BB&T CORP
Form 10-Q
May 04, 2007

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:

March 31, 2007

Commission file number: 1-10853

BB&T CORPORATION

(exact name of registrant as specified in its charter)

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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports),

and (2) has been subject to such filing requirements for the past 90 days. YES [√] NO [__]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer [√] Accelerated filer [__] Non-accelerated filer [__]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [ ] NO [√]

At April 30, 2007, 542,563,530 shares of the registrant s common stock, $5 par value, were outstanding.

BB&T CORPORATION

FORM 10-Q

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Item 1. Financial Statements

BB&T CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in millions, except per share data)

	March 31, 2007	December 31, 2006
Assets		
Cash and due from banks	**$ 1,714**	$ 2,024
Interest-bearing deposits with banks	**413**	435
Federal funds sold and securities purchased under resale agreements or similar arrangements	**267**	253
Segregated cash due from banks	**108**	153
Trading securities at fair value	**906**	2,147
Securities available for sale at fair value	**20,898**	20,721
Loans held for sale	**672**	680
Loans and leases, net of unearned income	**84,648**	82,911
Allowance for loan and lease losses	**(896)**	(888)
Loans and leases, net	**83,752**	82,023
Premises and equipment, net of accumulated depreciation	**1,431**	1,410
Goodwill	**4,860**	4,827
Core deposit and other intangible assets	**479**	454

Residential mortgage servicing rights at fair value		**494**		484
Other assets		**5,700**		5,740
Total assets	**$**	**121,694**	$	121,351
Liabilities and Shareholders' Equity				
Deposits:				
Noninterest-bearing deposits	**$**	**13,533**	$	13,393
Interest checking		**1,288**		1,333
Other client deposits		**34,657**		34,062
Client certificates of deposit		**25,322**		24,987
Other interest-bearing deposits		**5,039**		7,196
Total deposits		**79,839**		80,971
Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds		**6,770**		8,087
Long-term debt		**19,936**		15,904
Accounts payable and other liabilities		**3,499**		4,644
Total liabilities		**110,044**		109,606
Commitments and contingencies (Note 6)				
Shareholders' equity:				
Preferred stock, $5 par, 5,000,000 shares authorized, none issued or outstanding at March 31, 2007, or at December 31, 2006		**-**		**-**
Common stock, $5 par, 1,000,000,000 shares authorized; 542,415,919 issued and outstanding at March 31, 2007, and 541,475,305 issued and outstanding at December 31, 2006		**2,712**		2,707
Additional paid-in capital		**2,862**		2,801
Retained earnings		**6,364**		6,596
Accumulated other comprehensive loss, net of deferred income taxes of $(179) at March 31, 2007, and $(212) at December 31, 2006		**) (288**		) (359
Total shareholders' equity		**11,650**		11,745
Total liabilities and shareholders' equity	**$**	**121,694**	$	121,351

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

BB&T CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Dollars in millions, except per share data)

	For the Three Months Ended March 31,	
	2007	2006
Interest Income		
Interest and fees on loans and leases	**$ 1,613**	$ 1,333
Interest and dividends on securities	**268**	216
Interest on short-term investments	**10**	7
Total interest income	**1,891**	1,556
Interest Expense		
Interest on deposits	**647**	439
Interest on federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	**87**	65
Interest on long-term debt	**212**	155
Total interest expense	**946**	659
Net Interest Income	**945**	897
Provision for credit losses	**71**	47
Net Interest Income After Provision for Credit Losses	**874**	850
Noninterest Income		
Insurance commissions	**197**	176
Service charges on deposits	**138**	131
Investment banking and brokerage fees and commissions	**82**	81
Other nondeposit fees and commissions	**43**	38
Checkcard fees	**41**	35
Trust income	**40**	37
Mortgage banking income	**30**	32
Bankcard fees and merchant discounts	**30**	29
Securities losses, net	**(11)**	-
Income from bank-owned life insurance	**28**	22
Other income	**34**	27
Total noninterest income	**652**	608
Noninterest Expense		
Personnel expense	**524**	514
Occupancy and equipment expense	**116**	108
Amortization of intangibles	**25**	25
Professional services	**31**	26
Merger-related and restructuring charges (gains), net	**6**	(3)
Loan processing expenses	**26**	23
Other expenses	**155**	126
Total noninterest expense	**883**	819
Earnings		
Income before income taxes	**643**	639
Provision for income taxes	**222**	208
Net income	**$ 421**	$ 431

Per Common Share

Net income:		
Basic	**$ .78**	$ .80
Diluted	**$ .77**	$ .79
Cash dividends paid	**$ .42**	$ .38
Weighted Average Shares Outstanding		
Basic	**541,850,632**	539,952,669
Diluted	**547,229,662**	543,435,830

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

BB&T CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Three Months Ended March 31, 2007 and 2006

(Unaudited)

(Dollars in millions, except per share data)

	Shares of Common Stock	Common Stock	Additional Paid -In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2006	543,102,080	$ 2,715	$ 2,819	$ 5,951	$ (356)	$ 11,129
Add (Deduct):						
Comprehensive income (loss):						
Net income	-	-	-	431	-	431
Unrealized holding gains (losses) arising during the period on securities available for sale, net of tax of $(64)	-	-	-	-	(112)	(112)
Reclassification adjustment for losses (gains) on securities available for sale included in net income, net of tax	-	-	-	-	-	-
Change in unrealized gains (losses) on securities, net of tax	-	-	-	-	(112)	(112)

Change in unrecognized gains (losses) on cash flow hedges, net of tax of $2	-	-	-	-	3	3
Change in minimum pension liability, net of tax	-	-	-	-	1	1
Total comprehensive income (loss)	-	-	-	431	(108)	323
Common stock issued:						
In purchase acquisitions	189,045	1	7	-	-	8
In connection with stock option exercises and other employee benefits, net of cancellations	604,371	3	13	-	-	16
Redemption of common stock	(8,307,403)	(42)	(292)	-	-	(334)
Cash dividends declared on common stock, $.38 per share	-	-	-	(203)	-	(203)
Other, net	-	-	31	-	-	31
Balance, March 31, 2006	535,588,093	$ 2,677	$ 2,578	$ 6,179	$ (464)	$ 10,970
Balance, January 1, 2007	541,475,305	$ 2,707	$ 2,801	$ 6,596	$ (359)	$ 11,745
Add (Deduct):						
Comprehensive income (loss):						
Net income	-	-	-	421	-	421
Unrealized holding gains (losses) arising during the period on securities available for sale, net of tax of $28	-	-	-	-	64	64
Reclassification adjustment for losses (gains) on securities available for sale included in net income, net of tax of $4	-	-	-	-	7	7
Change in unrealized gains (losses) on securities, net of tax	-	-	-	-	71	71
Change in unrecognized gains (losses) on cash flow hedges, net of tax of $1	-	-	-	-	1	1

Change in pension liability, net of tax	-	-	-	-	(1)	(1)
Total comprehensive income (loss)	-	-	-	421	71	492
Common stock issued:						
In connection with stock option exercises and other employee benefits, net of cancellations	940,614	5	20	-	-	25
Cash dividends declared on common stock, $.42 per share	-	-	-	(228)	-	(228)
Cumulative effect of adoption of FIN 48	-	-	-	(119)	-	(119)
Cumulative effect of adoption of FSP FAS 13-2	-	-	-	(306)	-	(306)
Other, net	-	-	41	-	-	41
Balance, March 31, 2007	542,415,919	$ 2,712	$ 2,862	$ 6,364	$ (288)	$ 11,650

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

BB&T CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in millions)

	For the Three Months Ended March 31,	
	2007	2006
Cash Flows From Operating Activities:		
Net income	**$ 421**	$ 431
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**71**	47
Depreciation	**44**	43
Amortization of intangibles	**25**	25
Equity-based compensation	**28**	27
Discount accretion and premium amortization on long-term debt, net	**31**	30
Discount accretion and premium amortization on securities, net	**-**	9
Net decrease (increase) in trading account securities	**1,241**	(32)
Loss on sales of securities, net	**11**	-
	(19)	(15)

Gain on sales of loans and mortgage loan servicing rights, net		
Gain on disposals of premises and equipment, net	**(3)**	(30)
Proceeds from sales of loans held for sale	**1,498**	1,097
Originations and purchases of loans held for sale, net of principal collected	**(1,566)**	(925)
Decrease (increase) in other assets, net	**41**	(142)
Decrease in accounts payable and other liabilities, net	**(1,152)**	(12)
Decrease in segregated cash due from banks	**45**	11
Other, net	**1**	-
Net cash provided by operating activities	**717**	564
Cash Flows From Investing Activities:		
Proceeds from sales of securities available for sale	**830**	9
Proceeds from maturities, calls and paydowns of securities available for sale	**1,286**	382
Purchases of securities available for sale	**(2,200)**	(205)
Leases made to customers	**(43)**	(64)
Principal collected on leases	**52**	48
Originations and purchases of loans, net of principal collected	**(903)**	(1,350)
Net cash paid in business combinations	**(14)**	(34)
Proceeds from disposals of premises and equipment	**11**	80
Purchases of premises and equipment	**(66)**	(54)
Proceeds from sales of foreclosed property or other real estate held for sale	**21**	28
Net cash used in investing activities	**(1,026)**	(1,160)
Cash Flows From Financing Activities:		
Net (decrease) increase in deposits	**(1,132)**	1,283
Net decrease in federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	**(2,686)**	(204)
Proceeds from issuance of long-term debt	**4,000**	3
Repayment of long-term debt	**(1)**	(120)
Net proceeds from common stock issued	**25**	16
Redemption of common stock	**-**	(334)
Cash dividends paid on common stock	**(228)**	(207)
Excess tax benefit from equity-based awards	**13**	4
Net cash (used in) provided by financing activities	**(9)**	441
Net Decrease in Cash and Cash Equivalents	**(318)**	(155)
Cash and Cash Equivalents at Beginning of Period	**2,712**	2,797
Cash and Cash Equivalents at End of Period	**$ 2,394**	$ 2,642
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	**$ 890**	$ 625
Income taxes	**1,317**	83

Noncash investing and financing activities:		
Transfers of loans to foreclosed property	**16**	12
Transfers of fixed assets to other real estate owned	**2**	2
Common stock issued in business combinations	**-**	8

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
March 31, 2007
(Unaudited)

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), presen fairly, in all material respects, BB&T s financial position at March 31, 2007 and December 31, 2006; BB&T s results of operations for the three months ended March 31, 2007 and 2006; and BB&T s cash flows for the three months ended March 31, 2007 and 2006. In the opinion of management, all adjustments necessary to fairly present the consolidated financial position and consolidated results of operations have been made. All adjustments during the first three months of 2007 and 2006 were of a normal recurring nature.

These consolidated financial statements and notes are presented in accordance with the instructions for Form 10-Q. The information contained in the footnotes included in BB&T s 2006 Annual Report on Form 10-K should be referred to in connection with these unaudited interim consolidated financial statements.

Nature of Operations

BB&T is a financial holding company headquartered in Winston-Salem, North Carolina. BB&T conducts its operations primarily through its subsidiary bank, which has branches in North Carolina, South Carolina, Virginia, Maryland, Georgia, West Virginia, Tennessee, Kentucky, Florida, Alabama, Indiana and Washington, D.C. BB&T s subsidiary 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. BB&T s subsidiary bank also markets a wide range of deposit services to individuals and businesses. BB&T s subsidiary 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; and trust services. The direct nonbank subsidiaries of BB&T provide a variety of financial services including automobile lending, equipment financing, full-service securities brokerage, payroll processing, 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 acquired are included only from the dates of acquisition. All material wholly owned and majority-owned subsidiaries are consolidated unless accounting principles generally accepted in the United States of America require otherwise.

BB&T evaluates variable interests in entities for which voting interests are not an effective means of identifying controlling financial interests. Variable interests are those in which the value of the interest changes with the fair value of the net assets of the entity exclusive of variable interests. If the results of the evaluation indicate the existence of a primary beneficiary and the entity does not effectively disperse risks among the parties involved, that primary beneficiary is required to consolidate the entity. Likewise, if the evaluation indicates that the requirements for consolidation are not met and the entity has previously been consolidated, then the entity would be deconsolidated.

BB&T is involved in creating a series of secondary marketing trusts, which are qualified special purpose entities, for the purpose of selling interests in municipal securities to third parties at short-term tax-exempt rates. The trusts purchase fixed-rate, longer-term highly rated municipal bonds by issuing puttable floating-rate certificates and inverse floating-rate certificates. BB&T purchases the inverse floating-rate certificates, which are categorized as trading securities on the Consolidated Balance Sheet. BB&T also provides liquidity support to the trusts in order to support the remarketing of the floating-rate certificates.

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.

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 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

In certain instances, amounts reported in prior period s consolidated financial statements have been reclassified to conform to the current presentation. Such reclassifications had no effect on previously reported 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 relate to the determination of the allowance for loan and lease losses and the reserve for unfunded lending commitments, valuation of mortgage servicing rights, 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 July 2006, the Financial Accounting Standards Board (FASB) issued FASB Staff Position FAS 13-2 *Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction* , (FSP FAS 13-2), which amends Statement of Financial Accounting Standards (SFAS) No. 13, *Accounting for Leases.* FSP FAS 13-2 requires an entity to recalculate the allocation of income for a leveraged lease transaction from the inception of the lease if, during the lease term, the projected timing of the income tax cash flows generated by the transaction is revised, even if the total amount of income tax cash flows is not affected. The provisions of FSP FAS 13-2 were effective for fiscal years beginning after December 15, 2006. BB&T has entered into leveraged lease transactions in prior years that required recalculation because the timing of the income tax cash flows changed. BB&T adopted FSP FAS 13-2 effective January 1, 2007. Upon adoption, BB&T recorded a charge to retained earnings of $306 million as a cumulative effect of a change in accounting principle. This charge to retained earnings only pertains to the timing of income recognition and will be recognized as a component of net income over the remaining lives of the respective leases.

In July 2006, the FASB issued FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* (FIN 48), an interpretation of SFAS No. 109 *Accounting for Income Taxes.* FIN 48 provides guidance for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. FIN 48 also requires additional disclosures related to an entity s accounting for uncertain tax positions. FIN 48 was effective for fiscal years beginning after December 15, 2006. BB&T adopted FIN 48 effective January 1, 2007. Upon adoption, BB&T recorded a charge to retained earnings of $119 million as a cumulative effect of a change in accounting principle. Additional disclosures required by FIN 48 are included in Note 12 to the consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements,* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 does not require assets or liabilities to be measured at fair value, but will apply to other accounting pronouncements that require or permit the use of fair value for recognition or disclosure. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the effect that SFAS No. 157 may have on BB&T s consolidated financial statements.

In September 2006, the FASB reached a consensus on Emerging Issues Task Force (EITF) Issue 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements,* (EITF Issue 06-4). In March 2007, the FASB reached a consensus on EITF Issue 06-10, *Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements,* (EITF Issue 06-10). Both of these standards require a company to recognize an obligation over an employee s service period based upon the substantive agreement with an employee such as the promise to maintain a life insurance policy or provide a death benefit. These standards are effective for fiscal years beginning after December 15, 2007. Management is currently evaluating the effect that EITF Issue 06-4 and EITF Issue 06-10 may have on BB&T s consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115,* (SFAS No. 159), which permits companies to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the effect that SFAS No. 159 may have on BB&T s consolidated financial statements.

NOTE 2. Business Combinations and Intangible Assets

Acquisitions

On January 2, 2007, BB&T completed the acquisition of AFCO Credit Corporation and its Canadian affiliate, CAFO, Inc (collectively, AFCO). In conjunction with this transaction, BB&T recorded $10 million in goodwill and $50 million in amortizing intangibles, which are related to broker relationships.

Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill attributable to each of BB&T s operating segments for the three months ended March 31, 2007, is as follows:

	Goodwill Activity by Operating Segment							
	Banking Network	Residential Mortgage Banking	Sales Finance	Specialized Lending	Insurance Services	Financial Services	All Other	Total
	(Dollars in millions)							
Balance January 1, 2007	$ 3,785	$ 7	$ 93	$ 52	$ 690	$ 174	$ 26	$ 4,827
Acquisition	-	-	-	10	-	-	-	10
Contingent consideration	-	-	-	-	21	6	-	27
Divestiture	-	-	-	-	(8)	-	-	(8)
Other adjustments	4	-	-	-	-	-	-	4
Balance March 31, 2007	$ 3,789	$ 7	$ 93	$ 62	$ 703	$ 180	$ 26	$ 4,860

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 March 31, 2007			As of December 31, 2006		
	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	$ 413	$ (247)	$ 166	$ 413	$ (235)	$ 178
Other (1)	521	(208)	313	471	(195)	276
Totals	$ 934	$ (455)	$ 479	$ 884	$ (430)	$ 454

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

NOTE 3. Securities

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

	March 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
Securities available for sale:				
U.S. Treasury securities	$ 84	$ -	$ -	$ 84
U.S. government-sponsored entity securities	9,072	3	222	8,853
Mortgage-backed securities	8,699	36	115	8,620
States and political subdivisions	547	7	-	554
Equity and other securities	2,784	15	12	2,787
Total securities available for sale	$ 21,186	$ 61	$ 349	$ 20,898

	December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
Securities available for sale:				
U.S. Treasury securities	$ 84	$ -	$ 1	$ 83
U.S. government-sponsored entity securities	9,324	2	290	9,036
Mortgage-backed securities	8,418	27	148	8,297
States and political subdivisions	563	9	1	571
Equity and other securities	2,723	26	15	2,734
Total securities available for sale	$ 21,112	$ 64	$ 455	$ 20,721

On March 31, 2007, BB&T held certain investment securities having continuous unrealized loss positions for more than 12 months. As of March 31, 2007, the unrealized losses on these securities totaled $343 million. Substantially all of these investments were in U.S. government-sponsored entity securities and mortgage-backed securities, which primarily consist of securities issued by the Federal Farm Credit Bureau, the Federal Home Loan Bank System, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. These agencies are rated AAA and the unrealized losses are the result of increases in market interest rates rather than changes in the underlying credit quality of the issuers. At March 31, 2007, BB&T had the ability and intent to retain these securities for a period of time sufficient to recover all unrealized losses. Accordingly, BB&T has not recognized any other-than-temporary impairment in connection with these securities during 2007.

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.

	March 31, 2007					
	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. Treasury securities	$ 1	$ -	$ 45	$ -	$ 46	$ -
U.S. government-sponsored entity securities	781	2	7,535	220	8,316	222
Mortgage-backed securities	668	3	5,055	112	5,723	115
States and political subdivisions	-	-	29	-	29	-
Equity and other securities	498	1	588	11	1,086	12
Total temporarily impaired securities	$ 1,948	$ 6	$ 13,252	$ 343	$ 15,200	$ 349

	December 31, 2006					
	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. Treasury securities	$ 9	$ -	$ 42	$ 1	$ 51	$ 1
U.S. government-sponsored entity securities	475	3	8,324	287	8,799	290
Mortgage-backed securities	1,153	5	5,241	143	6,394	148
States and political subdivisions	1	-	39	1	40	1
Equity and other securities	651	2	601	13	1,252	15
Total temporarily impaired securities	$ 2,289	$ 10	$ 14,247	$ 445	$ 16,536	$ 455

NOTE 4. Merger-Related and Restructuring Activities

BB&T has incurred certain merger-related and restructuring expenses, primarily in connection with business combinations. The following table presents the components of merger-related and restructuring charges included in noninterest expenses. This table includes increases to previously recorded merger-related accruals and period expenses for merger-related items that must be expensed as incurred. Items that are required to be expensed as incurred include certain expenses associated with systems conversions, data processing, training, and other costs.

Summary of Merger-Related and Restructuring Charges (Gains)

	For the Three Months Ended March 31,	
	2007	2006
	(Dollars in millions)	

Severance and personnel-related items	$ 4	$ -
Occupancy and equipment	1	(3)
Other merger-related items	1	-
Total	$ 6	$ (3)

In conjunction with the consummation of an acquisition or restructuring activity and completion of other requirements, BB&T typically accrues certain merger-related and restructuring expenses related to estimated severance and other personnel-related costs, costs to terminate lease contracts, costs related to the disposal of duplicate facilities and equipment, costs to terminate data processing contracts and other costs associated with the acquisition. The costs related to the acquired entity are accrued in accordance with the guidance in EITF 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination,* and generally recorded as adjustments to the purchase price unless they are required to be expensed as incurred. The costs related to existing BB&T facilities and personnel are recorded in accordance with the guidance in SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* and SFAS No. 112, *Employers Accounting for Postemployment Benefits,* as appropriate, and reflected as merger-related and restructuring charges in the Consolidated Statements of Income. The following table presents a summary of BB&T s merger accrual activity for 2007:

Merger Accrual Activity
(Dollars in millions)

	Balance January 1, 2007	**Merger-related and restructuring charges**	**Utilized**	**Purchase price adjustments**	**Balance March 31, 2007**
Severance and personnel-related items	$ 12	$ 4	$ (3)	$ -	$ 13
Occupancy and equipment	4	1	(2)	1	4
Other merger-related items	2	1	(1)	-	2
Total	$ 18	$ 6	$ (6)	$ 1	$ 19

NOTE 5. Long-Term Debt

Long-term debt is summarized as follows:

	March 31, 2007	December 31, 2006
	(Dollars in millions)	
Parent Company		
7.25% Subordinated Notes Due 2007	$ 250	$ 250
6.50% Subordinated Notes Due 2011 (1,3)	647	647
4.75% Subordinated Notes Due 2012 (1,3)	496	496
5.20% Subordinated Notes Due 2015 (1,3)	997	997
4.90% Subordinated Notes Due 2017 (1,3)	363	362
5.25% Subordinated Notes Due 2019 (1,3)	600	600
Branch Bank		
Floating Rate Secured Borrowings Due 2007 (5)	1,500	1,500
Fixed Rate Secured Borrowings Due 2010 (6)	4,000	-
Floating Rate Senior Notes Due 2007	1,250	1,250
Floating Rate Senior Notes Due 2008	500	500
Floating Rate Senior Notes Due 2009	500	500
Floating Subordinated Notes Due 2016 (1)	350	350
4.875% Subordinated Notes Due 2013 (1,3)	249	249
5.625% Subordinated Notes Due 2016 (1)	399	399
Federal Home Loan Bank Advances to Branch Bank (4)		
Varying maturities to 2027	6,594	6,564
Junior Subordinated Debt to Unconsolidated Trusts (2)		
5.85% BB&T Capital Trust I Securities Due 2035 (3)	514	514
6.75% BB&T Capital Trust II Securities Due 2036	598	598
Other Securities (7)	168	168
Other Long-Term Debt	5	5
Hedging Losses	(44)	(45)
Total Long-Term Debt	$ 19,936	$ 15,904

(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 March 31, 2007, the effective rates paid on these borrowings ranged from 5.53% to 6.05%.

(4) At March 31, 2007, the weighted average cost of these advances was 5.36% and the weighted average maturity was 9.2 years.

(5) This borrowing is secured primarily by automobile loans and has a variable rate based on LIBOR.

(6) This borrowing is secured by automobile and mortgage loans. The fixed rate was swapped to a floating rate based on LIBOR.

(7) These securities were issued by companies acquired by BB&T. At March 31, 2007, the effective rate paid on these borrowings ranged from 7.09% to 10.07%. These securities have varying maturities through 2035.

NOTE 6. Contractual Obligations, Commitments, Contingent Liabilities, and Off-BalanceSheet Arrangements

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, standby 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.

Standby 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 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 March 31, 2007, BB&T had issued a total of $2.8 billion in standby letters of credit. The carrying amount of the liability for such guarantees was $5 million at March 31, 2007.

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, caps, floors, collars, financial forwards and futures contracts, swaptions, when-issued securities, foreign exchange contracts and options written and purchased. BB&T uses derivatives primarily to manage economic risk related to securities, business loans, mortgage servicing rights and mortgage banking operations, Federal funds purchased, other time deposits, long-term debt and institutional 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 $40.2 billion and $23.1 billion at March 31, 2007 and December 31, 2006, respectively. These instruments were in a net loss position of $40 million and $45 million at March 31, 2007 and December 31, 2006, respectively.

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. BB&T s subsidiary 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. BB&T s outstanding commitments to fund affordable housing investments totaled $176 million and $183 million at March 31, 2007 and December 31, 2006, respectively. At March 31, 2007, BB&T s maximum exposure to loss associated with these investments totaled $357 million.

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 representations 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 has not been required to act on the guarantees and does not believe that any payments pursuant to them would materially change the financial condition or results of operations of the Company.

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.

NOTE 7. 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 combinations. The plans of acquired institutions are typically merged into the BB&T plans after consummation of the 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. Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2006 for descriptions and disclosures about the various benefit plans offered by BB&T.

The following tables summarize the components of net periodic benefit cost recognized for BB&T s pension plans for the three month periods ended March 31, 2007 and 2006, respectively:

	Pension Plans			
	Qualified For the Three Months Ended March 31,		Nonqualified For the Three Months Ended March 31,	
	2007	2006	2007	2006
	(Dollars in millions)			
Service cost	$ 19	$ 15	$ 1	$ 1
Interest cost	17	14	2	2
Estimated return on plan assets	(29)	(22)	-	-
Amortization and other	-	3	1	-
Net periodic benefit cost	$ 7	$ 10	$ 4	$ 3

NOTE 8. Computation of Earnings per Share

BB&T s basic and diluted earnings per share amounts for the three month periods ended March 31, 2007 and 2006, respectively, were calculated as follows:

	For the Three Months Ended March 31,	
	2007	**2006**
	(Dollars in millions, except per share data)	
Basic Earnings Per Share:		
Weighted average number of common shares	**541,850,632**	539,952,669
Net income	**$ 421**	$ 431
Basic earnings per share	**$ .78**	$ .80
Diluted Earnings Per Share:		
Weighted average number of common shares	**541,850,632**	539,952,669
Add:		
Effect of dilutive equity awards	**5,379,030**	3,483,161
Weighted average number of diluted common shares	**547,229,662**	543,435,830
Net income	**$ 421**	$ 431
Diluted earnings per share	**$ .77**	$ .79

For the three months ended March 31, 2007 and 2006, respectively, the number of antidilutive awards was 4.4 million and 8.6 million shares.

NOTE 9. Comprehensive Income (Loss)

The balances in accumulated other comprehensive loss for the periods indicated are shown in the following tables:

Accumulated Other Comprehensive Loss
March 31, 2007

	Before-Tax Amount	**Tax (Benefit) Liability**	**After -Tax Amount**
	(Dollars in millions)		
Unrealized net losses on securities available for sale	$ (288)	$ (110)	$ (178)
Unrecognized net pension and postretirement costs	(181)	(70)	(111)
Unrealized net gains on cash flow hedges	2	1	1
Total	$ (467)	$ (179)	$ (288)

Accumulated Other Comprehensive Loss
December 31, 2006

	Before-Tax Amount	Tax Benefit	After-Tax Amount
	(Dollars in millions)		
Unrealized net losses on securities available for sale	$ (391)	$ (142)	$ (249)
Unrecognized net pension and postretirement costs	(180)	(70)	(110)
Total	$ (571)	$ (212)	$ (359)

NOTE 10. Operating Segments

BB&T s operations are divided into seven reportable business segments: the Banking Network, 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.

Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2006, 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 March 31, 2007 and 2006

Residential

	Banking Network		Mortgage Banking		Sales Finance		Specialized Lending		Insurance Services	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(Dollars in millions)									
Net interest income (expense)	$ 572	$ 592	$ 242	$ 206	$ 87	$ 68	$ 163	$ 106	$ 4	$ 2
Net funds transfer pricing	255	208	(183)	(146)	(58)	(41)	(52)	(24)	(1)	-
Net interest income	827	800	59	60	29	27	111	82	3	2
Economic provision for loan and lease losses	36	35	2	2	5	4	43	31	-	-
Noninterest income	241	223	32	33	-	-	18	16	208	170
Intersegment net referral fees (expense)	54	54	(22)	(22)	(3)	(3)	-	-	-	-
Noninterest expense	357	335	15	13	6	6	49	36	154	154
Allocated corporate expenses	146	132	2	3	2	2	5	5	7	6
Income before income taxes	583	575	50	53	13	12	32	26	50	12
Provision for income taxes	211	208	18	19	5	4	12	10	19	5
Segment net income	$ 372	$ 367	$ 32	$ 34	$ 8	$ 8	$ 20	$ 16	$ 31	$ 7
Identifiable segment assets (period end)	$ 56,795	$ 51,728	$ 16,787	$ 15,230	$ 5,585	$ 4,984	$ 5,118	$ 3,152	$ 954	$ 1,001

	Financial Services		Treasury		All Other Segments (1)		Parent/Reconciling Items		Total BB&T Corporation	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(Dollars in millions)									
Net interest income (expense)	$ 7	$ 3	$ (55)	$ (29)	$ 31	$ 41	$ (106)	$ (92)	$ 945	$ 897
Net funds transfer pricing	2	4	(9)	(12)	(33)	(27)	79	38	-	-
Net interest income	9	7	(64)	(41)	(2)	14	(27)	(54)	945	897

Economic provision for loan and lease losses	-	-	-	1	-	-	(15)	(26)	71	47
Noninterest income	125	129	12	21	21	28	(5)	(12)	652	608
Intersegment net referral fees	3	2	-	-	-	2	(32)	(33)	-	-
Noninterest expense	118	113	2	3	23	19	159	140	883	819
Allocated corporate expenses	8	8	1	1	3	2	(174)	(159)	-	-
Income (loss) before income taxes	11	17	(55)	(25	(7	23	(34)	(54)	643	639
Provision for income taxes	4	7	(32)	(20)	(7)	5	(8)	(30)	222	208
Segment net income (loss)	$ 7	$ 10	$ (23	$ (5	$ -	$ 18	$ (26	$ (24	$ 421	$ 431
Identifiable segment assets (period end)	$ 1,775	$ 1,493	$23,254	$21,765	$3,906	$3,815	$ 7,520	$ 6,866	$121,694	$110,034

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

NOTE 11. Equity-Based Compensation Plans

BB&T has options, restricted shares 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 March 31, 2007, the 2004 Plan is the only plan that has shares available for future grants. Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2006, 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 assumptions used for grants awarded in the first three months of 2007.

Assumptions:	
Risk-free interest rate	4.7 %
Dividend yield	4.0
Volatility factor	14.0
Weighted average expected life	6.9 yrs

Fair value of options per share	$ 5.35

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 three months of 2007 related to stock options awarded by BB&T:

	For the Three Months Ended March 31, 2007	
	Shares	Wtd. Avg. Exercise Price
Outstanding at beginning of period	35,680,477	$ 35.30
Granted	4,782,605	44.15
Exercised	(994,421)	27.74
Forfeited or expired	(141,252)	37.51
Outstanding at end of period	39,327,409	$ 36.56
Exercisable at end of period	23,263,208	$ 34.28

The following table details the activity during the first three months of 2007 related to restricted shares and restricted share units awarded by BB&T:

	For the Three Months Ended March 31, 2007	
	Shares	Wtd. Avg. Grant Date Fair Value
Nonvested at beginning of period	2,430,052	$ 32.15
Granted	1,794,220	34.60
Vested	(4,053)	31.19
Forfeited	(30,286)	32.13
Nonvested at end of period	4,189,933	$ 33.20

NOTE 12. Income Taxes

The provision for income taxes totaled $222 million and $208 million for the first quarter of 2007 and 2006, respectively. BB&T s effective income tax rates for the first quarters of 2007 and 2006 were 34.5% and 32.6%, respectively. During the first quarter of 2007, BB&T recorded tax reserves of $14 million, primarily as a result of the

adoption of FIN 48.

As of January 1, 2007, BB&T had recorded $181 million of unrecognized federal and state tax benefits, which would have reduced the effective tax rate if recognized. In addition, the Company had $209 million in liabilities for tax-related interest and penalties recorded on its Consolidated Balance Sheets. Of this amount, $191 million was utilized during the first quarter of 2007. BB&T classifies interest and penalties related to income taxes as a component of the provision for income taxes in the Consolidated Statements of Income.

As previously disclosed, BB&T paid $1.2 billion to the IRS during the first quarter of 2007 including $284 million in pre-tax interest that had been previously accrued. The tax paid relates to differences in the timing of income recognition and deductions for income tax purposes for which deferred taxes had been previously provided.

Also during the first quarter of 2007 BB&T paid $50 million ($33 million net of federal benefit), including tax of $40 million and interest and penalties of $10 million in conjunction with an agreement with a state taxing authority. The agreement covered tax years through 2005 and also established the future filing methodology for that state taxing authority. These amounts were previously accrued.

BB&T does not anticipate any other significant changes to its total unrecognized tax benefits within the next 12 months.

The Internal Revenue Service (IRS) has completed its federal tax examinations through 2001 and is currently examining 2002-2005. The IRS has proposed no significant adjustments other than those related to leveraged lease transactions. Various years remain subject to examination by state taxing authorities.

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

Forward-Looking Statements

This 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:

- competitive pressures among depository and other financial institutions may increase significantly;
- 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;

- 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;
- 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;
- expected cost savings associated with completed mergers may not be fully realized or realized within the expected time frames; and
- deposit attrition, customer loss or revenue loss following completed mergers 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 National Association of Securities Dealers, Inc., 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. Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2006 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 and conform to general practices within the banking industry. 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, valuation of mortgage servicing rights, 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 are discussed in detail in Note 1 of the Notes to Consolidated Financial Statements in BB&T s 2006 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

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 BB&T s Audit Committee 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 equals 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, current trends in delinquencies and charge-offs, plans for 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. 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 utilized 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.

Valuation of Mortgage Servicing Rights

BB&T has a significant mortgage loan servicing portfolio and related mortgage servicing rights. Mortgage servicing rights represent the present value of the future net servicing fees from servicing mortgage loans acquired or originated by BB&T. The methodology used to determine the fair value of mortgage servicing rights is subjective and requires the development of a number of assumptions, including anticipated prepayments of loan principal. The value of mortgage servicing rights 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 mortgage servicing assets declines due to increasing prepayments attributable to increased mortgage refinance activity. Conversely, during periods of rising interest rates, the value of servicing assets generally increases due to reduced refinance activity. BB&T has two classes of mortgage servicing rights for which it separately manages the economic risks: residential and commercial. 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 each period. 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 amount and timing of estimated future net cash flows are updated based on actual results and updated projections.

Intangible Assets

BB&T s growth in business, profitability and market share over the past several years has been enhanced significantly by mergers and acquisitions. BB&T s mergers and acquisitions are accounted for using the purchase method of accounting. Under the purchase 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. These estimates also include the establishment of various accruals and allowances based on planned facility dispositions and employee severance considerations, among other acquisition-related items. In addition, purchase acquisitions typically result in goodwill, which is subject to ongoing periodic impairment tests based on the fair value of net assets acquired compared to the carrying value of goodwill. 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.

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 valuations and 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.

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 must estimate 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 utilized in determining the income tax provision and records adjustments as necessary.

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EXECUTIVE SUMMARY

BB&T s total assets at March 31, 2007 were $121.7 billion, an increase of $343 million, or .3%, from December 31, 2006. The asset category that experienced the largest increase was loans and leases, including loans held for sale, which grew $1.7 billion, or 2.1%, during the first three months of 2007.

Total deposits at March 31, 2007, were $79.8 billion, a decrease of $1.1 billion, or 1.4%, from December 31, 2006. Long-term debt increased $4.0 billion, or 25.4%, and shorter-term borrowings decreased $1.3 billion, or 16.3%,

during the first three months of 2007. Total shareholders equity decreased $95 million compared to December 31, 2006.

Consolidated net income for the first quarter of 2007 totaled $421 million, a decrease of 2.3% compared to $431 million earned during the first quarter of 2006. On a diluted per share basis, earnings for the three months ended March 31, 2007 were $.77, compared to $.79 for the same period in 2006, a decrease of 2.5%. BB&T s results of operations for the first quarter of 2007 produced an annualized return on average assets of 1.41% and an annualized return on average shareholders equity of 14.81% compared to prior year ratios of 1.60% and 15.72%, respectively.

Results during the first quarter of 2007 reflect solid combined loan and deposit growth, growth in noninterest income, and continued excellent asset quality. BB&T s net interest margin declined nine basis points during the first quarter of 2007 compared to the fourth quarter of 2006 primarily related to leveraged leases. This includes additional funding cost that resulted from a payment to the Internal Revenue Service and changes to the income recognition on leveraged leases that resulted from the adoption of FSP FAS 13-2. Noninterest expense decreased during the first quarter of 2007 compared to the fourth quarter of 2006 generating positive operating leverage.

On January 2, 2007, BB&T Corporation completed its acquisition of insurance premium finance company AFCO Credit Corporation and its Canadian affiliate, CAFO, Inc (collectively, AFCO). The acquisition is expected to significantly strengthen BB&T s insurance premium finance franchise in the United States, as well as provide entry into Canada a first for BB&T.

On May 1, 2007, BB&T completed its merger with Coastal Financial Corporation (Coastal), a bank holding company headquartered in Myrtle Beach, South Carolina. At the time of the announcement in December 2006, Coastal had $1.7 billion in assets and operated 17 branches in the Myrtle Beach area of South Carolina and seven branches in the Wilmington area of North Carolina. Shareholders of Coastal received .385 of a share of BB&T common stock in exchange for each share of Coastal common stock.

Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2006 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 first quarter of 2007 are further discussed in the following sections.

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ANALYSIS OF FINANCIAL CONDITION

Securities

Securities available for sale totaled $20.9 billion at March 31, 2007, an increase of $177 million, or .9%, compared with December 31, 2006. Securities available for sale had net unrealized losses, net of deferred income

taxes, of $178 million and $249 million at March 31, 2007 and December 31, 2006, respectively. Trading securities totaled $906 million, down $1.2 billion, or 57.8%, compared to the balance at December 31, 2006. The majority of the decline in the trading portfolio was the result of a $1.1 billion purchase of municipal securities executed late in 2006, which matured in the early part of 2007. BB&T s trading portfolio can fluctuate significantly from period to period based on market conditions, which affect the timing of purchases and sales of securities classified as trading.

Average total securities for the first quarter of 2007 totaled $21.9 billion, an increase of $917 million, or 4.4%, compared to the average balance during the first quarter of 2006. The increase in securities was the result of a combination of factors, including an increase in funds allocated to the securities portfolio as a result of the acquisitions of Main Street and First Citizens.

The annualized fully taxable equivalent (FTE) yield on the average securities portfolio for the first quarter of 2007 was 5.06%, which represents an increase of 67 basis points compared to the annualized yield earned during the first quarter of 2006. The fluctuations in the annualized FTE yield on the average securities portfolio were primarily the result of changes in the overall composition of the securities portfolio with a higher percentage of higher-yielding mortgage-backed securities and other higher-yielding securities, which primarily consist of privately-issued mortgage-backed securities.

On March 31, 2007, BB&T held certain investment securities having continuous unrealized loss positions for more than 12 months. As of March 31, 2007, the unrealized losses on these securities totaled $343 million. Substantially all of these investments were in U.S. government-sponsored entity securities and mortgage-backed securities, which primarily consist of securities issued by the Federal Farm Credit Bureau, the Federal Home Loan Bank System, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. These agencies are rated AAA and the unrealized losses are the result of increases in market interest rates rather than changes in the underlying credit quality of the issuers. At March 31, 2007, BB&T had the ability and intent to retain these securities for a period of time sufficient to recover all unrealized losses. Accordingly, BB&T has not recognized any other-than-temporary impairment in connection with these securities.

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 first quarter of 2007, average total loans were $84.9 billion, an increase of $9.5 billion, or 12.5%, compared to the same period in 2006.

The following tables present the composition of average loans and leases for the three months ended March 31, 2007 and 2006:

Table 1
Composition of Average Loans and Leases

	For the Three Months Ended			
	March 31, 2007		**March 31, 2006**	
	Balance	% of total	Balance	% of total

		(Dollars in millions)			
Commercial loans and leases	$ 41,122	48.4 %	$ 36,898	49.0 %
Direct retail loans	15,272	18.0	14,498	19.2
Sales finance loans	5,734	6.8	5,216	6.9
Revolving credit loans	1,387	1.6	1,317	1.7
Consumer loans	22,393	26.4	21,031	27.8
Mortgage loans	16,481	19.4	14,665	19.4
Specialized lending loans	4,898	5.8	2,849	3.8
Total average loans and leases	$ 84,894	100.0 %	$ 75,443	100.0 %

The slight fluctuation in the mix of the loan portfolio during the first quarter of 2007 compared to the same period of 2006 was primarily due to increased growth in the specialized lending portfolio, which grew at a faster pace than the consumer portfolio. The slower growth in the consumer portfolio was the result of decreased demand for home equity loans. The growth in loans generated by the specialized lending group was aided by the acquisition of AFCO, which added approximately $1.2 billion in loans, and strong internal loan growth.

The annualized FTE yields on commercial, consumer, mortgage and specialized lending subsidiary loans for the first three months of 2007 were 7.89%, 7.51%, 5.90%, and 13.62%, respectively, resulting in an annualized yield on the total loan portfolio of 7.73%. This reflects an increase of 54 basis points in the annualized yield on the total loan portfolio during the first three months of 2007 in comparison to the same period in 2006. This increase in the FTE yield on the loan portfolio was primarily the result of the repricing of variable-rate loans and fixed-rate loans with lower yields maturing and being replaced with higher-yielding loans and leases. The prime rate, which is the basis for pricing many commercial and consumer loans, was 8.25% at March 31, 2007, compared to 7.75% at March 31, 2006. The rise in short-term interest rates, however, was not matched by a similar rise in long-term interest rates. Therefore, mortgage rates, which are influenced by long-term interest rates in the marketplace, increased at a slower pace than other categories of loans compared to last year. In addition, the FTE yield on the total loan portfolio was positively affected by a change in the mix of loans, with a higher percentage of higher-yielding specialized lending loans in 2007 compared to 2006.

Other Interest Earning Assets

Federal funds sold and securities purchased under resale agreements or similar arrangements totaled $267 million at March 31, 2007, an increase of $14 million, or 5.5%, compared to December 31, 2006. Interest-bearing deposits with banks decreased $22 million, or 5.1%, compared to year-end 2006. These categories of earning assets are subject to large daily fluctuations based on the availability of these types of funds. The average yield on other interest-earning assets was 4.96% for the first quarter of 2007, compared to 3.76% for the same period in 2006. The higher yield was primarily the result of the increase in the Federal funds target rate.

Goodwill and Other Assets

BB&T s other noninterest-earning assets, excluding premises and equipment and noninterest-bearing cash and due from banks, increased $28 million from December 31, 2006 to March 31, 2007. The increase was due primarily to

an increase in goodwill of $33 million, which resulted from the acquisition of AFCO and certain contingent payments related to prior acquisitions.

Deposits

Client deposits generated through the BB&T branch network are the largest source of funds used to support asset growth. Deposits totaled $79.8 billion at March 31, 2007, a decrease of $1.1 billion, or 1.4%, from December 31, 2006. Average deposits for the first three months of 2007 increased $8.3 billion, or 11.2%, to $82.5 billion compared to the first three months of 2006. The categories of deposits with the highest average rates of growth were client certificates of deposit, which increased $5.2 billion, or 26.0%, and interest checking, which increased $300 million, or 15.7%. In addition, other client deposits, which include money rate savings accounts, investor deposit accounts, savings accounts, individual retirement accounts and other time deposits, increased $2.7 billion, or 8.8%, for the first three months of 2007 compared to the same period in 2006. The increase in client certificates of deposit was primarily due to a decision by management during 2006 to more aggressively pursue these types of funding sources to provide for strong loan growth and to fuel organic growth initiatives.

The following table presents the composition of average deposits for the three months ended March 31, 2007 and 2006:

Table 2
Composition of Average Deposits

	For the Three Months Ended			
	March 31, 2007		March 31, 2006	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Noninterest-bearing deposits	$ 12,946	15.7 %	$ 12,852	17.3 %
Interest checking	2,206	2.7	1,906	2.6
Other client deposits	33,393	40.4	30,687	41.4
Client certificates of deposit	25,076	30.4	19,897	26.8
Total client deposits	73,621	89.2	65,342	88.1
Other interest-bearing deposits	8,902	10.8	8,857	11.9
Total average deposits	$ 82,523	100.0 %	$ 74,199	100.0 %

The change in deposit mix is primarily due to a shift from lower yielding products, such as noninterest-bearing accounts and money rate savings accounts, to higher yielding certificates of deposit as clients continue to migrate towards these products due to the higher rate environment. This also reflects management s decision last year to more aggressively pursue retail deposits through BB&T s branch delivery network, which reduces the Corporation s reliance

on other interest-bearing deposits, which consists of negotiable certificates of deposit and Eurodollar deposits.

For the first three months of 2007, the annualized average rate paid on total interest-bearing deposits was 3.77%, an increase of 87 basis points compared to the first three months of 2006. The increase in the average rate paid on interest-bearing deposits resulted primarily from the higher interest rate environment that existed during the first three months of 2007 compared to 2006, competition in the pricing of deposit products and a shift in the deposit mix to higher yield products.

Borrowings

While client deposits remain the primary source for funding loan originations and other balance sheet growth, management uses shorter-term borrowings as a supplementary funding source for loan growth. Shorter-term borrowings utilized by BB&T include federal funds purchased, securities sold under repurchase agreements, master notes, U.S. Treasury tax and loan deposit notes, and short-term bank notes. At March 31, 2007, shorter-term borrowings totaled $6.8 billion, a decrease of $1.3 billion, or 16.3%, compared to December 31, 2006. The decrease in these funds compared to December 31, 2006 was primarily due to an increase in long term funding, which was used to replace a portion of these borrowings.

The average annualized rate paid on shorter-term borrowed funds was 4.61% for the first three months of 2007, an increase of 66 basis points from the average rate of 3.95% paid during the comparable period of 2006. The higher rates paid on shorter-term borrowed funds were primarily the result of the increases in the Federal funds rate over the same time periods.

BB&T also utilizes long-term debt for a variety of funding needs, including the repurchase of common stock and to supplement levels of regulatory capital. Long-term debt consists of FHLB advances to BB&T s banking subsidiary, corporate subordinated notes, senior and subordinated notes issued by BB&T s banking subsidiary, junior subordinated debentures issued by BB&T and certain private borrowings by BB&T s banking subsidiary. Long-term debt totaled $19.9 billion at March 31, 2007, an increase of $4.0 billion from the balance at December 31, 2006. The increase primarily resulted from a $4.0 billion fixed-rate private financing by BB&T s banking subsidiary that matures in 2010. The fixed interest rate on this borrowing was swapped to a floating rate during the first quarter of 2007.

The average annualized rate paid on long-term debt for the first quarter of 2007 was 5.32%, an increase of 55 basis points compared to the first quarter of 2006. The increase in the cost of long-term funds resulted because a portion of BB&T s long-term borrowings were either issued as floating rate instruments or BB&T elected to swap their long-term fixed rates to floating.

Asset Quality

BB&T s credit quality remains excellent. Nonperforming assets, which are composed of foreclosed real estate, repossessions, nonaccrual loans and restructured loans, totaled $367 million at March 31, 2007, compared to $349 million at December 31, 2006. As a percentage of loans and leases plus foreclosed property, nonperforming assets were .43% at March 31, 2007 and .42% at December 31, 2006. Loans 90 days or more past due and still accruing interest totaled $103 million at March 31, 2007, compared to $102 million at year-end 2006.

BB&T s net charge-offs totaled $61 million for the first quarter of 2007 and amounted to .29% of average loans and leases, on an annualized basis, compared to $48 million, or ..26% of average loans and leases, on an annualized basis, in the corresponding period in 2006.

The allowance for credit losses, which totaled $901 million and $888 million at March 31, 2007 and December 31, 2006, respectively, 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 totaled $896 million at March 31, 2007, compared to $888 million at December 31, 2006. This amounted to 1.05% of loans and leases outstanding at March 31, 2007, compared to 1.06% at year-end 2006.

Asset quality statistics for the last five calendar quarters are presented in the accompanying tables.

Table 3 - 1
Asset Quality Analysis

	For the Three Months Ended				
	3/31/07	12/31/06	9/30/06	6/30/06	3/31/06
	(Dollars in millions)				
Allowance For Credit Losses					
Beginning balance	**$ 888**	$ 884	$ 871	$ 833	$ 830
Allowance for acquired (sold) loans, net	**3**	(1)	6	25	4
Provision for credit losses	**71**	73	62	58	47
Charge-offs					
Commercial loans and leases	**(10)**	(15)	(10)	(7)	(5)
Direct retail loans	**(12)**	(13)	(12)	(12)	(11)
Sales finance loans	**(6)**	(5)	(5)	(5)	(6)
Revolving credit loans	**(12)**	(12)	(11)	(11)	(11)
Mortgage loans	**(1)**	(2)	(1)	(1)	(2)
Specialized lending	**(41)**	(36)	(31)	(26)	(27)
Total charge-offs	**(82)**	(83)	(70)	(62)	(62)
Recoveries					
Commercial loans and leases	**8**	3	4	5	3
Direct retail loans	**4**	3	3	3	3
Sales finance loans	**2**	2	2	2	2
Revolving credit loans	**3**	3	3	3	2
Mortgage loans	**-**	-	-	1	-
Specialized lending	**4**	4	3	3	4

Total recoveries	**21**	15	15	17	14
Net charge-offs	**(61)**	(68)	(55)	(45)	(48)
Ending balance	**$ 901**	$ 888	$ 884	$ 871	$ 833
Nonperforming Assets					
Nonaccrual loans and leases					
Commercial loans and leases	**$ 148**	$ 129	$ 124	$ 126	$ 110
Direct retail loans	**43**	39	38	39	42
Sales finance loans	**1**	2	2	3	3
Mortgage loans	**51**	53	50	47	50
Specialized lending	**33**	37	31	24	26
Total nonaccrual loans and leases	**276**	260	245	239	231
Foreclosed real estate	**56**	54	55	56	41
Other foreclosed property	**35**	35	30	24	23
Restructured loans	**-**	-	1	-	1
Total nonperforming assets	**$ 367**	$ 349	$ 331	$ 319	$ 296
Loans 90 days or more past due and still accruing					
Commercial loans and leases	**$ 18**	$ 14	$ 8	$ 19	$ 6
Direct retail loans	**13**	20	17	17	18
Sales finance loans	**16**	17	13	12	18
Revolving credit loans	**7**	6	6	5	4
Mortgage loans	**39**	37	36	32	28
Specialized lending	**10**	8	7	6	5
Total loans 90 days or more past due and still accruing	**$ 103**	$ 102	$ 87	$ 91	$ 79

Table 3 - 2
Asset Quality Ratios

	For the Three Months Ended				
	3/31/07	12/31/06	9/30/06	6/30/06	3/31/06
Loans 90 days or more past due and still accruing as a percentage of total loans and leases	**.12 %**	.12 %	.11 %	.11 %	.10 %
Nonaccrual and restructured loans and leases as a percentage of total loans and leases	**.32**	.31	.30	.30	.30
Total nonperforming assets as a percentage of:					
Total assets	**.30**	.29	.28	.27	.27
	.43	.42	.40	.40	.39

Loans and leases plus foreclosed property					
Net charge-offs as a percentage of average loans and leases	**.29**	.33	.27	.23	.26
Allowance for loan and lease losses as a percentage of loans and leases	**1.05**	1.06	1.08	1.08	1.09
Allowance for loan and lease losses as a percentage of loans and leases held for investment	**1.06**	1.07	1.09	1.09	1.10
Ratio of allowance for loan and lease losses to:					
Net charge-offs	**3.58 x**	3.29 x	4.07 x	4.78 x	4.31 x
Nonaccrual and restructured loans and leases	**3.24**	3.41	3.59	3.63	3.59

Note: All items referring to loans and leases include loans held for sale and are net of unearned income. Applicable ratios are annualized.

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ANALYSIS OF RESULTS OF OPERATIONS

Consolidated net income for the first quarter of 2007 totaled $421 million, a decrease of $10 million, or 2.3%, compared to $431 million earned during the first quarter of 2006. On a diluted per share basis, earnings for the three months ended March 31, 2007 were $.77, a decrease of 2.5% compared to $.79 for the same period in 2006. BB&T s results of operations for the first quarter of 2007 produced an annualized return on average assets of 1.41% and an annualized return on average shareholders equity of 14.81%, compared to prior year ratios of 1.60% and 15.72%, respectively.

The following table sets forth selected financial ratios for the last five calendar quarters. BB&T s fourth quarter 2006 results were negatively affected by an additional tax provision of $139 million, and securities losses of $47 million, after-tax, resulting from a securities portfolio restructuring. Please refer to the section titled Fourth Quarter Results in BB&T s Annual Report on Form 10-K for a more detailed discussion of these items.

Table 4
Annualized
Profitability Measures

	2007	2006			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Return on average assets	**1.41 %**	.84 %	1.42 %	1.53 %	1.60 %
Return on average shareholders' equity	**14.81**	8.33	14.39	15.34	15.72
Net interest margin (taxable equivalent)	**3.61**	3.70	3.68	3.76	3.82

Net Interest Income and Net Interest Margin

Net interest income on an FTE basis was $963 million for the first quarter of 2007 compared to $919 million for the same period in 2006, an increase of $44 million, or 4.8%. For the quarter ended March 31, 2007, average earning assets increased $10.4 billion, or 10.7%, compared to the same period of 2006, while average interest-bearing liabilities increased $12.1 billion, or 15.0%, and the net interest margin decreased from 3.82% in the first quarter of 2006 to 3.61% in the current quarter. The decrease in the net interest margin was caused by a combination of factors. The flattening of the yield curve in recent quarters and management s decision to more aggressively pursue retail deposits to fund loan growth has resulted in an increase in funding costs that has outpaced the rise in yields on earning assets. In addition, the margin was negatively affected by additional funding costs associated with a payment to the Internal Revenue Service and changes in the income recognition for leveraged leases. Under the provisions of FSP FAS 13-2, which BB&T adopted on January 1, 2007, BB&T was required to recalculate the income recognition for all leveraged leases transactions due to a change in the timing of income tax cash flows.

The following tables set forth the major components of net interest income and the related annualized yields and rates for the first quarter of 2007 compared to the same period in 2006, and the variances between the periods caused by changes in interest rates versus changes in volumes.

Table 5
FTE Net Interest Income and Rate / Volume Analysis
For the Three Months Ended March 31, 2007 and 2006

	Average Balances		Annualized Yield / Rate		Income / Expense		Increase	Change due to	
	2007	2006	**2007**	2006	**2007**	2006	**(Decrease)**	**Rate**	**Volume**
	(Dollars in millions)								
Assets									
Securities, at amortized cost (1):									
U.S. Treasury securities	**$ 85**	$ 123	**4.47%**	3.11%	**$ 1**	$ 1	**$ -**	**$ -**	**$ -**
U.S. government-sponsored entity securities (6)	**9,713**	11,941	**4.39**	3.95	**106**	118	**(12)**	**11**	**(23)**
Mortgage-backed securities	**8,208**	6,589	**5.09**	4.81	**105**	79	**26**	**6**	**20**
States and political subdivisions	**547**	640	**6.85**	6.82	**9**	11	**(2)**	**-**	**(2)**
Other securities	**2,377**	913	**7.03**	6.01	**42**	14	**28**	**3**	**25**
Trading securities	**942**	749	**5.89**	3.70	**14**	7	**7**	**5**	**2**
Total securities (5)	**21,872**	20,955	**5.06**	4.39	**277**	230	**47**	**25**	**22**
Other earning assets (2)	**840**	777	**4.96**	3.76	**10**	7	**3**	**2**	**1**

Loans and leases, net of unearned income (1)(3)(4)(5)	**84,894**	75,443	**7.73**	7.19	**1,622**	1,341	**281**	**105**	**176**
Total earning assets	**107,606**	97,175	**7.17**	6.56	**1,909**	1,578	**331**	**132**	**199**
Non-earning assets	**13,448**	11,957							
Total assets	**$121,054**	$109,132							
Liabilities and Shareholders' Equity									
Interest-bearing deposits:									
Interest-checking	**$ 2,206**	$ 1,906	**2.38**	1.38	**13**	7	**6**	**5**	**1**
Other client deposits	**33,393**	30,687	**2.82**	2.03	**232**	153	**79**	**64**	**15**
Client certificates of deposit	**25,076**	19,897	**4.60**	3.66	**284**	180	**104**	**52**	**52**
Other interest-bearing deposits	**8,902**	8,857	**5.35**	4.54	**118**	99	**19**	**19**	**-**
Total interest-bearing deposits	**69,577**	61,347	**3.77**	2.90	**647**	439	**208**	**140**	**68**
Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	**7,627**	6,685	**4.61**	3.95	**87**	65	**22**	**12**	**10**
Long-term debt	**16,086**	13,111	**5.32**	4.77	**212**	155	**57**	**19**	**38**
Total interest-bearing liabilities	**93,290**	81,143	**4.11**	3.29	**946**	659	**287**	**171**	**116**
Noninterest-bearing deposits	**12,946**	12,852							
Other liabilities	**3,296**	4,003							
Shareholders' equity	**11,522**	11,134							
Total liabilities and shareholders' equity	**$121,054**	$109,132							
Average interest rate spread			**3.06**	3.27					
Net interest margin			**3.61 %**	3.82 %	**$ 963**	$ 919	**$ 44**	**$ (39)**	**$ 83**
Taxable equivalent adjustment					**$ 18**	$ 21			

(1) Yields related to securities, loans and leases exempt from income taxes 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, 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. Only the interest collected on such loans has been included as income.

(5) Includes assets which were held for sale or available for sale at amortized cost and trading securities at estimated fair value.
(6) Includes stock issued by the FHLB of Atlanta.

Provision for Credit Losses

The provision for credit losses totaled $71 million for the first quarter of 2007, compared to $47 million for the first quarter of 2006. The increase in the provision for credit losses was driven primarily by growth in the lending portfolio compared to last year and an increase in specialized lending loans, which have higher loss rates. Net charge-offs were .29% of average loans and leases for the first quarter of 2007 compared to .26% of average loans and leases for the same period in 2006. The allowance for loan and lease losses was 1.05% of loans and leases outstanding and was 3.24x total nonaccrual and restructured loans and leases at March 31, 2007, compared to 1.09% and 3.59x, respectively, at March 31, 2006.

Noninterest Income

Noninterest income as a percentage of total revenues has increased in recent years due to BB&T s emphasis on growing and expanding its fee-based businesses. Fee-based service revenues lessen BB&T s dependence on traditional spread-based interest income and are a relatively stable revenue source during periods of changing interest rates. Noninterest income for the three months ended March 31, 2007 totaled $652 million, compared to $608 million for the same period in 2006, an increase of $44 million, or 7.2%. The growth in noninterest income was primarily attributable to commissions from BB&T s insurance operations, other nondeposit fees and commissions, checkcard fees and service charges on deposits. These increases were partially offset by net securities losses of $11 million that were incurred during the three month period in 2007. The overall growth in noninterest income also reflects the impact of acquisitions.

Insurance commissions, which have become BB&T s largest source of noninterest income, totaled $197 million for the first quarter of 2007, an increase of $21 million, or 11.9%, compared to the same three-month period of 2006. The increase in insurance revenues for the first three months of 2007 was primarily the result of growth in commissions from the sale of property and casualty coverage.

Service charges on deposits totaled $138 million for the first quarter of 2007, an increase of $7 million compared to the first quarter of 2006. For the first three months of 2007, higher revenues were primarily attributable to growth in revenues from overdraft fees compared to the same period last year.

Mortgage banking income totaled $30 million in the first quarter of 2007, a decrease of $2 million, compared to $32 million earned in the first quarter of 2006. The following table provides a breakdown of the various components of mortgage banking income and other statistical information for the first quarters of 2007 and 2006:

Table 6
Mortgage Banking Income and Related Statistical Information

Mortgage Banking Income	For the Three Months Ended March 31, 2007	2006	% Change
	(Dollars in millions)		
Residential mortgage production income	$ 13	$ 13	- %
Residential Mortgage Servicing:			
Residential mortgage servicing fees	29	25	16.0
Residential mortgage servicing rights increase in fair value due to change in valuation inputs or assumptions	7	29	NM
Mortgage servicing rights derivative losses	(3)	(25)	NM
Net	4	4	-
Relization of expected residential mortgage servicing rights cash flows (1)	(23)	(18)	27.8
Total residential mortgage servicing income	10	11	(9.1)
Total residential mortgage banking income	23	24	(4.2)
Commercial mortgage banking income	7	8	(12.5)
Total mortgage banking income	$ 30	$ 32	(6.3)

Mortgage Banking Statistical Information	As of / For the Three Months Ended March 31, 2007	2006	% Change
	(Dollars in millions)		
Residential mortgage originations	$ 2,461	$ 2,309	6.6 %
Residential mortgage loans serviced for others	28,647	26,027	10.1
Residential mortgage loan sales	1,558	1,107	40.7
Commercial mortgage originations	$ 516	$ 652	(20.9) %
Commercial mortgage loans serviced for others	9,316	8,282	12.5

NM - Not Meaningful
(1) Represents economic amortization associated with the collection and realization of expected net servicing cash flows, expected borrower payments and the passage of time.

Other nondeposit fees and commissions, including bankcard fees and merchant discounts and checkcard fees, totaled $114 million for the first quarter of 2007, an increase of $12 million, or 11.8%, compared to the first quarter of 2006. The principal driver of the first quarter increase was checkcard fees which increased $6 million, or 17.1%,

compared to the same period in 2006.

Trust income totaled $40 million for the first quarter of 2007, an increase of $3 million, or 8.1%, compared to the first quarter of 2006. Trust revenues are based on the types of services provided as well as the overall market value of assets managed, which is affected by market conditions. The increase in trust income for the first quarter of 2007 was primarily from growth in wealth management income.

Other income, including income from bank-owned life insurance totaled $62 million for the first quarter of 2007, an increase of $13 million, or 26.5%, compared to the first quarter of 2006. The increase resulted primarily from a $19 million gain on the sale of an insurance operation and an increase of $6 million in income generated from bank-owned life insurance, primarily due to the restructuring of the underlying assets into higher-yielding investments in mid-2006. These increases were offset by a decline of $13 million from a gain on the sale of an investment held by a majority-owned small business investment company that invests in debt and equity securities of qualifying small businesses that was earned in the first quarter of 2006.

Noninterest Expense

Noninterest expenses totaled $883 million for the first quarter of 2007, compared to $819 million for the same period a year ago, an increase of $64 million, or 7.8%. Noninterest expenses for the first quarter of 2007 include $6 million in net merger-related and restructuring charges. Noninterest expenses for the first quarter of 2006 include $3 million in net merger-related and restructuring credits.

Personnel expense, the largest component of noninterest expense, was $524 million for the current quarter compared to $514 million for the same period in 2006, an increase of $10 million, or 1.9%. This increase was primarily attributable to higher salaries and wages, which were partially offset by a decrease in incentive compensation expenses compared to the first quarter last year. Salaries and wages increased as a result of the higher number of full-time equivalent employees in the current quarter compared to last year, due in part to the acquisitions of Main Street, First Citizens, AFCO and other companies since the end of the first quarter of 2006.

Occupancy and equipment expense for the three months ended March 31, 2007 totaled $116 million, compared to $108 million for the first quarter of 2006, representing an increase of $8 million, or 7.4%. The increase for the first quarter of 2007 was primarily related to additional rent in connection with de novo branches opened since the first quarter of 2006 and acquisitions.

Other noninterest expenses, including professional services and loan processing expenses, totaled $212 million for the current quarter, an increase of $37 million, or 21.1%, compared to the same period of 2006. The increase was primarily attributable to a $28 million pre-tax gain on the sale of duplicate facilities recorded in the first quarter of 2006.

Merger-Related and Restructuring Activities

BB&T has been an active acquirer of financial institutions, insurance agencies and other nonbank fee income producing businesses for many years. BB&T recorded certain merger-related items and restructuring costs during both 2007 and 2006. During the first quarter of 2007, BB&T recorded $4 million in net after-tax charges. During the first

quarter of 2006, BB&T recorded $2 million in net after-tax gains primarily associated with previously accrued charges for anticipated exit costs related to closed facilities. The above charges and credits are reflected in BB&T s Consolidated Statements of Income as a category of noninterest expense.

Merger-related and restructuring charges and expenses include personnel-related expenses such as staff relocation costs, severance benefits, early retirement packages and contract settlements. They also include furniture, equipment and occupancy costs related to department and branch consolidations as well as costs related to converting the data processing systems of the acquired companies to BB&T s automation platform. Merger-related charges also include professional fees, advertising and asset write-offs incurred in connection with the mergers.

Severance and personnel-related costs include severance, employee retention, payments related to change-in-control provisions of employment contracts, outplacement services and other benefits associated with employee termination or reversals of previously estimated amounts, which typically occur in corporate support and data processing functions.

Occupancy and equipment charges or credits represent merger-related costs or gains associated with lease terminations, obsolete equipment write-offs and the sale of duplicate facilities and equipment. Credits may result when obsolete properties or equipment are sold for more than originally estimated. Other merger-related charges or credits include expenses necessary to convert and combine the acquired branches and operations of merged companies, direct media advertising related to acquisitions, asset and supply inventory write-offs, litigation accruals and other similar charges.

In conjunction with the consummation of an acquisition and the completion of other requirements, BB&T typically accrues certain merger-related expenses for estimated severance and other personnel costs, costs to terminate lease contracts, costs related to the disposal of duplicate facilities and equipment, costs to terminate data processing contracts and other costs associated with an acquisition. The following table presents a summary of activity with respect to BB&T s merger-related and restructuring accruals. This table includes costs reflected as expenses, as presented in the Consolidated Statements of Income, and accruals recorded through purchase accounting adjustments.

Table 7
Merger Accrual Activity
(Dollars in millions)

	Balance January 1, 2007	Merger-related and restructuring charges	Utilized	Purchase price adjustments	Balance March 31, 2007
Severance and personnel-related items	$ 12	$ 4	$ (3)	$ -	$ 13
Occupancy and equipment	4	1	(2)	1	4
Other merger-related items	2	1	(1)	-	2
Total	$ 18	$ 6	$ (6)	$ 1	$ 19

The remaining accruals at March 31, 2007 are related primarily to costs associated with severance payments to certain executive officers and costs to exit certain leases and to dispose of excess facilities and equipment. These liabilities will be utilized in the future because they relate to specific contracts or legal obligations that expire in later years, or they relate to the disposal of duplicate facilities and equipment, which may take longer to complete.

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 accruals are re-evaluated periodically and adjusted as necessary. The remaining accruals at March 31, 2007 are expected to be utilized during 2007, unless they relate to specific contracts that expire in later years.

Provision for Income Taxes

The provision for income taxes totaled $222 million for the first quarter of 2007, an increase of $14 million compared to the same period of 2006, primarily due to increased tax reserves recorded in the first quarter of 2007 as a result of the adoption of FIN 48. BB&T s effective income tax rates for the first quarters of 2007 and 2006 were 34.5% and 32.6%, respectively.

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 2007 and 2006.

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 this regard, the Internal Revenue Service (IRS) disallowed certain deductions taken by BB&T on leveraged lease transactions during 1997-2002. In 2004, BB&T filed a lawsuit against the IRS to pursue a refund of amounts assessed by the IRS related to a leveraged lease transaction entered into during 1997. On January 4, 2007, the United States Middle District Court of North Carolina issued a summary judgment in favor of the IRS related to BB&T s lawsuit. Based on a review of the summary judgment by BB&T s counsel, BB&T s management disagrees with the decision and during the first quarter filed a notice of appeal to the United States Appeals Court for the Fourth Circuit, based in Richmond, Virginia.

BB&T paid $1.2 billion to the IRS during the first quarter of 2007. This payment represented the total tax and interest due on leveraged lease transactions for all open years. The tax paid relates to differences in the timing of income recognition and deductions for income tax purposes for which deferred taxes had been previously provided.

Management has consulted with outside counsel and continues to believe that BB&T s treatment of its leveraged lease transactions was appropriate and in compliance with the tax laws and regulations applicable to the years examined.

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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.

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 Board of Governors of the Federal Reserve System (FRB) to regulate the availability and cost of credit have a greater effect on a financial institution s profitability than do the effects of higher costs for goods and services. Through its balance sheet management function, which is monitored by the 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. Simulation takes into account the current contractual agreements that BB&T has made with its customers on deposits, borrowings, loans, investments and any commitments to enter into those transactions. 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.

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 interest sensitive income as projected for the next twelve months under the most likely interest rate scenario incorporated into the Interest Sensitivity Simulation computer model. Key assumptions in the preparation of the table include prepayment speeds of mortgage-related assets, cash flows and maturities of derivative financial instruments, changes in market conditions, 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 8
Interest Sensitivity Simulation Analysis

Interest Rate Scenario			Annualized Hypothetical Percentage Change in Net Interest Income	
Linear Change in Prime Rate	Prime Rate March 31, 2007	Prime Rate March 31, 2006	March 31, 2007	March 31, 2006
3.00 %	11.25 %	10.75 %	(3.22) %	0.70 %
1.50	9.75	9.25	(2.25)	0.51
No Change	8.25	7.75	-	-
(1.50)	6.75	6.25	1.65	(0.91)
(3.00)	5.25	4.75	1.97	(1.69)

Management has established parameters for asset/liability management, which prescribe a maximum negative impact on interest sensitive income of 3% for the next 12 months for a linear increase of 150 basis points for six months followed by a flat interest rate scenario for the remaining six month period, and a maximum negative impact of 6% for a linear increase of 300 basis points for 12 months.

Derivative Financial Instruments

BB&T utilizes 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, 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. On March 31, 2007, BB&T had derivative financial instruments outstanding with notional amounts totaling $40.2 billion. The estimated net fair value of open contracts was $(40 million) at March 31, 2007. This compares to $23.1 billion in notional derivatives with a fair value of $(45 million) at December 31, 2006. The majority of the increase in notional amounts was due to $8 billion in derivatives related to a private placement secured financing transaction and $7 billion in Eurodollar futures contracts related to hedging float on escrow deposits in BB&T s mortgage banking operations.

Credit risk related to derivatives arises when amounts receivable from a counterparty exceed those payable. Because the notional amount of the instruments only serves as a basis for calculating amounts receivable or payable, the risk of loss with any counterparty is limited to a small fraction of the notional amount. BB&T deals only with derivatives dealers that are national market makers with strong credit ratings in its derivatives activities. BB&T further 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. All of the derivative contracts to which BB&T is a party settle monthly, quarterly or semiannually. Further, BB&T frequently has netting agreements with the dealers with which it does business. Because of these factors, BB&T s credit risk exposure related to derivative contracts at March 31, 2007 was not material.

The following tables set forth certain information concerning BB&T s derivative financial instruments at March 31, 2007 and December 31, 2006:

Table 9-1

Derivative Classifications and Hedging Relationships

	March 31, 2007		
	Notional Amount	Fair Value	
		Gain	Loss
	(Dollars in millions)		
Derivatives Designated as Cash Flow Hedges:			
Hedging business loans	$ 2,119	$ 9	$ (18)
Hedging medium term bank notes	3,425	14	-
Derivatives Designated as Fair Value Hedges:			
Hedging long-term debt	7,900	45	(91)
Derivatives not designated as hedges	26,715	61	(60)
Total	$ 40,159	$ 129	$ (169)

	December 31, 2006		
	Notional Amount	Fair Value	
		Gain	Loss
	(Dollars in millions)		
Derivatives Designated as Cash Flow Hedges:			
Hedging business loans	$ 2,119	$ 8	$ (22)
Hedging institutional certificates of deposit, other time deposits and federal funds purchased	750	-	-
Hedging medium term bank notes	1,925	20	-
Derivatives Designated as Fair Value Hedges:			
Hedging long-term debt	3,900	50	(97)
Derivatives not designated as hedges	14,403	57	(61)
Total	$ 23,097	$ 135	$ (180)

Table 9-2
Derivative Financial Instruments

March 31, 2007		December 31, 2006	
Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
(Dollars in millions)			

Receive fixed swaps	$ 10,913	$ (43)	$ 6,594	$ (57)
Pay fixed swaps	4,146	(6)	3,899	4
Forward starting receive fixed swaps	1,574	10	1,285	5
Forward starting pay fixed swaps	476	(1)	544	-
Other swaps	4,249	(5)	264	(5)
Caps, floors and collars	2,369	9	1,619	8
Foreign exchange contracts	242	-	258	-
Futures contracts	10,546	-	2,364	1
Treasury forwards	418	(1)	-	-
Interest rate lock commitments	809	-	546	(1)
Forward commitments	1,398	(1)	1,217	2
Swaptions	1,003	1	1,188	3
When-issued securities and forward rate agreements	1,396	(3)	2,613	(5)
Options on contracts purchased and sold	620	-	706	-
Total	$ 40,159	$ (40)	$ 23,097	$ (45)

BB&T s receive fixed swaps had weighted average receive rates of 4.91% and 4.93% and weighted average pay rates of 5.32% and 5.33% at March 31, 2007 and December 31, 2006, respectively. In addition, BB&T s pay fixed swaps had weighted average receive rates of 5.22% and 5.24% and weighted average pay rates of 4.60% and 4.61%, at March 31, 2007 and December 31, 2006, respectively.

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

BB&T utilizes a variety of financial instruments to meet the financial needs of its clients and to 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, 2006, for discussion with respect to BB&T s quantitative and qualitative disclosures about its fixed and determinable contractual obligations. Items disclosed in the Annual Report on Form 10-K have not materially changed since that report was filed. A discussion of BB&T s derivative financial instruments is included in the Derivative Financial Instruments section herein.

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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, to preserve a sufficient capital base from which to support future growth, to provide a

competitive return to shareholders, to comply with regulatory standards and to achieve optimal credit ratings for BB&T Corporation and its subsidiaries.

Management regularly monitors the capital position of BB&T Corporation 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%

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 will not be considered an infringement of BB&T s overall capital policy provided the Corporation and the subsidiary bank remains well-capitalized.

Total shareholders equity was $11.7 billion at March 31, 2007 and December 31, 2006. BB&T s book value per common share at March 31, 2007 was $21.48, compared to $21.69 at December 31, 2006. BB&T s tangible shareholders equity was $6.4 billion at March 31, 2007, compared to $6.6 billion at December 31, 2006. BB&T s tangible book value per common share at March 31, 2007 was $11.89 compared to $12.20 at December 31, 2006.

Bank holding companies and their 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. Please refer to the section titled Capital in BB&T s Annual Report on Form 10-K for the year ended December 31, 2006, for additional information with regards to BB&T s capital requirements.

BB&T s regulatory capital ratios for the last five calendar quarters are set forth in the following table. The decline in BB&T s capital ratios as of March 31, 2007 compared to December 31, 2006 was primarily the result of the reduction of $425 million in retained earnings in connection with the adoption of FIN 48 and FSP FAS 13-2.

Table 10
Capital Ratios

	2007	2006			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Risk-based capital ratios:					
Tier 1 capital	**8.7 %**	9.0 %	9.2 %	9.1 %	9.0 %

Total capital	**13.9**	14.3	14.6	13.7	14.0
Tier 1 leverage ratio	**6.9**	7.2	7.3	7.3	7.0
Tangible Equity Ratio	**5.5**	5.7	5.8	5.5	6.0

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 new plan (the 2006 Plan) for the repurchase of up to 50.0 million shares of BB&T s common stock as needed for general corporate purposes. The 2006 plan also authorizes the repurchase of the remaining 1.1 million 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.

Table 11
Share Repurchase Activity

	2007			
	Total Shares Repurchased (1)	**Average Price Paid Per Share (2)**	**Total Shares Purchased Pursuant to Publicly-Announced Plan**	**Maximum Remaining Number of Shares Available for Repurchase Pursuant to Publicly-Announced Plan**
January 1-31	24,485	$ 43.39	-	51,139,497
February 1-28	7,276	43.35	-	51,139,497
March 1-31	23,291	40.53	-	51,139,497
Total	55,052	$ 42.17	-	51,139,497

(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.

SEGMENT RESULTS

BB&T s operations are divided into seven reportable business segments: the Banking Network, 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 10 Operating Segments in the notes to the consolidated financial statement 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 three months ended March 31, 2007 and 2006.

BB&T Corporation
Reportable Segments

	For the Three Months Ended	
	March 31, 2007	March 31, 2006
	(Dollars in Millions)	
Banking Network	$ 372	$ 367
Residential Mortgage Banking	32	34
Sales Finance	8	8
Specialized Lending	20	16
Insurance Services	31	7
Financial Services	7	10
Treasury	(23)	(5)
All Other Segments	-	18
Parent/Reconciling Items	(26)	(24)
BB&T Corporation	$ 421	$ 431

The $24 million increase in net income attributable to the Insurance Services segment was largely due to a pre-tax gain of $19 million earned on the sale of an insurance operation combined with internal growth and acquisitions. The decline of $18 million in net income in the Treasury segment was a result of higher funding cost in 2007 compared to 2006 due to the increase in short-term rates in effect in the current period, as well as a decrease in noninterest income resulting primarily from securities losses incurred in the first quarter of 2007. The decline of $18 million in net income for all other segments was a result of a decrease in net income realized on investments managed by BB&T Capital Partners, a small business investment company, which decreased by $7 million compared to the prior year, and a decrease of $10 million from leveraged lease activities, primarily due to the implementation of FSP FAS 13-2.

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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.

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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.

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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 litigation. The subsidiaries of BB&T are involved in various legal proceedings, all of which are considered incidental to the normal conduct of business. Based on information currently available, advice of counsel, available insurance coverage and established reserves, BB&T s management believes that the liabilities, if any, arising from these proceedings will not have a materially 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.

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Item 1A. ***Risk Factors***

Please refer to BB&T s Annual Report on Form 10-K for the year ended December 31, 2006, for a discussion of risk factors relating to BB&T s business.

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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.

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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.

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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: May 4, 2007

By: /s/ Christopher L. Henson
Christopher L. Henson, Senior Executive Vice President and Chief Financial Officer

Date: May 4, 2007

By: /s/ Edward D. Vest
Edward D. Vest, 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 8.
12	Statement re Computation of Ratios.	Filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
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