporation maintains the Non-Employee Directors' Deferred Compensation and Stock Option Plan, which was originally adopted in 1997 (the Directors Plan). In 2004, the Directors Plan consisted of two subplans, the Deferred Compensation Subplan and the Stock Option Subplan, which permitted participating directors to defer payment of all or a portion of their annual directors' compensation by investing such compensation in a deferred savings account and/or in nonqualified options to acquire BB&T Common Stock. Based on shareholder approval of the 2004 Stock Plan and the recommendation of the Compensation Committee, the Board of Directors amended the Directors Plan in February 2005 to terminate future investments under the Stock Option Subplan effective as of January 1, 2005. Under the Deferred Compensation Subplan, non-employee directors may elect to defer 0%, 50% or 100% of retainer fees, meeting fees or both into a deferred savings account. Deferrals are credited with earnings based on the performance of certain investment funds selected by the participant. Deferrals are fully vested at all times and are payable in cash (in lump sum or in installments at the election of the director) upon termination of the director's Board service (except for hardship withdrawals in limited circumstances). During 2004, two non-employee directors of the Corporation participated in the Deferred Compensation Subplan.

Under the Stock Option Subplan, non-employee directors were permitted to make an election to defer prior to the start of the year in which fees were to be earned, 0%, 50% or 100% of their retainer fees, meeting fees, or both and apply that percentage toward the purchase of options to acquire BB&T Common Stock. Options were purchased on July 1 of each year with respect to deferred retainer fees for the calendar year and deferred meeting fees earned in the first six months of the year. Options were purchased on December 31 of each year for deferred meeting fees earned in the second half of the year. The option exercise price was equal to 75% of the average market value of BB&T Common Stock on the date of purchase. Average market value was defined as the average of the closing price of BB&T Common Stock as reported by the NYSE for the period of thirty consecutive trading days prior to the date of purchase. Options purchased prior to January 1, 2005, may be exercised during the period beginning on a date six months after the date of purchase and ending on the date ten years from the date of purchase. In addition, all outstanding options acquired under the Stock Option Subplan become fully exercisable in the event of a change of control of the Corporation. Options purchased under the Stock Option Subplan are non-transferable except in the case of transfers by gift to immediate family members or related entities with approval of the Compensation Committee or its designee. On July 1, 2004, eleven non-employee directors of the Corporation participating in the Stock Option Subplan purchased options to acquire, in



the aggregate, 56,565 shares of BB&T Common Stock at an exercise price of \$27.53 per share and, on December 31, 2004, eight nonemployee directors purchased options to acquire 7,119 shares of BB&T Common Stock at an exercise price of \$31.80 per share.

### **Director Option Program**

At the 2004 Annual Meeting of Shareholders, the Corporation's shareholders approved the adoption of the 2004 Stock Plan, which, among other incentives, provides for the grant of equity-based awards, including stock options, to eligible employees, independent contractors and directors of the Corporation and its affiliates. Based on such shareholder action, and following a study of director compensation and consultation with an independent compensation consultant retained by the Committee, the Board of Directors, upon recommendation of the Compensation Committee, approved and established the Director Option Program under the provisions of the 2004 Stock Plan. Beginning 2005 and pursuant to the terms of the Director Option Program, non-employee directors will receive, subject to review and approval by the Board, an annual grant of a nonqualified stock option for such number of shares of BB&T Common Stock that is equal to the number of whole shares that could be purchased for \$30,000 based on the fair market value (as defined in the 2004 Stock Plan) on the date of grant. The option term for each such annual option is ten years and one fifth of the underlying shares of BB&T Common Stock subject to each option will vest, respectively, on the first, second, third, fourth and fifth anniversary following the date of grant and become exercisable.

If a non-employee director's board service is terminated due to retirement, disability or death, all options granted to the director under the Director Option Program will become fully vested and exercisable as of the date of retirement, disability or death, and all such options may be exercised in whole or in part over the remaining term of each such option. In the event board service is terminated for any other reason, then all vested options on the date of termination will be exercisable by the former director for a period of thirty days after the date of termination and all unvested options as of the date of termination will be forfeited.

In the event of a change in control of the Corporation, all outstanding, unvested options granted to non-employee directors under the Director Option Program will become fully vested and exercisable pursuant to the terms of each such option.

### **Consulting Agreements**

Messrs. Deal and Qubein, directors of the Corporation, have executed consulting agreements with the Corporation to provide business development consulting services for a period of ten years following their retirement. See "Transactions with Executive Officers and Directors" "Transactions with Affiliates" below. They will receive a sum equal to the annual retainer paid to the Corporation's directors in effect at the time they begin such service. Such directors have agreed not to serve as directors of, or advisers to, businesses that compete with the Corporation and its subsidiaries during the time they serve as consultants to the Corporation.

Mr. Fitzpatrick, a director of the Corporation, has entered into an arrangement pursuant to which he will provide certain consulting services for Branch Bank-VA. See "Transactions with Executive Officers and Directors" "Agreements with Mr. Fitzpatrick" below.

### **Other Deferred Compensation Arrangements**

Barry J. Fitzpatrick and Albert F. Zettlemyer, directors of the Corporation, each receive payments from the Corporation as a result of a deferred compensation arrangement that the respective director had previously entered into with First Virginia, which merged into the Corporation in

## Edgar Filing: BB&T CORP - Form DEF 14A

2003. As a result of that statutory merger, the Corporation became responsible for the payment of the deferred compensation due Messrs. Fitzpatrick and Zettlemoyer by First Virginia. Under the terms of the deferred compensation arrangement, Mr. Fitzpatrick, as a former director and key employee of First Virginia, is entitled to receive fifteen annual payments of \$98,913, with the first annual payment becoming due in March 2005, and Mr. Zettlemoyer, as a former director of First

Virginia, is entitled to receive fifteen annual payments of \$71,245, with the first annual payment having been made in 1999. See also Transactions with Executive Officers and Directors Agreements with Mr. Fitzpatrick below.

## TRANSACTIONS WITH EXECUTIVE OFFICERS AND DIRECTORS

### Loans to Executive Officers and Directors

A number of the Corporation's directors, members of Executive Management and their associates are customers of the Corporation's bank subsidiaries. All extensions of credit made to them are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others, and do not involve more than normal risk of collectibility or present other unfavorable features. None of such credits are past due or are classified as non-accrual, restructured or potential problem loans.

### Agreement with Mr. Sasser

In connection with the merger of United Carolina Bancshares Corporation (UCB) into the Corporation in 1997, a settlement and noncompetition agreement between E. Rhone Sasser, a director, and the Corporation (the Sasser Settlement Agreement) was entered into effective July 1, 1997. The Sasser Settlement Agreement settled the Corporation's obligations to Mr. Sasser under his then-existing employment agreement with UCB and provides that Mr. Sasser will be prohibited, for a period of ten years, from engaging, directly or indirectly, in the banking or financial services business anywhere in North Carolina, South Carolina or Virginia, or in any county contiguous to these states, and soliciting any depositors or customers of the Corporation or its subsidiaries or inducing any employees of the Corporation or its subsidiaries to terminate their employment. The Sasser Settlement Agreement obligated the Corporation to pay annually to Mr. Sasser the sum of \$769,392 (or \$843,580, as adjusted annually in accordance with the Consumer Price Index) until Mr. Sasser attained the age of 65, at which time Mr. Sasser began to receive annually an amount equal to 70% of the amount paid to him during the final year under the Sasser Settlement Agreement (estimated to be approximately \$623,000, or \$590,506, as adjusted in accordance with the Consumer Price Index), reduced by amounts payable to Mr. Sasser under the UCB Pension Plan and UCB Benefit Equivalency Plan. The payments provided for under the Sasser Settlement Agreement will be made to Mr. Sasser for his life and, after his death, to his current wife for her life, if she survives him, in an annual amount equal to 35% of the amount paid Mr. Sasser during the final year under the Sasser Settlement Agreement (estimated to be approximately \$312,000), reduced by amounts payable to Mr. Sasser's wife under the UCB Pension Plan and the UCB Benefit Equivalency Plan. In addition, Mr. Sasser is entitled to certain miscellaneous benefits, including the continuation of certain life, health and welfare benefits. If any of the amounts payable under the Sasser Settlement Agreement are subject to, or cause any other payments to be subject to, excise tax under Section 4999 of the Code as excess parachute payments under Section 280G of the Code, the Corporation is obligated to indemnify Mr. Sasser on an after-tax basis for any excise tax, plus any penalties or interest, plus any excess taxes and income taxes on the indemnity amounts. The Sasser Settlement Agreement also provides that the Corporation will use its best efforts, subject to the fiduciary duties of the Board of Directors, to re-elect Mr. Sasser to the Board of Directors until his 70th birthday.

### Agreement with Mr. Morrison

In connection with the merger of One Valley Bancorp, Inc. (OVV) into the Corporation in 2000, J. Holmes Morrison, a director, entered into a five-year employment agreement with Branch Bank effective July 6, 2000. Under the terms of the agreement Mr. Morrison was employed for two years as an Executive Vice President of Branch Bank and Chairman and Chief Executive Officer of West Virginia Operations. For such service, Mr. Morrison received an annual base salary of \$510,000, an annual bonus of \$300,000, and certain





contingent amounts that were subject to completion of the merger of OVB into the Corporation. For the balance of the five-year term ending July 5, 2005, Mr. Morrison has and will continue to serve as Chairman of the West Virginia Board of Advisors and receive an annual base salary of at least \$300,000 and an annual bonus of at least \$100,000. During Mr. Morrison's employment with Branch Bank, he is eligible to participate in the Bonus Plan and the 1995 Stock Plan (or any successor plan) on the same basis as similarly situated officers of Branch Bank. Mr. Morrison also will receive, on the same basis as other similarly situated officers of Branch Bank, employee pension and welfare benefits and group employee benefits such as sick leave, vacation, group disability and health, dental, life and accident insurance and similar indirect compensation that may be extended from time to time. He also will receive perquisites on the same basis as similarly situated officers of Branch Bank. The employment agreement further provides that if Mr. Morrison terminates his employment for "Good Reason" or if Branch Bank terminates his employment other than for "Just Cause" or disability, and if he complies with certain noncompetition provisions, he will be entitled to receive annual termination compensation of \$400,000 until the end of the original five-year term. If any of the amounts payable under the employment agreement are subject to, or cause any other payments to be subject to, excess tax under Section 4999 of the Code as excess parachute payments under Section 280G of the Code, Branch Bank will indemnify Mr. Morrison on an after-tax basis for any excise tax, plus any penalties or interest, plus any excise taxes and income taxes on the indemnity amounts.

As provided in the merger agreement between OVB and the Corporation, the Corporation agreed in 2000 that Mr. Morrison would be named to the Corporation's Board of Directors to serve for so long as he is elected and qualifies, subject to the right of removal for cause, and that Mr. Morrison would be appointed to serve on the Executive Committee during such tenure.

#### **Agreements with Mr. Fitzpatrick**

*Employment Agreement.* In connection with the merger of First Virginia into the Corporation, Barry J. Fitzpatrick, a director, entered into an employment agreement with Branch Bank-VA, effective July 1, 2003 (the "Fitzpatrick Agreement"), to be employed as Chief Executive Officer of Virginia Operations of Branch Bank-VA. The Fitzpatrick Agreement, as amended, provided for a five-year term, unless Mr. Fitzpatrick elected to become a consultant to Branch Bank-VA (which could occur at any time on or after March 1, 2004), in which case the Fitzpatrick Agreement would terminate. Under the terms of the Fitzpatrick Agreement, Mr. Fitzpatrick was entitled to receive, while an employee, an annual base salary at least equal to \$780,000 and an annual bonus, grants of stock options and other benefits generally on the same basis as similarly-situated officers. As discussed below, effective March 1, 2004, Mr. Fitzpatrick elected to become a consultant, thus terminating the Fitzpatrick Agreement.

Pursuant to the Fitzpatrick Agreement, Mr. Fitzpatrick received (i) a one-time lump sum in the amount of \$525,000 from Branch Bank-VA, in partial payment for noncompetition and other covenants set forth in the Fitzpatrick Agreement and (ii) a payment sufficient on an after-tax basis to pay up in full an existing life insurance policy. The noncompetition covenants provide that Mr. Fitzpatrick will be prohibited from engaging, directly or indirectly, in the banking or financial services business anywhere in Virginia and Maryland, or in any county contiguous to Virginia, the District of Columbia, and the counties in Tennessee in which Johnson City, Bristol and Kingsport are located, and any counties contiguous to those counties, subject to certain time limitations. Mr. Fitzpatrick is prohibited from soliciting any depositors or customers of Branch Bank-VA or its related entities or inducing any employees of Branch Bank-VA or its related entities to terminate their employment with Branch Bank-VA or its related entities for a period of two years following Mr. Fitzpatrick's termination of employment with Branch Bank-VA. If any of the amounts payable under the Fitzpatrick Agreement or Mr. Fitzpatrick's Special Pay Agreement (described below) are subject to excise tax under Section 4999 of the Code, or if any interest or penalties are incurred by Mr. Fitzpatrick with respect to the excise tax, Branch Bank-VA will pay to Mr. Fitzpatrick an additional payment in an amount sufficient to pay the excise tax, plus any penalties or interest, plus an additional amount to satisfy any tax, plus any penalties or interest due on the amount so paid.

As noted above, effective March 1, 2004, Mr. Fitzpatrick relinquished his position with Branch Bank-VA and became an independent consultant, pursuant to which he is obligated to render services in the nature of customer and community relations, business development, employee relations and general advice and assistance relating to Branch Bank-VA's customers and employees and to the growth and development in the Northern Virginia area of the business of Branch Bank-VA. These services are to be rendered at times and on a schedule determined by Mr. Fitzpatrick that is reasonably convenient to both Branch Bank-VA and Mr. Fitzpatrick. The consulting period ends on the date preceding the fifth anniversary of the First Virginia merger. Upon commencement of the consulting period, Mr. Fitzpatrick relinquished his executive titles and responsibilities and ceased to be entitled to receive base salary, bonuses, stock options or employee benefits as he would as an employee of Branch Bank-VA. Instead, Mr. Fitzpatrick will receive during the consulting period, in consideration of covenants not to compete made in the Fitzpatrick Agreement and as compensation for consulting services, monthly amounts equal to his monthly base salary in effect at the time his employment ended plus health and life insurance benefits comparable to the group employee benefits that Branch Bank-VA provides for its officers, at a cost to Mr. Fitzpatrick no greater than the cost to such officers. If Branch Bank-VA breaches the agreement and fails to remedy the breach within thirty days, Mr. Fitzpatrick may terminate his obligation to render consulting services and continue to receive the payments and benefits for the remainder of the consulting period, subject to complying with the noncompetition and other covenants. If Mr. Fitzpatrick violates any such covenants or fails to render consulting services as requested and fails to remedy such failure within thirty days, or if he suffers disability or dies, the consulting period ends and payments and benefits will cease.

Following the First Virginia merger, Mr. Fitzpatrick was named to the Corporation's Board of Directors and to the Executive Committee to serve for a period of five years, so long as he is elected and qualifies, subject to the right of removal for cause.

*Special Pay Agreement.* In connection with the First Virginia merger, the Corporation also entered into a Special Pay Agreement with Mr. Fitzpatrick, dated January 20, 2003. In settlement of its obligations to Mr. Fitzpatrick under his then-existing employment agreement with First Virginia Banks, Inc., Mr. Fitzpatrick was paid a one-time lump sum in the amount of \$3,601,200.

#### **Transactions with Affiliates**

The Corporation has entered into a consulting services contract with Creative Services, Inc., an international management consulting firm owned by Nido R. Qubein, a director of the Corporation, under which Creative Services, Inc. advises management by providing organizational development expertise, including the conceptualization and creation of integrated corporate employee training materials and programs. Creative Services, Inc. was paid \$461,526 under this contract in 2004. Management believes this contract is on terms as favorable as could have been obtained from other non-affiliated parties. Creative Services, Inc. will continue to provide consulting services to the Corporation in 2005 under the terms of its existing contract with the Corporation.

See also Compensation Committee Interlocks and Insider Participation above.

**PROPOSAL 2 RATIFICATION OF PRICEWATERHOUSECOOPERS LLP  
AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2005**

The Audit Committee of the Board of Directors has engaged the firm of PricewaterhouseCoopers LLP as its independent registered public accounting firm to examine the financial statements of the Corporation and certain of its subsidiaries for the year 2005, and to report on the consolidated balance sheets, statements of income and other related statements of the Corporation and its subsidiaries. The Corporation's shareholders are being asked to ratify the appointment of PricewaterhouseCoopers LLP for 2005. PricewaterhouseCoopers LLP has served as the independent registered public accounting firm for the Corporation since March 19, 2002. Representatives of PricewaterhouseCoopers LLP will be present at the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to questions posed by the shareholders. In the event shareholders do not ratify the decision of the Audit Committee to reappoint PricewaterhouseCoopers LLP as the Corporation's independent registered public accounting firm for 2005, the Audit Committee will reconsider its decision.

**THE BOARD OF DIRECTORS OF THE CORPORATION RECOMMENDS A VOTE FOR RATIFICATION OF  
PRICEWATERHOUSECOOPERS LLP AS BB&T'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2005.**

**FEES TO AUDITORS**

The following table shows the aggregate fees billed to the Corporation for professional services by PricewaterhouseCoopers LLP for fiscal years 2004 and 2003:

|                    | <u>Fiscal Year 2004</u>     | <u>Fiscal Year 2003</u>     |
|--------------------|-----------------------------|-----------------------------|
| Audit Fees         | \$ 4,066,364                | \$ 2,666,656                |
| Audit-Related Fees | 1,290,209                   | 751,440                     |
| Tax Fees           | 1,223,997                   | 1,058,334                   |
| All Other Fees     | 23,266                      | 48,900                      |
|                    | <u>                    </u> | <u>                    </u> |
| <b>Total</b>       | <b>\$ 6,603,836</b>         | <b>\$ 4,525,330</b>         |
|                    | <u>                    </u> | <u>                    </u> |

*Audit Fees.* This category includes the aggregate fees billed for professional services rendered for the audits of the Corporation's consolidated financial statements for fiscal years 2004 and 2003, for the reviews of the financial statements included in the Corporation's quarterly reports on Form 10-Q during fiscal years 2004 and 2003, and for services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements for the relevant fiscal years.

*Audit-Related Fees.* This category includes the aggregate fees billed in each of the last two fiscal years for assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audits or reviews of the financial statements and are not reported above under *Audit Fees*, and generally consist of fees for other attest engagements under professional auditing standards, accounting and reporting consultations, internal control-related matters and audits of employee benefit plans.

## Edgar Filing: BB&T CORP - Form DEF 14A

*Tax Fees.* This category includes the aggregate fees billed in each of the last two fiscal years for professional services rendered by the independent registered public accounting firm for tax compliance, tax planning and tax advice. Of these amounts, \$205,937 and \$238,217 were related to tax compliance services for review of federal and state tax returns for 2004 and 2003, respectively.

*All Other Fees.* This category includes the aggregate fees billed in each of the last two fiscal years for products and services provided by the independent registered public accounting firm that are not reported above under Audit Fees, Audit-Related Fees or Tax Fees. The fees shown in this category for 2004 and 2003 were for research and workpapers licensing and quarterly real estate market surveys.

The Audit Committee considered the compatibility of the non-audit-related services performed by and fees paid to PricewaterhouseCoopers LLP in 2004 and the proposed non-audit-related services and fees for 2005 and determined that such services and fees are compatible with the independence of PricewaterhouseCoopers LLP. During 2004, PricewaterhouseCoopers LLP did not utilize any leased personnel in connection with the audit.

## OTHER MATTERS

### Proposals for 2006 Annual Meeting

Under SEC regulations, any shareholder desiring to make a proposal to be acted upon at the 2006 Annual Meeting of Shareholders must present such proposal to the Corporation at its principal office in Winston-Salem, North Carolina by November 25, 2005 for the proposal to be considered for inclusion in the Corporation's proxy statement.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder even if the proposal is not to be included in the Corporation's proxy statement, the BB&T Restated Bylaws (effective as of April 28, 2004) provide that the shareholder must give timely notice in writing to the Secretary of the Corporation at least sixty days but no more than ninety days in advance of the first anniversary of the notice date of the Corporation's proxy statement for the preceding year's annual meeting. Additional time limitations apply in the event of special meetings or annual meetings that are advanced by more than thirty days or delayed by more than sixty days from the first anniversary date of the prior year's annual meeting. A proxy may confer discretionary authority to vote on any matter at an annual meeting if the Corporation does not receive proper notice of the matter within the time frame described above.

As to each matter, the notice must contain (in addition to any information required by applicable law): (i) the name and address of the shareholder who intends to present the proposal and the beneficial owner, if any, on whose behalf the proposal is made; (ii) the number of shares of each class of capital stock of the Corporation owned by the shareholder and such beneficial owner; (iii) a description of the business proposed to be introduced to the shareholders; (iv) any material interest, direct or indirect, which the shareholder or beneficial owner may have in the business described in the notice; and (v) a representation that the shareholder is a holder of record of shares of the Corporation entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to present the proposal.

Shareholder nominations for director must comply with the notice and informational requirements described above for other shareholder proposals, as well as additional information that would be required under applicable SEC proxy rules. See also "Corporate Governance Matters - Director Nominations" above.

### Other Business

The Board knows of no other matter to come before the Annual Meeting. However, if any other matter requiring a vote of the shareholders arises, it is the intention of the persons named in the accompanying proxy to vote such proxy in accordance with their best judgment.

By Order of the Board of

Directors  
John A. Allison IV

Chairman and Chief Executive Officer

Dated: March 25, 2005









