

BB&T CORP
Form 8-K
September 04, 2002

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

**Form 8-K
Current Report**

**Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

September 4, 2002

Date of Report (Date of earliest event reported)

BB&T Corporation

(Exact name of registrant as specified in its charter)

Commission file number : 1-10853

North Carolina
(State of incorporation)

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

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

27101
(Zip Code)

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

This Form 8-K has 36 pages.

ITEM 9. REGULATION FD DISCLOSURE

BB&T Chairman and CEO John Allison's presentation to Merrill Lynch Banking and Financial Services Investor Conference, September 4, 2002.

BB&T

BB&T

Established 1872

Merrill Lynch

Banking & Financial Services Investor Conference

September 4, 2002

Background

BB&T

BB&T is a fast growing, highly profitable, regional financial holding company. The core of our business was created by the merger-of-equals between BB&T and Southern National in 1995 and the acquisition of UCB in 1997. All three institutions 'grew up' as eastern North Carolina farm banks. This fundamental and sound heritage is reflected in our culture. BB&T was organized in 1872 and is the oldest

bank in the Carolinas.

BB&T has consummated 58 acquisitions of community banks and thrifts, 57 insurance agencies, and 20 non-bank acquisitions over the last fifteen years. The employees, clients, shareholders, and board members of these institutions have considerably strengthened our organization.

Primary Market Segments

BB&T

- Small business (Best in America)
 - Commercial Middle Market
 - Real Estate Lending
 - Retail
 - Home equity (Market Leader)
 - Sales finance (Best Quality Service)
 - Mortgage (\$11.1 billion)
 - Leasing
 - Insurance (10th largest in U.S.)
 - Treasury Services
 - Trust (\$20.4 billion)
 - Investment Services
 - Asset Management
 - Capital Markets
 - Consumer Finance
 - Factoring
 - Asset-Based Lending
 - International
 - Bank Card
 - Merchant
 - Payroll Processing
-

Market Coverage

BB&T

Deposit Market Share

BB&T

	<u>% of BB&T's Deposits</u>	<u>Rank</u>
• North Carolina*	32%	2 nd
• Virginia	18%	4 th
• Georgia	12%	6 th
• South Carolina	10%	2 nd
• West Virginia	9%	1 st
• Kentucky	7%	3 rd
• Maryland	6%	8 th
• Tennessee	2%	11 th
• Florida	2%	27 th
• DC	1%	6 th

*Excludes home office deposits

BB&T

BB&T Culture

Purpose

BB&T

**Our ultimate purpose is to create
superior, long-term economic
rewards to our owners
(shareholders).**

Purpose

BB&T

- **However, we can only accomplish this purpose with excellent client relations as our clients are our source of revenues.**
- **To have excellent client relations we must have outstanding employees to serve our clients. To attract and retain outstanding employees, we must reward them financially and create an environment where they can learn and grow.**

- **Our economic results are significantly impacted by the success of our communities. The community's "quality of life" impacts its ability to attract industry for growth.**
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BB&T Long-Term Strategy



Client-Driven

"Community Bank" concept is the foundation for local decision-making and the basis for responsive, reliable, and empathetic client service.

Treat Client as an Individual

BB&T's Management Style



- **Participative**
- **Team-Oriented**
- **Fact-Based**

- **Rational**
 - **Objective**
-

BB&T's Management Concept

BB&T

- **Hire excellent people**
 - **Train them well**
 - **Give them an appropriate level of authority and responsibility**
 - **Expect a high level of achievement**
 - **Reward their performance**
-

BB&T

Financial Results

Earnings Performance¹

BB&T

(\$ in Millions Except for Per Share Information)
For Period Ended

	1997	1998	1999	2000	2001	6 Months 6/30/02
Total						
Revenue	\$ 4,175	\$ 4,702	\$ 5,195	\$ 5,949	\$ 6,183	\$ 2,983
Net						
Income	\$ 633	\$ 739	\$ 840	\$ 958	\$ 1,100	\$ 638
ROA	1.38%	1.44%	1.47%	1.55%	1.60%	1.75%
ROE	16.21%	17.11%	18.14%	19.50%	18.96%	18.89%
EPS						
(diluted)	\$ 1.42	\$ 1.64	\$ 1.85	\$ 2.10	\$ 2.40	\$ 1.34
	(+ 15.4%)	(+15.5%)	(+12.8%)	(+13.5%)	(+14.3%)	(+16.5%)
Cash						
Basis:						
ROA	1.44%	1.53%	1.59%	1.67%	1.72%	1.80%
ROE	17.57%	19.71%	22.33%	24.39%	23.58%	23.70%
EPS	\$ 1.46	\$ 1.72	\$ 1.97	\$ 2.24	\$ 2.55	\$ 1.35
	(+ 15.0%)	(+17.8%)	(+14.5%)	(+13.7%)	(+13.8%)	(+9.8%)

¹Recurring and restated

EPS Trend¹

BB&T

Total Assets

BB&T

Recurring Net Income As Originally Reported

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Financial Strength

BB&T

(\$ in Billions Except for Per Share Information)

<u>Period-end</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>6/30/02</u>
<u>Balances:</u>						
Total Assets	\$ 49.2	\$ 54.4	\$ 59.4	\$ 66.6	\$ 70.9	\$ 76.3
Total Shareholders' Equity	\$ 4.1	\$ 4.6	\$ 4.6	\$ 5.4	\$ 6.2	\$ 7.1
BV per share (EOP)	\$ 9.38	\$ 10.33	\$ 10.30	\$ 11.96	\$ 13.50	\$ 14.99
Leverage Capital Ratio (EOP)	8.2%	7.9%	7.3%	7.3%	7.2%	7.3%
Tier 1 Capital (EOP)	11.6%	11.5%	10.3%	9.7%	9.8%	9.7%
Total Capital	15.0%	15.1%	13.4%	12.2%	13.3%	12.8%
Equity/Assets (EOP)	8.3%	8.5%	7.8%	8.1%	8.7%	9.3%

Generating Fee Income and Operating Efficiency¹

BB&T

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>6/30/02</u>
Noninterest Income/Net Revenue (T/E)	23.6%	26.5%	29.5%	30.3%	33.4%	35.3%

Cash Basis							
Efficiency Ratio	53.5%	53.6%	53.4%	50.9%	49.5%	50.2%	

¹Recurring and restated

Credit Quality

BB&T

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>6/30/02</u>	<u>Industry*</u>
Net Charge-offs/ Average							
Loans	.35%	.28%	.26%	.27%	.40%	.47%	1.39%
Net Charge-off (Excluding Specialized Lending)	.32%	.25%	.22%	.22%	.34%	.38%	n/a
Nonperforming Assets/ Total Assets	.47%	.39%	.33%	.36%	.53%	.52%	1.05%

Restated

*Source: FDIC Quarterly Banking Profile 3/31/02

BB&T 2002 Target Performance Objectives



Fee Income growth	25%
CB Efficiency Ratio	50%
CB ROA:	1.75%
CB ROE:	24%
Leverage Capital Ratio	7.0% to 8.0%
Consensus EPS Estimates	\$ 2.76
(CB EPS \$2.80)	(+15.0%)
Consensus EPS Estimates (2003)	\$ 3.07
	(+11.2%)

Long-term Objective: CB EPS Growth of 12.0%

2002 Key Strategic Objectives



- 1. Be the World Standard revenue-driven sales organization**
- 2. Execute the World Standard client service strategy**
- 3. Achieve superior performance and profitability - Top 5%; realize performance potential of new markets**
- 4. Execute branch automation and electronic banking strategy; increase scale of selected fee based businesses; optimize and integrate products, business lines, delivery systems and information systems**
- 5. Integrate past acquisitions and pursue strategic future acquisitions**

2002 Key Strategic Objectives

BB&T

(1) Be the World Standard Revenue-Driven Sales Organization

- **Execute on BB&T Decathlon**
 - **Maintain 10 sales contacts**
 - **5 or more service households**
 - 31% core markets**
 - 17% new markets**
 - 40% long term goal**
- **Execute on Integrated Relationship Management**

2002 Key Strategic Objectives

BB&T

(2) Execute the World Standard Client Service Strategy

- **Long term profit maximization through quality differentiation**
- **We are a quality differentiated competitor: We sell quality not price. While price always matters, we deliver the greatest value to the client.**

Value is the ratio of quality to price. We focus on the quality component.

- **Relationship driven / Value added**
 - **Reliable, responsive, empathetic, competent**
 - **Gold Seal Standards - Systemized quality**
 - **Execute Client Service model**
 - **Maintain better service quality than our primary competitors**
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2002 Key Strategic Objectives



(3) Achieve Superior Performance and Profitability Goals Top 5%; realize performance potential of new markets

- **Achieve a superior P/E ratio by superior cash basis earnings per share growth, superior cash basis ROE, superior revenue growth while maintaining a sound financial position as evidenced by leverage capital and asset quality ratios**
 - **Maintain pricing discipline**
 - **Achieve growth goals**
 - **Insure excellent asset quality**
 - **Realize performance potential of new markets**
-

2002 Key Strategic Objectives



(4) Execute Branch Automation and Internet strategy, increase scale of selected fee based businesses; optimize and integrate products, business lines delivery systems and information systems

- Have a passion for rational innovation
- Execute creativity process and transfer best practices
- Expand management development program
- Branch automation / other systems enhancements
- Electronic Delivery Systems
- Payroll processing / HR benefit business

2002 Key Strategic Objectives



(5) Integrate past acquisitions and pursue strategic future acquisitions

- Complete integration of recent bank and non-bank mergers
- Pursue banks and thrifts in the Carolinas, Virginia, Maryland, DC, Georgia, West Virginia, Tennessee, Kentucky, Ohio and Florida with assets of \$250 million to \$10 billion
- Continue aggressive insurance agency acquisition program

- Pursue integration or roll-up of non-bank acquisitions
 - Asset Management

Large Market Share of Growth Markets Valuable Franchise

BB&T

Sound Financial Position Creates Low Risk

BB&T

	<u>BB&T¹</u>	<u>Industry²</u>
Tier 1 Capital Ratio	9.75%	9.12%
Nonperforming Assets/Total Assets	0.52%	1.05%
ROA	1.75%	1.34%
ROE	18.89%	15.04%

¹Recurring and restated - as of/for the period ended 6/30/02

²Source: FDIC as of/for year ended 3/31/02

Recognitions

BB&T

- Ranked #17 (Top 4%) in Barron's 500 - 2nd highest ranked bank
 - Recognized by Business Week as the 3rd highest performing bank in U.S. and 81st best performer of all S&P 500 companies (top 17%)
 - Recognized by CEO Magazine 1st in Market Value Added of any bank and ranked 61st (top 7%) of all companies ranked
 - Recently picked by Smart Money as one of the Top 5 Income Stocks
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Long-Term Trends

BB&T

- 20th Consecutive year of record recurring earnings
- 20 Year compound annual growth in EPS 11.0%
15 Year compound annual growth rate in EPS 12.0%
10 Year compound annual growth rate in EPS 13.4%
(beginning with originally reported EPS)
- Paid cash dividend every year since 1920
- 31st Consecutive year of dividend increases

Shareholder Return

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Owners as Beneficiaries of Corporate Strategy

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- **BB&T's 10-year compound annual dividend growth rate is 15.8% as compared to 2.7% for the S&P 500**
 - **Over the last five years, BB&T's total compound annual return to shareholders is 14.2% compared to 3.7% for the S&P 500 and 4.4% for the S&P 500 Banks Index**
 - **BB&T's 10-year total compound annual return to shareholders is 20.3% compared to 11.4% for the S&P 500 and 12.7% for the S&P 500 Banks Index**
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Summary

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Special Strengths of BB&T

- Superior sales system / Superior revenue growth
 - Different and better model for community banking
 - Unique and successful acquisition strategy
 - Great markets / Great franchise
 - Philosophy: Rational / Objective
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BB&T

Forward-Looking Information

BB&T

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of BB&T. These forward-looking statements involve certain risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following

possibilities: (1) competitive pressure in the banking industry increases significantly; (2) changes in the interest rate environment reduce margins; (3) general economic conditions, either nationally or regionally, are less favorable than expected, resulting in, among other things, a deterioration in credit quality; (4) changes occur in the regulatory environment; costs or difficulties related to the integration of the businesses of BB&T and its merger partners are greater than expected; (5) changes occur in business conditions and inflation; (6) expected cost savings from proposed mergers cannot be fully realized; (7) deposit attrition, customer loss or revenue loss following proposed mergers are greater than expected; (8) required operational divestitures associated with pending mergers are greater than expected; and (9) changes occur in the securities markets. The forward-looking earnings estimates included in this presentation have not been examined or compiled by the independent public accountants of BB&T, nor have such accountants applied any procedures thereto. Accordingly, such accountants do not express an opinion or any other form of assurance on them.

BB&T

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S I G N A T U R E

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 hereunto duly authorized.

BB&T CORPORATION
(Registrant)

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By: /S/ SHERRY A. KELLETT

Sherry A. Kellett
Senior Executive Vice President and Controller
(Principal Accounting Officer)

Date: September 4, 2002
