BB&T CORP
Form 10-Q
November 09, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the quarterly period ended: September 30, 2010

Commission file number: 1-10853

BB&T CORPORATION

(Exact name of registrant as specified in its charter)

North Carolina	**56-0939887**

(State of Incorporation)	(I.R.S. Employer Identification No.)
200 West Second Street **Winston-Salem, North Carolina**	**27101** **(Zip Code)**

(Address of Principal Executive Offices)

(336) 733-2000

(Registrant s Telephone Number, Including Area Code)

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

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

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

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

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

At October 31, 2010, 693,732,484 shares of the Registrant s common stock, $5 par value, were outstanding.

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BB&T CORPORATION

FORM 10-Q

September 30, 2010

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Item 1. Financial Statements

BB&T CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

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

	September 30, 2010	December 31, 2009
Assets		
Cash and due from banks	**$ 1,225**	$ 1,584
Interest-bearing deposits with banks	**944**	667
Federal funds sold and securities purchased under resale agreements or similar arrangements	**285**	398
Segregated cash due from banks	**269**	270
Trading securities at fair value	**568**	636
Securities available for sale at fair value ($1,500 and $1,201 covered by FDIC loss share at September 30, 2010 and December 31, 2009, respectively)	**24,497**	33,253
Loans held for sale ($2,920 and $2,551 at fair value at September 30, 2010 and December 31, 2009, respectively)	**3,833**	2,551
Loans and leases ($6,753 and $8,019 covered by FDIC loss share at September 30, 2010 and December 31, 2009, respectively)	**102,181**	103,656
Allowance for loan and lease losses	**(2,611)**	(2,600)
Loans and leases, net of allowance for loan and lease losses	**99,570**	101,056
FDIC loss share receivable	**1,924**	3,062
Premises and equipment	**1,831**	1,583
Goodwill	**6,013**	6,053
Core deposit and other intangible assets	**535**	640
Residential mortgage servicing rights at fair value	**585**	832
Other assets ($314 and $215 of foreclosed property and other assets covered by FDIC loss share at September 30, 2010 and December 31, 2009, respectively)	**15,151**	13,179
Total assets	**$ 157,230**	$ 165,764
Liabilities and Shareholders Equity		
Deposits:		
Noninterest-bearing deposits	**$ 20,607**	$ 18,945
Interest checking	**2,225**	3,420
Other client deposits	**52,795**	52,097
Client certificates of deposit	**23,772**	32,298
Other interest-bearing deposits	**7,020**	8,205
Total deposits	**106,419**	114,965
Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	**5,820**	8,106
Long-term debt	**22,111**	21,376
Accounts payable and other liabilities	**6,093**	5,076

Total liabilities	**140,443**	149,523
Commitments and contingencies (Note 13)		
Shareholders equity:		
Common stock, $5 par	**3,468**	3,449
Additional paid-in capital	**5,753**	5,620
Retained earnings	**7,833**	7,539
Accumulated other comprehensive loss, net of deferred income taxes of $(209) at September 30, 2010 and $(257) at December 31, 2009	**(335)**	(417)
Noncontrolling interests	**68**	50
Total shareholders equity	**16,787**	16,241
Total liabilities and shareholders equity	**$ 157,230**	$ 165,764
Common shares outstanding	**693,560**	689,750
Common shares authorized	**2,000,000**	1,000,000
Preferred shares authorized	**5,000**	5,000

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

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BB&T CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Interest Income				
Interest and fees on loans and leases	**$ 1,549**	$ 1,414	**$ 4,514**	$ 4,072
Interest and dividends on securities	**207**	327	**834**	978
Interest on other earning assets	**6**	4	**12**	14
Total interest income	**1,762**	1,745	**5,360**	5,064
Interest Expense				
Interest on deposits	**225**	311	**725**	977
Interest on federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	**5**	11	**16**	51
Interest on long-term debt	**218**	186	**631**	515
Total interest expense	**448**	508	**1,372**	1,543
Net Interest Income	**1,314**	1,237	**3,988**	3,521
Provision for credit losses	**770**	709	**1,995**	2,086
Net Interest Income After Provision for Credit Losses	**544**	528	**1,993**	1,435
Noninterest Income				
Insurance income	**252**	254	**792**	787
Service charges on deposits	**147**	180	**475**	504
Mortgage banking income	**184**	144	**383**	516
Investment banking and brokerage fees and commissions	**85**	89	**255**	263
Other nondeposit fees and commissions	**74**	59	**202**	165
Checkcard fees	**70**	59	**201**	165
Bankcard fees and merchant discounts	**45**	41	**130**	115
Trust and investment advisory revenues	**40**	36	**117**	101
Income from bank-owned life insurance	**30**	24	**92**	72
FDIC loss share income, net	**(43)**	3	**(116)**	3
Other income, net	**(13)**	20	**7**	73
Securities gains, net				
Realized gains, net	**241**	34	**468**	240
Other-than-temporary impairments		(3)	**(49)**	(117)
Less non-credit portion recognized in other comprehensive income	**(2)**		**36**	77
Total securities gains, net	**239**	31	**455**	200
Total noninterest income	**1,110**	940	**2,993**	2,964
Noninterest Expense				
Personnel expense	**642**	644	**1,937**	1,867
Foreclosed property expense	**167**	118	**585**	214

Occupancy and equipment expense	**157**	149	**453**	406
Professional services	**84**	68	**242**	185
Regulatory charges	**61**	44	**152**	183
Loan processing expenses	**53**	38	**135**	101
Amortization of intangibles	**30**	29	**94**	78
Merger-related and restructuring charges, net	**10**	18	**65**	29
Other expenses	**204**	212	**586**	507
Total noninterest expense	**1,408**	1,320	**4,249**	3,570
Earnings				
Income before income taxes	**246**	148	**737**	829
Provision (benefit) for income taxes	**27**	(9)	**100**	146
Net income	**219**	157	**637**	683
Noncontrolling interests	**9**	5	**29**	15
Dividends and accretion on preferred stock				124
Net income available to common shareholders	**$ 210**	$ 152	**$ 608**	$ 544
Earnings Per Common Share				
Basic	**$ .30**	$ .23	**$ .88**	$ .89
Diluted	**$ .30**	$ .23	**$ .87**	$ .88
Cash dividends declared	**$ .15**	$ .15	**$ .45**	$ .77
Weighted Average Shares Outstanding				
Basic	**693,017**	665,408	**691,982**	609,698
Diluted	**701,535**	672,457	**700,551**	615,307

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

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BB&T CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(Unaudited)

For the Nine Months Ended September 30, 2010 and 2009

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

	Shares of Common Stock	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Shareholders Equity
Balance, January 1, 2009	559,248	$ 3,082	$ 2,796	$ 3,510	$ 7,381	$ (732)	$ 44	$ 16,081
Add (Deduct):								
Comprehensive income (loss):								
Net income					668		15	683
Net change in other comprehensive income (loss)						368		368
Total comprehensive income (loss) (Note 10)					668	368	15	1,051
Stock issued:								
In purchase acquisitions	96		1	1				2
In connection with stock option exercises and other employee benefits, net of cancellations	329		2	2				4
In connection with dividend reinvestment plan	2,396		12	39				51
In connection with 401(k) plan	665		3	13				16
In common stock offerings	124,712		623	2,014				2,637
Redemption of preferred stock		(3,134)		(67)				(3,201)
Cash dividends declared on common stock, $.77 per share					(467)			(467)
Cash dividends accrued on preferred stock					(73)			(73)
Equity-based compensation expense				50				50
Other, net		52		1	(51)		(11)	(9)
Balance, September 30, 2009	687,446	$	$ 3,437	$ 5,563	$ 7,458	$ (364)	$ 48	$ 16,142
Balance, January 1, 2010	689,750	$	$ 3,449	$ 5,620	$ 7,539	$ (417)	$ 50	$ 16,241
Add (Deduct):								
Comprehensive income (loss):								
Net income					608		29	637
Net change in other comprehensive income (loss)						82		82
Total comprehensive income (loss) (Note 10)					608	82	29	719
Stock issued:								

In purchase acquisitions	57			2				2
In connection with stock option exercises and other employee benefits, net of cancellations	1,610		8	23				31
In connection with dividend reinvestment plan	803		4	19				23
In connection with 401(k) plan	1,340		7	31				38
Cash dividends declared on common stock, $.45 per share					(312)			(312)
Equity-based compensation expense				58				58
Other, net					(2)		(11)	(13)
Balance, September 30, 2010	693,560	$	$ 3,468	$ 5,753	$ 7,833	$ (335)	$ 68	$ 16,787

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

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BB&T CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in millions)

	For the Nine Months Ended September 30,	
	2010	**2009**
Cash Flows From Operating Activities:		
Net income	**$ 637**	$ 683
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	**1,995**	2,086
Depreciation	**194**	166
Amortization of intangibles	**94**	78
Equity-based compensation	**58**	50
Discount accretion and premium amortization on long-term debt, net	**25**	46
Gain on sales of securities, net	**(455)**	(200)
Net decrease (increase) in trading securities	**68**	(310)
Net increase in loans held for sale	**(407)**	(539)
Net decrease in FDIC loss share receivable	**892**	
Net (increase) decrease in other assets	**(1,840)**	255
Net increase (decrease) in accounts payable and other liabilities	**741**	(3,429)
Decrease in segregated cash due from banks	**1**	93
Other, net	**341**	154
Net cash provided by (used in) operating activities	**2,344**	(867)
Cash Flows From Investing Activities:		
Proceeds from sales of securities available for sale	**24,737**	17,060
Proceeds from maturities, calls and paydowns of securities available for sale	**4,279**	6,087
Purchases of securities available for sale	**(19,001)**	(19,939)
Originations and purchases of loans and leases, net of principal collected	**(2,542)**	44
Net cash paid for divestitures	**(832)**	
Net cash (paid) acquired in business combinations	**(6)**	4,478
Purchases of premises and equipment	**(370)**	(128)
Proceeds from sales of foreclosed property or other real estate held for sale	**716**	253
Other, net	**69**	(173)
Net cash provided by investing activities	**7,050**	7,682
Cash Flows From Financing Activities:		
Net decrease in deposits	**(7,641)**	(3,399)
Net decrease in federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	**(2,287)**	(2,506)
Proceeds from issuance of long-term debt	**500**	3,383
Repayment of long-term debt	**(83)**	(3,563)
Net proceeds from common stock issued	**92**	2,708
Retirement of preferred stock		(3,201)
Cash dividends paid on common stock	**(311)**	(624)

Cash dividends paid on preferred stock		(93)
Other, net	**141**	131
Net cash used in financing activities	**(9,589)**	(7,164)
Net Decrease in Cash and Cash Equivalents	**(195)**	(349)
Cash and Cash Equivalents at Beginning of Period	**2,649**	2,740
Cash and Cash Equivalents at End of Period	**$ 2,454**	$ 2,391
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	**$ 1,408**	$ 1,555
Income taxes	**873**	416
Noncash investing and financing activities:		
Transfer of loans held for investment to loans held for sale	**1,284**	525
Transfers of loans to foreclosed property	**1,132**	1,160

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

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BB&T Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2010

NOTE 1. Basis of Presentation

General

In the opinion of management, the accompanying unaudited Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Changes in Shareholders Equity, and Consolidated Statements of Cash Flows of BB&T Corporation and subsidiaries (referred to herein as BB&T , the Corporation or the Company), are fair statements of BB&T s financial position at September 30, 2010 and December 31, 2009, BB&T s results of operations for the three and nine month periods ended September 30, 2010 and 2009, and BB&T s changes in shareholders equity and cash flows for the nine month periods ended September 30, 2010 and 2009. In the opinion of management, all normal recurring adjustments necessary for a fair statement of the interim period results have been made.

These consolidated financial statements and notes are presented in accordance with the instructions for Form 10-Q. The information contained in the financial statements and footnotes included in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 should be referred to in connection with these unaudited interim consolidated financial statements.

The accounting and reporting policies of BB&T and its subsidiaries are in accordance with accounting principles generally accepted in the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities.

Nature of Operations

BB&T Corporation (BB&T , the Company or Parent Company) is a financial holding company organized under the laws of North Carolina. BB&T conducts operations through its principal bank subsidiary, Branch Banking and Trust Company (Branch Bank), BB&T Financial, FSB (BB&T FSB), a federally chartered thrift institution, and the Company s nonbank subsidiaries. Branch Bank has offices in North Carolina, South Carolina, Virginia, Maryland, Georgia, West Virginia, Tennessee, Kentucky, Florida, Alabama, Indiana, Texas and Washington, D.C. Branch Bank provides a wide range of banking services to individuals and businesses, and offers a variety of loans to businesses and consumers. Such loans are made primarily to individuals residing in the market areas described above or to businesses located within BB&T s geographic footprint. Branch Bank also markets a wide range of deposit services to individuals and businesses. Branch Bank offers, either directly, or through its subsidiaries, lease financing to businesses and municipal governments; factoring; discount brokerage services, annuities and mutual funds; life insurance, property and casualty insurance, health insurance and commercial general liability insurance on an agency basis and through a wholesale insurance brokerage operation; insurance premium financing; permanent financing arrangements for commercial real estate; loan servicing for third-party investors; direct consumer finance loans to individuals; trust and comprehensive wealth advisory services and association services. BB&T FSB and the direct nonbank subsidiaries of BB&T provide a variety of financial services including credit card lending, automobile lending, equipment financing, full-service securities brokerage, asset management and capital markets services.

Principles of Consolidation

The consolidated financial statements of BB&T include the accounts of BB&T Corporation and those subsidiaries that are majority owned by BB&T and over which BB&T exercises control. In consolidation, all significant intercompany accounts and transactions are eliminated. The results of operations of companies or assets acquired are included only from the dates of acquisition. All material wholly-owned and majority-owned subsidiaries are consolidated unless GAAP requires otherwise.

BB&T holds investments in certain legal entities that are considered variable interest entities (VIE s). VIE s are legal entities in which equity investors do not have sufficient equity at risk for the entity to independently finance its activities, or as a group, the holders of the equity investment at risk lack the power through voting or similar rights to direct the activities of the entity that most significantly impact its economic performance, or do not have the obligation to absorb the expected losses of the entity or the right to receive expected residual returns of the entity. Consolidation of a VIE is considered appropriate if a reporting entity holds a controlling financial interest in the VIE.

BB&T evaluates its investments in VIE s to determine if a controlling financial interest is held. This evaluation gives appropriate consideration to the design of the entity and the variability that the entity was designed to pass along, the relative power of each of the parties to the VIE, and to BB&T s relative obligation to absorb losses or receive residual returns of the entity, in relation to such obligations and rights held by other parties to the VIE. BB&T has variable interests in certain entities that were not required to be consolidated, including affordable housing partnership interests, historic tax credit partnerships, other partnership interests and trusts that have issued capital securities. Please refer to Note 13 for additional disclosures regarding BB&T s significant variable interest entities.

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

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

Reclassifications

Investments in Federal Home Loan Bank (FHLB) stock have been reclassified from securities available for sale to other assets in all periods presented. In certain other instances, amounts reported in prior periods consolidated financial statements have been reclassified to conform to the current presentation. Such reclassifications had no effect on previously reported cash flows, shareholders equity or net income.

Use of Estimates in the Preparation of Financial Statements

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

Changes in Accounting Principles and Effects of New Accounting Pronouncements

In June 2009, the FASB issued new guidance impacting *Transfers and Servicing*. The objective of this guidance is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor s continuing involvement in transferred financial assets. This guidance is effective for financial asset transfers occurring after December 31, 2009. The adoption of this guidance was not material to BB&T s consolidated financial statements.

In June 2009, the FASB issued new guidance impacting *Consolidation* of variable interest entities. The objective of this guidance is to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements. This guidance was effective as of January 1, 2010. The adoption of this guidance was not material to BB&T s consolidated financial statements.

In February 2010, the FASB issued new guidance impacting *Fair Value Measurements and Disclosures*. The new guidance requires a gross presentation of purchases and sales of Level 3 activities and adds a new requirement to disclose

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transfers in and out of Level 1 and Level 2 measurements. The guidance related to the transfers between Level 1 and Level 2 measurements was effective for BB&T on January 1, 2010. The guidance that requires increased disaggregation of the level 3 activities is effective for BB&T on January 1, 2011. The new disclosures required by this guidance are included in Note 14 to these consolidated financial statements.

In March 2010, the FASB issued new guidance impacting *Receivables*. The new guidance clarifies that a modification to a loan that is part of a pool of loans that were acquired with deteriorated credit quality should not result in the removal of the loan from the pool. This guidance is effective for any modifications of loans accounted for within a pool in the first interim or annual reporting period ending after July 15, 2010. The adoption of this guidance was not material to BB&T s consolidated financial statements.

In July 2010, the FASB issued new guidance impacting *Receivables*. The new guidance requires additional disclosures that will allow users to understand the nature of credit risk inherent in a company s loan portfolios, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and changes and reasons for those changes in the allowance for credit losses. The new disclosures that relate to information as of the end of the reporting period is effective as of December 31, 2010, whereas the disclosures related to activity that occurred during the reporting periods is effective January 1, 2011.

NOTE 2. Business Combinations

Financial Institution Acquisitions

On August 14, 2009, Branch Bank entered into a purchase and assumption agreement with the Federal Deposit Insurance Corporation (FDIC) to acquire certain assets and assume substantially all of the deposits and certain liabilities of Colonial Bank, an Alabama state-chartered bank headquartered in Montgomery, Alabama (Colonial). As further discussed in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009, BB&T entered into loss sharing agreements with the FDIC related to certain loans, securities and other assets.

Branch Bank did not immediately acquire the real estate, banking facilities, furniture or equipment of Colonial as part of the purchase and assumption agreement. However, under the terms of the agreement, Branch Bank had the option through February 1, 2010 to acquire these assets from the FDIC at their fair market value as of the acquisition date. Prior to the exercise of this option, these banking facilities and equipment were leased from the FDIC on a month-to-month basis. During the first quarter, Branch Bank purchased real estate, banking facilities, furniture and equipment from the FDIC at a cost of approximately $210 million.

Branch Bank also had an option through February 1, 2010 to assume or repudiate certain lease agreements of Colonial. The repudiation or assumption of these lease agreements was finalized prior to the expiration of this option. The process to determine the fair value of the assumed lease obligations continued into the second quarter of 2010 during which BB&T recorded approximately $28 million of capital leases.

On January 15, 2010, BB&T sold certain Nevada branch locations and approximately $850 million in deposits that were acquired from Colonial.

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BB&T Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2010

NOTE 3. Securities

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

	September 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value
	(Dollars in millions)			
Securities available for sale:				
U.S. government-sponsored entities (GSE)	$ 52	$ 2	$	$ 54
Mortgage-backed securities issued by GSE	19,093	282	34	19,341
States and political subdivisions	2,126	80	114	2,092
Non-agency mortgage-backed securities	1,123	2	184	941
Equity and other securities	547	24	2	569
Covered securities	1,204	296		1,500
Total securities available for sale	$ 24,145	$ 686	$ 334	$ 24,497

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value
	(Dollars in millions)			
Securities available for sale:				
U.S. government-sponsored entities (GSE)	$ 2,090	$ 5	$ 60	$ 2,035
Mortgage-backed securities issued by GSE	26,649	231	210	26,670
States and political subdivisions	2,176	56	125	2,107
Non-agency mortgage-backed securities	1,339		317	1,022
Equity and other securities	196	22		218
Covered securities	1,166	47	12	1,201
Total securities available for sale	$ 33,616	$ 361	$ 724	$ 33,253

As of September 30, 2010, the fair value of covered securities included $1.2 billion of non-agency mortgage-backed securities and $319 million of municipal securities. As of December 31, 2009, the fair value of covered securities included $896 million of non-agency mortgage-backed securities and $305 million of municipal securities. All covered securities were acquired from Colonial and are covered by one of the FDIC loss sharing agreements. BB&T is restricted from selling these securities without prior approval from the FDIC. Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for additional information.

At September 30, 2010 and December 31, 2009, securities with carrying value of approximately $16.6 billion and $20.7 billion were pledged to secure municipal deposits, securities sold under agreements to repurchase, other borrowings, and for other purposes as required or permitted by law.

BB&T had certain investments in marketable debt securities and mortgage-backed securities issued by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) that exceeded ten percent of shareholders equity at September 30, 2010. The Fannie Mae investments had total amortized cost and fair values of $12.5 billion and $12.6 billion, respectively, at September 30, 2010, while Freddie Mac investments had total amortized cost and fair values of $5.1 billion and $5.2 billion, respectively.

At September 30, 2010 and December 31, 2009, non-agency mortgage-backed securities primarily consisted of residential mortgage-backed securities.

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BB&T Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2010

The gross realized gains and losses and other than temporary impairments recognized in income during the three and nine months ended September 30, 2010 and 2009 are reflected in the following table:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(Dollars in millions)			
Gross gains	$ 241	$ 35	$ 472	$ 241
Gross losses		(1)	(4)	(1)
Net realized gains	241	34	468	240
Other than temporary impairment (OTTI) recognized in net income	(2)	(3)	(13)	(40)
Net securities gains	$ 239	$ 31	$ 455	$ 200

The amortized cost and estimated fair value of the securities portfolio at September 30, 2010, by contractual maturity, are shown in the accompanying table. The expected life of mortgage-backed securities will differ from contractual maturities because borrowers may have the right to prepay the underlying mortgage loans with or without prepayment penalties. For purposes of the maturity table, mortgage-backed securities, which are not due at a single maturity date, have been included in maturity groupings based on the contractual maturity.

	September 30, 2010 Available for Sale	
	Amortized Cost	Fair Value
	(Dollars in millions)	
Debt Securities:		
Due in one year or less	$ 57	$ 55
Due after one year through five years	65	68
Due after five years through ten years	694	721
Due after ten years	23,155	23,457
Total debt securities	23,971	24,301
Total securities with no stated maturity	174	196
Total securities	$ 24,145	$ 24,497

The following tables reflect the gross unrealized losses and fair values of BB&T s investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at the dates presented.

September 30, 2010

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in millions)					
Securities:						
Mortgage-backed securities issued by GSE	$ 4,780	$ 34	$	$	$ 4,780	$ 34
States and political subdivisions	75	6	807	108	882	114
Non-agency mortgage-backed securities			833	184	833	184
Equity and other securities	391	1	2	1	393	2
Total temporarily impaired securities	$ 5,246	$ 41	$ 1,642	$ 293	$ 6,888	$ 334

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	December 31, 2009					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in millions)					
Securities:						
U.S. government-sponsored entities (GSE)	$ 1,843	$ 60	$	$	$ 1,843	$ 60
Mortgage-backed securities issued by GSE	16,338	210	114		16,452	210
States and political subdivisions	409	65	274	60	683	125
Non-agency mortgage-backed securities	181	66	825	251	1,006	317
Equity and other securities	13		1		14	
Covered securities	94	12			94	12
Total temporarily impaired securities	$ 18,878	$ 413	$ 1,214	$ 311	$ 20,092	$ 724

BB&T periodically evaluates available-for-sale securities for other-than-temporary impairment. Based on its evaluations during the third quarter of 2010, BB&T recognized a $2 million adjustment to the non-credit portion previously recorded in other comprehensive income. Based on its evaluations during the third quarter of 2009, BB&T recorded $3 million of other-than-temporary impairments in net income related to certain debt and equity securities.

On September 30, 2010, BB&T held certain investment securities having continuous unrealized loss positions for more than 12 months. As of September 30, 2010, the unrealized losses on these securities totaled $293 million. Substantially all of these losses were in non-agency mortgage-backed and municipal securities. At September 30, 2010, all of the available-for-sale debt securities in an unrealized loss position, excluding those covered by FDIC loss sharing agreements, were investment grade with the exception of (a) bonds with an amortized cost of $3 million from one issuer of auction rate securities; (b) two municipal bonds with an amortized cost of $8 million; (c) sixteen non-agency mortgage-backed securities with an amortized cost of $884 million and (d) one non-agency commercial mortgage-backed security with an amortized cost of $25 million. At September 30, 2010, the total unrealized loss on these non-investment grade securities was $178 million. All of the non-investment grade securities referenced above were initially investment grade and have been downgraded since purchase. BB&T evaluated all of its debt securities for credit impairment. Based on its evaluation at September 30, 2010, BB&T determined that certain of the non-investment grade non-agency mortgage-backed securities had credit losses evident and recognized other-than-temporary impairments related to these securities. The decline in fair value related to credit losses was recognized in net income. BB&T s evaluation of the other debt securities with continuous unrealized losses indicated that there were no credit losses evident. Furthermore, as of the date of the evaluation, BB&T did not intend to sell, and it was more likely than not that the Company would not be required to sell, these debt securities before the anticipated recovery of the amortized cost basis. See the Summary Analysis Supporting Conclusions section below for further details regarding BB&T s below investment grade securities with significant unrealized losses.

BB&T conducts periodic reviews to identify and evaluate each investment that has an unrealized loss for other-than-temporary impairment. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses that are determined to be temporary in nature are recorded, net of tax, in accumulated other comprehensive income for available-for-sale securities.

Factors considered in determining whether a loss is temporary include:

- The financial condition and near-term prospects of the issuer, including any specific events that may influence the operations of the issuer;

BB&T s intent to sell and whether it is more likely than not that the Company will be required to sell these debt securities before the anticipated recovery of the amortized cost basis;

The length of the time and the extent to which the market value has been less than cost;

Whether the decline in fair value is attributable to specific conditions, such as conditions in an industry or in a geographic area;

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Whether a debt security has been downgraded by a rating agency;

Whether the financial condition of the issuer has deteriorated;

The seniority of the security;

Whether dividends have been reduced or eliminated, or scheduled interest payments on debt securities have not been made; and

Any other relevant available information.

For certain U.S. mortgage-backed securities (and in particular for non-agency Alt-A, Prime and other mortgage-backed securities that have significant unrealized losses as a percentage of amortized cost), credit impairment is assessed using a cash flow model that estimates the cash flows on the underlying mortgage pools, using security-specific structure information. The model estimates cash flows from the underlying mortgage loan pools and distributes those cash flows to the various tranches of securities, considering the transaction structure and any subordination and credit enhancements that exist in each structure. The cash flow model projects the remaining cash flows using a number of assumptions, including default rates, prepayment rates and recovery rates (on foreclosed properties).

Management reviews the result of the cash flow model, internal credit analysis and other market observable information in its estimation of possible future credit losses. If management does not expect to recover the entire amortized cost basis of a mortgage-backed security, the Company records other-than-temporary impairment equal to the amount of expected credit losses in the mortgage-backed security. The remaining amount of unrealized loss is recognized as a component of other comprehensive income.

Where a mortgage-backed security is not deemed to be credit impaired, management performs additional analysis to assess whether it intends to sell and it is more likely than not that the Company will be required to sell these debt securities before anticipated recovery of the amortized cost basis. In making this determination, BB&T considers its expected liquidity and capital needs, including its asset/liability management needs, forecasts, strategies and other relevant information.

Summary Analysis Supporting Conclusions

The following table presents a detailed analysis of non-investment grade securities with significant unrealized losses that are not covered by a loss sharing arrangement, as the majority of potential losses related to covered securities would be reimbursed by the FDIC. The expected underlying collateral losses represent losses on the underlying mortgage pools supporting BB&T s tranche. The benefits from subordination represent the amount of the expected losses the subordinate security holders are obligated to absorb prior to BB&T incurring a loss.

Non-investment grade securities with significant unrealized losses

As of September 30, 2010

(Dollars in millions)

Security	Amortized Cost	Fair Value	Unrealized Loss	Moody s Credit Rating	Fitch	Expected Underlying	Benefit of Subordination

					S&P		Collateral Losses	
Securities with other-than-temporary impairment losses:								
RMBS 1	$ 147	$ 125	$ (22)	Caa3	CC		$ 7	$ 1
RMBS 2	51	33	(18)	Ca		C	3	1
RMBS 3	56	34	(22)	Caa1	CC	C	2	1
Securities without other-than-temporary impairment losses (1):								
RMBS 4	104	72	(32)	Caa2	CC		6	6
RMBS 5	111	73	(38)		CCC	C	5	5

(1) Additional benefits of subordination are available in excess of the expected underlying collateral losses.

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NOTE 4. Loans and Leases

The following table provides a breakdown of BB&T s loan portfolio as of September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2009
	(Dollars in millions)	
Loans and leases, net of unearned income:		
Commercial loans and leases	**$ 48,131**	$ 49,820
Sales finance loans	**6,972**	6,290
Revolving credit loans	**2,065**	2,016
Direct retail loans	**13,828**	14,283
Residential mortgage loans	**16,316**	15,435
Specialized lending loans	**8,047**	7,670
Other acquired loans	**69**	123
Total loans and leases held for investment (excluding covered loans)	**95,428**	95,637
Covered loans	**6,753**	8,019
Total loans and leases held for investment	**102,181**	103,656
Loans held for sale	**3,833**	2,551
Total loans and leases	**$ 106,014**	$ 106,207

Covered loans represent loans acquired from the FDIC subject to loss sharing agreements. Other acquired loans represent loans acquired from the FDIC that are not subject to loss sharing agreements.

The following table reflects the carrying value of all purchased impaired and nonimpaired loans as of September 30, 2010 and December 31, 2009:

	September 30, 2010			December 31, 2009		
	Purchased Impaired Loans	Purchased Nonimpaired Loans	Total	Purchased Impaired Loans	Purchased Nonimpaired Loans	Total
	(Dollars in millions)					
Residential mortgage loans	**$ 748**	**$ 740**	**$ 1,488**	$ 826	$ 806	$ 1,632
Commercial real estate loans	**2,289**	**2,115**	**4,404**	2,732	2,574	5,306
Commercial loans	**83**	**778**	**861**	94	987	1,081
Total covered loans	**3,120**	**3,633**	**6,753**	3,652	4,367	8,019
Other acquired loans	**7**	**62**	**69**	14	109	123
Total	**3,127**	**3,695**	**6,822**	3,666	4,476	8,142

Allowance for loan losses	**(44)**		**(44)**			
Net	**$ 3,083**	**$ 3,695**	**$ 6,778**	$ 3,666	$ 4,476	$ 8,142

Changes in the carrying amount and accretable yield for purchased impaired and nonimpaired loans, excluding loans held for sale, were as follows for the nine month period ended September 30, 2010:

	Purchased Impaired		**Purchased Nonimpaired**	
	Accretable Yield	**Carrying Amount of Loans**	**Accretable Yield**	**Carrying Amount of Loans**
	(Dollars in millions)			
Balance at beginning of period	$ 889	$ 3,666	$ 1,301	$ 4,476
Additions				
Accretion	(357)	357	(311)	311
Reclassifications from nonaccretable balance, net	898		584	
Payments received, net		(896)		(1,092)
Balance at end of period	$ 1,430	$ 3,127	$ 1,574	$ 3,695

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The outstanding unpaid principal balance for all purchased impaired loans as of September 30, 2010 and December 31, 2009 was $4.2 billion and $5.7 billion, respectively. The outstanding unpaid principal balance for all purchased nonimpaired loans as of September 30, 2010 and December 31, 2009 was $5.5 billion and $6.6 billion, respectively.

At September 30, 2010 and December 31, 2009, none of the purchased loans were classified as nonperforming assets. Therefore, interest income, through accretion of the difference between the carrying amount of the loans and the expected cash flows, is being recognized on all purchased loans. The allowance for credit losses related to the purchased loans results from decreased expectations of future cash flows for certain acquired loan pools.

The following table sets forth certain information regarding BB&T s impaired loans, excluding acquired impaired loans and loans held for sale, that were evaluated for specific reserves:

	September 30, 2010	December 31, 2009 (1)
	(Dollars in millions)	
Total recorded investment impaired loans	**$ 3,185**	$ 2,305
Total recorded investment with no related valuation allowance	**206**	611
Total recorded investment with related valuation allowance	**2,979**	1,694
Allowance for loan and lease losses assigned to impaired loans	**(587)**	(278)
Net carrying value impaired loans	**$ 2,598**	$ 2,027

(1) Prior period amounts were revised in the first quarter of 2010 to reflect the retrospective application of more definitive regulatory guidance on troubled debt restructurings.

The following table provides a summary of BB&T s nonperforming and past due loans at September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2009
	(Dollars in millions)	
Nonaccrual loans and leases (1) (2):		
Held for investment	**$ 1,973**	$ 2,713
Held for sale	**826**	5
Total nonaccrual loans and leases	**2,799**	2,718
Foreclosed real estate	**1,309**	1,451
Other foreclosed property	**39**	58
Total foreclosed property (3)	**1,348**	1,509

Total nonperforming assets (excluding covered assets)	**$ 4,147**	$ 4,227
Loans 90 days or more past due and still accruing (excluding covered loans) (4) (5)	**$ 405**	$ 319

(1) Covered and other acquired loans are considered to be performing due to the application of the accretion method. Covered loans that are contractually past due are noted in footnote (5) below.
(2) Includes nonperforming restructurings totaling $489 million and $248 million at September 30, 2010 and December 31, 2009, respectively.
(3) Excludes foreclosed real estate totaling $276 million and $160 million as of September 30, 2010 and December 31, 2009, respectively, that are covered by FDIC loss sharing agreements.
(4) Excludes mortgage loans guaranteed by GNMA that BB&T does not have the obligation to repurchase.
(5) Excludes loans totaling $1.3 billion and $1.4 billion past due 90 days or more as of September 30, 2010 and December 31, 2009, respectively, that are covered by FDIC loss sharing agreements.

During the third quarter of 2010, BB&T transferred $1.3 billion book value of nonperforming loans to loans held for sale, and recorded $431 million in net charge-offs.

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The following table summarizes loans that continue to accrue interest under the terms of restructurings (performing restructurings):

	September 30, 2010	December 31, 2009
	(Dollars in millions)	
Performing restructurings: (1)		
Commercial loans and leases	**$ 876**	$ 413
Direct retail loans	**131**	132
Revolving credit loans	**62**	54
Residential mortgage loans	**689**	471
Specialized lending loans	**4**	
Loans held for sale	**30**	
Total performing restructurings	**1,792**	1,070
Nonperforming restructurings (2)(3)	**489**	248
Total restructurings (4)(5)	**$ 2,281**	$ 1,318

(1) Prior period amounts were revised in the first quarter of 2010 to reflect the retrospective application of more definitive regulatory guidance.
(2) Nonperforming restructurings are included in nonaccrual loan disclosures.
(3) Includes approximately $152 million of nonperforming restructurings included in loans held for sale at September 30, 2010.
(4) All restructurings are considered impaired. The allowance for loan and lease losses attributable to these restructured loans totaled $416 million and $164 million at September 30, 2010 and December 31, 2009, respectively.
(5) Excludes restructured covered and other acquired loans accounted for under the accretion method.

Troubled debt restructurings (restructurings) can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accruing status, depending on the individual facts and circumstances of the borrower. In circumstances where the restructuring involves charging off a portion of the loan balance, BB&T typically classifies these restructurings as nonaccrual. Restructurings have most often occurred within BB&T s commercial, mortgage and consumer loan portfolios.

In connection with commercial restructurings, the decision to maintain a loan that has been restructured on accrual status is based on a current, well documented credit evaluation of the borrower s financial condition and prospects for repayment under the modified terms. This evaluation includes consideration of the borrower s current capacity to pay, which among other things may include a review of the borrower s current financial statements, an analysis of global cash flow sufficient to pay all debt obligations, and an evaluation of secondary sources of payment from the client and any guarantors. This evaluation also includes an evaluation of the borrower s current willingness to pay, which may include a review of past payment history, an evaluation of the borrower s willingness to provide information on a timely basis, and consideration of offers from the borrower to provide additional collateral or guarantor support. The credit evaluation also reflects consideration of the borrower s future capacity and willingness to pay, which may include evaluation of cash flow projections, consideration of the adequacy of collateral to cover all principal and interest and trends indicating improving profitability, collectability of receivables, etc.

The evaluation of mortgage and consumer loans includes an evaluation of the client s debt to income ratio, credit report, property value, loan vintage, and certain other client-specific factors that have impacted their ability to make timely principal and interest payments on the loan.

BB&T had commitments totaling $102 million and $18 million at September 30, 2010 and December 31, 2009, respectively, to lend additional funds to clients with loans whose terms have been modified in restructurings.

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NOTE 5. Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments

An analysis of the allowance for credit losses for the nine months ended September 30, 2010 and 2009 is presented in the following table:

	For the Nine Months Ended September 30,	
	2010	2009
	(Dollars in millions)	
Beginning Balance	$ 2,672	$ 1,607
Provision for credit losses	1,995	2,086
Loans and leases charged-off	(2,092)	(1,345)
Recoveries of previous charge-offs	102	60
Net loans and leases charged-off	(1,990)	(1,285)
Other changes, net	(27)	70
Ending Balance	$ 2,650	$ 2,478
Allowance for loan and lease losses	$ 2,611	$ 2,379
Reserve for unfunded lending commitments	39	99
Allowance for credit losses	$ 2,650	$ 2,478

NOTE 6. Goodwill and Other Intangible Assets

The changes in the carrying amounts of goodwill attributable to each of BB&T s operating segments for the nine months ended September 30, 2010 are reflected in the table below. To date, there have been no goodwill impairments recorded by BB&T.

	Goodwill Activity by Operating Segment							
	Community Banking	Residential Mortgage Banking	Sales Finance	Specialized Lending	Insurance Services	Financial Services	All Other	Total
	(Dollars in millions)							
Balance, January 1, 2010	$ 4,569	$ 7	$ 93	$ 110	$ 1,056	$ 192	$ 26	$ 6,053
Contingent consideration					9			9
Other adjustments	(45)			(7)	3			(49)
Balance, September 30, 2010	$ 4,524	$ 7	$ 93	$ 103	$ 1,068	$ 192	$ 26	$ 6,013

As of September 30, 2010, Branch Bank and the FDIC continue to finalize details of the acquisition of certain assets and substantially all of the deposits and certain liabilities of Colonial. As these details are finalized, adjustments to Branch Bank s purchase accounting, including goodwill, may be recorded. The adjustments to goodwill during 2010 within the Community Banking segment (formerly Banking Network), reflect the finalization of valuations for certain assets and liabilities acquired in the Colonial acquisition. The ultimate resolution of these adjustments is not expected to be material to BB&T s consolidated financial statements.

The following table presents the gross carrying amounts and accumulated amortization for BB&T s identifiable intangible assets subject to amortization at the dates presented:

	Identifiable Intangible Assets					
	As of September 30, 2010			As of December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Dollars in millions)					
Identifiable intangible assets						
Core deposit intangibles	$ 626	$ (425)	$ 201	$ 633	$ (375)	$ 258
Other (1)	751	(417)	334	755	(373)	382
Totals	$ 1,377	$ (842)	$ 535	$ 1,388	$ (748)	$ 640

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

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NOTE 7. Loan Servicing

Residential Mortgage Banking Activities

The following table includes a summary of residential mortgage loans managed or securitized and related delinquencies and net charge-offs:

		September 30, 2010	December 31, 2009
		(Dollars in millions)	
Mortgage loans managed or securitized (1)		$ 22,391	$ 21,637
Less:	Loans securitized and transferred to securities available for sale	18	60
	Loans held for sale	2,846	2,524
	Covered mortgage loans	1,488	1,632
	Mortgage loans sold with recourse	1,723	1,986
Mortgage loans held for investment		$ 16,316	$ 15,435
Mortgage loans on nonaccrual status (2)		$ 418	$ 767
Mortgage loans 90 days past due and still accruing interest (2)		256	158
Mortgage loan net charge-offs (3)		333	275

(1) Balances exclude loans serviced for others, with no other continuing involvement.
(2) Includes amounts related to residential mortgage loans held for sale
(3) Net charge-offs for September 30, 2010 reflect nine months.

BB&T sold problem residential mortgages with a carrying value of $385 million from the mortgage loans held for investment portfolio and recorded write-downs on certain loans identified for sale during the nine months ended September 30, 2010. In connection with these actions, BB&T recorded $141 million of net charge-offs.

The unpaid principal balances of BB&T s total residential mortgage servicing portfolio were $80.5 billion and $73.6 billion at September 30, 2010 and December 31, 2009, respectively. The unpaid principal balances of residential mortgage loans serviced for others consist primarily of agency conforming fixed-rate mortgage loans and totaled $60.2 billion and $54.5 billion at September 30, 2010 and December 31, 2009, respectively. Mortgage loans serviced for others are not included in loans on the accompanying Consolidated Balance Sheets.

During the nine months ended September 30, 2010 and 2009, BB&T sold residential mortgage loans from the held for sale portfolio with unpaid principal balances of $13.1 billion and $21.1 billion, respectively, and recognized pretax gains of $181 million and $291 million, respectively, which were recorded in noninterest income as a component of mortgage banking income. BB&T retained the related mortgage servicing rights and receives servicing fees.

At September 30, 2010 and 2009, the approximate weighted average servicing fee was .35% and .37%, respectively, of the outstanding balance of the residential mortgage loans. The weighted average coupon interest rate on the portfolio of mortgage loans serviced for others was 5.37% and 5.62% at September 30, 2010 and 2009, respectively. BB&T recognized servicing fees of $168 million and $135 million during the first nine months of 2010 and 2009, respectively, as a component of mortgage banking income.

At September 30, 2010 and December 31, 2009, BB&T had $1.7 billion and $2.0 billion, respectively, of residential mortgage loans sold with recourse liability. In the event of nonperformance by the borrower, BB&T has maximum recourse exposure of approximately $612 million and

$667 million as of September 30, 2010 and December 31, 2009, respectively. At September 30, 2010 and December 31, 2009, BB&T has recorded $6 million of reserves related to these recourse exposures. Payments made to date have been immaterial.

In prior years, the Company securitized residential mortgage loans and retained the resulting securities available for sale. As of September 30, 2010, the fair value of the securities available for sale still owned by BB&T was $19 million and the remaining unpaid principal balance of the underlying loans totaled $18 million. Based on the performance of the underlying loans and general liquidity of the securities, the Company s recovery of the cost basis in the securities has not been significantly impacted by changes in interest rates, prepayment speeds or credit losses.

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Residential mortgage servicing rights are recorded on the Consolidated Balance Sheets at fair value with changes in fair value recorded as a component of mortgage banking income in the Consolidated Statements of Income for each period. BB&T uses various derivative instruments to mitigate the income statement effect of changes in fair value of its residential mortgage servicing rights due to changes in valuation inputs and assumptions. The following is an analysis of the activity in BB&T s residential mortgage servicing rights for the nine month periods ended September 30, 2010 and 2009:

	Residential Mortgage Servicing Rights For the Nine Months Ended September 30,	
	2010	2009
	(Dollars in millions)	
Carrying value, January 1,	$ 832	$ 370
Additions	177	331
Increase (decrease) in fair value:		
Due to changes in valuation inputs or assumptions	(327)	32
Other changes (1)	(97)	(94)
Carrying value, September 30,	$ 585	$ 639

(1) Represents the realization of expected net servicing cash flows, expected borrower payments and the passage of time.

BB&T uses assumptions and estimates in determining the fair value of mortgage servicing rights. These assumptions include prepayment speeds, servicing costs and Option Adjusted Spread commensurate with the risks involved and comparable to assumptions used by market participants to value and bid servicing rights available for sale in the market. At September 30, 2010, the sensitivity of the current fair value of the residential mortgage servicing rights to immediate 10% and 20% adverse changes in key economic assumptions are included in the accompanying table.

	Residential Mortgage Servicing Rights September 30, 2010
	(Dollars in millions)
Fair value of residential mortgage servicing rights	$ 585
Composition of residential loans serviced for others:	
Fixed-rate mortgage loans	99%
Adjustable-rate mortgage loans	1
Total	100
Weighted average life	3.8 yrs
Prepayment Speed	20.2%
Effect on fair value of a 10% increase	$ (39)
Effect on fair value of a 20% increase	(74)
Weighted average discount rate	10.8%
Effect on fair value of a 10% increase	$ (25)
Effect on fair value of a 20% increase	(47)

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. As indicated, changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of an adverse variation in a particular assumption on the fair value of the mortgage servicing rights is calculated without changing any other assumption; however, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments), which may magnify or counteract the effect of the change.

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Commercial Mortgage Banking Activities

BB&T also arranges and services commercial real estate mortgages through Grandbridge Real Estate Capital, LLC (Grandbridge) the commercial mortgage banking subsidiary of Branch Bank. During both the nine months ended September 30, 2010 and 2009, Grandbridge originated $1.8 billion of commercial real estate mortgages, primarily for third party investors. As of September 30, 2010 and December 31, 2009, Grandbridge s portfolio of commercial real estate mortgages serviced for others totaled $23.8 billion and $24.3 billion, respectively. Commercial real estate mortgage loans serviced for others are not included in loans on the accompanying Consolidated Balance Sheets. Grandbridge had $4.2 billion and $4.0 billion in loans serviced for others that were covered by recourse provisions at September 30, 2010 and December 31, 2009, respectively. At both September 30, 2010 and December 31, 2009, Grandbridge s maximum exposure to loss for these loans was approximately $1.1 billion. BB&T has recorded $17 million and $12 million of reserves related to these recourse exposures at September 30, 2010 and December 31, 2009, respectively.

Commercial mortgage servicing rights are recorded as other assets on the Consolidated Balance Sheets at lower of cost or market and amortized in proportion to and over the estimated period that net servicing income is expected to be received based on projections of the amount and timing of estimated future net cash flows. The following is an analysis of the activity in BB&T s commercial mortgage servicing rights for the nine months ended September 30, 2010 and 2009:

	Commercial Mortgage Servicing Rights For the Nine Months Ended September 30,	
	2010	2009
	(Dollars in millions)	
Carrying value, January 1,	$ 101	$ 98
Additions	12	18
Amortization expense	(13)	(13)
Carrying value, September 30,	$ 100	$ 103

At September 30, 2010, the sensitivity of the current fair value of the commercial mortgage servicing rights to adverse changes in key economic assumptions are included in the accompanying table.

	Commercial Mortgage Servicing Rights September 30, 2010 (Dollars in millions)
Fair value of commercial mortgage servicing rights	$ 116
Weighted average life	7.3 yrs
Prepayment speed	0.4%
Effect on fair value of a 10% increase	$ (1)
Effect on fair value of a 15% increase	(1)
Weighted average discount rate	12.5%
Effect on fair value of a 25% increase	$ (9)
Effect on fair value of a 50% increase	(17)

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. As indicated, changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the

change in fair value may not be linear. Also, in this table, the effect of an adverse variation in a particular assumption on the fair value of the mortgage servicing rights is calculated without changing any other assumption; however, changes in one factor may result in changes in another (for example, increases in market interest rates may result in increased value of escrow deposits), which may magnify or counteract the effect of the change.

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NOTE 8. Long-Term Debt

	September 30, 2010	December 31, 2009
	(Dollars in millions)	
Parent Company		
3.10% Senior Notes Due 2011	$ 250	$ 250
3.85% Senior Notes Due 2012	1,000	1,000
3.38% Senior Notes Due 2013	500	500
5.70% Senior Notes Due 2014	510	509
3.95% Senior Notes Due 2016	499	
6.85% Senior Notes Due 2019	538	538
6.50% Subordinated Notes Due 2011 (1)	610	610
4.75% Subordinated Notes Due 2012 (1)	490	489
5.20% Subordinated Notes Due 2015 (1)	932	932
4.90% Subordinated Notes Due 2017 (1,3)	339	336
5.25% Subordinated Notes Due 2019 (1,3)	586	586
Branch Bank		
Floating Rate Subordinated Notes Due 2016 (1,8)	350	350
Floating Rate Subordinated Notes Due 2017 (1,8)	261	261
4.875% Subordinated Notes Due 2013 (1)	222	222
5.625% Subordinated Notes Due 2016 (1)	386	386
Federal Home Loan Bank Advances to Branch Bank (4)		
Varying maturities to 2034	10,489	10,541
Junior Subordinated Debt to Unconsolidated Trusts (2)		
5.85% BB&T Capital Trust I Securities Due 2035	514	514
6.75% BB&T Capital Trust II Securities Due 2036	598	598
6.82% BB&T Capital Trust IV Securities Due 2077 (5)	600	600
8.95% BB&T Capital Trust V Securities Due 2068 (6)	450	450
9.60% BB&T Capital Trust VI Securities Due 2069	575	575
8.10% BB&T Capital Trust VII Securities Due 2069	350	350
Other (7)	182	182
Other Long-Term Debt	124	98
Fair value hedge-related basis adjustments	756	499
Total Long-Term Debt	$ 22,111	$ 21,376

(1) Subordinated notes that qualify under the risk-based capital guidelines as Tier 2 supplementary capital, subject to certain limitations.
(2) Securities that qualify under the risk-based capital guidelines as Tier 1 capital, subject to certain limitations.
(3) These fixed rate notes were swapped to floating rates based on LIBOR. At September 30, 2010, the effective rates paid on these borrowings ranged from .84% to .96%.
(4) $800 million of these advances were swapped to a floating rate based on LIBOR. At September 30, 2010, the weighted average cost of these advances was 3.24% including the effect of the swapped portion, and the weighted average maturity was 6.7 years.
(5) These securities have a fixed rate through June 12, 2037 and then switch to a floating rate based on LIBOR.
(6)

$360 million of this issuance was swapped to a floating rate based on LIBOR. At September 30, 2010 the effective rate on the swapped portion was 3.66%.

(7) These securities were issued by companies acquired by BB&T. At September 30, 2010, the effective rate paid on these borrowings ranged from 1.99% to 10.07%. These securities have varying maturities through 2035.

(8) These floating-rate securities are based on LIBOR and had an effective rate of .62% as of September 30, 2010.

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NOTE 9. Shareholders Equity

Common Stock

As of September 30, 2010, the authorized common stock of BB&T consists of two billion shares with a $5 par value. There were 694 million and 690 million common shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively.

Preferred Stock

The authorized preferred stock of BB&T consists of five million shares. There were no preferred shares outstanding at September 30, 2010 or December 31, 2009.

Equity-Based Plans

BB&T has options, restricted shares of common stock and restricted share units outstanding from the following equity-based compensation plans: the 2004 Stock Incentive Plan (2004 Plan), the 1995 Omnibus Stock Incentive Plan, the Non-Employee Directors Stock Option Plan, and plans assumed from acquired entities. All plans generally allow for accelerated vesting of awards for holders who retire and have met all retirement eligibility requirements and in connection with certain other events. BB&T s shareholders have approved all equity-based compensation plans with the exception of plans assumed from acquired companies. As of September 30, 2010, the 2004 Plan is the only plan that has awards available for future grants. Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for further disclosures related to equity-based awards issued by BB&T.

BB&T measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants awarded during the first nine months of 2010 and 2009. Substantially all of BB&T s option awards are granted in February of each year.

	September 30,	
	2010	**2009**
Assumptions:		
Risk-free interest rate	2.0%	3.1%
Dividend yield	5.4	6.0
Volatility factor	36.0	29.1
Expected life	7.2 yrs	7.1 yrs
Fair value of options per share	$ 5.60	$ 2.59

BB&T measures the fair value of restricted shares based on the price of BB&T s common stock on the grant date and the fair value of restricted share units based on the price of BB&T s common stock on the grant date less the present value of expected dividends that are foregone during the vesting period.

The following table details the activity during the first nine months of 2010 related to stock options awarded by BB&T:

	For the Nine Months Ended September 30, 2010	
	Options	**Wtd. Avg. Exercise**

		Price
Outstanding at beginning of period	42,535,819	$ 35.40
Granted	4,652,250	27.75
Exercised	(1,529,530)	23.19
Forfeited or expired	(734,320)	33.74
Outstanding at end of period	44,924,219	35.04
Exercisable at end of period	32,706,693	$ 36.84

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The following table details the activity during the first nine months of 2010 related to restricted shares and restricted share units awarded by BB&T:

	For the Nine Months Ended September 30, 2010	
	Shares/Units	Wtd. Avg. Grant Date Fair Value
Nonvested at beginning of period	10,861,433	$ 19.36
Granted	3,410,700	23.74
Vested	(471,183)	30.37
Forfeited	(418,405)	19.87
Nonvested at end of period	13,382,545	$ 20.07

NOTE 10. Accumulated Other Comprehensive Income (Loss)

The balances in accumulated other comprehensive loss at September 30, 2010 and December 31, 2009 are shown in the following table.

	As of September 30, 2010			As of December 31, 2009		
	Pre-Tax Amount	Deferred Tax Expense (Benefit)	After-Tax Amount	Pre-Tax Amount	Deferred Tax Expense (Benefit)	After-Tax Amount
	(Dollars in millions)					
Unrecognized net pension and postretirement costs	**$ (448)**	**$ (170)**	**$ (278)**	$ (447)	$ (169)	$ (278)
Unrealized net (losses) gains on cash flow hedges	**(167)**	**(63)**	**(104)**	173	66	107
Unrealized net gains (losses) on securities available for sale	**352**	**133**	**219**	(363)	(138)	(225)
FDIC s share of unrealized net gains on securities available for sale under the loss share agreements (1)	**(273)**	**(103)**	**(170)**	(30)	(11)	(19)
Foreign currency translation adjustment	**(8)**	**(6)**	**(2)**	(7)	(5)	(2)
Total	**$ (544)**	**$ (209)**	**$ (335)**	$ (674)	$ (257)	$ (417)

(1) Certain securities available for sale are covered by loss sharing agreements with the FDIC. The securities covered by the loss share agreements reflected a net unrealized pretax gain of $296 million and $35 million as of September 30, 2010 and December 31, 2009, respectively. The FDIC s share of this net unrealized pretax gain, upon sale, would have been $273 million and $30 million as of September 30, 2010 and December 31, 2009, respectively, and was recorded as a reduction in other comprehensive income.

As of September 30, 2010 and December 31, 2009, unrealized net losses on securities available for sale included $100 million and $114 million, respectively, of pre-tax losses related to other-than-temporarily impaired non-agency mortgage-backed securities where a portion of the loss was recognized in net income.

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Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2010

The following tables reflect the components of total comprehensive income for the three and nine month periods ended September 30, 2010 and 2009.

	Three Months Ended September 30, 2010		
	Pre-Tax	Tax Effect	After-Tax
	(Dollars in millions)		
Comprehensive income:			
Net income	**$ 246**	**$ 27**	**$ 219**
Other comprehensive income:			
Unrealized net holding gains (losses) arising during the period on securities available for sale	**315**	**119**	**196**
Reclassification adjustment for losses (gains) on securities available for sale included in net income	**(239)**	**(91)**	**(148)**
Net change in amounts attributable to the FDIC under the loss share agreements	**(117)**	**(44)**	**(73)**
Net change in unrecognized gains (losses) on cash flow hedges	**(125)**	**(47)**	**(78)**
Net change in foreign currency translation adjustment		**(1)**	**1**
Net change in pension and postretirement liability	**6**	**2**	**4**
Total comprehensive income	**$ 86**	**$ (35)**	**$ 121**

	Three Months Ended September 30, 2009		
	Pre-Tax	Tax Effect	After-Tax
	(Dollars in millions)		
Comprehensive income:			
Net income	$ 148	$ (9)	$ 157
Other comprehensive income:			
Unrealized net holding gains (losses) arising during the period on securities available for sale	626	237	389
Reclassification adjustment for losses (gains) on securities available for sale included in net income	(31)	(12)	(19)
Net change in amounts attributable to the FDIC under the loss share agreements	(19)	(7)	(12)
Net change in unrecognized gains (losses) on cash flow hedges	4	2	2
Net change in foreign currency translation adjustment	1	(3)	4
Net change in pension and postretirement liability	3	1	2
Total comprehensive income	$ 732	$ 209	$ 523

	Nine Months Ended September 30, 2010		
	Pre-Tax	Tax Effect	After-Tax
	(Dollars in millions)		
Comprehensive income:			
Net income	**$ 737**	**$ 100**	**$ 637**
Other comprehensive income:			
Unrealized net holding gains (losses) arising during the period on securities available for sale	**1,170**	**444**	**726**
	(455)	**(173)**	**(282)**

Reclassification adjustment for losses (gains) on securities available for sale included in net income			
Net change in amounts attributable to the FDIC under the loss share agreements	**(243)**	**(92)**	**(151)**
Net change in unrecognized gains (losses) on cash flow hedges	**(340)**	**(129)**	**(211)**
Net change in foreign currency translation adjustment	**(1)**	**(1)**	
Net change in pension and postretirement liability	**(1)**	**(1)**	
Total comprehensive income	**$ 867**	**$ 148**	**$ 719**

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	Nine Months Ended September 30, 2009		
	Pre-Tax	Tax Effect	After-Tax
	(Dollars in millions)		
Comprehensive income:			
Net income	$ 829	$ 146	$ 683
Other comprehensive income:			
Unrealized net holding gains (losses) arising during the period on securities available for sale	695	261	434
Reclassification adjustment for losses (gains) on securities available for sale included in net income	(200)	(76)	(124)
Net change in amounts attributable to the FDIC under the loss share agreements	(19)	(7)	(12)
Net change in unrecognized gains (losses) on cash flow hedges	76	30	46
Net change in foreign currency translation adjustment		(5)	5
Net change in pension and postretirement liability	31	12	19
Total comprehensive income	$ 1,412	$ 361	$ 1,051

NOTE 11. Income Taxes

BB&T s provision for income taxes was $27 million for the three months ended September 30, 2010 and a $9 million benefit for the three months ended September 30, 2009. BB&T recognized a tax benefit of $12 million in the third quarter of 2009 related to certain leveraged lease transactions. The provision for income taxes was $100 million and $146 million for the nine months ended September 30, 2010 and 2009, respectively. The effective tax rates for the three months ended September 30, 2010 and 2009 were 11.0% and (6.1%), respectively. The effective tax rates for the nine months ended September 30, 2010 and 2009 were 13.6% and 17.6%, respectively. The higher effective tax rate for the three months ended September 30, 2010 compared to 2009 is primarily the result of the tax benefit related to certain leveraged lease transactions. The lower effective tax rate for the nine months ended September 30, 2010 compared to 2009 is primarily the result of an increase in tax credits.

The IRS has completed its federal income tax examinations of BB&T through 2006. In connection with the settlement agreement with the IRS regarding its leveraged lease transactions, BB&T is entitled to federal income tax refunds for tax years 1998-2006. During the first nine months of 2010, BB&T received federal tax refunds including interest of approximately $379 million for tax years 1998-2006. In February 2010, BB&T received an IRS statutory notice of deficiency for tax years 2002-2007 asserting a liability for taxes, penalties and interest of approximately $892 million related to the disallowance of foreign tax credits and other deductions claimed by a deconsolidated subsidiary in connection with a financing transaction. Management has consulted with outside counsel and continues to believe that BB&T s treatment of this transaction was in compliance with applicable tax laws and regulations. BB&T paid the disputed tax, penalties and interest, and filed a lawsuit seeking a refund in the U.S. Court of Federal Claims in March 2010. Management believes the Company s current reserves for this matter are adequate, although the final outcome is uncertain. Final resolution of this matter is not expected to occur within the next twelve months. Various years remain subject to examination by state taxing authorities.

In the third quarter of 2010, BB&T updated the tax basis valuation for the Colonial assets acquired from the FDIC. Based on this analysis, BB&T recorded a reserve of approximately $117 million related to the valuation of uncertain tax positions. Total unrecognized tax benefits at September 30, 2010 are $296 million.

NOTE 12. Benefit Plans

BB&T provides various benefit plans to substantially all employees, including employees of acquired entities. Employees of acquired entities generally participate in existing BB&T plans after consummation of the business combination. The plans of acquired institutions are typically merged into the BB&T plans after consummation of the

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mergers, and, under these circumstances, credit is usually given to these employees for years of service at the acquired institution for vesting and eligibility purposes. The Colonial acquisition, as an asset purchase, was handled differently from typical mergers. The retirement plans of Colonial were not assumed by BB&T, and as such, were not merged into the BB&T plans. Credit for years of service with Colonial, where given, was determined on a plan-by-plan basis with regard to the participation of former Colonial employees in BB&T s plans. Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for descriptions and disclosures about the various benefit plans offered by BB&T.

The following table summarizes the components of net periodic benefit cost recognized for BB&T s pension plans for the three and nine month periods ended September 30, 2010 and 2009, respectively:

	Pension Plans			
	Qualified For the Three Months Ended September 30,		Nonqualified For the Three Months Ended September 30,	
	2010	2009	2010	2009
	(Dollars in millions)			
Service cost	$ 19	$ 17	$ 1	$ 1
Interest cost	21	20	3	3
Estimated return on plan assets	(44)	(36)		
Amortization and other	6	13		
Net periodic benefit cost	$ 2	$ 14	$ 4	$ 4

	Pension Plans			
	Qualified For the Nine Months Ended September 30,		Nonqualified For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(Dollars in millions)			
Service cost	$ 59	$ 55	$ 3	$ 3
Interest cost	63	58	7	7
Estimated return on plan assets	(133)	(107)		
Amortization and other	17	41	1	1
Net periodic benefit cost	$ 6	$ 47	$ 11	$ 11

BB&T makes contributions to the qualified pension plan in amounts between the minimum required for funding standard accounts and the maximum amount deductible for federal income tax purposes. Discretionary contributions of $7 million and $61 million were made to the qualified pension plan in the third and first quarters of 2010, respectively. Discretionary contributions of $50 million and $422 million were made to the qualified pension plan in the third and first quarters of 2009, respectively. Management currently has no plans to make any additional contributions to the qualified pension plan in 2010; however, management may elect to make additional contributions during 2010 if deemed appropriate.

NOTE 13. Commitments and Contingencies

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

Commitments to extend, originate or purchase credit are primarily lines of credit to businesses and consumers and have specified rates and maturity dates. Many of these commitments also have adverse change clauses, which allow BB&T to cancel the commitment due to deterioration in the borrowers creditworthiness.

Letters of credit and financial guarantees written are unconditional commitments issued by BB&T to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper issuance, bond financing and similar transactions, the majority of which are to tax exempt entities. The credit risk involved in the issuance of these guarantees is essentially the same as that involved in extending loans to clients and as such, the instruments are collateralized when necessary. As of September 30, 2010 and December 31, 2009, BB&T had issued letters of credit totaling $7.5 billion and $8.0 billion, respectively. The carrying amount of the liability for such guarantees was $41 million and $40 million at September 30, 2010 and December 31, 2009, respectively.

A derivative is a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or referenced interest rate. These instruments include interest-rate swaps, swaptions, caps, floors, collars, financial forward and futures contracts, when-issued securities, foreign exchange contracts and options written and purchased. BB&T uses derivatives primarily to manage risk related to securities, business loans, Federal Funds purchased, other overnight funding, long-term debt, mortgage servicing rights, mortgage banking operations and certificates of deposit. BB&T also uses derivatives to facilitate transactions on behalf of its clients. BB&T held a variety of derivative financial instruments with notional values of $67.2 billion and $66.2 billion at September 30, 2010 and December 31, 2009, respectively. These instruments were in a net gain position of $277 million and $283 million at September 30, 2010 and December 31, 2009, respectively.

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

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

As previously discussed, BB&T entered into loss sharing agreements with the FDIC in connection with the Colonial acquisition. The provisions of the agreements may require a payment by BB&T to the FDIC on October 15, 2019. On that date, BB&T is required to pay the FDIC 55% of the excess, if any, of (i) $1 billion over (ii) the sum of (A) 25% of the total net amounts paid to BB&T under both of the loss sharing agreements (i.e., BB&T s payments received from the FDIC for losses, offset by BB&T s payments made to the FDIC for recoveries) plus (B) 20% of the deemed total cost to BB&T of administering the assets covered under the loss sharing agreements other than shared loss securities. The deemed total cost to BB&T of administering the covered assets is the sum of 2% of the average of the principal amount of shared loss loans and shared loss assets (other than the shared loss securities) based on the beginning and end of year balances for each of the 10 years during which the shared loss agreements are in effect. In addition, any payments made by either party with respect to the securities with a 95% loss share will be excluded from this calculation.

BB&T invests in certain affordable housing and historic building rehabilitation projects throughout its market area as a means of supporting local communities, and receives tax credits related to these investments. BB&T typically acts as a limited partner in these investments and does not exert control over the operating or financial policies of the partnerships. Branch Bank typically provides financing during the construction and development of the properties; however, permanent financing is generally obtained from independent third parties upon completion of a project. As of September 30, 2010 and December 31, 2009, BB&T had investments of $1.1 billion related to these projects, which are included as other assets on the Consolidated Balance Sheets. BB&T s outstanding commitments to fund affordable housing investments totaled $250 million and $371 million at September 30, 2010 and December 31, 2009, respectively, which are included as other liabilities on the Consolidated Balance Sheets. As of September 30, 2010 and December 31, 2009, BB&T had outstanding loan

commitments to these funds of $135 million and $165 million, respectively. Of these amounts, $31 million and $73 million had been funded at September 30, 2010 and December 31, 2009, respectively, and were included in loans and leases on the Consolidated Balance Sheets. BB&T s maximum risk exposure related to these investments totaled $1.2 billion at September 30, 2010 and December 31, 2009.

BB&T has sold certain mortgage-related loans that contain recourse provisions. These provisions generally require BB&T to reimburse the investor for a share of any loss that is incurred after the disposal of the property. At September 30, 2010 and December 31, 2009, BB&T had $1.7 billion and $2.0 billion, respectively, of residential mortgage loans sold with recourse. In the event of nonperformance by the borrower, BB&T has maximum recourse exposure of approximately $612 million and $667 million as of September 30, 2010 and December 31, 2009, respectively. In addition, BB&T has $4.2 billion and $4.0 billion in commercial loans serviced for others that were covered by recourse provisions at September 30, 2010 and December 31, 2009, respectively. As of September 30, 2010 and December 31, 2009, BB&T s maximum exposure to loss for these loans is approximately $1.1 billion. BB&T has recorded $23 million and $18 million of reserves related to these recourse exposures at September 30, 2010 and December 31, 2009, respectively.

BB&T also issues standard representations and warranties related to mortgage loan sales to government-sponsored entities. Although these agreements often do not specify limitations, BB&T does not believe that any payments related to these warranties would materially change the financial condition or results of operations of BB&T. As of September 30, 2010, BB&T has recorded $14 million of reserves related to potential losses resulting from repurchases of loans sold.

BB&T has investments and future funding commitments to certain venture capital funds. As of September 30, 2010 and December 31, 2009, BB&T had investments of $287 million and $281 million related to these ventures, respectively. As of September 30, 2010 and December 31, 2009, BB&T had future funding commitments of $206 million and $183 million, respectively. BB&T s risk exposure relating to such commitments is generally limited to the amount of investments and future funding commitments made.

NOTE 14. Fair Value Disclosures

BB&T carries various assets and liabilities at fair value based on applicable accounting standards. In addition, BB&T has elected to account for prime residential mortgage and commercial mortgage loans originated as loans held for sale at fair value in accordance with applicable accounting standards (the Fair Value Option). BB&T also has certain loans held for sale that were originated as loans held for investment. These loans are carried at the lower of cost or market. Accounting standards have established a framework for measuring fair value and defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. These standards also established a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities. Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities. Level 2 asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

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Assets and liabilities measured at fair value on a recurring basis, including financial instruments for which BB&T has elected the Fair Value Option are summarized below:

	9/30/2010	Fair Value Measurements for Assets and Liabilities Measured on a Recurring Basis		
		Level 1	Level 2	Level 3
		(Dollars in Millions)		
Assets:				
Trading securities	$ 568	$ 239	$ 319	$ 10
Securities available for sale:				
U.S. government-sponsored entities (GSE)	54		54	
Mortgage-backed securities issued by GSE	19,341		19,341	
States and political subdivisions	2,092		1,952	140
Non-agency mortgage-backed securities	941		941	
Equity and other securities	569	136	426	7
Covered securities	1,500		578	922
Loans held for sale (4)	2,920		2,920	
Residential mortgage servicing rights	585			585
Derivative assets: (2)				
Interest rate contracts	1,548	2	1,479	67
Foreign exchange contracts	6		6	
Venture capital and similar investments (1)(2)	287			287
Total assets	**$ 30,411**	**$ 377**	**$ 28,016**	**$ 2,018**
Liabilities:				
Derivative liabilities: (2)				
Interest rate contracts	$ 1,272	$ 7	$ 1,264	$ 1
Foreign exchange contracts	5		5	
Short-term borrowed funds (3)	180		180	
Total liabilities	**$ 1,457**	**$ 7**	**$ 1,449**	**$ 1**

	12/31/2009	Fair Value Measurements for Assets and Liabilities Measured on a Recurring Basis		
		Level 1	Level 2	Level 3
		(Dollars in Millions)		
Assets:				
Trading securities	$ 636	$ 255	$ 288	$ 93
Securities available for sale:				
U.S. government-sponsored entities (GSE)	2,035		2,035	
Mortgage-backed securities issued by GSE	26,670		26,670	
States and political subdivisions	2,107		1,897	210
Non-agency mortgage-backed securities	1,022		1,022	
Equity and other securities	218	166	43	9
Covered securities	1,201		533	668
Loans held for sale	2,551		2,551	

Residential mortgage servicing rights	832			832
Derivative assets (2)	983	1	975	7
Venture capital and similar investments (1)(2)	281			281
Total assets	**$ 38,536**	**$ 422**	**$ 36,014**	**$ 2,100**
Liabilities:				
Derivative liabilities (2)	$ 700	$ 5	$ 668	$ 27
Short-term borrowed funds (3)	295		295	
Total liabilities	**$ 995**	**$ 5**	**$ 963**	**$ 27**

(1) Based on an analysis of the nature and risks of these investments, BB&T has determined that presenting these investments as a single class is appropriate.
(2) These amounts are reflected in other assets and other liabilities on the Consolidated Balance Sheets.
(3) Short-term borrowed funds reflect securities sold short positions.
(4) Excludes loans held for sale carried at the lower of cost or market.

The following discussion focuses on the valuation techniques and significant inputs used by BB&T in determining the Level 2 and Level 3 fair values of each significant class of assets and liabilities.

The fair values for available-for-sale and trading securities are generally based upon quoted market prices or observable market prices for similar instruments. BB&T generally utilizes a third-party pricing service in determining the fair value of its securities portfolio. The pricing service uses observable inputs when available including benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids and offers. For certain security types, additional inputs may be used, or some inputs may not be applicable. BB&T performs a review of pricing on actual trades executed in order to validate the fair values provided by this pricing service. BB&T also analyzes available third-party market data for a sample of securities to further validate these fair values. When market observable data is not available, which generally occurs due to the lack of liquidity for certain securities, the valuation of the security is subjective and may involve substantial judgment by management.

Specific valuation techniques and inputs used in determining the fair value of each significant class of assets and liabilities follows:

Trading securities: Trading securities are composed of all types of debt and equity securities, but the majority consists of debt securities issued by the U.S. Treasury, U.S. government-sponsored entities, or states and political subdivisions. The valuation techniques used for these investments are more fully discussed below.

U.S. government-sponsored entities (GSE) and Mortgage-backed securities issued by GSE: These are debt securities issued by government sponsored entities. BB&T s valuations are based on a market approach using observable inputs such as benchmark yields and securities, TBA prices, reported trades, issuer spreads, monthly payment information and collateral performance.

States and political subdivisions: These are debt securities issued by states and political subdivisions. BB&T s valuations are primarily based on a market approach using observable inputs such as benchmark yields, MSRB reported trades, material event notices and new issue data.

Non-agency mortgage-backed securities: BB&T s valuation for these debt securities is based on a market approach using observable inputs such as benchmark yields and securities, TBA prices, reported trades, monthly payment information and collateral performance.

Equity and other securities: These securities consist primarily of equities, mutual funds and corporate bonds. These securities are valued based on a review of quoted market prices for identical and similar assets as well as through the various other inputs discussed previously.

Covered securities: Covered securities are covered by FDIC loss sharing agreements and consist of re-remic non-agency mortgage-backed securities and municipal securities. These securities were priced primarily through broker-dealer quotes.

Loans held for sale: BB&T originates certain mortgage loans to be sold to investors. These loans are carried at fair value based on BB&T s election of the Fair Value Option. The fair value is primarily based on quoted market prices for securities backed by similar types of loans. The changes in fair value of these assets are largely driven by changes in interest rates subsequent to loan funding and changes in the fair value of servicing associated with the mortgage loan held for sale.

Residential mortgage servicing rights: BB&T estimates the fair value of residential mortgage servicing rights (MSRs) using an option adjusted spread (OAS) valuation model to project MSR cash flows over multiple interest rate scenarios,

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which are then discounted at risk-adjusted rates. The OAS model considers portfolio characteristics, contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. When available, fair value estimates and assumptions are compared to observable market data and to recent market activity and actual portfolio experience.

Derivative assets and liabilities: BB&T uses derivatives to manage various financial risks. The fair values of derivative financial instruments are determined based on quoted market prices, dealer quotes and internal pricing models that are primarily sensitive to market observable data. The fair value of interest rate lock commitments, which are related to mortgage loan commitments, is based on quoted market prices adjusted for commitments that BB&T does not expect to fund and includes the value attributable to the net servicing fee.

Venture capital and similar investments: BB&T has venture capital and similar investments that are carried at fair value. In many cases there are no observable market values for these investments and therefore management must estimate the fair value based on a comparison of the operating performance of the company to multiples in the marketplace for similar entities. This analysis requires significant judgment and actual values in a sale could differ materially from those estimated.

Short-term borrowed funds: Short-term borrowed funds represent debt securities sold short. These are entered into through BB&T s brokerage subsidiary Scott & Stringfellow, LLC. These trades are executed as a hedging strategy for the purposes of supporting institutional and retail client trading activities.

The tables below present reconciliations for the three and nine months ended September 30, 2010 and 2009, respectively, for Level 3 assets and liabilities that are measured at fair value on a recurring basis.

	Fair Value Measurements Using Significant Unobservable Inputs						
For the Three Months Ended September 30, 2010	**Trading**	**States & Political Subdivisions**	**Equity & Other Securities**	**Covered Securities**	**Mortgage Servicing Rights**	**Net Derivatives**	**Venture Capital and Similar Investments**
				(Dollars in Millions)			
Balance at June 30, 2010	$ 11	$ 136	$ 8	$ 818	$ 665	$ 48	$ 272
Total realized and unrealized gains or losses:							
Included in earnings:							
Interest income				5			
Mortgage banking income					(135)	123	
Other noninterest income	(1)						18
Included in other comprehensive income (loss)		18	(1)	99			
Purchases, issuances and settlements		(14)			55	(105)	(3)
Transfers into Level 3							
Transfers out of Level 3							
Balance at September 30, 2010	$ 10	$ 140	$ 7	$ 922	$ 585	$ 66	$ 287
Net unrealized gains (losses) included in net income relating to assets and liabilities still held at September 30, 2010	$	$	$	$ 5	$ (100)	$ 66	$ 17

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	Fair Value Measurements Using Significant Unobservable Inputs							
For the Three Months Ended September 30, 2009	**Trading**	**States & Political Subdivisions**	**Non-agency mortgage-backed securities**	**Equity & Other Securities**	**Covered Securities**	**Mortgage Servicing Rights**	**Net Derivatives**	**Venture Capital and Similar Investments**
			(Dollars in Millions)					
Balance at June 30, 2009	$ 14	$	$ 1,048	$ 1	$	$ 615	$	$ 200
Total realized and unrealized gains or losses:								
Included in earnings:								
Interest Income					4			
Mortgage banking income						(89)	33	
Other noninterest income	(2)							(4)
Included in other comprehensive income (loss)			70					
Purchases, issuances and settlements			(57)	(1)		113	(7)	3
Transfers in and/or out of Level 3	1	226	(1,061)	9	632		(20)	30
Balance at September 30, 2009	$ 13	$ 226	$	$ 9	$ 636	$ 639	$ 6	$ 229
Net unrealized gains (losses) included in net income relating to assets and liabilities still held at September 30, 2009	$ (2)	$	$	$	$ 4	$ (59)	$ 6	$ 2

	Fair Value Measurements Using Significant Unobservable Inputs						
For the Nine Months Ended September 30, 2010	**Trading**	**States & Political Subdivisions**	**Equity & Other Securities**	**Covered Securities**	**Mortgage Servicing Rights**	**Net Derivatives**	**Venture Capital and Similar Investments**
			(Dollars in Millions)				
Balance at January 1, 2010	$ 93	$ 210	$ 9	$ 668	$ 832	$ (20)	$ 281
Total realized and unrealized gains or losses:							
Included in earnings:							
Interest income				39			
Mortgage banking income					(424)	176	
Other noninterest income	(1)						27
Included in other comprehensive income (loss)		17	(2)	215			
Purchases, issuances and settlements	(6)	(70)			177	(90)	(21)
Transfers into Level 3							
Transfers out of Level 3	(76)	(17)					
Balance at September 30, 2010	$ 10	$ 140	$ 7	$ 922	$ 585	$ 66	$ 287
Net unrealized gains (losses) included in net income relating to assets and liabilities still held at September 30, 2010	$	$	$	$ 39	$ (327)	$ 66	$ 20

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Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2010

	Fair Value Measurements Using Significant Unobservable Inputs							
For the Nine Months Ended September 30, 2009	Trading	States & Political Subdivisions	Non-agency mortgage-backed securities	Equity & Other Securities	Covered Securities	Mortgage Servicing Rights	Net Derivatives	Venture Capital and Similar Investments
			(Dollars in Millions)					
Balance at January 1, 2009	$ 4	$	$ 1,098	$ 1	$	$ 370	$ 37	$ 182
Total realized and unrealized gains or losses:								
Included in earnings:								
Interest Income					4			
Mortgage banking income						(62)	138	
Other noninterest income	(3)							(6)
Included in other comprehensive income (loss)			142					
Purchases, issuances and settlements	11		(179)	(1)		331	(149)	23
Transfers in and/or out of Level 3	1	226	(1,061)	9	632		(20)	30
Balance at September 30, 2009	$ 13	$ 226	$	$ 9	$ 636	$ 639	$ 6	$ 229
Net unrealized gains (losses) included in net income relating to assets and liabilities still held at September 30, 2009	$ (3)	$	$	$	$ 4	$ 32	$ 6	$ (7)

BB&T s policy is to recognize transfers in and transfers out of Levels 1, 2 and 3 as of the end of the reporting period. During the third quarter and nine months ended September 30, 2009, BB&T transferred certain non-agency mortgage-backed securities from Level 3 to Level 2 as a result of increased market activity for these securities. Conversely, BB&T transferred certain trading and auction rate securities issued by state and political subdivisions into Level 3 from Level 2 as a result of decreased market activity for these securities. Included in transfers into Level 3 are certain covered securities and net derivatives that were acquired in connection with the Colonial acquisition.

There were no gains or losses recognized as a result of the transfers of securities between Level 2 and Level 3 in either the three or nine months ended September 30, 2010 or 2009, respectively.

BB&T has investments in venture capital funds and other similar investments that are measured at fair value based on the investment s net asset value. The significant investment strategies for these ventures are primarily equity and subordinated debt in privately-held middle market companies. The majority of these investments are not redeemable and have varying dates for which the underlying assets are expected to be liquidated by distribution through 2021. As of September 30, 2010, restrictions on the ability to sell the investments include, but are not limited to, consent of a majority member or general partner approval for transfer of ownership. There were no investments probable of sale for less than net asset value at September 30, 2010.

The net realized and unrealized gains (losses) reported for mortgage servicing rights assets are composed of a negative valuation adjustment of $100 million and the realization of expected residential mortgage servicing rights cash flows of $35 million for the quarter ended September 30, 2010. For the quarter ended September 30, 2009, the net realized and unrealized gains (losses) reported for mortgage servicing rights assets are composed of a negative valuation adjustment of $59 million and the realization of expected residential mortgage servicing rights cash flows of $30 million. BB&T uses various derivative financial instruments to mitigate the income statement effect of changes in fair value. During the three months ended September 30, 2010 and 2009, the derivative instruments produced gains of $132 million and $72 million, respectively, which offset the valuation adjustments recorded.

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For the nine months ended September 30, 2010 and 2009, the net realized and unrealized gains (losses) reported for mortgage servicing rights assets are composed of a negative valuation adjustment of $327 million and a positive valuation adjustment of $32 million and the realization of expected residential mortgage servicing rights cash flows of $97 million and $94 million, respectively. The various derivative financial instruments used to mitigate the income statement effect of changes in fair value produced gains of $372 million and $32 million for the nine months ended September 30, 2010 and 2009, respectively, which offset the valuation adjustments recorded.

The following table details the fair value and unpaid principal balance of loans held for sale at September 30, 2010 and December 31, 2009 that were elected to be carried at fair value.

	September 30, 2010			December 31, 2009		
	Fair Value	Aggregate Unpaid Principal Balance	Fair Value Less Aggregate Unpaid Principal Balance	Fair Value	Aggregate Unpaid Principal Balance	Fair Value Less Aggregate Unpaid Principal Balance
	(Dollars in millions)					
Loans held for sale reported at fair value						
Total (1)(2)	$ 2,920	$ 2,858	$ 62	$ 2,551	$ 2,544	$ 7
Nonaccrual loans	2	2		5	6	(1)
Loans 90 days or more past due and still accruing interest	3	3		2	2	

(1) The change in fair value is reflected in mortgage banking income.
(2) Excludes loans held for sale carried at the lower of cost or market.

Also, BB&T may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis. Assets measured at fair value on a nonrecurring basis for the periods ended September 30, 2010 and December 31, 2009 that were still held on the balance sheet at September 30, 2010 and December 31, 2009 totaled $1.8 billion and $2.4 billion, respectively. The September 30, 2010 amount consists of $464 million of impaired loans, excluding covered loans, and $1.3 billion of foreclosed real estate, excluding covered foreclosed real estate, that were classified as Level 3 assets. The December 31, 2009 amount consists of $941 million of impaired loans, excluding covered loans, and $1.5 billion of foreclosed real estate, excluding covered foreclosed real estate, that were classified as Level 3 assets. During the three months ended September 30, 2010 and 2009, BB&T recorded $65 million and $101 million, respectively, in losses related to write-downs of impaired loans and $108 million and $88 million, respectively, in losses related to write-downs of foreclosed real estate. For the nine months ended September 30, 2010 and 2009, BB&T recorded $480 million and $290 million, respectively, in losses related to write-downs of impaired loans and $397 million and $137 million, respectively, in losses related to write-downs of foreclosed real estate. These write-downs are generally based on the appraised value of the underlying collateral.

During 2010, BB&T transferred certain held for investment loans to loans held for sale. These loans were adjusted to the lower of cost or market on the date of transfer. As of September 30, 2010, approximately $913 million of loans held for sale are being valued on BB&T s consolidated balance sheet at the lower of cost or market. Please refer to Note 4 for additional information about the value of the loans transferred and the amount of write-offs recorded.

Additionally, accounting standards require the disclosure of the estimated fair value of financial instruments that are not recorded at fair value. A financial instrument is defined as cash, evidence of an ownership interest in an entity or a contract that creates a contractual obligation or right to deliver or receive cash or another financial instrument from a second entity. For the financial instruments that BB&T does not record at fair value, estimates of fair value are made at a point in time, based on relevant market data and information about the financial instrument. Fair

values are calculated based on the value of one trading unit without regard to any premium or discount that may result from concentrations of ownership of a financial instrument, possible tax ramifications, estimated transaction costs that may result from bulk sales or the relationship between various financial instruments. No readily available market exists for a significant portion of BB&T s financial instruments. Fair value estimates for these instruments are based on current economic conditions, currency and interest rate risk

characteristics, loss experience and other factors. Many of these estimates involve uncertainties and matters of significant judgment and cannot be determined with precision. Therefore, the calculated fair value estimates in many instances cannot be substantiated by comparison to independent markets and, in many cases, may not be realizable in a current sale of the instrument. In addition, changes in assumptions could significantly affect these fair value estimates. The following methods and assumptions were used by BB&T in estimating the fair value of these financial instruments.

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

Loans receivable: The fair values for loans are estimated using discounted cash flow analyses, applying interest rates currently being offered for loans with similar terms and credit quality. The interest rates being offered by BB&T for new loans with similar terms and credit quality are reflective of credit risk and liquidity spreads inherent in an orderly transaction in the current market. For commercial loans and leases, internal credit risk models are used to adjust discount rates for risk migration and expected losses. For residential mortgage and other consumer loans, internal prepayment risk models are used to adjust contractual cash flows. Loans are aggregated into pools of similar terms and credit quality and discounted using a LIBOR based rate. The carrying amounts of accrued interest approximate fair values.

Deposit liabilities: The fair values for demand deposits, interest-checking accounts, savings accounts and certain money market accounts are, by definition, equal to the amount payable on demand at the reporting date, i.e., their carrying amounts. Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies current interest rates to aggregate expected maturities. In addition, nonfinancial instruments such as core deposit intangibles are not recorded at fair value. BB&T has developed long-term relationships with its customers through its deposit base and in the opinion of management, these items add significant value to BB&T.

Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds: The carrying amounts of Federal funds purchased, borrowings under repurchase agreements and short-term borrowed funds approximate their fair values.

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

Contractual commitments: The fair values of commitments are estimated using the fees charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair values also consider the difference between current levels of interest rates and the committed rates. The fair values of guarantees and letters of credit are estimated based on the counterparties creditworthiness and average default rates for loan products with similar risks. The fair values of commitments to fund affordable housing investments are estimated using the net present value of future commitments.

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The following is a summary of the carrying amounts and fair values of those financial assets and liabilities that BB&T has not recorded at fair value:

	September 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in millions)			
Financial assets:				
Loans and leases (1)(2)	$ 100,483	$ 99,619	$ 101,056	$ 100,794
Financial liabilities:				
Deposits	106,419	105,142	114,965	112,917
Long-term debt	22,111	23,564	21,376	21,018

(1) Includes loans held for sale carried at the lower of cost or market.
(2) The carrying value is net of the allowance for loan and lease losses.

The following is a summary of the notional or contractual amounts and fair values of BB&T s off-balance sheet financial instruments as of the periods indicated:

	September 30, 2010		December 31, 2009	
	Notional/ Contract Amount	Fair Value	Notional/ Contract Amount	Fair Value
	(Dollars in millions)			
Contractual commitments:				
Commitments to extend, originate or purchase credit	$ 38,083	$ 51	$ 36,130	$ 48
Residential mortgage loans sold with recourse	1,723	6	1,986	6
Other loans sold with recourse	4,220	17	3,989	12
Letters of credit and financial guarantees written	7,549	41	7,999	40
Commitments to fund affordable housing investments	250	237	371	357

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NOTE 15. Derivative Financial Instruments

The following tables set forth certain information concerning BB&T s derivative financial instruments and related hedged items as of the periods indicated:

Derivative Classifications and Hedging Relationships

	Hedged Item or Transaction	September 30, 2010 Notional Amount	Fair Value Gain (1)	Fair Value Loss (1)
		(Dollars in millions)		
Derivatives Designated as Cash Flow Hedges:				
Interest rate contracts:				
Receive fixed swaps	First forecasted interest receipts on commercial loans	$ 500	$	$
Pay fixed swaps	First forecasted interest payments on 3 month LIBOR funding	6,250		(280)
Caps	First forecasted interest payments on 3 month LIBOR funding	200		
Total		6,950		(280)
Derivatives Designated as Net Investment Hedges:				
Foreign exchange contracts		73		
Total		73		
Derivatives Designated as Fair Value Hedges:				
Interest rate contracts:				
Receive fixed swaps and swaptions	Individual fixed rate long-term debt issuances	2,109	299	
Pay fixed swaps	Individual fixed rate municipal securities classified as available for sale	355		(122)
Total		2,464	299	(122)
Derivatives Not Designated as Hedges:				
Client-related and other risk management				
Interest rate contracts:				
Receive fixed swaps		9,836	725	(1)
Pay fixed swaps		9,848	2	(748)
Other swaps		3,612	2	(4)
Option trades		314	1	(1)
Swaptions		450	32	(32)
Futures contracts		782	1	
Collars		124	5	(6)
Foreign exchange contracts		429	6	(4)
Mortgage Banking				
Interest rate contracts:				
Interest rate lock commitments		6,242	61	(1)
Forward commitments		7,351	8	(40)
Swaptions		200	17	

Option trades	100		
Receive fixed swaps	25		
TBA/When issued securities	88		
Futures contracts	13		
Mortgage Servicing Rights			
Interest rate contracts:			
Receive fixed swaps	1,038	81	
Pay fixed swaps	1,369		(16)
Swaptions	6,580	302	(15)
Futures contracts	4,300	1	(7)
When issued securities and Forward rate agreements	5,013	11	
Total	57,714	1,255	(875)
Total Derivatives	$ 67,201	$ 1,554	$ (1,277)

(1) Derivatives in a gain position are recorded as Other assets and derivatives in a loss position are recorded as Other liabilities on the Consolidated Balance Sheet.

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Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2010

Derivative Classifications and Hedging Relationships

		December 31, 2009		
	Hedged Item or Transaction	Notional Amount	Fair Value Gain (1)	Fair Value Loss (1)
		(Dollars in millions)		
Derivatives Designated as Cash Flow Hedges:				
Interest rate contracts:				
Receive fixed swaps	First forecasted interest receipts on commercial loans	$ 1,000	$ 28	$
Pay fixed swaps	First forecasted interest payments on 3 month LIBOR funding	4,300	38	(26)
Caps	First forecasted interest payments on 3 month LIBOR funding	200		
Total		5,500	66	(26)
Derivatives Designated as Net Investment Hedges:				
Foreign exchange contracts		73		(1)
Total		73		(1)
Derivatives Designated as Fair Value Hedges:				
Interest rate contracts:				
Receive fixed swaps	Individual fixed rate long-term debt issuances	3,429	192	(43)
Receive fixed swaps	Long-term CD s	328	2	
Pay fixed swaps	Individual fixed rate municipal securities classified as available for sale	354		(50)
Total		4,111	194	(93)
Derivatives Not Designated as Hedges:				
Client-related and other risk management				
Interest rate contracts:				
Receive fixed swaps		10,004	392	(32)
Pay fixed swaps		10,401	32	(369)
Other swaps		7,014	3	(3)
Option trades		922		
Swaptions		538	24	(24)
Futures contracts		611		
Collars		123	4	(5)
Foreign exchange contracts		373	7	(6)
Mortgage Banking				
Interest rate contracts:				
Interest rate lock commitments		2,970	5	(19)
Forward commitments		4,662	48	(5)

Swaptions	200	11	
Option trades	340	1	(5)
TBA/When issued securities	30		
Futures contracts	50		(1)
Mortgage Servicing Rights			
Interest rate contracts:			
Receive fixed swaps	1,968		(69)
Pay fixed swaps	654	4	
Swaptions	5,575	191	(2)
Futures contracts	4,631	1	(3)
When issued securities and Forward rate agreements	5,425		(37)
Total	56,491	723	(580)
Total Derivatives	$ 66,175	$ 983	$ (700)

(1) Derivatives in a gain position are recorded as Other assets and derivatives in a loss position are recorded as Other liabilities on the Consolidated Balance Sheet.

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Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2010

The following tables set forth certain information concerning the effect of BB&T s derivative financial instruments on the Consolidated Statements of Income for the periods indicated:

The Effect of Derivative Instruments on the Consolidated Statements of Income

for the Three Month Period Ended September 30, 2010

(Dollars in millions)

	Effective Portion			Ineffective Portion	
	Gain or (Loss) Recognized in OCI	Location of Amounts Reclassified from AOCI into Income	(Gain) or Loss Reclassified from AOCI into Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Cash Flow Hedges					
Interest rate contracts	$ (118)	Total interest income	$ (10)	Other noninterest income	$
		Total interest expense	3		
			$ (7)		
Derivatives Designated as Net Investment Hedges					
Foreign exchange contracts	$ (3)		$		$

	Effective Portion		Ineffective Portion	
	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Fair Value Hedges				
Interest rate contracts	Total interest expense	$ 39	Other noninterest income	$ (2)
Interest rate contracts	Total interest income	(4)		
Total		$ 35		
Derivatives Not Designated as Hedges				

Client-related and other risk management			
Interest rate contracts	Other noninterest income	$	(4)
Other derivatives	Other noninterest income		
Foreign exchange contracts	Other nondeposit fees and commissions		2
Mortgage Banking			
Interest rate contracts	Mortgage banking income		67
Mortgage Servicing Rights			
Interest rate contracts	Mortgage banking income		132
Total		$	197

Note: All amounts for Other Comprehensive Income (OCI) and Accumulated Other Comprehensive Income (AOCI) are stated on a pre-tax basis.

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Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2010

The Effect of Derivative Instruments on the Consolidated Statements of Income

for the Three Month Period Ended September 30, 2009

(Dollars in millions)

	Effective Portion			Ineffective Portion	
	Gain or (Loss) Recognized in OCI	Location of Amounts Reclassified from AOCI into Income	(Gain) or Loss Reclassified from AOCI into Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Cash Flow Hedges					
Interest rate contracts	$ 22	Total interest income	$ (55)	Other noninterest income	$
		Total interest expense	37		
			$ (18)		
Derivatives Designated as Net Investment Hedges					
Foreign exchange contracts	$ (7)		$		$

	Effective Portion		Ineffective Portion	
	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Fair Value Hedges				
Interest rate contracts	Total interest expense	$ 45	Other noninterest income	$
Interest rate contracts	Total interest income	(4)		
Total		$ 41		
Derivatives Not Designated as Hedges				
Client-related and other risk management				
Interest rate contracts	Other noninterest income	$		
Other derivatives	Other noninterest income			
Foreign exchange contracts	Other nondeposit fees and commissions			

Mortgage Banking			
Interest rate contracts	Mortgage banking income		(54)
Mortgage Servicing Rights			
Interest rate contracts	Mortgage banking income		72
Total		$	18

Note: All amounts for Other Comprehensive Income (OCI) and Accumulated Other Comprehensive Income (AOCI) are stated on a pre-tax basis.

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Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2010

The Effect of Derivative Instruments on the Consolidated Statements of Income

for the Nine Months Ended September 30, 2010

(Dollars in millions)

	Effective Portion			Ineffective Portion	
	Gain or (Loss) Recognized in OCI	Location of Amounts Reclassified from AOCI into Income	(Gain) or Loss Reclassified from AOCI into Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Cash Flow Hedges					
Interest rate contracts	$ (314)	Total interest income	$ (38)	Other noninterest income	$
		Total interest expense	12		
			$ (26)		
Derivatives Designated as Net Investment Hedges					
Foreign exchange contracts	$ (2)		$		$

	Effective Portion		Ineffective Portion	
	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income	Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Fair Value Hedges				
Interest rate contracts	Total interest expense	$ 136	Other noninterest income	$ (3)
Interest rate contracts	Total interest income	(14)		
Total		$ 122		
Derivatives Not Designated as Hedges				
Client-related and other risk management				
Interest rate contracts	Other noninterest income	$ (8)		

Other derivatives	Other noninterest income		
Foreign exchange contracts	Other nondeposit fees and commissions		5
Mortgage Banking			
Interest rate contracts	Mortgage banking income		20
Mortgage Servicing Rights			
Interest rate contracts	Mortgage banking income		372
Total		$	389

Note: All amounts for Other Comprehensive Income (OCI) and Accumulated Other Comprehensive Income (AOCI) are stated on a pre-tax basis.

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The Effect of Derivative Instruments on the Consolidated Statements of Income

for the Nine Month Period Ended September 30, 2009

(Dollars in millions)

	Gain or (Loss) Recognized in OCI	Effective Portion Location of Amounts Reclassified from AOCI into Income	(Gain) or Loss Reclassified from AOCI into Income	Ineffective Portion Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Cash Flow Hedges					
Interest rate contracts	$ 112	Total interest income	$ (70)	Other noninterest income	$ 1
		Total interest expense	34		
			$ (36)		
Derivatives Designated as Net Investment Hedges					
Foreign exchange contracts	$ (10)		$		$

	Effective Portion Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income	Ineffective Portion Location of Amounts Recognized in Income	Gain or (Loss) Recognized in Income
Derivatives Designated as Fair Value Hedges				
Interest rate contracts	Total interest expense	$ 125	Other noninterest income	$ 7
Interest rate contracts	Total interest income	(12)		
Total		$ 113		
Derivatives Not Designated as Hedges				
Client-related and other risk management				
Interest rate contracts	Other noninterest income	$ 17		
Other derivatives	Other noninterest income	(20)		
Foreign exchange contracts	Other nondeposit fees and commissions	(3)		
Mortgage Banking				

Interest rate contracts	Mortgage banking income		(12)
Mortgage Servicing Rights			
Interest rate contracts	Mortgage banking income		32
Total		$	14

Note: All amounts for Other Comprehensive Income (OCI) and Accumulated Other Comprehensive Income (AOCI) are stated on a pre-tax basis.

BB&T uses a variety of derivative instruments to manage interest rate and foreign exchange risks. These instruments consist of interest-rate swaps, swaptions, caps, floors, collars, financial forward and futures contracts, when-issued securities, foreign exchange contracts and options written and purchased. A derivative is a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or referenced interest rate. There are five areas of risk management: balance sheet management, mortgage banking operations, mortgage servicing rights, net investment in a foreign subsidiary and client-related and other risk management activities.

The majority of the balance sheet management derivatives are designated as cash flow or fair value hedges. BB&T s floating rate business loans, Federal funds purchased, other overnight funding, institutional and brokered certificates of deposit, other time deposits, medium-term bank notes and long-term debt expose it to variability in cash flows for interest payments. The risk management objective for these assets and liabilities is to hedge the variability in the interest payments. This objective is met by entering into interest rate swaps and interest rate collars and caps. Interest rate collars and caps fix the interest payments when interest rates on the hedged item exceed predetermined rates.

Cash Flow Hedges

At September 30, 2010 and December 31, 2009, BB&T had designated notional values of $7.0 billion and $5.5 billion, respectively, of derivatives as cash flow hedges. At September 30, 2010, these cash flow hedges reflected an unrealized loss of $280 million recorded in other liabilities. At December 31, 2009, these cash flow hedges reflected a net unrealized gain of $40 million, with instruments in a gain position reflecting a fair value of $66 million recorded in other assets and instruments in a loss position reflecting a fair value of $26 million recorded in other liabilities.

For a qualifying cash flow hedge, the portion of changes in the fair value of the derivatives that have been highly effective are recognized in other comprehensive income until the related cash flows from the hedged item are recognized in earnings. The impact on earnings resulting from the ineffectiveness of cash flow hedges for the three and nine months ended September 30, 2010 and 2009, was not material.

Accumulated other comprehensive income included $27 million and $54 million in unrecognized after-tax gains on interest rate swaps, caps and floors hedging variable interest payments on business loans at September 30, 2010 and December 31, 2009, respectively. These amounts included unrecognized after-tax gains on terminated swaps, caps and collars of $27 million and $29 million at September 30, 2010 and December 31, 2009, respectively. In addition, accumulated other comprehensive income included $134 million in net unrecognized losses and $50 million in net unrecognized after-tax gains on interest rate swaps, caps and floors hedging variable interest payments on funding at September 30, 2010 and December 31, 2009, respectively. These amounts included unrecognized after-tax gains on terminated hedges related to variable-rate funding of $41 million and $52 million at September 30, 2010 and December 31, 2009, respectively. Also included in accumulated other comprehensive income at September 30, 2010 and December 31, 2009 are unrecognized after-tax gains of $3 million on terminated interest rate swaps hedging variable interest payments on long-term debt.

The estimated net amount in accumulated other comprehensive income at September 30, 2010 that is expected to be reclassified into earnings within the next 12 months is a net after-tax loss of $20 million.

All of BB&T s cash flow hedges are hedging exposure to variability in future cash flows for forecasted transactions related to the payment of variable interest on then existing financial instruments. The maximum length of time over which BB&T is hedging its exposure to the variability in future cash flows for forecasted transactions related to variable interest payments on existing financial instruments at September 30, 2010 and December 31, 2009 is 6.9 years and 6.6 years, respectively.

Fair Value Hedges

At September 30, 2010 and December 31, 2009, BB&T had designated notional values of $2.5 billion and $4.1 billion, respectively, of derivatives as fair value hedges. These fair value hedges reflected a net unrealized gain of $177 million and $101 million at September 30, 2010 and December 31, 2009, respectively, with instruments in a gain position reflecting a fair value of $299 million and $194 million, respectively, recorded in other assets and instruments in a loss position reflecting a fair value of $122 million and $93 million, respectively, recorded in other liabilities.

For a qualifying fair value hedge, changes in the value of the derivatives that have been highly effective as hedges are recognized in current period earnings along with the corresponding changes in the fair value of the designated hedged item attributable to the risk being hedged. For the nine months ended September 30, 2010, BB&T terminated certain fair value hedges relating to its long-term debt and received proceeds of $152 million. BB&T also terminated certain fair value hedges related to its long-term debt during the nine months ended September 30, 2009 and received $128 million in proceeds. The proceeds from these terminations were included in cash flows from financing activities. The impact on earnings resulting from fair value hedge ineffectiveness was a $3 million loss and a $7 million gain during the nine months ended September 30, 2010 and 2009, respectively.

Derivatives Not Designated As Hedges

BB&T also held $57.7 billion and $56.5 billion in notional value of derivatives not designated as hedges at September 30, 2010 and December 31, 2009, respectively. These instruments were in a net gain position with a net estimated fair value of $380 million and $143 million at September 30, 2010 and December 31, 2009, respectively. Changes in the fair value of these derivatives are reflected in current period earnings.

Derivatives not designated as a hedge include the notional amounts of $14.0 billion and $8.2 billion that have been entered into as risk management instruments for mortgage banking operations at September 30, 2010 and December 31, 2009, respectively. For mortgage loans originated for sale, BB&T is exposed to changes in market rates and conditions subsequent to the interest rate lock and funding date. BB&T s risk management strategy related to its interest rate lock commitment derivatives and loans held for sale includes using mortgage-based derivatives such as forward commitments and options in order to mitigate market risk.

Derivatives not designated as a hedge include the notional amounts of $18.3 billion that have been entered into as risk management instruments for mortgage servicing rights at September 30, 2010 and December 31, 2009. For the nine months ended September 30, 2010, the $372 million gain on these derivatives is offset by a negative $327 million valuation adjustment related to the mortgage servicing asset. For the nine months ended September 30, 2009, BB&T recognized a $32 million gain on these derivatives and a positive $32 million valuation adjustment related to the mortgage servicing asset. For the quarter ended September 30, 2010, the $132 million gain on these derivatives was offset by a negative $100 million valuation adjustment related to the mortgage servicing asset. For the quarter ended September 30, 2009, the $72 million gain on these derivatives was offset by a negative $59 million valuation adjustment related to the mortgage servicing asset.

BB&T also held derivatives not designated as hedges with notional amounts totaling $25.4 billion and $30.0 billion at September 30, 2010 and December 31, 2009, respectively, as risk management instruments primarily to facilitate transactions on behalf of its clients, as well as activities related to balance sheet management.

Net Investment Hedges

At September 30, 2010 and December 31, 2009, BB&T had designated notional values of $73 million of derivatives as net investment hedges used to hedge the variability in a foreign currency exchange rate.

Derivatives Credit Risk

Credit risk related to derivatives arises when amounts receivable from a counterparty exceed those payable. BB&T controls the risk of loss by subjecting counterparties to credit reviews and approvals similar to those used in making loans and other extensions of credit. In addition, certain counterparties are required to provide cash collateral to BB&T when their unsecured loss positions exceed certain negotiated limits. As of September 30, 2010 and December 31, 2009, BB&T had received cash collateral of approximately $126 million and $82 million, respectively. In addition, BB&T had posted collateral of $495 million and $138 million at September 30, 2010 and December 31, 2009, respectively. In the event that BB&T s credit ratings had been downgraded below investment grade, the amount of collateral posted would have increased by $27 million and $50 million as of September 30, 2010 and December 31, 2009, respectively. As of September 30, 2010 and December 31, 2009, BB&T had approximately $3 million and $26 million, respectively, of unsecured positions with derivative dealers. All of the derivative contracts to which BB&T is a party settle monthly, quarterly or semiannually. In the case of contracts with derivative dealers, BB&T only transacts with dealers that are national market makers with strong credit ratings. Further, BB&T has netting agreements with the dealers with which it does business. Because of these factors, BB&T s credit risk exposure related to derivatives contracts at September 30, 2010 and December 31, 2009 was not material.

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BB&T Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2010

NOTE 16. Computation of Earnings Per Common Share

BB&T s basic and diluted earnings per common share amounts for the three and nine month periods ended September 30, 2010 and 2009, respectively, were calculated as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
	(Dollars in millions, except per share data, shares in thousands)			
Basic Earnings Per Common Share:				
Net income available to common shareholders	**$ 210**	$ 152	**$ 608**	$ 544
Weighted average number of common shares	**693,017**	665,408	**691,982**	609,698
Basic earnings per common share	**$ .30**	$ .23	**$ .88**	$ .89
Diluted Earnings Per Common Share:				
Net income available to common shareholders	**$ 210**	$ 152	**$ 608**	$ 544
Weighted average number of common shares	**693,017**	665,408	**691,982**	609,698
Effect of dilutive outstanding equity-based awards	**8,518**	7,049	**8,569**	5,609
Weighted average number of diluted common shares	**701,535**	672,457	**700,551**	615,307
Diluted earnings per common share	**$ .30**	$ .23	**$ .87**	$ .88

For the three months ended September 30, 2010 and 2009, the number of anti-dilutive awards was 37.1 million and 37.9 million shares, respectively. For the nine months ended September 30, 2010 and 2009, the number of anti-dilutive awards was 32.8 million and 38.9 million shares, respectively.

NOTE 17. Operating Segments

BB&T s operations are divided into seven reportable business segments: Community Banking, Residential Mortgage Banking, Sales Finance, Specialized Lending, Insurance Services, Financial Services and Treasury. These operating segments have been identified based on BB&T s organizational structure. The segments require unique technology and marketing strategies and offer different products and services. While BB&T is managed as an integrated organization, individual executive managers are held accountable for the operations of these business segments.

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

Allocation methodologies are subject to periodic adjustment as the internal management accounting system is revised and business or product lines within the segments change. Also, because the development and application of these methodologies is a dynamic process, the financial results presented may be periodically revised.

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BB&T Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2010

The substantial majority of the loan portfolio acquired in the Colonial acquisition is covered by loss sharing agreements with the FDIC, and is managed outside of the Community Banking segment. The assets and related interest income from the portfolio are included in the Parent/Reconciling Items segment.

Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for a description of internal accounting policies and the basis of segmentation, including a description of the segments presented in the accompanying tables.

The following tables disclose selected financial information with respect to BB&T s reportable business segments for the periods indicated:

BB&T Corporation

Reportable Segments

For the Three Months Ended September 30, 2010 and 2009

	Community Banking		Residential Mortgage Banking		Sales Finance		Specialized Lending		Insurance Services	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Dollars in millions)									
Net interest income (expense)	$ 467	$ 439	$ 246	$ 263	$ 99	$ 106	$ 231	$ 212	$ 1	$ 1
Net funds transfer pricing (FTP)	473	487	(161)	(175)	(61)	(73)	(46)	(55)		(1)
Net interest income (expense) and FTP	940	926	85	88	38	33	185	157	1	
Economic provision for loan and lease losses	709	417	75	83	9	23	23	100		
Noninterest income	318	327	167	134			37	28	249	251
Intersegment net referral fees (expense)	99	109	(34)	(35)	(4)	(3)				
Noninterest expense	593	512	38	35	9	8	76	74	200	197
Allocated corporate expenses	208	175	2	3	2	3	10	10	13	13
Income (loss) before income taxes	(153)	258	103	66	14	(4)	113	1	37	41
Provision (benefit) for income taxes	(59)	98	40	25	5	(2)	43	(1)	15	16
Segment net income (loss)	$ (94)	$ 160	$ 63	$ 41	$ 9	$ (2)	$ 70	$ 2	$ 22	$ 25
Identifiable segment assets (period end)	$ 60,657	$ 62,557	$ 20,586	$ 18,741	$ 6,784	$ 6,391	$ 8,701	$ 8,046	$ 1,035	$ 1,094

	Financial Services		Treasury		All Other Segments (1)		Parent/ Reconciling Items		Total BB&T Corporation	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Dollars in millions)									
Net interest income (expense)	$ 5	$ 3	$ (12)	$ 131	$ 39	$ 40	$ 238	$ 42	$ 1,314	$ 1,237
Net funds transfer pricing (FTP)	26	36	(135)	(162)	(42)	(48)	(54)	(9)		
Net interest income (expense) and FTP	31	39	(147)	(31)	(3)	(8)	184	33	1,314	1,237
Economic provision for loan and lease losses	2	3			2	1	(50)	82	770	709
Noninterest income	170	163	271	55	12	9	(114)	(27)	1,110	940
Intersegment net referral fees (expense)	9	8					(70)	(79)		
Noninterest expense	130	133	5	4	15	13	342	344	1,408	1,320
Allocated corporate expenses	5	7	1	1		(1)	(241)	(211)		
Income (loss) before income taxes	73	67	118	19	(8)	(12)	(51)	(288)	246	148
Provision (benefit) for income taxes	28	26	28	(10)	(16)	(16)	(57)	(145)	27	(9)
Segment net income (loss)	$ 45	$ 41	$ 90	$ 29	$ 8	$ 4	$ 6	$ (143)	$ 219	$ 157
Identifiable segment assets (period end)	$ 2,756	$ 3,285	$ 29,843	$ 39,588	$ 6,650	$ 5,156	$ 20,218	$ 20,470	$ 157,230	$ 165,328

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

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BB&T Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2010

BB&T Corporation

Reportable Segments

For the Nine Months Ended September 30, 2010 and 2009

	Community Banking		Residential Mortgage Banking		Sales Finance		Specialized Lending		Insurance Services	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Dollars in millions)									
Net interest income (expense)	$ 1,341	$ 1,290	$ 726	$ 823	$ 297	$ 307	$ 664	$ 610	$ 2	$ 4
Net funds transfer pricing (FTP)	1,549	1,354	(491)	(553)	(188)	(215)	(141)	(169)	(1)	(2)
Net interest income (expense) and FTP	2,890	2,644	235	270	109	92	523	441	1	2
Economic provision for loan and lease losses	1,386	1,309	431	221	22	71	120	254		
Noninterest income	976	933	343	478	1	1	98	89	782	774
Intersegment net referral fees (expense)	238	376	(86)	(114)	(10)	(10)				
Noninterest expense	1,858	1,395	113	91	24	23	214	211	602	590
Allocated corporate expenses	618	524	8	8	7	9	31	30	41	37
Income (loss) before income taxes	242	725	(60)	314	47	(20)	256	35	140	149
Provision (benefit) for income taxes	89	274	(22)	119	18	(8)	97	13	55	58
Segment net income (loss)	$ 153	$ 451	$ (38)	$ 195	$ 29	$ (12)	$ 159	$ 22	$ 85	$ 91
Identifiable segment assets (period end)	$ 60,657	$ 62,557	$ 20,586	$ 18,741	$ 6,784	$ 6,391	$ 8,701	$ 8,046	$ 1,035	$ 1,094

	Financial Services		Treasury		All Other Segments (1)		Parent/Reconciling Items		Total BB&T Corporation	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Dollars in millions)									
Net interest income (expense)	$ 15	$ 9	$ 200	$ 350	$ 133	$ 117	$ 610	$ 11	$ 3,988	$ 3,521
Net funds transfer pricing (FTP)	79	91	(504)	(355)	(133)	(141)	(170)	(10)		

Net interest income (expense) and FTP	94	100	(304)	(5)		(24)	440	1	3,988	3,521
Economic provision for loan and lease losses	8	10			4	3	24	218	1,995	2,086
Noninterest income	468	484	531	307	36	26	(242)	(128)	2,993	2,964
Intersegment net referral fees (expense)	23	26					(165)	(278)		
Noninterest expense	392	406	14	(1)	49	53	983	802	4,249	3,570
Allocated corporate expenses	17	19	3	3	(2)	(1)	(723)	(629)		
Income (loss) before income taxes	168	175	210	300	(15)	(53)	(251)	(796)	737	829
Provision (benefit) for income taxes	64	67	27	60	(43)	(51)	(185)	(386)	100	146
Segment net income (loss)	$ 104	$ 108	$ 183	$ 240	$ 28	$ (2)	$ (66)	$ (410)	$ 637	$ 683
Identifiable segment assets (period end)	$ 2,756	$ 3,285	$ 29,843	$ 39,588	$ 6,650	$ 5,156	$ 20,218	$ 20,470	$ 157,230	$ 165,328

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

Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Forward-Looking Statements

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

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

deposit attrition, customer loss and/or revenue loss following completed mergers and acquisitions may be greater than expected.

Regulatory Considerations

BB&T and its subsidiaries and affiliates are subject to numerous examinations by federal and state banking regulators, as well as the Securities and Exchange Commission, the Financial Industry Regulatory Authority, and various state insurance and securities regulators. BB&T and its subsidiaries have from time to time received requests for information from regulatory authorities in various states, including state insurance commissions and state attorneys general, securities regulators and other regulatory authorities, concerning their business practices. Such requests are considered incidental to the normal conduct of business.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial-services industry, addressing, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, and changes among the bank regulatory agencies. Many of these provisions are subject to further study, rule making, and the discretion of regulatory bodies, such as the Financial Stability Oversight Council, which will regulate the systemic risk of the financial system. Due to BB&T s size, the Company will be designated as systemically significant to the financial health of the U.S. economy and, as a result, may be subject to additional regulations. Management cannot predict the effect that compliance with the Dodd-Frank Act or any implementing regulations will have on BB&T s businesses or its ability to pursue future business opportunities.

Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for additional disclosures with respect to laws and regulations affecting the Company s businesses.

Critical Accounting Policies

The accounting and reporting policies of BB&T Corporation and its subsidiaries are in accordance with accounting principles generally accepted in the United States of America (GAAP) and conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. BB&T s financial position and results of operations are affected by management s application of accounting policies, including estimates, assumptions and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues and expenses. Different assumptions in the application of these policies could result in material changes in BB&T s consolidated financial position and/or consolidated results of operations and related disclosures. The more critical accounting and reporting policies include BB&T s accounting for the allowance for loan and lease losses and reserve for unfunded lending commitments, determining fair value of financial instruments, intangible assets and other purchase accounting related adjustments associated with mergers and acquisitions, costs and benefit obligations associated with BB&T s pension and postretirement benefit plans, and income taxes. Understanding BB&T s accounting policies is fundamental to understanding BB&T s consolidated financial position and consolidated results of operations. Accordingly, BB&T s significant accounting policies and changes in accounting principles and effects of new accounting pronouncements are discussed in detail in Note 1 in the Notes to Consolidated Financial Statements in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009.

The following is a summary of BB&T s critical accounting policies that are highly dependent on estimates, assumptions and judgments. These critical accounting policies are reviewed with the Audit Committee of BB&T s Board of Directors on a periodic basis.

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

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

Fair Value of Financial Instruments

A significant portion of BB&T s assets and certain liabilities are financial instruments carried at fair value. This includes securities available for sale, trading securities, derivatives, certain loans held for sale, residential mortgage servicing rights, certain short-term borrowings and venture capital investments. At September 30, 2010, the percentage of total assets and total liabilities measured at fair value was 19.3% and 1.0%, respectively. The vast majority of assets and liabilities carried at fair value are based on market prices for similar instruments. At September 30, 2010, 6.6% of assets measured at fair value were based on significant unobservable inputs. This is approximately 1% of BB&T s total assets. See Note 14 Fair Value Disclosures in the Notes to Consolidated Financial Statements herein for additional disclosures regarding the fair value of financial instruments.

Securities

The fair values for available-for-sale and trading securities are generally based upon quoted market prices or observable market prices for similar instruments. BB&T generally utilizes a third-party pricing service in determining the fair value of its securities portfolio. The pricing service uses observable inputs when available including benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids and offers. When market observable data is not available, which generally occurs due to the lack of liquidity for certain securities, the valuation of the security is subjective and may involve substantial judgment by management. As of September 30, 2010, BB&T had $1.1 billion of available-for-sale and trading securities, which is less than 1% of total assets, valued using unobservable inputs. This total includes $922 million of non-agency mortgage backed securities that are covered by a loss sharing agreement with the FDIC and $147 million of auction-rate securities. BB&T conducts periodic reviews to identify and evaluate each available-for-sale security that has an unrealized loss for other-than-temporary impairment. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. The primary factors BB&T considers in determining whether an impairment is other-than-temporary are the financial condition and near term prospects of the issuer, including any specific events which may influence the operations of the issuer and BB&T s intent to sell and whether it is more likely than not that the Company will be required to sell these debt securities before the anticipated recovery of the amortized cost basis.

Mortgage Servicing Rights

BB&T has a significant mortgage loan servicing portfolio and related mortgage servicing rights (MSRs). BB&T has two primary classes of MSRs for which it separately manages the economic risk: residential and commercial. Residential MSRs are primarily carried at fair value with changes in fair value recorded as a component of mortgage banking income each period. BB&T uses various derivative instruments to mitigate the income statement effect of changes in fair value, due to changes in valuation inputs and assumptions, of its residential MSRs. MSRs do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, the precise terms and conditions typically are not readily available. Accordingly, BB&T estimates the fair value of residential MSRs using an option adjusted spread (OAS) valuation model to project MSR cash flows over multiple interest rate scenarios, which are then discounted at risk-adjusted rates. The OAS model considers portfolio characteristics, contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. BB&T reassesses and periodically adjusts the underlying inputs and assumptions in the OAS model to reflect market conditions and assumptions that a market participant would consider in valuing the MSR asset. When available, fair value estimates and assumptions are compared to observable market data and to recent market activity and actual portfolio experience. Due to the nature of the valuation inputs, MSRs are classified within Level 3 of the valuation hierarchy. The value of MSRs is significantly affected by mortgage interest rates available in the marketplace, which influence mortgage loan prepayment speeds. In general, during periods of declining interest rates, the value of MSRs declines due to increasing prepayments attributable to increased mortgage-refinance activity. Conversely, during periods of rising interest rates, the value of MSRs generally increases due to reduced refinance activity. Commercial MSRs are carried at lower of cost or market and amortized over the estimated period that servicing income is expected to be received based on projections of the amount and timing of estimated future cash flows. The amount and timing of servicing asset amortization is updated based on actual results and updated projections. In addition, BB&T has approximately $6 million of residential MSRs that are valued at the lower of cost or market. These MSRs are associated with government sponsored programs that have prepayment assumptions that are difficult to model, which make it difficult to hedge the associated risk.

Loans Held for Sale

BB&T originates certain mortgage loans to be sold to investors. These loans are carried at fair value upon the election of the Fair Value Option. The fair value is primarily based on quoted market prices for securities backed by similar types of loans. Changes in the fair value are recorded as a component of mortgage banking income while mortgage loan origination costs for loans held for sale for which the Corporation elected the Fair Value Option are recognized in noninterest expense when incurred. The changes in fair value of these assets are largely driven by changes in interest rates subsequent to loan funding and changes in the fair value of servicing associated with the mortgage loan held for sale. BB&T uses various derivative instruments to mitigate the income statement effect of changes in fair value of the underlying loans. In addition, as

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of September 30, 2010, BB&T held $824 million of commercial loans and $89 million of mortgage loans accounted for at the lower of cost or market in the loans held for sale portfolio. These loans were originated as loans held for investment and transferred to the loans held for sale portfolio based on management s nonperforming asset disposition strategy.

Derivative Assets and Liabilities

BB&T uses derivatives to manage various financial risks. The fair values of derivative financial instruments are determined based on quoted market prices, dealer quotes and internal pricing models that are primarily sensitive to market observable data. BB&T mitigates the credit risk by subjecting counterparties to credit reviews and approvals similar to those used in making loans and other extensions of credit. In addition, certain counterparties are required to provide collateral to BB&T when their unsecured loss positions exceed certain negotiated limits. The fair value of interest rate lock commitments, which are related to mortgage loan commitments, is based on quoted market prices adjusted for commitments that BB&T does not expect to fund and includes the value attributable to the net servicing fee.

Venture Capital and Similar Investments

BB&T has venture capital and similar investments that are carried at fair value. Changes in the fair value of these investments are recorded in other noninterest income each period. In many cases there are no observable market values for these investments and therefore management must estimate the fair value based on a comparison of the operating performance of the company to multiples in the marketplace for similar entities. This analysis requires significant judgment and actual values in a sale could differ materially from those estimated. As of September 30, 2010, BB&T had $287 million of venture capital investments, which is less than 1% of total assets.

Intangible Assets

BB&T s mergers and acquisitions are accounted for using the acquisition method of accounting. Under the acquisition method, BB&T is required to record the assets acquired, including identified intangible assets, and liabilities assumed at their fair value, which often involves estimates based on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques, all of which are inherently subjective. The amortization of identified intangible assets is based upon the estimated economic benefits to be received, which is also subjective. Acquisitions typically result in goodwill, which is subject to ongoing periodic impairment tests based on the fair value of net assets acquired compared to their carrying value. The major assumptions used in the impairment testing process include the estimated future cash flows of each business unit and discount rates. Discount rates are unique to each business unit and are based upon the cost of capital specific to the industry in which the business unit operates. As a result of the challenging economic environment, management continues to closely monitor the excess of the fair value over the carrying value of several reporting units. A continuing period of depressed market conditions, or further market deterioration, may result in impairment of goodwill in the future.

Pension and Postretirement Benefit Obligations

BB&T offers various pension plans and postretirement benefit plans to employees. The calculation of the obligations and related expenses under these plans requires the use of actuarial valuation methods and assumptions. Actuarial assumptions used in the determination of future values of plan assets and liabilities are subject to management judgment and may differ significantly if different assumptions are used. The discount rate assumption used to measure the postretirement benefit obligations is set by reference to published high-quality bond indices, as well as certain hypothetical spot-rate yield curves. These yield curves were constructed from the underlying bond price and yield data collected as of the plan s measurement date and are represented by a series of annualized, individual discount rates with durations ranging from six months to thirty years. Each discount rate in the curve was derived from an equal weighting of the double A or higher bond universe, apportioned into distinct maturity groups. For durations where no bond maturities were available, the discount rates for these maturities were extrapolated based on historical relationships from observable data in similar markets. These indices and hypothetical curves give only an indication of the appropriate discount rate because the cash flows of the bonds comprising the indices and curves do not match the projected benefit payment stream of the plan precisely. For this reason, we also consider the individual characteristics of the plan, such as projected cash flow patterns and payment durations, when setting the discount rate.

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Income Taxes

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

EXECUTIVE SUMMARY

Consolidated net income for the third quarter of 2010 totaled $219 million, up $62 million, or 39.5%, compared to $157 million earned during the third quarter of 2009. Consolidated net income available to common shareholders for the third quarter of 2010 totaled $210 million, an increase of $58 million, or 38.2%, compared to $152 million earned during the same period in 2009. On a diluted per common share basis, earnings for the three months ended September 30, 2010 were $.30, compared to $.23 for the same period in 2009, an increase of 30.4%. BB&T s results of operations for the third quarter of 2010 produced an annualized return on average assets of .56% and an annualized return on average common shareholders equity of 4.91% compared to prior year ratios of .40% and 3.90%, respectively.

Consolidated net income for the first nine months of 2010 totaled $637 million, a decrease of $46 million, or 6.7%, compared to $683 million earned during the first nine months of 2009. Consolidated net income available to common shareholders for the first nine months of 2010 totaled $608 million, an increase of $64 million, or 11.8%, compared to $544 million earned during the same period in 2009. Earnings available to common shareholders for 2009 included a reduction of $124 million related to the U.S. Treasury s preferred stock investment in BB&T. On a diluted per common share basis, earnings for the nine months ended September 30, 2010 were $.87, compared to $.88 for the same period in 2009, a decrease of 1.1%. BB&T s results of operations for the first nine months of 2010 produced an annualized return on average assets of .53% and an annualized return on average common shareholders equity of 4.84% compared to prior year ratios of .60% and 5.09%, respectively.

Beginning in the second quarter of 2010, management undertook a strategy to more aggressively reduce BB&T s exposure to nonperforming loans and foreclosed properties. In connection with this strategy in the third quarter, BB&T transferred $1.3 billion book value of nonperforming loans to loans held for sale and successfully liquidated $451 million of problem assets. The earnings impact of this transfer was approximately $321 million, or $.28 per diluted common share. As a result of continuing this strategy, nonperforming assets declined 4.2% in the third quarter of 2010 compared to the second quarter of 2010. Excluding nonperforming loans held for sale, nonperforming assets declined 20.9% in the third quarter of 2010 compared to the second quarter of 2010.

BB&T recorded a $770 million provision for credit losses in the third quarter of 2010, which was $103 million less than net charge-offs. The third quarter of 2010 is the first quarter since the recession began with no allowance build. Net charge-offs of $873 million included $432 million related to the nonperforming asset disposition strategy. The provision for loan and lease losses was up 8.6% from the third quarter of 2009, as a result of the additional charge-offs recorded in connection with the nonperforming asset disposition strategy.

BB&T s net interest income increased 6.2% compared to the third quarter of 2009, as a result of higher yields on acquired loans and lower deposit costs. The higher net interest income resulted in a net interest margin of 4.09% for the third quarter of 2010, up 41 basis points compared to the same period of 2009. Noninterest income increased 18.1% primarily as a result of an increase in securities gains and mortgage banking income in the third quarter of 2010 compared to the same period of 2009. These increases were partially offset by a decrease in revenues from service charges on deposit accounts and a reduction in noninterest income to reflect the offset related to the FDIC loss share agreements.

Noninterest expenses were up 6.7%, in the third quarter of 2010 compared with the corresponding period of 2009 due to higher foreclosed property expenses, professional services costs, loan processing expenses and regulatory charges. However, noninterest expenses were down an annualized 24.3% compared to the second quarter of 2010 due to substantially lower foreclosed property costs and lower merger-related expenses.

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BB&T s total assets at September 30, 2010 were $157.2 billion, a decrease of $8.5 billion, or 5.1%, compared to December 31, 2009. Total loans and leases held for investment at September 30, 2010 were $102.2 billion, a $1.5 billion decrease compared to the balance at year-end. The decrease in total loans and leases held for investment included decreases of $1.9 billion in residential, acquisition and development loans and $1.3 billion in covered loans acquired in the Colonial acquisition. BB&T experienced an increase in lending during the third quarter of 2010, generating $18.4 billion in originations for the quarter, compared with $17.5 billion during the second quarter of 2010. The improved lending results included growth in all non-real estate portfolios, as management continues to focus on diversifying the loan portfolio.

Securities available for sale decreased $8.8 billion compared to the balances at December 31, 2009. The decline in the available-for-sale securities portfolio reflects a balance sheet deleveraging strategy executed in the second quarter of 2010. During the third quarter of 2010, management executed a strategy to decrease the duration of the investment portfolio, increase asset sensitivity and reduce the risk of rising rates on shareholders equity in light of the new Basel III capital standards that are being developed. In connection with this strategy, BB&T recognized net securities gains of $239 million, or $.21 per diluted common share, during the third quarter of 2010.

Total client deposits at September 30, 2010, were $99.4 billion, a decrease of $7.4 billion, or 6.9%, from December 31, 2009. Total deposits, which include wholesale deposits sources, totaled $106.4 billion at September 30, 2010, a decrease of $8.5 billion, or 7.4%, compared to December 31, 2009. The decrease in client deposits was a result of a decline in higher-rate certificates of deposit as well as the divestiture of Nevada branches and deposits purchased as part of the Colonial acquisition. BB&T also has seen an improvement in the deposit mix, with noninterest-bearing accounts representing 19.4% of total deposits at September 30, 2010, compared with 16.5% at December 31, 2009.

Total shareholders equity increased $546 million, or 3.4%, compared to December 31, 2009. The tangible common equity ratio was 7.0% and 6.2% at September 30, 2010 and December 31, 2009, respectively. In addition, the Tier 1 risk-based capital and total risk-based capital ratios were 11.7% and 15.7% at September 30, 2010, respectively, compared to 11.5% and 15.8%, respectively, at December 31, 2009. BB&T s risk-based and tangible capital ratios remain well above regulatory standards for well-capitalized banks. As of September 30, 2010, measures of tangible capital were not required by the regulators and, therefore, were considered non-GAAP measures. Please refer to the section titled Capital Adequacy and Resources herein for a discussion of how BB&T calculates and uses these measures in the evaluation of the Company.

Early in the third quarter, the Dodd Frank Act was signed into law. This legislation represents one of the more significant legislative actions ever to affect the financial services industry. While many of the provisions of the legislation will have minimal or no impact to BB&T, certain aspects are likely to result in higher costs and reduced revenues in the near term. Over the longer-term, management expects that changes in products and services offered will minimize or eliminate many of the negative financial impacts to BB&T.

Management recently completed an internal review of BB&T s foreclosure processes and has identified no issues of concern with its foreclosure processes. BB&T uses knowledgeable specialists to prepare all affidavits and has not engaged in robo-signing. In addition the Company did not actively participate in private label securitizations that caused problems with assignments for other lenders.

Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009, for additional information with respect to BB&T s recent accomplishments and significant challenges. The factors causing the fluctuations in the major balance sheet and income statement categories for the third quarter and first nine months of 2010 compared to the corresponding periods of 2009 are further discussed in the following sections.

ANALYSIS OF FINANCIAL CONDITION

Securities

Securities available for sale totaled $24.5 billion at September 30, 2010, a decrease of $8.8 billion, or 26.3%, compared with December 31, 2009. Average securities available for sale for the third quarter of 2010 were $23.3 billion, a decrease of $8.2 billion, or 26.1%, compared with the average balance during the third quarter of 2009. Average securities available for

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sale for the first nine months of 2010 were $28.2 billion, a decrease of $2.4 billion, or 7.7%, compared to the average balance during the first nine months of 2009. The declines in the securities available for sale portfolio were primarily the result of BB&T deleveraging the balance sheet in the second quarter.

During the third quarter of 2010, the Company executed a strategy to decrease the duration of the investment portfolio, increase asset sensitivity and reduce the risk of rising rates on shareholders equity in light of the new Basel III capital standards that are being developed. As part of this strategy, BB&T sold $10.7 billion of securities, with a yield of 3.55%, and recorded net gains of $239 million. In addition, BB&T purchased $12.4 billion of securities yielding 1.80%. These transactions reduced the portfolio s effective duration to 2.9 years at September 30, 2010.

The annualized fully taxable equivalent (FTE) yield on the average securities portfolio for the third quarter of 2010 was 3.78%, which represents a decrease of 50 basis points compared to the annualized yield earned during the third quarter of 2009. The annualized FTE yield on the average securities portfolio for the first nine months of 2010 was 4.14%, which represents a decrease of 32 basis points compared to the annualized yield earned during the first nine months of 2009. The decrease in the annualized FTE yield on the average securities portfolio was primarily the result of reinvesting securities sales into securities with shorter durations and lower yields. Partially offsetting this decline, the FTE yield benefited from the addition of the securities acquired in the Colonial acquisition.

On September 30, 2010, BB&T held certain investment securities having continuous unrealized loss positions for more than 12 months. As of September 30, 2010, the unrealized losses on these securities totaled $293 million. The vast majority of these losses were in non-agency mortgage-backed and municipal securities. At September 30, 2010, all of the available-for-sale debt securities in an unrealized loss position, excluding those covered by FDIC loss sharing agreements, were investment grade with the exception of (a) bonds with an amortized cost of $3 million from one issuer of auction rate securities; (b) two municipal bonds with an amortized cost of $8 million; (c) sixteen non-agency mortgage-backed securities with an amortized cost of $884 million and (d) one non-agency commercial mortgage-backed security with an amortized cost of $25 million. At September 30, 2010, the total unrealized loss on these non-investment grade securities was $178 million. All of the non-investment grade securities referenced above were initially investment grade and have been downgraded since purchase. BB&T evaluated all of its debt securities for credit impairment. During the third quarter of 2010, BB&T determined that certain of the non-agency mortgage-backed securities had credit losses evident and recorded other-than-temporary impairment of $2 million. As of September 30, 2010, BB&T s evaluation of the other securities with continuous unrealized losses indicated that there were no credit losses evident. Furthermore, as of the date of the evaluation, BB&T did not intend to sell, and it was more likely than not that the Company would not be required to sell, these debt securities before the anticipated recovery of the amortized cost basis.

See Note 3 Securities in the Notes to Consolidated Financial Statements herein for additional disclosures related to BB&T s evaluation of securities for other-than-temporary impairment.

Loans and Leases

BB&T emphasizes commercial lending to small and medium-sized businesses, consumer lending, mortgage lending and specialized lending with an overall goal of maximizing the profitability of the loan portfolio, maintaining strong asset quality and achieving an equal mix of consumer and commercial loans. For the third quarter of 2010, average total loans were $104.8 billion, an increase of $1.4 billion, or 1.4%, compared to the same period in 2009. For the first nine months of 2010, average total loans were $104.4 billion, an increase of $3.5 billion, or 3.5%, compared to the same period in 2009. The growth in average loans includes the impact of the Colonial acquisition, which contributed $2.6 billion and $5.8 billion in average loan growth for the third quarter and first nine months of 2010, respectively. During the third quarter of 2010, BB&T generated growth in all of its non-real estate portfolios, as management continues to focus its efforts on diversifying the mix of the loan portfolio.

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Management s Discussion and Analysis Third Quarter 2010

The following table presents the composition of average loans and leases for the three and nine months ended September 30, 2010 and 2009, respectively:

Table 1

Composition of Average Loans and Leases

	For the Three Months Ended			
	September 30, 2010		September 30, 2009	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Commercial loans and leases	$ 48,620	46.4%	$ 49,916	48.4%
Direct retail loans	13,867	13.2	14,507	14.0
Sales finance loans	6,906	6.6	6,528	6.3
Revolving credit loans	2,048	2.0	1,886	1.8
Mortgage loans	15,828	15.1	15,515	15.0
Specialized lending loans	8,046	7.7	7,542	7.3
Other acquired loans	73	.1	75	.1
Total average loans and leases held for investment (excluding covered loans)	95,388	91.1	95,969	92.9
Covered loans	6,957	6.6	4,380	4.2
Total average loans and leases held for investment	102,345	97.7	100,349	97.1
Loans held for sale	2,410	2.3	2,985	2.9
Total average loans and leases	$ 104,755	100.0%	$ 103,334	100.0%

	For the Nine Months Ended			
	September 30, 2010		September 30, 2009	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Commercial loans and leases	$ 49,024	47.0%	$ 50,294	50.0%
Direct retail loans	14,008	13.4	14,849	14.7
Sales finance loans	6,682	6.4	6,391	6.3
Revolving credit loans	2,013	1.9	1,819	1.8
Mortgage loans	15,625	15.0	16,088	15.9
Specialized lending loans	7,725	7.4	7,009	6.9
Other acquired loans	93	.1	25	
Total average loans and leases held for investment (excluding covered loans)	95,170	91.2	96,475	95.6
Covered loans	7,251	6.9	1,476	1.5
Total average loans and leases held for investment	102,421	98.1	97,951	97.1
Loans held for sale	1,975	1.9	2,941	2.9

Total average loans and leases	$ 104,396	100.0%	$ 100,892	100.0%

Average commercial loans and leases were down 2.6% and 2.5% for the third quarter and the first nine months of 2010, respectively, compared to the corresponding periods of 2009. The decline in the commercial portfolio is largely a result of lower commercial real estate balances, as management has intentionally lowered its exposures to real estate lending during the economic downturn. BB&T s Residential, Acquisition and Development portfolio has declined $2.2 billion in the past twelve months to a balance of $4.2 billion at September 30, 2010. This decline has been somewhat offset by increases in commercial and industrial lending. Management has added a number of new producers in the corporate and middle-market banking area in an effort to increase commercial and industrial lending to better diversify the loan portfolio and capitalize on the strength of BB&T s balance sheet during the economic downturn. During the third quarter of 2010, commercial and industrial lending increased an annualized 6.0% compared to the second quarter of 2010, including growth of 20.5% from BB&T s large corporate banking initiative.

Average direct retail loans declined 4.4% and 5.7% for the third quarter and the first nine months of 2010, respectively, compared to the corresponding periods of 2009. This portfolio is primarily home equity loans and lines to individuals and has been negatively affected by the downturn in the residential real estate markets. In addition, the residential lot/land component of this portfolio has been declining, as management continues to reduce exposures to these types of loans. Residential lot/land loans have decreased $360 million, or 19.8%, since September 30, 2009.

Average mortgage loans held for investment increased 2.0% for the third quarter and declined 2.9% for the first nine months of 2010 compared to the corresponding periods of 2009. The vast majority of new residential mortgage originations were being sold in the secondary market until the third quarter of 2010 when management made the election to retain a portion of its 10 to 15 year fixed-rate and adjustable rate mortgage production.

Average specialized lending loans increased 6.7% and 10.2% for the third quarter and the first nine months of 2010, respectively. Growth in specialized lending accelerated during the third quarter of 2010, as average loans in this portfolio increased an annualized 20.8% compared to the second quarter of 2010. The three largest segments of this portfolio are non- prime automobile lending, insurance premium financing and small ticket financing. These segments grew an annualized 5.9%, 55.7% and 38.4% in the third quarter of 2010 compared to the second quarter of 2010.

Average sales finance loans increased 5.8% and 4.6% for the third quarter and the first nine months of 2010, respectively, as prime automobile lending has improved.

Average loans held for sale, which is primarily residential mortgage loans, decreased 19.3% and 32.8% for the third quarter and the first nine months of 2010 compared to the same period in 2009 due to lower refinance activity in 2010 compared to 2009.

The annualized FTE yield for the total loan portfolio for the third quarter of 2010 was 5.96% compared to 5.52% in the third quarter of 2009. The annualized yield on commercial loans for the third quarter of 2010 was 4.22%, a decrease of 7 basis points compared to the same period in 2009, while the annualized yield on direct retail loans for the third quarter of 2010 dropped to 5.26% compared to 5.43% in the same period in 2009. The annualized yield on residential mortgage loans for the third quarter of 2010 was 5.39%, a decrease of 33 basis points compared to the same period in 2009. The annualized FTE yield on the total loan portfolio for the first nine months of 2010 was 5.85%, which reflects an increase of 39 basis points compared to the same period in 2009. The increases in the FTE yield on the total loan portfolio for the third quarter and the first nine months of 2010 were primarily the result of the loans acquired in the Colonial acquisition, which have produced higher yields due to better performance.

In the normal course of business, residential acquisition, development and construction, commercial construction or commercial land/development loan agreements may include an interest reserve account at inception. An interest reserve allows the borrower to add interest charges to the outstanding loan balance during the construction period. Interest reserves provide an effective means to address the cash flow characteristics of a real estate construction loan. Loan agreements containing an interest reserve generally require more equity to be contributed by the borrower to the construction project at inception. Loans with interest reserves are subject to substantially similar underwriting standards as loans without interest reserves.

Loans with interest reserves are closely monitored through physical inspections, reconciliation of draw requests, review of rent rolls and operating statements and quarterly portfolio reviews performed by senior management. When appropriate, extensions, renewals and restructurings of loans with interest reserves are approved after giving consideration to the project s status, the borrower s financial condition, and the collateral protection based on current market conditions. In connection with the extension, renewal or restructuring of a loan with an interest reserve, additional interest reserves may be funded by the client, partially funded by the client and BB&T, or fully provided by BB&T. Typically, interest reserves provided by BB&T are secured by additional collateral and are limited to more conservative advance rates on the pledged collateral. These loans must also be supported by an analysis of the client s willingness and capacity to service the debt.

Interest that has been added to the balance of a loan through the use of an interest reserve is recognized as income only if the collectability of the remaining contractual principal and interest payments is reasonably assured. If a loan with interest

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reserves is in default and deemed uncollectible, interest is no longer funded through the interest reserve. Interest previously recognized from interest reserves generally is not reversed against current income when a construction loan with interest reserves is placed on nonaccrual status.

At September 30, 2010, approximately $1.2 billion of BB&T s construction loan portfolio have active interest reserves (i.e. current funding of interest charges through a reserve). Interest income related to loans with active interest reserves totaled approximately $11 million, which represented approximately 1% of total interest income for the quarter ended September 30, 2010.

Other Interest-Earning Assets

Average other interest-earning assets totaled $3.0 billion for the third quarter of 2010, compared to $2.3 billion for the same period of 2009. The increase in average other interest-earning assets included increases of $452 million in average interest-bearing deposits with banks and $92 million in average trading securities compared to the third quarter of 2009. For the first nine months of 2010, average other interest-earning assets increased $744 million compared to the same period of 2009. The average yield on other interest-earning assets was .54% for the third quarter of 2010 compared to .77% for the third quarter of 2009. The average yield on other interest-earning assets was .55% for the first nine months of 2010, compared to .88% for the same period in 2009. The declines in the yields on other interest-earning assets are due to lower interest rates on deposits with banks.

Noninterest-Earning Assets

BB&T s other noninterest-earning assets, including premises and equipment, goodwill, core deposit and other intangible assets, residential mortgage servicing rights, FDIC loss share receivable and noninterest-bearing cash and due from banks, increased $331 million from December 31, 2009 to September 30, 2010. The growth in this category was partially due to the purchase of premises and equipment recorded in the first quarter of 2010 in connection with the Colonial acquisition. In addition, BB&T made a payment to the IRS of approximately $892 million in the first quarter of 2010 in connection with a disputed tax position, which resulted in an increase in other assets. These increases were partially offset by a reduction in the FDIC loss share receivable of $1.1 billion due to reimbursements received.

Deposits

Deposits totaled $106.4 billion at September 30, 2010, a decrease of $8.5 billion, or 7.4%, from December 31, 2009. Client deposits generated through the Community Banking segment (formerly Banking Network) are the largest source of funds used to support asset growth. Client deposits totaled $99.4 billion at September 30, 2010, a decrease of $7.4 billion, or 6.9%, from December 31, 2009. These decreases are primarily due to redemptions of wholesale deposits and higher rate certificates of deposit in connection with BB&T s balance sheet deleveraging, as well as the sale of Nevada deposits acquired in the Colonial acquisition.

The overall mix of deposits continues to improve, as average client deposits grew 3.7% in the third quarter of 2010, while other interest-bearing deposits declined 67.2%, compared to the third quarter of 2009. The improvement can be attributed to strong growth in noninterest-bearing and other client deposits, which was driven by the Colonial acquisition. BB&T has also been successful in attracting new business and individual accounts by emphasizing the strength of BB&T s franchise. During the first nine months of 2010, BB&T produced approximately 111,000 net new transaction deposit accounts through its retail branch, online and Phone 24 delivery channels. This represents an 86.9% increase in net new transaction accounts compared to the first nine months of 2009.

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BB&T Corporation and Subsidiaries

Management s Discussion and Analysis Third Quarter 2010

The following table presents the composition of average deposits for the third quarter and nine months ended September 30, 2010 and 2009:

Table 2

Composition of Average Deposits

	For the Three Months Ended			
	September 30, 2010		September 30, 2009	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Noninterest-bearing deposits	$ 20,099	19.4%	$ 17,389	16.2%
Interest checking	3,482	3.4	2,762	2.6
Other client deposits	50,458	48.7	47,046	43.8
Client certificates of deposit	25,875	25.0	29,152	27.2
Total client deposits	99,914	96.5	96,349	89.8
Other interest-bearing deposits	3,591	3.5	10,961	10.2
Total average deposits	$ 103,505	100.0%	$ 107,310	100.0%

	For the Nine Months Ended			
	September 30, 2010		September 30, 2009	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Noninterest-bearing deposits	$ 19,309	18.0%	$ 15,566	15.8%
Interest checking	3,710	3.5	2,632	2.7
Other client deposits	50,787	47.3	43,248	43.8
Client certificates of deposit	28,466	26.6	27,402	27.8
Total client deposits	102,272	95.4	88,848	90.1
Other interest-bearing deposits	4,899	4.6	9,744	9.9
Total average deposits	$ 107,171	100.0%	$ 98,592	100.0%

Average deposits for the third quarter of 2010 decreased $3.8 billion, or 3.5%, compared to the same period in 2009. The categories of deposits with the highest growth for the third quarter of 2010 compared to the third quarter of 2009 were other client deposits, which include money market deposit accounts, savings accounts, individual retirement accounts and other time deposits, which increased $3.4 billion, or 7.3%, and noninterest-bearing deposits, which increased $2.7 billion, or 15.6%. Other interest-bearing deposits, which are primarily Eurodollar deposits and negotiable certificates of deposits, and client certificates of deposit decreased $7.4 billion and $3.3 billion, respectively, compared to the third quarter of 2009.

Average deposits for the first nine months of 2010 increased $8.6 billion, or 8.7%, compared to the first nine months of 2009. The categories of deposits with the highest growth for the first nine months of 2010 compared to the same period of 2009 were other client deposits, which increased $7.5 billion, or 17.4%, and noninterest-bearing deposits which increased $3.7 billion, or 24.0%. Other interest-bearing deposits decreased $4.8 billion, or 49.7%, compared to the average for the first nine months of 2009.

The increases in average deposits for the three and nine-month periods ended September 30, 2010, include the impact of the Colonial acquisition.

Borrowings

While client deposits remain the primary source for funding loan originations and other balance sheet growth, BB&T uses short-term borrowings as a supplementary funding source. Short-term borrowings utilized by BB&T include Federal funds purchased, securities sold under repurchase agreements, master notes, commercial paper, U.S. Treasury tax and loan

deposit notes, and short-term bank notes. All of BB&T s securities sold under repurchase agreements are reflected as collateralized borrowing on the balance sheet. At September 30, 2010, short-term borrowings totaled $5.8 billion, a decrease of $2.3 billion, or 28.2%, compared to December 31, 2009. The decrease in these borrowings compared to December 31, 2009, was primarily due to deleveraging the balance sheet in the second quarter of 2010, which reduced the need for this type of funding.

BB&T also utilizes long-term debt to provide both funding, and to a lesser extent, regulatory capital. Long-term debt consists of Federal Home Loan Bank advances to Branch Bank, corporate senior and subordinated notes, senior and subordinated notes issued by Branch Bank, and junior subordinated debentures issued by BB&T. Long-term debt totaled $22.1 billion at September 30, 2010, an increase of 3.4% from the balance at December 31, 2009. The increase in long term debt primarily relates to the issuance on April 29, 2010, of $500 million senior notes, with an interest rate of 3.95% due April 2016. The proceeds will be used for general corporate funding purposes.

For the third quarter of 2010, the average annualized FTE rate on short-term borrowings was .32% compared to .48% during the third quarter of 2009. The average annualized rate on long-term debt for the third quarter of 2010 was 3.98% compared to 3.73% for the same period in 2009. The average annualized rate on short-term borrowed funds was .28% for the first nine months of 2010 compared to the average rate of .54% during the comparable period of 2009. The average annualized rate on long-term debt for the first nine months of 2010 was 3.91% compared to 3.74% for the same period in 2009.

Shareholders Equity

Total shareholders equity at September 30, 2010 was $16.8 billion, an increase of 3.4% compared to December 31, 2009. The $546 million increase in shareholders equity since year-end 2009, includes growth of $296 million in retained earnings in excess of dividends paid and $92 million of additional equity raised through various employee benefit plans and BB&T s dividend reinvestment plan. BB&T s book value per common share at September 30, 2010 was $24.11, compared to $23.47 at December 31, 2009.

BB&T s tangible shareholders equity available to common shareholders was $10.6 billion at September 30, 2010, an increase of $614 million, or 6.2%, compared to December 31, 2009. BB&T s tangible book value per common share at September 30, 2010 was $15.25 compared to $14.44 at December 31, 2009. As of September 30, 2010, measures of tangible capital were not required by the regulators and, therefore, were considered non-GAAP measures. Please refer to the section titled Capital Adequacy and Resources herein for a discussion of how BB&T calculates and uses these measures in the evaluation of the Company.

Asset Quality

Nonperforming assets declined 4.2% in the third quarter of 2010 compared to the second quarter of 2010 as BB&T continued to successfully implement a strategy to accelerate the disposition of nonperforming assets in an effort to reduce the Company s exposure to nonperforming assets and reduce or eliminate any delay in exiting the credit cycle. In the third quarter of 2010, BB&T transferred $1.3 billion of nonperforming loans to loans held for sale. These loans primarily consisted of residential acquisition, development and construction (ADC) and commercial construction loans. During the third quarter, the Company disposed of $451 million of problem assets, including $207 million of nonperforming loans and $244 million in other real estate owned, and has more than $350 million in problem assets under contract to sell. In connection with these dispositions, BB&T recorded net charge-offs of $432 million and losses/writedowns of $28 million during the third quarter of 2010.

Nonperforming assets, which are composed of foreclosed real estate, repossessions, nonaccrual loans and certain restructured loans, totaled $4.4 billion (or $4.1 billion excluding covered foreclosed property) at September 30, 2010, compared to $4.5 billion (or $4.3 billion excluding covered foreclosed property) at June 30, 2010. The decrease in nonperforming assets included a decrease of $80 million in foreclosed assets, excluding covered foreclosed property. Total nonaccrual loans declined $100 million compared to June 30, 2010. As a percentage of loans and leases plus foreclosed property, nonperforming assets were 4.11% at September 30, 2010 (or 4.12% excluding covered loans and covered foreclosed property) compared with 4.24% (or 4.37% excluding covered loans and covered foreclosed property) at June 30, 2010.

Loans 90 days or more past due and still accruing interest, excluding loans covered by FDIC loss sharing agreements, totaled $405 million at September 30, 2010, compared with $360 million at June 30, 2010. The increase in loans 90 days or more past due and still accruing interest was primarily due to an increase in government guaranteed mortgage loans, which increased $37 million compared to June 30, 2010. Loans 30-89 days past due, excluding loans covered by FDIC loss sharing agreements, totaled $1.7 billion at September 30, 2010 compared with $1.5 billion at June 30, 2010. The increase in early stage delinquencies was primarily in the commercial and mortgage portfolios. Approximately half of the increase in the mortgage portfolio was related to government guaranteed loans.

BB&T s net charge-offs totaled $873 million for the third quarter of 2010 and amounted to 3.31% of average loans and leases, on an annualized basis (or 3.54% excluding covered loans), compared to $446 million, or 1.71%, of average loans and leases, on an annualized basis (or 1.79% excluding covered loans), in the corresponding period in 2009. BB&T s net charge-offs totaled $2.0 billion for the first nine months of 2010 and amounted to 2.55% of average loans and leases on an annualized basis (or 2.74% excluding covered loans), compared to $1.3 billion, or 1.70% (or 1.73% excluding covered loans), of average loans and leases, on an annualized basis, in the corresponding period in 2009. As previously discussed, BB&T recognized $432 million and $580 million of net charge-offs during the third quarter and first nine months of 2010, respectively, in connection with management s nonperforming asset disposition strategy. Excluding these charge-offs and the related balances from the denominator, the net charge-off ratios for the third quarter and the first nine months of 2010 were 1.80% and 1.94%, respectively.

Troubled debt restructurings (restructurings) generally occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term. As a result, BB&T will work with the borrower to prevent further difficulties, and ultimately to improve the likelihood of recovery on the loan. To facilitate this process, a concessionary modification that would not otherwise be considered may be granted resulting in classification of the loan as a restructuring. Restructurings can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accruing status, depending on the individual facts and circumstances of the borrower. In circumstances where the restructuring involves charging off a portion of the loan balance, BB&T typically classifies these restructurings as nonaccrual. With respect to commercial restructurings, an analysis of the credit evaluation, in conjunction with an evaluation of the borrower s performance prior to the restructuring, are considered when evaluating the borrower s ability to meet the restructured terms of the loan agreement. Restructured nonaccrual loans may be returned to accrual status based on a current, well-documented credit evaluation of the borrower s financial condition and prospects for repayment under the modified terms. This evaluation must include consideration of the borrower s sustained historical repayment performance for a reasonable period (generally a minimum of six months) prior to the date on which the loan is returned to accrual status. Sustained historical repayment performance for a reasonable time prior to the restructuring may be taken into account.

In connection with mortgage and consumer loan restructurings, a nonperforming loan will be returned to accruing status when current as to principal and interest and upon a sustained historical repayment performance (generally a minimum of six months).

BB&T s performing restructured loans totaled $1.8 billion at September 30, 2010, a decline of $172 million compared with June 30, 2010. The majority of BB&T s commercial lending loan modifications that are considered restructurings involve an extension of the term of the loan without a corresponding adjustment to the risk premium reflected in the interest rate. BB&T does not typically lower the interest rate and rarely forgives principal or interest as part of a commercial loan modification. In addition, BB&T frequently obtains additional collateral or guarantor support when modifying such loans. For commercial loans, performing restructured loans totaled $876 million at September 30, 2010. These loans are typically residential acquisition, development and construction loans where BB&T has extended the maturity of the loan for less than one year without a sufficient corresponding increase in the interest rate, or principal payments have been deferred to assist the borrower. The majority of BB&T s mortgage and consumer loan modifications that are considered restructurings involve a reduction in the interest rate to a below market rate and/or an increase in the term of the loan without a corresponding adjustment to the risk premium reflected in the interest rate. These modifications rarely result in the forgiveness of principal or interest. Mortgage loan restructurings include approximately $123 million of government guaranteed loans.

Substantially all of the loans acquired in the Colonial acquisition are covered by loss sharing agreements with the FDIC, whereby the FDIC reimburses BB&T for the majority of the losses incurred. In addition, all of the loans acquired were recorded at fair value as of the acquisition date without regard to the loss sharing agreements. Loans were evaluated and

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assigned to loan pools based on common risk characteristics. The determination of the fair value of the loans resulted in a significant write-down in the carrying amount of the loans, which was assigned to an accretable or nonaccretable balance, with the accretable balance being recognized as interest income over the remaining term of the loan. In accordance with the acquisition method of accounting, there was no allowance brought forward on any of the acquired loans, as the credit losses evident in the loans were included in the determination of the fair value of the loans at the acquisition date and are represented by the nonaccretable balance. The majority of the nonaccretable balance is expected to be received from the FDIC in connection with the loss share agreements and is recorded on the Consolidated Balance Sheets as a separate asset from the covered loans. As a result, all of the loans acquired in the Colonial acquisition were considered to be accruing loans as of the acquisition date. In accordance with regulatory reporting standards, covered loans that are contractually past due will continue to be reported as past due and still accruing based on the number of days past due.

Given the significant amount of acquired loans that are past due but still accruing, BB&T believes the inclusion of these loans in certain asset quality ratios including Loans 30-89 days past due and still accruing as a percentage of total loans and leases, Loans 90 days or more past due and still accruing as a percentage of total loans and leases, Nonperforming loans and leases as a percentage of total loans and leases and certain other asset quality ratios that reflect nonperforming assets in the numerator or denominator (or both) results in significant distortion to these ratios. In addition, because charge-offs related to the acquired loans are recorded against the nonaccretable balance, the net charge-off ratio including the acquired loans is lower for portfolios that have significant amounts of acquired loans. The inclusion of these loans in the asset quality ratios described above could result in a lack of comparability across quarters or years, and could negatively impact comparability with other portfolios that were not impacted by acquisition accounting. BB&T believes that the presentation of asset quality measures excluding covered loans and related amounts from both the numerator and denominator provides better perspective into underlying trends related to the quality of its loan portfolio. Accordingly, the asset quality measures in Table 4-2 present asset quality information both on a consolidated basis as well as excluding the covered assets and related amounts.

Consistent with BB&T s belief that the presentation of certain asset quality measures excluding the impact of covered loans is more meaningful, certain information reflected in Tables 5-1, 5-2 and 5-3 has been adjusted to exclude the impact of covered loans and foreclosed property. These adjustments have been identified and explained in the footnotes to each table.

The allowance for credit losses, which totaled $2.7 billion at September 30, 2010 and December 31, 2009, consists of the allowance for loan and lease losses, which is presented on the Consolidated Balance Sheets, and the reserve for unfunded lending commitments, which is included in other liabilities on the Consolidated Balance Sheets. The allowance for loan and lease losses amounted to 2.56% of loans and leases held for investment at September 30, 2010 (or 2.69% excluding covered loans), compared to 2.51% (or 2.72% excluding covered loans) at year-end 2009. Included in the allowance for loan and lease losses at September 30, 2010 was $44 million related to acquired loans.

Each quarter, BB&T performs assessments of cash flows on loans acquired in the Colonial acquisition. The third quarter assessment determined that the loans continue to outperform prior estimates. The combined assessments in the first three quarters resulted in additional accretion on loans that is reflected in interest income. This increase resulted from improved expectations for cash flows on certain loan pools. The assessment also revealed additional impairment in certain loan pools, partially offset by recoveries in other loan pools resulting in a $44 million provision for covered loan losses in the nine months ended September 30, 2010. Approximately 80% of the impairment is offset through the FDIC receivable.

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The following table presents an estimated allocation of the allowance for loan and lease losses at September 30, 2010 and December 31, 2009. This allocation of the allowance for loan and lease losses is calculated on an approximate basis and is not necessarily indicative of future losses or allocations. The entire amount of the allowance is available to absorb losses occurring in any category of loans and leases.

Table 3

Allocation of Allowance for Loan and Lease Losses by Category

	September 30, 2010		December 31, 2009	
	Amount	% Loans in each category	Amount	% Loans in each category
	(Dollars in millions)			
Balances at end of period applicable to:				
Commercial loans and leases	$ 1,503	47.2%	$ 1,574	48.2%
Sales finance	49	6.8	77	6.1
Revolving credit	102	2.0	127	1.9
Direct retail	313	13.5	297	13.8
Residential mortgage loans	244	16.0	131	14.9
Specialized lending	211	7.9	264	7.4
Covered loans	44	6.6		7.7
Unallocated	145		130	
Total allowance for loan and lease losses	$ 2,611	100.0%	$ 2,600	100.0%
Reserve for unfunded lending commitments	39		72	
Total allowance for credit losses	$ 2,650		$ 2,672	

Asset quality statistics for the last five calendar quarters are presented in the accompanying tables. During the second quarter of 2010, BB&T revised its nonaccrual policy related to government guaranteed mortgage loans. This change in policy resulted in a decrease in nonaccrual mortgage loans and an increase in mortgage loans 90 days past due and still accruing of approximately $79 million. During the latter half of 2009, BB&T revised its policy related to the reclassification of mortgage loans from nonaccrual to accrual status. This change in approach resulted in an increase to reported nonperforming loans and leases and nonperforming assets for the fourth quarter of 2009 that totaled approximately $120 million. These changes also impacted the ratios that reflect nonperforming loans and leases or nonperforming assets.

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Table 4 1

Asset Quality Analysis

	For the Three Months Ended				
	9/30/2010	6/30/2010	3/31/2010	12/31/2009	9/30/2009
	(Dollars in millions)				
Allowance For Credit Losses					
Beginning balance	$ 2,753	$ 2,759	$ 2,672	$ 2,478	$ 2,145
Provision for credit losses (excluding covered loans)	743	652	556	725	709
Provision for covered loans	27	(2)	19		
Charge-offs					
Commercial loans and leases (1)	(683)	(277)	(224)	(238)	(204)
Direct retail loans	(83)	(82)	(86)	(79)	(68)
Sales finance loans	(10)	(10)	(16)	(17)	(14)
Revolving credit loans	(28)	(31)	(31)	(32)	(32)
Mortgage loans (2)	(52)	(207)	(77)	(76)	(77)
Specialized lending	(56)	(64)	(75)	(75)	(73)
Total charge-offs	(912)	(671)	(509)	(517)	(468)
Recoveries					
Commercial loans and leases (1)	19	8	7	9	5
Direct retail loans	7	6	12	7	4
Sales finance loans	2	2	3	2	3
Revolving credit loans	4	4	4	3	3
Mortgage loans (2)	1	1	1	2	2
Specialized lending	6	8	7	6	5
Total recoveries	39	29	34	29	22
Net charge-offs	(873)	(642)	(475)	(488)	(446)
Other changes, net		(14)	(13)	(43)	70
Ending balance	$ 2,650	$ 2,753	$ 2,759	$ 2,672	$ 2,478
Allowance For Credit Losses					
Allowance for loan and lease losses (excluding covered loans)	$ 2,567	$ 2,706	$ 2,695	$ 2,600	$ 2,379
Allowance for covered loans	44	17	19		
Reserve for unfunded lending commitments	39	30	45	72	99
Total	$ 2,650	$ 2,753	$ 2,759	$ 2,672	$ 2,478

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	As of/For the Nine Months Ended September 30,	
	2010	2009
	(Dollars in millions)	
Allowance For Credit Losses		
Beginning balance	$ 2,672	$ 1,607
Provision for credit losses (excluding covered loans)	1,951	2,086
Provision for covered loans	44	
Charge-offs		
Commercial loans and leases (1)	(1,184)	(482)
Direct retail loans	(251)	(270)
Sales finance loans	(36)	(55)
Revolving credit loans	(90)	(95)
Mortgage loans (2)	(336)	(204)
Specialized lending	(195)	(239)
Total charge-offs	(2,092)	(1,345)
Recoveries		
Commercial loans and leases (1)	34	12
Direct retail loans	25	12
Sales finance loans	7	7
Revolving credit loans	12	9
Mortgage loans (2)	3	3
Specialized lending	21	17
Total recoveries	102	60
Net charge-offs	(1,990)	(1,285)
Other changes, net	(27)	70
Ending balance	$ 2,650	$ 2,478

(1) Includes net charge-offs of $431 million and $7 million in commercial loans and leases during the third and second quarters of 2010, respectively, in connection with BB&T s nonperforming assets (NPA) disposition strategy.

(2) Includes net charge-offs of $1 million and $141 million in mortgage loans during the third and second quarters of 2010, respectively, in connection with BB&T s NPA disposition strategy.

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Management s Discussion and Analysis Third Quarter 2010

	For the Three Months Ended				
	9/30/2010	6/30/2010	3/31/2010	12/31/2009	9/30/2009
	(Dollars in millions)				
Nonperforming Assets (1)					
Nonaccrual loans and leases					
Commercial loans and leases	$ 1,273	$ 2,075	$ 1,788	$ 1,651	$ 1,610
Direct retail loans	216	234	219	197	187
Sales finance loans	6	6	5	7	7
Mortgage loans (8)	416	387	807	762	662
Specialized lending	62	68	69	96	103
Total nonaccrual loans and leases held for investment	1,973	2,770	2,888	2,713	2,569
Loans held for sale	826	129	6	5	4
Foreclosed real estate	1,309	1,391	1,524	1,451	1,326
Other foreclosed property	39	37	46	58	53
Total nonperforming assets (excluding covered assets) (2)(7)	$ 4,147	$ 4,327	$ 4,464	$ 4,227	$ 3,952
Performing troubled debt restructurings(TDRs) (3)					
Commercial loans and leases	$ 876	$ 1,099	$ 969	$ 413	$ 68
Direct retail loans	131	133	130	132	116
Revolving credit loans	62	60	58	54	51
Mortgage loans	689	668	557	471	302
Specialized lending	4	4	1		
Loans held for sale	30				
Total performing TDRs	$ 1,792	$ 1,964	$ 1,715	$ 1,070	$ 537
Loans 90 days or more past due and still accruing (4)					
Commercial loans and leases	$ 20	$ 22	$ 14	$ 7	$ 13
Direct retail loans	69	69	67	82	79
Sales finance loans	27	28	27	30	24
Revolving credit loans	21	20	23	25	23
Mortgage loans (8)(9)	256	209	155	158	172
Specialized lending	7	7	10	12	10
Other acquired loans	5	5	6	5	2
Total loans 90 days past due and still accruing (excluding covered loans) (5)	$ 405	$ 360	$ 302	$ 319	$ 323
Loans 30 89 days past due (4)					
Commercial loans and leases	$ 535	$ 431	$ 516	$ 377	$ 365
Direct retail loans	181	188	203	216	205
Sales finance loans	99	95	94	126	127
Revolving credit loans	28	28	30	32	32
Mortgage loans (9)	625	561	555	623	664
Specialized lending	242	225	200	306	298

Other acquired loans	2	2	3	6	1
Total loans 30 89 days past due (excluding covered loans) (6)	$ 1,712	$ 1,530	$ 1,601	$ 1,686	$ 1,692

(1) Covered and other acquired loans are considered to be performing due to the application of the accretion method. Covered loans that are contractually past due are noted in the footnotes below.

(2) Excludes foreclosed real estate totaling $276 million, $176 million, $181 million, $160 million and $151 million at September 30, 2010, June 30, 2010, March 31, 2010, December 31, 2009 and September 30, 2009, respectively, that are covered by FDIC loss sharing agreements.

(3) Excludes TDRs that are nonperforming totaling $489 million, $480 million, $333 million, $248 million and $108 million at September 30, 2010, June 30, 2010, March 31, 2010, December 31, 2009 and September 30, 2009, respectively. These amounts are included in total nonperforming assets. Amounts also exclude restructured covered and other acquired loans accounted for under the accretion method.

(4) Excludes mortgage loans guaranteed by GNMA that BB&T does not have the obligation to repurchase.

(5) Excludes loans past due 90 days or more that are covered by FDIC loss sharing agreements totaling $1.3 billion at September 30, 2010, $1.5 billion at June 30, 2010, $1.4 billion at March 31, 2010 and December 31, 2009 and $945 million at September 30, 2009.

(6) Excludes loans totaling $329 million, $429 million, $356 million, $391 million and $564 million past due 30-89 days at September 30, 2010, June 30, 2010, March 31, 2010, December 31, 2009 and September 30, 2009, respectively, that are covered by FDIC loss sharing agreements.

(7) Includes a $207 million reduction from loans sold during the third quarter of 2010 in connection with BB&T s NPA disposition strategy. Includes a $419 million reduction from loans sold during second quarter of 2010 in connection with BB&T s NPA disposition strategy.

(8) BB&T revised its nonaccrual policy related to FHA/VA guaranteed mortgage loans during the second quarter of 2010. The change in policy resulted in a decrease in nonaccrual mortgage loans and an increase in mortgage loans 90 days past due and still accruing of approximately $79 million. During the fourth quarter of 2009, BB&T revised its policy related to the reclassification of mortgage loans from nonaccrual to accrual status resulting in an increase of approximately $120 million in nonaccrual mortgage loans.

(9) Includes mortgage loans past due 90 days or more that are government guaranteed totaling $119 million, $82 million, $7 million, $8 million and $8 million at September 30, 2010, June 30, 2010, March 31, 2010, December 31, 2009 and September 30, 2009, respectively. Includes mortgage loans past due 30-89 days that are government guaranteed totaling $74 million, $42 million, $24 million, $23 million, and $20 million at September 30, 2010, June 30, 2010, March 31, 2010, December 31, 2009 and September 30, 2009, respectively. Past due mortgage loans held for sale are also included in these categories.

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Table 4 2

Asset Quality Ratios

	For the Three Months Ended				
	9/30/2010	6/30/2010	3/31/2010	12/31/2009	9/30/2009
Asset Quality Ratios (including amounts related to covered loans and covered foreclosed property)					
Loans 30 89 days past due and still accruing as a percentage of total loans and leases (1)	1.93%	1.87%	1.87%	1.96%	2.11%
Loans 90 days or more past due and still accruing as a percentage of total loans and leases (1)	1.64	1.82	1.66	1.61	1.18
Nonperforming loans and leases as a percentage of total loans and leases	2.64	2.77	2.77	2.56	2.40
Nonperforming assets as a percentage of:					
Total assets	2.81	2.90	2.84	2.65	2.48
Loans and leases plus foreclosed property	4.11	4.24	4.38	4.07	3.78
Net charge-offs as a percentage of average loans and leases	3.31	2.48	1.84	1.83	1.71
Allowance for loan and lease losses as a percentage of loans and leases held for investment	2.56	2.66	2.65	2.51	2.29
Ratio of allowance for loan and lease losses to:					
Net charge-offs	.75x	1.06x	1.41x	1.34x	1.35x
Nonperforming loans and leases held for investment	1.32	.98	.94	.96	.93
Asset Quality Ratios (excluding amounts related to covered loans and covered foreclosed property) (2)					
Loans 30 89 days past due and still accruing as a percentage of total loans and leases (1)	1.72%	1.57%	1.65%	1.72%	1.71%
Loans 90 days or more past due and still accruing as a percentage of total loans and leases (1)	.41	.37	.31	.32	.33
Nonperforming loans and leases as a percentage of total loans and leases	2.82	2.97	2.99	2.77	2.61
Nonperforming assets as a percentage of:					
Total assets	2.76	2.93	2.86	2.68	2.52
Loans and leases plus foreclosed property	4.12	4.37	4.53	4.24	3.95
Net charge-offs as a percentage of average loans and leases (3)	3.54	2.66	1.99	1.98	1.79
Allowance for loan and lease losses as a percentage of loans and leases held for investment	2.69	2.84	2.84	2.72	2.49
Ratio of allowance for loan and lease losses to:					
Net charge-offs	.74x	1.05x	1.40x	1.34x	1.35x
Nonperforming loans and leases held for investment	1.30	.98	.93	.96	.93

	As of/For the Nine Months Ended September 30,	
	2010	2009
Asset Quality Ratios		

Including covered loans:		
Net charge-offs as a percentage of average loans and leases	2.55%	1.70%
Ratio of allowance for loan and lease losses to net charge-offs	.98x	1.39x
Excluding covered loans:		
Net charge-offs as a percentage of average loans and leases (3)	2.74%	1.73%
Ratio of allowance for loan and lease losses to net charge-offs	.96x	1.39x

Applicable ratios are annualized.

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(1) Excludes mortgage loans guaranteed by GNMA that BB&T does not have the obligation to repurchase.
(2) These asset quality ratios have been adjusted to remove the impact of covered loans and covered foreclosed property. Appropriate adjustments to the numerator and denominator have been reflected in the calculation of these ratios. Management believes the inclusion of acquired loans in certain asset quality ratios that include nonperforming assets, past due loans or net charge-offs in the numerator or denominator results in distortion of these ratios and they may not be comparable to other periods presented or to other portfolios that were not impacted by purchase accounting.
(3) Excluding the impact of losses and balances associated with BB&T s NPA disposition strategy, the adjusted net charge-offs ratio would have been 1.80%, 2.06% and 1.94% for the third quarter of 2010, second quarter of 2010 and the nine months ended September 30, 2010, respectively.

Table 4 3

Troubled Debt Restructurings

	As of September 30, 2010						
	Current Status		Past Due 30-89 Days		Past Due 90+ Days		Total
Performing restructurings: (1) (2)							
Commercial loans	$ 809	92.4%	$ 66	7.5%	$ 1	.1%	$ 876
Direct retail loans	124	94.6	6	4.6	1	.8	131
Revolving credit loans	48	77.4	7	11.3	7	11.3	62
Residential mortgage loans	545	79.1	121	17.6	23	3.3	689
Specialized lending loans	4	100.0					4
Loans held for sale	8	26.7	18	60.0	4	13.3	30
Total performing restructurings	1,538	85.8	218	12.2	36	2.0	1,792
Nonperforming restructurings (3)	166	33.9	73	14.9	250	51.2	489
Total restructurings	$ 1,704	74.7	$ 291	12.8	$ 286	12.5	$ 2,281

(1) Excludes restructured covered and other acquired loans accounted for under the accretion method.
(2) Past due performing restructurings are included in past due disclosures.
(3) Nonperforming restructurings are included in nonaccrual loan disclosures.

Table 5 1

Real Estate Lending Portfolio Credit Quality and Geographic Distribution

Commercial Real Estate Loan Portfolio (1)

	As of / For the Period Ended September 30, 2010			
Residential Acquisition, Development, and Construction Loans (ADC)	**Builder / Construction**	**Land / Land Development**	**Condos / Townhomes**	**Total ADC**
	(Dollars in millions, except average loan and average client size)			

Total loans outstanding	$ 1,151	$ 2,789	$ 229	$ 4,169
Average loan size (in thousands)	231	535	1,105	400
Average client size (in thousands)	554	912	2,419	798
Nonaccrual loans and leases as a percentage of category	19.73%	19.76%	14.63%	19.47%
Gross charge-offs as a percentage of category:				
Year-to-Date	7.70	17.75	9.70	14.47
Quarter-to-Date	10.57	30.04	18.97	24.11

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Residential Acquisition, Development, and Construction Loans (ADC) by State of Origination	As of / For the Period Ended September 30, 2010			
	Total Outstandings	Nonaccrual as a Percentage of Outstandings	Gross Charge-Offs as a Percentage of Outstandings	
			Year-to-Date	Quarter-to-Date
	(Dollars in millions)			
North Carolina	$ 1,845	16.12%	7.56%	14.17%
Virginia	694	10.21	7.62	7.50
South Carolina	394	20.51	13.32	32.93
Georgia	388	31.08	35.00	60.71
Florida	250	32.53	32.02	45.19
Washington, D.C.	141	33.94	24.51	19.33
Tennessee	129	24.26	13.29	24.85
Kentucky	102	29.80	21.46	68.17
West Virginia	101	20.29	17.26	34.38
Maryland	66	2.65	2.53	8.12
Alabama	59	49.15	23.42	23.11
Total	$ 4,169	19.47%	14.47%	24.11%

Other Commercial Real Estate Loans (2)	As of / For the Period Ended September 30, 2010			
	Commercial Construction	Commercial Land/ Development	Permanent Income Producing Properties	Total Other Commercial Real Estate
	(Dollars in millions, except average loan and average client size)			
Total loans outstanding	$ 1,003	$ 1,614	$ 9,432	$ 12,049
Average loan size (in thousands)	1,068	686	511	554
Average client size (in thousands)	1,527	814	771	808
Nonaccrual loans and leases as a percentage of category	2.17%	15.48%	3.76%	5.20%
Gross charge-offs as a percentage of category:				
Year-to-Date	2.35	9.61	2.80	3.79
Quarter-to-Date	4.38	21.15	6.12	8.11

Other Commercial Real Estate Loans by State of Origination (2)	As of / For the Period Ended September 30, 2010			
	Total Outstandings	Nonaccrual as a Percentage of Outstandings	Gross Charge-Offs as a Percentage of Outstandings	
			Year-to-Date	Quarter-to-Date
	(Dollars in millions)			
North Carolina	$ 3,668	4.43%	2.95%	6.27%
Georgia	1,966	9.31	5.83	13.15
Virginia	1,921	1.10	1.15	2.60
South Carolina	956	3.10	1.34	2.15
Florida	833	18.26	14.67	33.20
Washington, D.C.	693	2.53	3.49	7.31
Maryland	574	.61		
Kentucky	455	3.15	1.88	4.05
West Virginia	429	3.30	1.39	1.81
Tennessee	357	5.74	6.18	11.08

Alabama	94	8.91	4.14	6.54
Other	103		2.24	
Total	$ 12,049	5.20%	3.79%	8.11%

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Applicable ratios are annualized.

(1) Commercial real estate (CRE) loans are defined as loans to finance non-owner occupied real property where the primary repayment source is the sale or rental/lease of the real property. Definition is based on internal classification. Excludes covered loans and in process items. Includes loans transferred to held for sale in connection with BB&T s NPA disposition strategy.

(2) Commercial and Industrial (C&I) loans secured by real property are excluded.

ADC loan portfolio totaled $4.2 billion at September 30, 2010, a decrease of $1.6 billion from December 31, 2009. As a percentage of loans, ADC nonaccruals were 19.47% at September 30, 2010, compared to 13.63% at December 31, 2009. The allowance for loan and lease losses that is assigned to the ADC portfolio as a percentage of ADC loans held for investment was 13.0% as of September 30, 2010, compared to 14.1% as of year-end 2009. The decline in the allowance assigned to this portfolio reflects lower outstandings and significant write-downs that have already been recorded as charge-offs. The gross charge-off rate for the ADC portfolio, on an annualized basis, was 24.11% for the third quarter of 2010, compared to 12.98% for the second quarter of 2010 and 5.71% for the full year 2009. The other component of the commercial real estate portfolio, which is largely office buildings, hotels, warehouses, apartments, rental houses, and shopping centers, totaled $12.0 billion at September 30, 2010. As a percentage of loans, other commercial real estate nonaccruals were 5.20% at September 30, 2010, compared with 2.70% at December 31, 2009. The gross charge-off rate for the other commercial real estate portfolio, on an annualized basis, was 8.11% for the third quarter of 2010 compared to 1.51% for the second quarter of 2010 and .76% for the full year 2009. The increased charge-off rates in the ADC and other commercial real estate portfolios for the current quarter include the impact of additional charge-offs on loans transferred to loans held for sale.

Table 5 2

Real Estate Lending Portfolio Credit Quality and Geographic Distribution

Residential Mortgage Portfolio (1)

	As of / For the Period Ended September 30, 2010				
Residential Mortgage Loans	**Prime**	**ALT-A**	**Construction/ Permanent**	**Subprime (2)**	**Total**
	(Dollars in millions, except average loan size)				
Total loans outstanding	$ 13,268	$ 2,239	$ 580	$ 497	$ 16,584
Average loan size (in thousands)	197	314	313	61	196
Average refreshed credit score (3)	722	703	720	575	715
Percentage that are first mortgages	100%	100%	99%	81%	99%
Average loan to value at origination	76	68	74	74	74
Nonaccrual loans and leases as a percentage of category	1.77	4.98	8.64	7.60	2.62
Gross charge-offs as a percentage of category:					
Year-to-Date	1.99	5.37	5.29	8.85	2.89
Quarter-to-Date	.98	2.17	4.49	3.11	1.34

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	As of / For the Period Ended September 30, 2010			
		Nonaccrual as a Percentage of	Gross Charge-Offs as a Percentage of Outstandings	
Residential Mortgage Loans by State	Total Outstandings	Outstandings	Year-to-Date	Quarter-to-Date
	(Dollars in millions)			
North Carolina	$ 4,051	1.67%	1.35%	.42%
Virginia	2,975	1.92	1.96	1.35
Florida	2,248	6.17	7.74	3.99
Maryland	1,629	1.95	2.58	.76
Georgia	1,564	2.73	3.52	1.89
South Carolina	1,533	2.72	2.85	1.32
Kentucky	403	1.42	.53	.22
West Virginia	340	1.32	.84	.64
Tennessee	301	2.10	1.32	.39
Texas	282	.52	.26	.14
Washington, D.C.	206	2.48	.77	.02
Alabama	192	2.03	3.74	.57
Other	860	3.19	2.87	.66
Total	$ 16,584	2.62%	2.89%	1.34%

Applicable ratios are annualized.

(1) Excludes mortgage loans held for sale, covered loans, mortgage loans guaranteed by GNMA that BB&T does not have the obligation to repurchase and in process items.
(2) Includes $345 million in loans originated by Lendmark Financial Services, which are disclosed as a part of the specialized lending category.
(3) Weighted based on outstanding balance.

The residential mortgage loan portfolio, as presented in Table 5-2, totaled $16.6 billion as of September 30, 2010, an increase of $854 million compared to December 31, 2009. As a percentage of loans, residential mortgage loan nonaccruals were 2.62% at September 30, 2010, compared with 4.94% at December 31, 2009. The gross charge-off rate for the residential mortgage loan portfolio, on an annualized basis, was 1.34% for the third quarter of 2010 compared to 5.32% for the second quarter of 2010 and 1.79% for the full year 2009. The higher charge-off ratio for the second quarter of 2010 was the result of the sale of $375 million in nonperforming residential mortgage loans, which resulted in charge-offs of $141 million, in connection with management s nonperforming asset disposition strategy.

Table 5 3

Real Estate Lending Portfolio Credit Quality and Geographic Distribution

Direct Retail 1-4 Family and Lot/Land Real Estate Portfolio (1)

	As of / For the Period Ended September 30, 2010			
Direct Retail 1-4 Family and Lot/Land Real Estate Loans & Lines	Residential Lot/Land Loans	Home Equity Loans	Home Equity Lines	Total

	(Dollars in millions, except average loan size)			
Total loans outstanding	$ 1,454	$ 5,810	$ 5,595	$ 12,859
Average loan size (in thousands) (2)	61	43	36	41
Average refreshed credit score (3)	721	721	762	745
Percentage that are first mortgages	100%	75%	27%	57%
Average loan to value at origination	80	64	64	65
Nonaccrual loans and leases as a percentage of category	6.74	1.48	.47	1.64
Gross charge-offs as a percentage of category:				
Year-to-Date	7.75	1.56	1.49	2.28
Quarter-to-Date	8.19	1.47	1.45	2.24

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Direct Retail 1-4 Family and Lot/Land Real Estate Loans and Lines By State of Origination	As of / For the Period Ended September 30, 2010			
	Total Outstandings	Nonaccrual as a Percentage of Outstandings	Gross Charge-Offs as a Percentage of Outstandings	
			Year-to-Date	Quarter-to-Date
	(Dollars in millions)			
North Carolina	$ 4,422	1.95%	2.13%	2.34%
Virginia	2,894	.87	1.34	1.22
South Carolina	1,235	2.21	2.47	2.57
Georgia	1,042	2.03	3.78	3.62
Maryland	814	.92	2.25	1.47
West Virginia	784	1.32	.99	.70
Florida	637	2.63	6.43	6.88
Kentucky	565	1.31	.66	.51
Tennessee	352	2.08	4.57	3.48
Washington, D.C.	84	.83	3.62	3.44
Other	30	1.01	1.00	1.83
Total	$ 12,859	1.64%	2.28%	2.24%

Applicable ratios are annualized.

(1) Direct retail 1-4 family and lot/land real estate loans are originated through the Community Banking segment. Excludes covered loans and in process items.
(2) Home equity lines without an outstanding balance are excluded from this calculation.
(3) Based on number of accounts.

The direct retail consumer real estate loan portfolio, as presented in Table 5-3, totaled $12.9 billion as of September 30, 2010, a decrease of $504 million from December 31, 2009. This portfolio is comprised of residential lot/land loans, home equity loans and home equity lines, which are primarily originated through the Community Banking segment. As a percentage of loans, direct retail consumer real estate nonaccruals were 1.64% at September 30, 2010, compared to 1.44% at December 31, 2009. The gross charge-off rate for the direct retail consumer real estate loan portfolio, on an annualized basis, was 2.24% for the third quarter of 2010, compared to 2.28% for the second quarter of 2010 and 2.19% for the full year 2009. The allowance for loan and lease losses that is assigned to the residential lot/land portfolio as a percentage of residential lot/land loans was 10.1% as of September 30, 2010 compared to 8.1% at December 31, 2009.

ANALYSIS OF RESULTS OF OPERATIONS

Consolidated net income for the third quarter of 2010 totaled $219 million, an increase of $62 million, or 39.5%, compared to $157 million earned during the third quarter of 2009. Net income available to common shareholders totaled $210 million, which generated diluted earnings per common share of $.30 in the third quarter. Net income available to common shareholders for the same period of 2009 totaled $152 million, which generated diluted earnings per common share of $.23. BB&T s results of operations for the third quarter of 2010 produced an annualized return on average assets of .56% and an annualized return on average common shareholders equity of 4.91%, compared to prior year ratios of .40% and 3.90%, respectively.

Consolidated net income for the first nine months of 2010 totaled $637 million, a decrease of $46 million, or 6.7%, compared to $683 million earned during the first nine months of 2009. Net income available to common shareholders totaled $608 million, which generated diluted earnings per common share of $.87. Net income available to common shareholders for the first nine months of 2009 totaled $544 million, which generated diluted earnings per common share of $.88. Earnings available to common shareholders for 2009 included a reduction of $124 million

related to the U.S. Treasury s preferred stock investment in BB&T. BB&T s results of operations for the first nine months of 2010 produced an annualized return on average assets of .53% and an annualized return on average common shareholders equity of 4.84%, compared to prior year ratios of ..60% and 5.09%, respectively.

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The following table sets forth selected financial ratios for the last five calendar quarters.

Table 6

Annualized

Profitability Measures

	2010			2009	
	Third Quarter	**Second Quarter**	**First Quarter**	**Fourth Quarter**	**Third Quarter**
Rate of return on:					
Average assets	**.56%**	.56%	.48%	.47%	.40%
Average common shareholders equity	**4.91**	5.01	4.59	4.52	3.90
Net interest margin (taxable equivalent)	**4.09**	4.12	3.88	3.80	3.68

Net Interest Income and Net Interest Margin

Net interest income on a FTE basis was $1.3 billion for the third quarter of 2010, an increase of $80 million, or 6.3% compared to the same period in 2009. For the quarter ended September 30, 2010, average earning assets decreased $6.2 billion, or 4.5%, compared to the same period of 2009, while average interest-bearing liabilities decreased $7.2 billion, or 6.0%, and the net interest margin increased from 3.68% in the third quarter of 2009 to 4.09% in the current quarter. The improvement in net interest income and the net interest margin is due to the higher yield assets acquired in the Colonial acquisition and lower funding costs.

BB&T completed its quarterly assessment of cash flows on acquired loans and determined that the loans continue to outperform prior estimates. The combined assessments in the first three quarters of 2010 resulted in additional accretion on loans that is reflected in interest income. This increase results from improving expectations for cash flows on certain loan pools. The additional accretion recognized from the assessment is significantly offset by lower noninterest income due to the provisions of the FDIC loss sharing agreements.

For the first nine months of 2010, net interest income on an FTE basis was $4.1 billion, an increase of $478 million, or 13.2%, compared to $3.6 billion for the same period in 2009. For the nine months ended September 30, 2010, average earning assets increased $1.9 billion, or 1.4%, compared to the same period of 2009, while average interest-bearing liabilities increased $3.1 billion, or 2.7%, and the net interest margin increased 42 basis points from 3.61% in the first nine months of 2009 to 4.03% in the same period of 2010. The improvement in net interest income compared to the first nine months of 2009 was caused by the same factors as for the quarter.

The following tables set forth the major components of net interest income and the related annualized yields and rates for the third quarter and first nine months of 2010 compared to the same periods in 2009, as well as the variances between the periods caused by changes in interest rates versus changes in volumes. Changes attributable to the mix of assets and liabilities have been allocated proportionally between the changes due to rate and the changes due to volume.

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Table 7 1

FTE Net Interest Income and Rate / Volume Analysis

For the Three Months Ended September 30, 2010 and 2009

	Average Balances		Annualized Yield / Rate		Income/Expense		Increase	Change due to	
	2010	2009	2010	2009	2010	2009	(Decrease)	Rate	Volume
	(Dollars in millions)								
Assets									
Securities, at amortized cost (1):									
U.S. government-sponsored entities (GSE)	**$ 54**	$ 1,180	**4.65%**	3.75%	**$**	$ 12	**$ (12)**	**$ 1**	**$ (13)**
Mortgage-backed securities issued by GSE	**18,636**	25,892	**3.22**	3.97	**150**	256	**(106)**	**(42)**	**(64)**
States and political subdivisions	**2,019**	2,190	**5.55**	5.52	**29**	31	**(2)**		**(2)**
Non-agency mortgage-backed securities	**1,152**	1,411	**5.90**	5.81	**17**	20	**(3)**	**1**	**(4)**
Other securities	**209**	252	**2.74**	2.75	**1**	2	**(1)**	**(1)**	
Covered securities	**1,207**	586	**7.61**	11.46	**23**	17	**6**	**(6)**	**12**
Total securities	**23,277**	31,511	**3.78**	4.28	**220**	338	**(118)**	**(47)**	**(71)**
Other earning assets (2)	**2,951**	2,331	**.54**	.77	**6**	4	**2**	**(2)**	**4**
Loans and leases, net of unearned income (1)(3)(4):									
Commercial loans and leases	**48,620**	49,916	**4.22**	4.29	**517**	540	**(23)**	**(9)**	**(14)**
Direct retail loans	**13,867**	14,507	**5.26**	5.43	**184**	199	**(15)**	**(6)**	**(9)**
Sales finance loans	**6,906**	6,528	**5.73**	6.49	**100**	107	**(7)**	**(13)**	**6**
Revolving credit loans	**2,048**	1,886	**8.64**	9.44	**44**	45	**(1)**	**(4)**	**3**
Mortgage loans	**15,828**	15,515	**5.39**	5.72	**213**	222	**(9)**	**(13)**	**4**
Specialized lending	**8,046**	7,542	**11.33**	11.15	**229**	211	**18**	**3**	**15**
Other acquired loans	**73**	75	**18.97**	10.46	**3**	2	**1**	**1**	
Total loans and leases held for investment (excluding covered loans)	**95,388**	95,969	**5.38**	5.49	**1,290**	1,326	**(36)**	**(41)**	**5**
Covered loans	**6,957**	4,380	**14.72**	6.45	**258**	71	**187**	**128**	**59**
Total loans and leases held for investment	**102,345**	100,349	**6.01**	5.53	**1,548**	1,397	**151**	**87**	**64**
Loans held for sale	**2,410**	2,985	**3.56**	4.94	**22**	37	**(15)**	**(9)**	**(6)**
Total loans and leases	**104,755**	103,334	**5.96**	5.52	**1,570**	1,434	**136**	**78**	**58**
Total earning assets	**130,983**	137,176	**5.45**	5.15	**1,796**	1,776	**20**	**29**	**(9)**
Non-earning assets	**24,683**	20,275							
Total assets	**$ 155,666**	$ 157,451							
Liabilities and Shareholders Equity									
Interest-bearing deposits:									
Interest-checking	**$ 3,482**	$ 2,762	**.29**	.42	**3**	3		**(1)**	**1**
Other client deposits	**50,458**	47,046	**.62**	.86	**79**	102	**(23)**	**(30)**	**7**
Client certificates of deposit	**25,875**	29,152	**2.02**	2.41	**132**	177	**(45)**	**(27)**	**(18)**
Other interest-bearing deposits	**3,591**	10,961	**1.18**	1.05	**11**	29	**(18)**	**4**	**(22)**
Total interest-bearing deposits	**83,406**	89,921	**1.07**	1.37	**225**	311	**(86)**	**(54)**	**(32)**
Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds (1)	**7,355**	9,964	**.32**	.48	**6**	12	**(6)**	**(3)**	**(3)**
Long-term debt	**21,833**	19,867	**3.98**	3.73	**218**	186	**32**	**13**	**19**
Total interest-bearing liabilities	**112,594**	119,752	**1.58**	1.69	**449**	509	**(60)**	**(44)**	**(16)**

Noninterest-bearing deposits	**20,099**	17,389										
Other liabilities	**5,938**	4,773										
Shareholders equity	**17,035**	15,537										
Total liabilities and shareholders equity	**$ 155,666**	$ 157,451										
Average interest rate spread			**3.87**	3.46								
Net interest margin/ net interest income			**4.09%**	3.68%	**$ 1,347**	$ 1,267	**$ 80**	**$ 73**	**$ 7**			
Taxable equivalent adjustment					**$ 33**	$ 30						

(1) Yields are stated on a taxable equivalent basis assuming tax rates in effect for the periods presented.
(2) Includes Federal funds sold, securities purchased under resale agreements or similar arrangements, interest-bearing deposits with banks, trading securities, FHLB stock and other earning assets.
(3) Loan fees, which are not material for any of the periods shown, have been included for rate calculation purposes.
(4) Nonaccrual loans have been included in the average balances.

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Table 7 2

FTE Net Interest Income and Rate / Volume Analysis

For the Nine Months Ended September 30, 2010 and 2009

	Average Balances		Annualized Yield / Rate		Income/Expense		Increase	Change due to	
	2010	2009	2010	2009	2010	2009	(Decrease)	Rate	Volume
	(Dollars in millions)								
Assets									
Securities, at amortized cost (1):									
U.S. government-sponsored entities (GSE)	**$ 742**	$ 1,144	**3.65%**	4.02%	**$ 20**	$ 35	**$ (15)**	**$ (4)**	**$ (11)**
Mortgage-backed securities issued by GSE	**22,729**	25,111	**3.64**	4.23	**621**	797	**(176)**	**(105)**	**(71)**
States and political subdivisions	**2,067**	2,243	**5.46**	5.75	**85**	97	**(12)**	**(5)**	**(7)**
Non-agency mortgage-backed securities	**1,225**	1,477	**5.85**	5.82	**54**	64	**(10)**	**1**	**(11)**
Other securities	**201**	339	**2.44**	3.93	**3**	10	**(7)**	**(4)**	**(3)**
Covered securities	**1,192**	197	**10.27**	11.33	**92**	17	**75**	**(2)**	**77**
Total securities	**28,156**	30,511	**4.14**	4.46	**875**	1,020	**(145)**	**(119)**	**(26)**
Other earning assets (2)	**2,913**	2,169	**.55**	.88	**13**	14	**(1)**	**(6)**	**5**
Loans and leases, net of unearned income (1)(3)(4):									
Commercial loans and leases	**49,024**	50,294	**4.22**	4.21	**1,549**	1,585	**(36)**	**4**	**(40)**
Direct retail loans	**14,008**	14,849	**5.31**	5.50	**556**	611	**(55)**	**(21)**	**(34)**
Sales finance loans	**6,682**	6,391	**6.00**	6.47	**300**	310	**(10)**	**(23)**	**13**
Revolving credit loans	**2,013**	1,819	**8.79**	9.59	**132**	131	**1**	**(11)**	**12**
Mortgage loans	**15,625**	16,088	**5.47**	5.79	**641**	698	**(57)**	**(38)**	**(19)**
Specialized lending	**7,725**	7,009	**11.44**	11.57	**661**	607	**54**	**(7)**	**61**
Other acquired loans	**93**	25	**13.58**	10.46	**9**	2	**7**	**1**	**6**
Total loans and leases held for investment (excluding covered loans)	**95,170**	96,475	**5.40**	5.46	**3,848**	3,944	**(96)**	**(95)**	**(1)**
Covered loans	**7,251**	1,476	**12.20**	6.45	**662**	71	**591**	**110**	**481**
Total loans and leases held for investment	**102,421**	97,951	**5.89**	5.48	**4,510**	4,015	**495**	**15**	**480**
Loans held for sale	**1,975**	2,941	**4.23**	4.80	**63**	106	**(43)**	**(11)**	**(32)**
Total loans and leases	**104,396**	100,892	**5.85**	5.46	**4,573**	4,121	**452**	**4**	**448**
Total earning assets	**135,465**	133,572	**5.38**	5.15	**5,461**	5,155	**306**	**(121)**	**427**
Non-earning assets	**24,258**	18,397							
Total assets	**$ 159,723**	$ 151,969							
Liabilities and Shareholders Equity									
Interest-bearing deposits:									
Interest-checking	**$ 3,710**	$ 2,632	**.32**	.37	**9**	7	**2**	**(1)**	**3**
Other client deposits	**50,787**	43,248	**.66**	.90	**250**	292	**(42)**	**(86)**	**44**
Client certificates of deposit	**28,466**	27,402	**2.01**	2.84	**428**	582	**(154)**	**(176)**	**22**
Other interest-bearing deposits	**4,899**	9,744	**1.03**	1.31	**38**	96	**(58)**	**(18)**	**(40)**
Total interest-bearing deposits	**87,862**	83,026	**1.10**	1.57	**725**	977	**(252)**	**(281)**	**29**

Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds (1)	**8,879**	13,808	**.28**	.54	**19**	55	**(36)**	**(21)**	**(15)**
Long-term debt	**21,573**	18,362	**3.91**	3.74	**631**	515	**116**	**24**	**92**
Total interest-bearing liabilities	**118,314**	115,196	**1.55**	1.79	**1,375**	1,547	**(172)**	**(278)**	**106**
Noninterest-bearing deposits	**19,309**	15,566							
Other liabilities	**5,236**	5,001							
Shareholders equity	**16,864**	16,206							
Total liabilities and shareholders equity	**$ 159,723**	$ 151,969							
Average interest rate spread			**3.83**	3.36					
Net interest margin/ net interest income			**4.03%**	3.61%	**$ 4,086**	$ 3,608	**$ 478**	**$ 157**	**$ 321**
Taxable equivalent adjustment					**$ 98**	$ 87			

(1) Yields are stated on a taxable equivalent basis assuming tax rates in effect for the periods presented.
(2) Includes Federal funds sold, securities purchased under resale agreements or similar arrangements, interest-bearing deposits with banks, trading securities, FHLB stock and other earning assets.
(3) Loan fees, which are not material for any of the periods shown, have been included for rate calculation purposes.
(4) Nonaccrual loans have been included in the average balances.

Provision for Credit Losses

The provision for credit losses totaled $770 million for the third quarter of 2010 (including $27 million in provision for covered loans), compared to $709 million for the third quarter of 2009. The provision for credit losses totaled $2.0 billion for the first nine months of 2010 (including $44 million for covered loans), compared to $2.1 billion for the same period in 2009. Net charge-offs exceeded the provision for credit losses by $103 million for the three month period ended September 30, 2010, making this the first quarter since the recession began with no allowance build. Nonperforming assets declined 4.2% compared to June 30, 2010 due to the Company s nonperforming asset disposition strategy.

Net charge-offs were 3.31% of average loans and leases on an annualized basis (or 3.54% excluding covered loans) for the third quarter of 2010 compared to 1.71% of average loans and leases (or 1.79% excluding covered loans) for the same period in 2009. Excluding the $432 million in net charge-offs and the related loan balances associated with the nonperforming asset disposition strategy, net core charge-offs were 1.80% for the third quarter of 2010. Net charge-offs were 2.55% of average loans and leases on an annualized basis (or 2.74% excluding covered loans) for the first nine months of 2010 compared to 1.70% of average loans and leases (or 1.73% excluding covered loans) for the corresponding period in 2009. Net charge-offs for the third quarter and first nine months of 2010 include $432 million and $580 million, respectively, related to the nonperforming asset disposition strategy. The allowance for loan and lease losses was 2.56% of loans and leases held for investment (or 2.69% excluding covered loans) and 1.32x total nonperforming loans and leases held for investment (or 1.30x excluding covered loans) at September 30, 2010, compared with .93x at September 30, 2009. The significant improvement in the allowance coverage ratio reflects the movement of nonperforming loans to held for sale. Upon transfer, the loans were marked to the lower of cost or market.

Noninterest Income

BB&T emphasizes growing its fee-based businesses to lessen dependence on traditional spread-based interest income. Fee-based businesses are a relatively stable revenue source during periods of changing interest rates. Noninterest income for the three months ended September 30, 2010 totaled $1.1 billion, compared to $940 million for the same period in 2009, an increase of $170 million, or 18.1%. The increase in noninterest income for the quarter was largely driven by additional securities gains and mortgage banking income, which were up $208 million and $40 million, respectively, compared to the third quarter of last year. These increases were partially offset by a reduction of $46 million in noninterest income to reflect the reduction in expected receivables from the FDIC due to better than expected performance from covered loans and a $33 million decline in service charges on deposits.

Noninterest income for the nine months ended September 30, 2010 totaled $3.0 billion, a 1.0% increase compared to the same period of 2009. The slight increase in noninterest income was due to an increase in securities gains offset by lower revenues from BB&T s mortgage banking operations and the reduction in fee income to reflect the reduction in expected receivables from the FDIC caused by improved loss expectations on covered loans.

Insurance commissions, which are BB&T s largest source of noninterest income, totaled $252 million for the third quarter of 2010, which was down slightly compared to the same three-month period of 2009. For the first nine months of 2010, insurance income totaled $792 million, a slight increase compared to the same period last year. This reflected the continued softness in the industry s pricing for insurance premiums.

Service charges on deposit accounts totaled $147 million in the third quarter of 2010, a decrease of 18.3% compared to the same quarter of 2009. For the first nine months of 2010, service charges on deposits totaled $475 million, a 5.8% decline compared to the same period in 2009. The decrease in service charges was primarily due to changes to BB&T s overdraft policies, which were implemented during the second and third quarters of 2010. Management expects service charge revenue to decrease in the near term due to changes in deposit service fees and regulatory reforms. Over the longer-term, product changes and service offerings are expected to minimize or eliminate many of the near-term declines.

Checkcard fees and other nondeposit fees and commissions increased 18.6% and 25.4%, respectively, compared to the third quarter of 2009. For the first nine months of 2010, checkcard fees and other nondeposit fees and commissions increased 21.8% and 22.4%, respectively, compared to the same period in 2009. The increase in checkcard fees was primarily due to increased usage by new and existing clients, while the growth in other nondeposit fees and commissions was primarily the result of increased commercial lending-related revenues.

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Mortgage banking income totaled $184 million in the third quarter of 2010, an increase of $40 million or 27.8% compared to $144 million earned in the third quarter of 2009. This increase includes an increase of $18 million due to the net impact of changes in the fair value of BB&T s residential mortgage servicing rights portfolio and related derivative hedging strategy and growth of $11 million in commercial mortgage banking revenues.

The following table provides a breakdown of the various components of mortgage banking income and other statistical information for the third quarters of 2010 and 2009:

Table 8 1

Mortgage Banking Income and Related Statistical Information

Mortgage Banking Income	For the Three Months Ended September 30, 2010	2009
	(Dollars in millions)	
Residential Mortgage Banking:		
Residential mortgage production income	$ 113	$ 106
Residential Mortgage Servicing:		
Residential mortgage servicing fees	57	48
Residential mortgage servicing rights decrease in fair value due to change in valuation inputs or assumptions (1)	(101)	(59)
Mortgage servicing rights hedging gains	132	72
Net	31	13
Realization of expected residential mortgage servicing rights cash flows	(35)	(30)
Total residential mortgage servicing income	53	31
Total residential mortgage banking income	166	137
Commercial Mortgage Banking:		
Commercial mortgage banking revenues	22	11
Amortization of commercial mortgage servicing rights	(4)	(4)
Total commercial mortgage banking income	18	7
Total mortgage banking income	$ 184	$ 144

Mortgage Banking Statistical Information	As of / For the Three Months Ended September 30, 2010	2009
	(Dollars in millions)	
Residential mortgage originations	$ 6,656	$ 6,899
Residential mortgage loans serviced for others	60,189	52,126

Residential mortgage loan sales	4,447	7,556
Commercial mortgage originations	913	507
Commercial mortgage loans serviced for others	23,757	24,798

(1) Includes a $1 million decrease due to a valuation adjustment for MSRs carried at the lower of cost or market during the third quarter of 2010.

Mortgage banking income totaled $383 million in the first nine months of 2010, a decrease of $133 million or 25.8%, compared to $516 million earned in the first nine months of 2009. This decrease includes a $147 million decline in residential mortgage production income due to lower refinance activity in 2010 and a decrease of $22 million due to the net impact of changes in the fair value of residential mortgage servicing rights and related derivative hedging strategy. These declines are partially offset by a $33 million increase in residential mortgage servicing fees.

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The following table provides a breakdown of the various components of mortgage banking income and other statistical information for the nine month periods ended September 30, 2010 and 2009, respectively:

Table 8 2

Mortgage Banking Income and Related Statistical Information

Mortgage Banking Income	For the Nine Months Ended September 30, 2010	2009
	(Dollars in millions)	
Residential Mortgage Banking:		
Residential mortgage production income	$ 228	$ 375
Residential Mortgage Servicing:		
Residential mortgage servicing fees	168	135
Residential mortgage servicing rights (decrease) increase in fair value due to change in valuation inputs or assumptions (1)	(330)	32
Mortgage servicing rights hedging gains	372	32
Net	42	64
Realization of expected residential mortgage servicing rights cash flows	(97)	(94)
Total residential mortgage servicing income	113	105
Total residential mortgage banking income	341	480
Commercial Mortgage Banking:		
Commercial mortgage banking revenues	55	49
Amortization of commercial mortgage servicing rights	(13)	(13)
Total commercial mortgage banking income	42	36
Total mortgage banking income	$ 383	$ 516

Mortgage Banking Statistical Information	As of /For the Nine Months Ended September 30, 2010	2009
	(Dollars in millions)	
Residential mortgage originations	$ 16,460	$ 22,856
Residential mortgage loan sales	13,119	21,074
Commercial mortgage originations	1,821	1,803

(1)

Includes a $3 million decrease due to a valuation adjustment for MSRs carried at the lower of cost or market during the nine months ended September 30, 2010.

Securities gains, net of losses and including other-than-temporary impairment charges, totaled $239 million and $455 million for the third quarter and first nine months of 2010, respectively. This compares to $31 million and $200 million in net securities gains during the third quarter and first nine months of 2009, respectively. The net securities gains during 2010 were largely generated with the balance sheet deleverage strategy executed in the second quarter and the decision to shorten investment duration executed in the third quarter.

Income from the FDIC loss share receivable primarily reflects changes to the amounts expected to be recovered under the FDIC loss sharing agreements. During the third quarter and first nine months of 2010, the covered loans experienced better performance than originally anticipated resulting in additional interest income. A significant portion of that increase, or $65 million and $152 million, respectively, was recorded as a reduction in noninterest income. These decreases in income were partially offset by increases of $22 million and $36 million, respectively, which reflected approximately 80% of the provision for credit losses recorded on covered loans.

Other noninterest income, including investment banking and brokerage fees and commissions, income from bank-owned life insurance, trust and investment advisory revenues and bankcard fees and merchant discounts totaled $187 million during the third quarter of 2010, compared with $210 million for the same period of 2009. Other income declined $28 million for losses and write-downs related to commercial nonperforming loans held for sale and $10 million due to market-related decreases in trading assets for post-employment benefits that is offset by a similar decline in personnel expense. These declines were partially offset by increases of $6 million, $4 million and $4 million for income from bank-owned life insurance, trust and investment advisory revenues, and bankcard fees and merchant discounts, respectively.

For the first nine months of 2010, other income, including investment banking and brokerage fees and commissions, income from bank-owned life insurance, trust and investment advisory revenues and bankcard fees and merchant discounts totaled $601 million, which was down $23 million, or 3.7%, compared to the first nine months of 2009. Results included increases of $20 million, $16 million and $15 million for income from bank-owned life insurance, trust and investment advisory revenues and bankcard fees and merchant discounts, which were offset by declines of $25 million resulting from lower revenues and higher realized and unrealized losses related to client derivatives, $17 million in market-related decreases in trading assets for post-employment benefits, as well as the $28 million for losses and write-downs of sales of commercial nonperforming loans mentioned above.

Noninterest Expense

Noninterest expenses totaled $1.4 billion for the third quarter of 2010, compared to $1.3 billion for the same period a year ago, an increase of $88 million, or 6.7%. Noninterest expenses totaled $4.2 billion for the first nine months of 2010, compared to $3.6 billion for the same period a year ago, an increase of $679 million, or 19.0%. The increases in noninterest expense include the acquisition of Colonial.

Personnel expense, the largest component of noninterest expense, was $642 million for the current quarter compared to $644 million for the same period in 2009. BB&T reduced full time equivalent employees by 1,490 compared to September 30, 2009. Pension expense declined $12 million due to changes in actuarial calculations and improvements in asset values, and other post-employment benefits expense decreased $10 million as mentioned above. Incentive compensation also declined $10 million. These declines were partially offset by a $28 million increase in salaries and wages primarily resulting from acquisitions. For the first nine months of 2010, personnel expense totaled $1.9 billion, an increase of $70 million, or 3.7%, compared to the same period in 2009. This increase was due to increases in salaries and wages of $112 million primarily resulting from acquisitions. The increase in salaries and wages was partially offset by a decline in pension expense of $41 million in the first nine months of 2010 compared to the same period of 2009 due to changes in actuarial calculations and improvements in asset values.

Foreclosed property expenses for the three months ended September 30, 2010 totaled $167 million compared to $118 million for the third quarter of 2009. For the first nine months of 2010, foreclosed property expenses totaled $585 million, compared to $214 million for the first nine months of 2009. The increase in 2010 was largely due to rising maintenance costs, valuation adjustments and sales of foreclosed property. BB&T recorded $127 million of write-downs and net losses on sales of foreclosed property during the third quarter of 2010, an increase of $38 million compared to the same period of 2009. The increase in write-downs and net losses reflects a higher inventory of foreclosed properties in 2010 and the Company s nonperforming asset disposition strategy. Maintenance costs on foreclosed properties increased by $11 million in the third quarter of 2010 compared to the same period in 2009, also a result of a higher inventory of foreclosed properties. For the first nine months of 2010, maintenance costs on foreclosed property and valuation adjustments and losses from sales of properties increased $54 million and $317 million, respectively, compared to the same period of 2009.

Occupancy and equipment expense for the three months ended September 30, 2010 totaled $157 million, compared to $149 million for the third quarter of 2009, representing an increase of $8 million, or 5.4%. For the first nine months of 2010, occupancy and equipment expense totaled $453 million, compared to $406 million for the first nine months of 2009, representing an increase of $47 million, or 11.6%. The increases in 2010 compared to the corresponding periods of 2009 were primarily related to additional rent in connection with the Colonial acquisition and higher amortization expense for certain leasehold improvements. The increase for the first nine months of 2010 was partially offset by an adjustment of $16 million pretax related to a change in estimated occupancy expense associated with properties acquired from the FDIC in the Colonial acquisition in the first quarter of 2010.

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Other noninterest expenses, including professional services, regulatory charges, loan processing expenses, amortization of intangibles and merger-related and restructuring charges, totaled $442 million for the current quarter, an increase of $33 million, or 8.1%, compared to the same period of 2009. The increase was partially due to increases of $17 million in regulatory charges due to deposit and supervisory-related costs. Professional services expense and loan processing expense were also up $16 million and $15 million, respectively. The third quarter of 2009 included an accrual of approximately $25 million for a contingency reserve.

For the first nine months of 2010, other noninterest expenses totaled $1.3 billion, an increase of $191 million, or 17.6%, compared to the same period of 2009. This increase included increases of $57 million in professional services expense, $34 million in loan processing expense and $20 million in data processing software expense. The increase in loan processing expenses includes $14 million of additional expenses for potential losses on future repurchases from our investor-owned servicing portfolio. BB&T has experienced an increase in repurchase activity in 2010, with $54 million of loan repurchases in the first nine months of 2010 compared to $33 million for the full year 2009. However, these levels of repurchase activity are modest compared to the industry. Also, merger-related expense increased by $36 million due to the Colonial acquisition. In addition to the $25 million accrual listed above, the first nine months of 2009 included a special FDIC assessment of $68 million and gains of $41 million on extinguishment of debt.

Merger-Related and Restructuring Activities

BB&T has incurred certain merger-related and restructuring expenses. Merger-related and restructuring expenses or credits include: severance and personnel-related costs or credits, which typically occur in corporate support and data processing functions; occupancy and equipment charges or credits, which relate to costs or gains associated with lease terminations, obsolete equipment write-offs, and the sale of duplicate facilities and equipment; and other merger-related and restructuring charges or credits, which include expenses necessary to convert and combine the acquired branches and operations of merged companies, direct media advertising related to the acquisitions, asset and supply inventory write-offs, investment banking advisory fees, and other similar charges. Merger-related and restructuring charges during the third quarters of 2010 and 2009 were $10 million and $18 million, respectively. For the first nine months of 2010 and 2009, merger-related and restructuring charges totaled $65 million and $29 million, respectively. The merger-related and restructuring charges incurred were largely a result of the Colonial acquisition.

At September 30, 2010 and December 31, 2009, there were $15 million of merger-related and restructuring accruals. Merger-related and restructuring accruals are established when the costs are incurred or once all requirements for a plan to dispose of certain business functions have been approved by management. In general, a major portion of accrued costs are utilized in conjunction with or immediately following the systems conversion, when most of the duplicate positions are eliminated and the terminated employees begin to receive severance. Other accruals are utilized over time based on the sale, closing or disposal of duplicate facilities or equipment or the expiration of lease contracts. Merger and restructuring accruals are re-evaluated periodically and adjusted as necessary.

Provision for Income Taxes

The provision for income taxes was $27 million for the third quarter of 2010 compared to a tax benefit of $9 million for the same period of 2009. BB&T recognized a tax benefit of $12 million in the third quarter of 2009 related to certain leveraged lease transactions. BB&T s effective income tax rate for the third quarter of 2010 was 11.0%. For the first nine months of 2010, the provision for income taxes was $100 million, a decrease of $46 million compared to the same period of 2009, primarily due to lower pre-tax income. BB&T s effective income tax rates for the first nine months of 2010 and 2009 were 13.6% and 17.6%, respectively. The lower effective tax rate is primarily the result of an increase in tax credits.

BB&T has extended credit to and invested in the obligations of states and municipalities and their agencies, and has made other investments and loans that produce tax-exempt income. The income generated from these investments, together with certain other transactions that have favorable tax treatment, have reduced BB&T s overall effective tax rate from the statutory rate in 2010 and 2009.

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BB&T continually monitors and evaluates the potential impact of current events and circumstances on the estimates and assumptions used in the analysis of its income tax positions and, accordingly, BB&T s effective tax rate may fluctuate in the future. On a periodic basis, BB&T evaluates its income tax positions based on tax laws and regulations and financial reporting considerations, and records adjustments as appropriate. This evaluation takes into consideration the status of current taxing authorities examinations of BB&T s tax returns, recent positions taken by the taxing authorities on similar transactions, if any, and the overall tax environment in relation to tax-advantaged transactions. Accordingly, the results of these examinations may alter the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. In February 2010, BB&T received a statutory notice of deficiency from the IRS for tax years 2002-2007 asserting a liability for taxes, penalties and interest of approximately $892 million related to the disallowance of foreign tax credits and other deductions claimed by a deconsolidated subsidiary in connection with a financing transaction. Management has consulted with outside counsel and continues to believe that BB&T s treatment of this transaction was in compliance with applicable tax laws and regulations. BB&T paid the disputed tax, penalties and interest in the first quarter of 2010 and filed a lawsuit seeking a refund in the U.S. Court of Federal Claims in March 2010. Management believes the Company s current reserves for this matter are adequate, although the final outcome is uncertain. Final resolution of this matter is not expected to occur within the next twelve months. Various years remain subject to examination by state taxing authorities.

MARKET RISK MANAGEMENT

The effective management of market risk is essential to achieving BB&T s strategic financial objectives. As a financial institution, BB&T s most significant market risk exposure is interest rate risk; however, market risk also includes product liquidity risk, price risk and volatility risk. The primary objective of interest rate risk management is to minimize any adverse effect that changes in interest rates may have on net interest income. This is accomplished through active management of asset and liability portfolios with a focus on the strategic pricing of asset and liability accounts and management of appropriate maturity mixes of assets and liabilities. The goal of these activities is the development of appropriate maturity and repricing opportunities in BB&T s portfolios of assets and liabilities that will produce consistent net interest income during periods of changing interest rates. BB&T s Market Risk and Liquidity Committee monitors loan, investment and liability portfolios to ensure comprehensive management of interest rate risk. These portfolios are analyzed for proper fixed-rate and variable-rate mixes under various interest rate scenarios.

The asset/liability management process is designed to achieve relatively stable net interest margins and assure liquidity by coordinating the volumes, maturities or repricing opportunities of earning assets, deposits and borrowed funds. It is the responsibility of the Market Risk and Liquidity Committee to determine and achieve the most appropriate volume and mix of earning assets and interest-bearing liabilities, as well as to ensure an adequate level of liquidity and capital, within the context of corporate performance goals. The Market Risk and Liquidity Committee also sets policy guidelines and establishes long-term strategies with respect to interest rate risk exposure and liquidity. The Market Risk and Liquidity Committee meets regularly to review BB&T s interest rate risk and liquidity positions in relation to present and prospective market and business conditions, and adopts funding and balance sheet management strategies that are intended to ensure that the potential impact on earnings and liquidity as a result of fluctuations in interest rates is within acceptable standards.

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

Derivative contracts are written in amounts referred to as notional amounts. Notional amounts only provide the basis for calculating payments between counterparties and do not represent amounts to be exchanged between parties, and are not a measure of financial risk. As of September 30, 2010, BB&T had derivative financial instruments outstanding with notional amounts totaling $67.2 billion. The estimated net fair value of open contracts was $277 million at September 30, 2010.

See Note 15 Derivative Financial Instruments in the Notes to Consolidated Financial Statements herein for additional disclosures.

The majority of BB&T s assets and liabilities are monetary in nature and, therefore, differ greatly from most commercial and industrial companies that have significant investments in fixed assets or inventories. Fluctuations in interest rates and actions of the Federal Reserve Board to regulate the availability and cost of credit have a greater effect on a financial institution s profitability than do the effects of higher costs for goods and services. Through its balance sheet management function, which is monitored by the Market Risk and Liquidity Committee, management believes that BB&T is positioned to respond to changing needs for liquidity, changes in interest rates and inflationary trends.

Management uses Interest Sensitivity Simulation Analysis (Simulation) to measure the sensitivity of projected earnings to changes in interest rates. The Simulation model projects net interest income and interest rate risk for a rolling two-year period of time. Simulation takes into account the current contractual agreements that BB&T has made with its customers on deposits, borrowings, loans, investments and commitments to enter into those transactions. Furthermore, the Simulation considers the impact of expected customer behavior. Management monitors BB&T s interest sensitivity by means of a computer model that incorporates the current volumes, average rates earned and paid, and scheduled maturities and payments of asset and liability portfolios, together with multiple scenarios of projected prepayments, repricing opportunities and anticipated volume growth. Using this information, the model projects earnings based on projected portfolio balances under multiple interest rate scenarios. This level of detail is needed to simulate the effect that changes in interest rates and portfolio balances may have on the earnings of BB&T. This method is subject to the accuracy of the assumptions that underlie the process, but management believes that it provides a better illustration of the sensitivity of earnings to changes in interest rates than other analyses such as static or dynamic gap. In addition to Simulation analysis, BB&T uses Economic Value of Equity (EVE) analysis to focus on changes in capital given potential changes in interest rates. This measure also allows BB&T to analyze interest rate risk that falls outside the analysis window contained in the Simulation model. The EVE model is a discounted cash flow of the entire portfolio of BB&T s assets, liabilities, and derivatives instruments. The difference in the present value of assets minus the present value of liabilities is defined as the economic value of BB&T s equity.

The asset/liability management process requires a number of key assumptions. Management determines the most likely outlook for the economy and interest rates by analyzing external factors, including published economic projections and data, the effects of likely monetary and fiscal policies, as well as any enacted or prospective regulatory changes. BB&T s current and prospective liquidity position, current balance sheet volumes and projected growth, accessibility of funds for short-term needs and capital maintenance are also considered. This data is combined with various interest rate scenarios to provide management with the information necessary to analyze interest sensitivity and to aid in the development of strategies to reach performance goals.

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

Table 9 1

Interest Sensitivity Simulation Analysis

Interest Rate Scenario			Annualized Hypothetical Percentage Change in Net Interest Income September 30,	
Linear Change in Prime Rate	Prime Rate September 30, 2010	2009	2010	2009
2.00%	5.25%	5.25%	2.88%	2.13%
1.00	4.25	4.25	1.12	.69
No Change	3.25	3.25		

(0.25)	3.00	3.00	(.27)	.39

The Market Risk and Liquidity Committee has established parameters measuring interest sensitivity that prescribe a maximum negative impact on net interest income of 2% for the next 12 months for a linear change of 100 basis points over four months followed by a flat interest rate scenario for the remaining eight month period, and a maximum negative impact of 4% for a linear change of 200 basis points over eight months followed by a flat interest rate scenario for the remaining four month period. In the event that the results of the Simulation model fall outside the established parameters, management will make recommendations to the Market Risk and Liquidity Committee on the most appropriate response given the current economic forecast. Management only modeled a negative 25 basis point decline for the periods presented because larger declines would have resulted in a Federal funds rate of less than zero.

The following table shows the effect that the indicated changes in interest rates would have on EVE as projected under the most likely interest rate scenario incorporated into the EVE model. Key assumptions in the preparation of the table include prepayment speeds of mortgage-related assets, cash flows and maturities of derivative financial instruments, loan volumes and pricing, and deposit sensitivity. The resulting change in the economic value of equity reflects the level of sensitivity that EVE has in relation to changing interest rates.

Table 9 2

Economic Value of Equity (EVE) Simulation Analysis

Change in	EVE/Assets September 30,		Hypothetical Percentage Change in EVE September 30,	
Rates	2010	2009	2010	2009
2.00%	7.9%	7.0%	25.3%	1.0%
1.00	7.2	7.0	14.2	1.5
No Change	6.3	6.9		
(0.25)	6.0	6.9	(4.8)	(1.1)

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

BB&T uses a variety of financial instruments to meet the financial needs of its clients and reduce exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, options written, standby letters of credit and other financial guarantees, interest-rate caps, floors and collars, interest-rate swaps, swaptions, when-issued securities and forward and futures contracts. Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for discussion with respect to BB&T s quantitative and qualitative disclosures about its fixed and determinable contractual obligations. Additional disclosures about BB&T s contractual obligations, commitments and derivative financial instruments are included in Note 13 Commitments and Contingencies and Note 14 Fair Value Disclosures in the Notes to the Consolidated Financial Statements. Other items disclosed in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 have not materially changed since that report was filed.

CAPITAL ADEQUACY AND RESOURCES

The maintenance of appropriate levels of capital is a management priority and is monitored on a regular basis. BB&T s principal goals related to the maintenance of capital are to provide adequate capital to support BB&T s comprehensive risk profile, preserve a sufficient capital base from which to support future growth, provide a competitive return to shareholders, comply with regulatory standards and achieve optimal credit ratings for BB&T and its subsidiaries.

Management regularly monitors the capital position of BB&T on a consolidated basis. In this regard, management s overriding policy is to maintain capital at levels that will result in BB&T being classified as well-capitalized for regulatory purposes and to maintain sufficient capital relative to the Corporation s level of risk. Secondarily, it is management s intent to maintain consolidated capital levels that result in regulatory risk-based capital ratios that are generally comparable with BB&T s peers of similar size, complexity and risk profile. Further, management particularly monitors and intends to maintain the following minimum capital ratios:

Tier 1 Capital Ratio	8.50%
Total Capital Ratio	12.00%
Tier 1 Leverage Capital Ratio	7.00%
Tangible Capital Ratio	5.50%
Tier 1 Common Equity Ratio	6.50%

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

Financial holding companies and their bank subsidiaries are subject to regulatory requirements with respect to risk-based capital adequacy. Capital adequacy is an important indicator of financial stability and performance. Risk-based capital ratios measure capital as a percentage of a combination of risk-weighted balance sheet and off-balance sheet risk. The risk-weighted values of both balance sheet and off-balance sheet items are determined in accordance with risk factors specified by federal bank regulatory pronouncements. Current provisions of the Dodd-Frank Act will result in the elimination, over a manageable period of time, of certain capital securities from inclusion in Tier 1 capital. BB&T currently has approximately $3.2 billion of capital securities that qualify as Tier 1 capital.

As of September 30, 2010, federal bank regulators did not prescribe measures of tangible capital and, therefore, these measures were considered non-GAAP. BB&T uses the Tier 1 common equity definition used in the SCAP assessment to calculate measures of tangible capital and Tier 1 common capital. BB&T s management uses these measures to assess the quality of capital and believes that investors may find them useful in their analysis of the Corporation. These capital measures are not necessarily comparable to similar capital measures that may be presented by other companies. Please refer to the section titled Capital in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for additional information with regard to BB&T s capital requirements.

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BB&T s regulatory and tangible capital ratios for the last five calendar quarters are set forth in the following table. The improvement in BB&T s tangible common equity between the first and second quarters of 2010 was largely a result of the balance sheet deleverage actions previously discussed.

Table 10

Capital Ratios (1)

	2010			2009	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
	(Dollars in millions, shares in thousands)				
Risk-based:					
Tier 1	11.7%	11.7%	11.6%	11.5%	11.1%
Total	15.7	15.8	15.9	15.8	15.6
Leverage capital	9.3	8.9	8.7	8.5	8.5
Non-GAAP capital measures (2)					
Tangible common equity as a percentage of tangible assets	7.0	7.0	6.4	6.2	6.1
Tier 1 common equity as a percentage of risk-weighted assets	9.0	8.9	8.6	8.5	8.4
Calculations of Tier 1 common equity and tangible assets and related measures:					
Tier 1 equity	$ 13,828	$ 13,594	$ 13,657	$ 13,456	$ 12,851
Less:					
Qualifying restricted core capital elements	3,255	3,254	3,508	3,497	3,157
Tier 1 common equity	$ 10,573	$ 10,340	$ 10,149	$ 9,959	$ 9,694
Total assets	$ 157,230	$ 155,083	$ 163,700	$ 165,764	$ 165,328
Less:					
Intangible assets, net of deferred taxes	6,419	6,502	6,519	6,553	6,695
Plus:					
Regulatory adjustments, net of deferred taxes	207	187	493	806	712
Tangible assets	$ 151,018	$ 148,768	$ 157,674	$ 160,017	$ 159,345
Total risk-weighted assets (3)	$ 117,765	$ 116,073	$ 117,410	$ 117,167	$ 115,608
Tangible common equity as a percentage of tangible assets	7.0%	7.0%	6.4%	6.2%	6.1%
Tier 1 common equity as a percentage of risk-weighted assets	9.0	8.9	8.6	8.5	8.4
Tier 1 common equity	$ 10,573	$ 10,340	$ 10,149	$ 9,959	$ 9,694
Outstanding shares at end of period	693,560	692,777	691,869	689,750	687,446
Tangible book value per common share	$ 15.25	$ 14.93	$ 14.67	$ 14.44	$ 14.10

(1) Current quarter regulatory capital information is preliminary.

(2) Tangible common equity and Tier 1 common equity ratios are non-GAAP measures. BB&T uses the Tier 1 common equity definition used in the SCAP assessment to calculate these ratios. BB&T s management uses these measures to assess the quality of capital and believes that investors may find them useful in their analysis of the Corporation. These capital measures are not necessarily comparable to similar capital measures that may be presented by other companies.

(3) Risk-weighted assets are determined based on regulatory capital requirements. Under the regulatory framework for determining risk-weighted assets each asset class is assigned a risk-weighting of 0%, 20%, 50% or 100% based on the underlying risk of the specific asset class. In addition, off balance sheet exposures are first converted to a balance sheet equivalent amount and subsequently assigned to one of the four risk-weightings.

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Share Repurchase Activity

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

On June 27, 2006, BB&T s Board of Directors granted authority under a plan (the 2006 Plan) for the repurchase of up to 50 million shares of BB&T s common stock as needed for general corporate purposes. The 2006 Plan also authorizes the repurchase of the remaining shares from the previous authorization. The 2006 Plan remains in effect until all the authorized shares are repurchased unless modified by the Board of Directors. No shares were repurchased in connection with the 2006 Plan during 2010.

Table 11

Share Repurchase Activity

	2010			
	Total Shares Repurchased (1)	**Average Price Paid Per Share (2)**	**Total Shares Purchased Pursuant to Publicly-Announced Plan (Shares in Thousands)**	**Maximum Remaining Number of Shares Available for Repurchase Pursuant to Publicly-Announced Plan**
July 1-31	14	$ 27.28		44,139
August 1-31	5	23.94		44,139
September 1-30	81	24.01		44,139
Total	100	$ 24.45		44,139

(1) Repurchases reflect shares exchanged or surrendered in connection with the exercise of equity-based awards under BB&T s equity-based compensation plans.
(2) Excludes commissions.

LIQUIDITY

Liquidity represents BB&T s continuing ability to meet funding needs, including deposit withdrawals, timely repayment of borrowings and other liabilities, and funding of loan commitments. In addition to the level of liquid assets, such as trading securities and securities available for sale, many other factors affect BB&T s ability to meet liquidity needs, including access to a variety of funding sources, maintaining borrowing capacity in national money markets, growing core deposits, the repayment of loans and the ability to securitize or package loans for sale. The ability to raise funding at competitive prices is affected by the rating agencies views of BB&T s and Branch Bank s credit quality, liquidity, capital and earnings. Management meets with the rating agencies on a routine basis to discuss the current outlook for BB&T and Branch Bank. Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2009 for disclosures related to BB&T s and Branch Bank s credit ratings and liquidity.

On November 1, 2010, Moody s concluded a review regarding the likelihood of systemic support for BB&T by removing support from its long-term bank-level debt and deposit ratings, which were lowered by one notch to Aa3 from Aa2 for deposits, and to A1 from Aa3 for subordinated debt. The one notch of support had been in place since Spring 2009. Following the downgrade, Moody s placed all of BB&T s long-term ratings on review for possible downgrade. That action was unrelated to the removal of systemic support and instead reflected Moody s view of BB&T s standalone intrinsic credit profile. Among others, the ratings being reviewed include BB&T s A1 senior holding company debt rating, and Branch Bank s B bank financial strength rating (BFSR) and Aa3 long-term deposit rating. BB&T s Prime-1 rating at both the bank and holding company were affirmed by Moody s and are not on review. In the event that the current review concludes with a downgrade of BB&T, a one-notch downgrade is most likely based on comments by Moody s. Nonetheless, BB&T and Branch Bank will remain comparatively highly-rated, particularly among Southeastern and large regional bank peers.

On October 22, 2010, Fitch, Inc. announced that the government support ratings for BB&T s banking subsidiaries were placed on negative watch along with a number of other large U.S. banks as a result of initial interpretations of the Dodd-Frank Act and its implications on systemically important financial institutions. However, the current issuer ratings for BB&T and its banking subsidiaries are above the level of government support and should be unaffected by any revision to the government support rating.

It is unclear whether BB&T s other primary rating agencies will respond in a similar way.

SEGMENT RESULTS

BB&T s operations are divided into seven reportable business segments: Community Banking, Residential Mortgage Banking, Sales Finance, Specialized Lending, Insurance Services, Financial Services and Treasury. These operating segments have been identified based primarily on BB&T s organizational structure. See Note 17 Operating Segments in the Notes to the Consolidated Financial Statements contained herein for additional disclosures related to BB&T s reportable business segments. Fluctuations in noninterest income and noninterest expense incurred directly by the operating segments are more fully described in the sections titled Noninterest Income and Noninterest Expense of this discussion and analysis. The following table reflects the net income (loss) for each of BB&T s operating segments for the nine month periods ended September 30, 2010 and 2009, respectively.

Table 12

BB&T Corporation

Net Income by Reportable Segments

	For the Nine Months Ended	
	September 30, 2010	September 30, 2009
	(Dollars in millions)	
Community Banking	$ 153	$ 451
Residential Mortgage Banking	(38)	195
Sales Finance	29	(12)
Specialized Lending	159	22
Insurance Services	85	91
Financial Services	104	108
Treasury	183	240
All Other Segments	28	(2)
Parent/Reconciling Items	(66)	(410)
BB&T Corporation	$ 637	$ 683

The $298 million decrease in net income attributable to the Community Banking segment was primarily due to an increase in noninterest expense of $463 million related primarily to higher foreclosed property expenses and a $138 million decline in intersegment net referral fees mainly related to a reduction in mortgage loan referral income. These unfavorable impacts were partially offset by a $246 million increase in net interest income driven by the reduction in cost of funds for deposits mainly attributable to the market decline in interest rates and the favorable mix change in deposits to higher levels of transaction accounts. The Community Banking segment experienced a $77 million increase in economic provision for loan losses.

The $233 million decrease in net income attributable to the Residential Mortgage Banking segment was due primarily to a decrease of $135 million in noninterest income due to record residential mortgage production revenues achieved in the first nine months of 2009, as well as a $210 million increase in the economic provision for loan and lease losses.

The $41 million and $137 million increases in net income attributable to Sales Finance and Specialized Lending, respectively, were primarily driven by increased net interest income and lower provision for loan and lease loss expenses related to strong improvements in overall credit performance in these portfolios. Specialized Lending s increase in net interest income was driven by strong growth in consumer and automobile lending lines of business.

The $57 million decrease in net income attributable to the Treasury segment was primarily a result of lower interest income due to the decrease in yields earned in the Bank s security portfolio and a reduced need for liability funding provided by Treasury offset by the realized gains on security sales on a comparable year to date basis.

The substantial majority of the loan portfolio acquired in the Colonial acquisition is covered by the loss sharing agreements with the FDIC, and is managed outside of the Community Banking segment. The assets and related interest income from the portfolio are included in the Parent/Reconciling Items segment. The $344 million increase related to Parent/Reconciling Items is largely due to increased net interest income and intersegment noninterest income and decreased provision for loan and lease losses. This is partially offset by an increase in noninterest expense.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The nature of the business of BB&T s banking and other subsidiaries ordinarily results in a certain amount of claims, litigation, investigations and legal and administrative cases and proceedings, all of which are considered incidental to the normal conduct of business. BB&T believes it has meritorious defenses to the claims asserted against it in its currently outstanding legal proceedings and, with respect to such legal proceedings, intends to continue to defend itself vigorously, litigating or settling cases according to management s judgment as to what is in the best interests of BB&T and its shareholders.

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

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in BB&T s Annual Report on Form 10-K for the year ended December 31, 2009. In addition to the risk factors in BB&T s Annual Report on Form 10-K, the following supplemental risk factor related to the passage of the Dodd-Frank Act should be carefully considered. These risks could materially affect BB&T s business, financial condition or future results, and are not the only risks BB&T faces. Additional risks and uncertainties not currently known to BB&T or that management has deemed to be immaterial also may materially adversely affect BB&T s business, financial condition, and/or operating results.

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The passage of Dodd-Frank Act may result in lower revenues, higher costs and ratings downgrades.

On July 21, 2010, President Obama signed into law the Dodd-Frank Act. The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial-services industry, addressing, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, and changes among the bank regulatory agencies. Many of these provisions are subject to further study, rule making, and the discretion of regulatory bodies, such as the Financial Stability Oversight Council, which will regulate the systemic risk of the financial system. Due to BB&T s size, the Company will be designated as systemically significant to the financial health of the U.S. economy and, as a result, may be subject to additional regulations. We cannot predict the effect that compliance with the Dodd-Frank Act or any implementing regulations will have on BB&T s businesses or its ability to pursue future business opportunities. Additional regulations resulting from the Dodd-Frank Act may materially adversely affect BB&T s business, financial condition or results of operations. In addition, Moody s Investors Service and Fitch, Inc. have announced that the ratings of a number of large U.S. Banks may be negatively affected because the passage of the Dodd-Frank Act makes it less likely that the government would step in to rescue a troubled bank. It is unclear whether BB&T s other primary rating agencies would respond in a similar way. BB&T s credit ratings are important to its liquidity. A reduction in BB&T s credit ratings could adversely affect BB&T s liquidity and competitive position, increase its borrowing costs, limit its access to the capital markets or trigger unfavorable contractual obligations.

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

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

Item 6. Exhibits

11	Statement re: Computation of Earnings Per Share.
12	Statement re: Computation of Ratios.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
101.DEF	XBRL Taxonomy Definition Linkbase.

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SIGNATURES

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

BB&T CORPORATION

(Registrant)

Date: November 9, 2010

By: /s/ DARYL N. BIBLE
Daryl N. Bible, Senior Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: November 9, 2010

By: /s/ CYNTHIA B. POWELL
Cynthia B. Powell, Executive Vice President and Corporate Controller

(Principal Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Description	Location
11	Statement re: Computation of Earnings Per Share.	Filed herewith as Note 16.
12	Statement re: Computation of Ratios.	Filed herewith.
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101.SCH*	XBRL Taxonomy Extension Schema.	Filed herewith.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase.	Filed herewith.
101.LAB*	XBRL Taxonomy Extension Label Linkbase.	Filed herewith.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase.	Filed herewith.
101.DEF*	XBRL Taxonomy Definition Linkbase.	Filed herewith.

* As provided in Rule 406T of Regulation S-T, this information will be furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.
Exhibit filed with the Securities and Exchange Commission and available upon request.