BB&T CORP
Form 10-Q/A
July 28, 2016

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

FORM 10-Q/A
Amendment No. 1

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the quarterly period ended: June 30, 2016
Commission File Number: 1-10853

BB&T CORPORATION
(Exact name of registrant as specified in its charter)

North Carolina	56-0939887
(State or Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)
200 West Second Street Winston-Salem, North Carolina	27101
(Address of Principal Executive Offices)	(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 [X] No [ ]

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

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

At June 30, 2016, 814,500,215 shares of the Registrant's common stock, $5 par value, were outstanding.

EXPLANATORY NOTE

The sole purpose of this Amendment No. 1 to BB&T Corporation's Quarterly Report on Form 10-Q for the period ended June 30, 2016, as originally filed with the Securities and Exchange Commission on July 27, 2016, is to correct a typographical error that stated “On July 26, 2016, BB&T's Board of Directors approved an increase in the quarterly dividend from $0.02 to $0.30 and authorized cumulative share buybacks of up to $640 million beginning during the third quarter of 2016.” The corrected statement is “On July 26, 2016, BB&T's Board of Directors approved an increase in the quarterly dividend of $0.02 to $0.30 and authorized cumulative share buybacks of up to $640 million beginning during the third quarter of 2016.” This disclosure appears on pages 49 and 77 of the original Form 10-Q.

No other changes have been made to the Form 10-Q. This Amendment No. 1 to the Form 10-Q continues to speak as of the original filing date of the Form 10-Q, does not reflect events that may have occurred subsequent to the original filing date and does not modify or update in any way disclosures made in the original Form 10-Q other than the changes described above.

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

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, regarding the financial condition, results of operations, business plans and the future performance of BB&T. Forward-looking statements are not based on historical facts but instead represent management’s expectations and assumptions regarding BB&T’s business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. BB&T’s actual results may differ materially from those contemplated by the forward-looking statements. Words such as "anticipates, "believes," "estimates," "expects," "forecasts," "intends," "plans," "projects," "may," "will," “should," "could," and other similar expressions are intended to identify these forward-looking statements. Such statements are subject to factors that could cause actual results to differ materially from anticipated results. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

- 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, insurance or other services;
- disruptions to the national or global financial markets, including the impact of a downgrade of U.S. government obligations by one of the credit ratings agencies, the adverse effects of economic instability and recessionary conditions in Europe and the impact of market disruptions in China;
- changes in the interest rate environment, including interest rate changes made by the Federal Reserve or the possibility of a negative interest rate scenario, as well as cash flow reassessments may reduce NIM and/or the volumes and values of loans made or held as well as the value of other financial assets held;
- competitive pressures among depository and other financial institutions may increase significantly;
- legislative, regulatory or accounting changes, including changes resulting from the adoption and implementation of the Dodd-Frank Act may adversely affect the businesses in which BB&T is engaged;
- local, state or federal taxing authorities may take tax positions that are adverse to BB&T;
- a reduction may occur in BB&T's credit ratings;
- adverse changes may occur in the securities markets;
- competitors of BB&T may have greater financial resources or develop products that enable them to compete more successfully than BB&T and may be subject to different regulatory standards than BB&T;
- cyber-security risks, including "denial of service," "hacking" and "identity theft," could adversely affect BB&T's business and financial performance or reputation, and BB&T could be liable for financial losses incurred by third parties due to breaches of data shared between financial institutions;
- natural or other disasters, including acts of domestic or foreign terrorism, could have an adverse effect on BB&T in that such events could materially disrupt BB&T's operations or the ability or willingness of BB&T's customers to access the financial services BB&T offers;
- costs related to the integration of the businesses of BB&T and its merger partners may be greater than expected;
- failure to execute on strategic or operational plans, including the ability to successfully complete and/or integrate mergers and acquisitions or fully achieve expected cost savings or revenue growth associated with mergers and acquisitions within the expected time frames could adversely impact financial condition and results of operations;
- significant litigation could have a material adverse effect on BB&T;

- unfavorable resolution of legal proceedings or other claims and regulatory and other governmental investigations or other inquiries could result in negative publicity, protests, fines, penalties, restrictions on BB&T's operations or ability to expand its business and other negative consequences, all of which could cause reputational damage and adversely impact BB&T's financial conditions and results of operations;
- deposit attrition, customer loss and/or revenue loss following completed mergers and acquisitions may be greater than expected;
- higher than expected costs related to information technology infrastructure or a failure to successfully implement future system enhancements could adversely impact BB&T's financial condition and results of operations and could result in significant additional costs to BB&T; and
- widespread system outages, caused by the failure of critical internal systems or critical services provided by third parties, could adversely impact BB&T's financial conditions and results of operations.

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These and other risk factors are more fully described in this report and in BB&T's Annual Report on Form 10-K for the year ended December 31, 2015 under the sections entitled "Item 1A. Risk Factors" and from time to time, in other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Actual results may differ materially from those expressed in or implied by any forward-looking statements. Except to the extent required by applicable law or regulation, BB&T undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

Regulatory Considerations

BB&T and its affiliates are subject to numerous examinations by federal and state banking regulators, as well as the SEC, FINRA, and various state insurance and securities regulators. BB&T has 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. Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2015 for additional disclosures with respect to laws and regulations affecting BB&T.

DIF Assessment

The FDIC has adopted a final rule that imposes a surcharge of 4.5 cents per $100 of the assessment base, after making certain adjustments, for banks with total assets of at least $10 billion. The surcharge will last for a period currently estimated by the FDIC to be two years and will begin the first quarter after the reserve ratio reaches 1.15%. BB&T estimates that the net effect of the new surcharge will increase BB&T's total annual assessment by an amount within the range of $40 million to $50 million.

Amendments to Stress Test Rules

The FDIC has modified the "as-of" dates for financial data that covered banks with more than $10 billion in assets use to perform their stress tests as well as the reporting dates and public disclosure dates of the annual stress tests. The revisions to the regulations became effective on January 1, 2016.

HMDA Regulations

The CFPB has issued final rules changing the reporting requirements for lenders under the HMDA. The new rules expand the range of transactions subject to these requirements to include small business lending. The rules also increase the overall amount of data required to be collected and submitted, including additional data points about the applicable loans and expanded data about the borrowers. BB&T will be required to begin collecting the expanded data on January 1, 2018.

Liquidity Coverage Ratio: Liquidity Risk Measurement Standards

The OCC, the FRB, and the FDIC have adopted a final rule that implements a quantitative liquidity requirement consistent with the liquidity coverage ratio requirement established by the BCBS. Refer to "Market Risk Management" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section herein for additional information.

U.S. Implementation of Basel III

BB&T is currently under the standardized approach for risk weightings. Institutions with greater than $250 billion in assets or $10 billion in foreign assets are considered advanced approaches banking organizations, which results in a more complex calculation of RWA that includes an assessment of the impact of operational risk, among other changes. In addition, advanced approaches institutions have additional reporting requirements and must calculate capital under both the standardized approach and the advanced approaches and use the more conservative result. BB&T is preparing to comply with the advanced approaches requirements as it would become subject to these requirements upon exceeding either of the asset thresholds.

Effective January 1, 2016, Branch Bank became subject to the capital conservation buffer, which requires calculation and public disclosure of the amount of the buffer, the eligible retained income and any limitations on distributions and discretionary bonuses resulting from the buffer, including the maximum payout amount for the quarter. The capital conservation buffer requirements do not currently result in any limitations on distributions or discretionary bonuses for Branch Bank.

Pay Ratio Disclosure

The SEC has adopted amendments to Item 402 of Regulation S-K to require disclosure of: (1) the median compensation amount of the annual total compensation of all employees of a registrant (excluding the CEO), (2) the annual total compensation of that registrant's CEO and (3) the ratio of the median of the annual total compensation of all employees (excluding the CEO) to the annual total compensation of the CEO. The rules will require such pay ratio disclosure information for the first fiscal year beginning on or after January 1, 2017.

Volcker Rule

The Volcker Rule prohibits IDIs from engaging in short-term proprietary trading of certain securities, derivatives, commodity futures and options for their own account. The rule provides certain exemptions and also clarify that certain activities are not prohibited, including acting as agent, broker, or custodian. Banking entities were required to conform proprietary trading activities to the final rule by July 21, 2015.

The rule also imposes limits on certain relationships with hedge funds or private equity funds. The FRB extended the compliance deadline to July 21, 2017 for purposes of conforming investments in and relationships with certain funds that were in place prior to December 31, 2013. Complying with these requirements is not expected to have a material impact on BB&T's consolidated financial position, results of operations or cash flows.

FDIC Recordkeeping Requirements

The FDIC has released a proposed rule to facilitate prompt payment of FDIC-insured deposits when large IDIs fail. The proposal would require IDIs with two million or more deposit accounts to maintain complete and accurate data on each depositor's ownership interest by right and capacity and to develop the capability to calculate the insured and uninsured amounts for each deposit owner by ownership right and capacity. If enacted, this proposed rule would result in additional costs to BB&T.

Net Stable Funding Ratio: Liquidity Risk Measurement, Standards and Monitoring

The OCC, the FRB and the FDIC have issued a proposed rule that would implement a quantitative liquidity requirement consistent with the net stable funding ratio standard established by the BCBS. Refer to the "Liquidity" section in "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein for additional information.

Incentive-Based Compensation Arrangements

During May 2016, several financial regulators jointly issued a proposed rule designed to prohibit incentive-based compensation arrangements that could encourage inappropriate risks by providing excessive compensation or that could lead to a material financial loss. The proposed rule would require the applicable compensation arrangements to be considered against a number of factors, including a requirement that the arrangements contain both financial and non-financial measures of performance. In addition, the requirements would differ based on the size of the institution, and institutions with assets exceeding $50 billion would be subject to mandatory deferral, forfeiture/adjustment and clawback requirements for employees subject to the rule. BB&T is currently reviewing the proposed rule to determine the potential impact.

Executive Summary

Consolidated net income available to common shareholders for the second quarter of 2016 was $541 million, an increase of $87 million compared to the same quarter of 2015. On a diluted per common share basis, earnings for the second quarter of 2016 were $0.66, an increase of $0.04 compared to the second quarter of 2015.

BB&T's results of operations for the second quarter of 2016 produced an annualized return on average assets of 1.06%, an annualized return on average risk-weighted assets of 1.38% and an annualized return on average common shareholders' equity of 8.21%, compared to earlier quarter ratios of 1.06%, 1.32% and 8.20%, respectively.

On April 1, 2016, BB&T acquired National Penn for total consideration of $1.6 billion, which consisted of approximately $555 million in cash and the remainder in stock. National Penn had 126 financial centers, $10.1 billion of total assets and $6.6 billion of deposits. Also on April 1, 2016, BB&T purchased insurance broker CGSC North America Holdings Corporation ("Swett & Crawford") from Cooper Gay Swett & Crawford for $465 million in cash.

Total revenues on a FTE basis were $2.8 billion for the second quarter of 2016, an increase of $420 million compared to the same period in 2015 largely the result of acquisition activity.

Net interest margin was 3.41%, compared to 3.27% for the second quarter of 2015. Average earning assets increased $29.4 billion, or 17.8%, while average interest-bearing liabilities increased $21.7 billion, or 18.7%, both of which were primarily driven by acquisitions. The annualized yield on the total loan portfolio for the second quarter was 4.31%, up 13 basis points compared to the earlier quarter, which was also primarily due to acquisitions. The annualized fully taxable-equivalent yield on the average securities portfolio for the second quarter was 2.47%, up six basis points compared to the earlier quarter primarily due to securities duration adjustments.

The average annualized cost of interest-bearing deposits was 0.23%, down one basis point compared to the second quarter of 2015. The average annualized rate paid on long-term debt was 2.10%, down four basis points.

Noninterest income was up $111 million compared to the second quarter of 2015, which reflects higher insurance income due to the Swett & Crawford acquisition and an increase in other income due to the loss on sale of American Coastal recorded in the earlier period.

Excluding PCI loans, the provision for credit losses was $109 million, compared to $97 million in the second quarter of 2015. Net charge-offs for the second quarter of 2016, excluding PCI loans, totaled $97 million, essentially flat compared to the earlier quarter.

Noninterest expense was $1.8 billion for the second quarter of 2016, was up $144 million compared to the earlier quarter. This increase reflects higher expense in a number of categories primarily resulting from acquisition activity and current quarter restructuring activities, partially offset by a $172 million loss on early extinguishment of debt recorded in the earlier quarter.

The provision for income taxes was $252 million for the second quarter of 2016, compared to $80 million for the earlier quarter. This produced an effective tax rate for the second quarter of 2016 of 30.0%, compared to 13.8% for the second quarter of 2015. The current quarter included a $13 million tax benefit related to specific tax-advantaged assets while the earlier quarter included a $107 million tax benefit in connection with a U.S. Court of Appeals ruling related to previously disallowed deductions in connection with a financing transaction.

The Company released the results of its annual company-run stress tests and announced that the FRB accepted its capital plan and did not object to the Company’s proposed capital actions. On July 26, 2016, BB&T's Board of

Directors approved an increase in the quarterly dividend of $0.02 to $0.30 and authorized cumulative share buybacks of up to $640 million beginning during the third quarter of 2016. These capital actions were consistent with BB&T's capital plan.

Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2015 for additional information with respect to BB&T's recent accomplishments and significant challenges.

Analysis of Results of Operations

Net Interest Income and NIM

Second Quarter 2016 compared to Second Quarter 2015

Net interest income on a FTE basis was $1.7 billion for the second quarter of 2016, an increase of $309 million compared to the same period in 2015. Interest income increased $320 million, which reflects prior year acquisitions and the current quarter acquisition of National Penn. Interest expense was up $11 million, also largely driven by acquisitions.

Net interest margin was 3.41%, compared to 3.27% for the earlier quarter. Average earning assets increased $29.4 billion, or 17.8% while average interest-bearing liabilities increased $21.7 billion, or 18.7%, both of which were primarily driven by acquisitions. The annualized yield on the total loan portfolio for the second quarter was 4.31%, up 13 basis points compared to the earlier quarter, which primarily reflects the impact of purchase accounting. The annualized fully taxable-equivalent yield on the average securities portfolio for the second quarter was 2.47%, compared to 2.41% for the earlier period. This increase is primarily due to securities duration adjustments in the second quarter of 2016.

The average annualized cost of interest-bearing deposits was 0.23%, down one basis point compared to the earlier quarter. The average annualized rate paid on long-term debt was 2.10%, a decrease of four basis points compared to 2.14% for the second quarter of 2015. This decrease is due to favorable rates on new issuances and the extinguishment of higher cost FHLB advances in the earlier quarter.

Six Months of 2016 compared to Six Months of 2015

Net interest income on a FTE basis was $3.2 billion for the six months ended June 30, 2016, an increase of $530 million compared to the same period in 2015. The increase in net interest income reflects a $552 million increase in interest income and a $22 million increase in funding costs. The increase in interest income was driven by an increase in average earning assets of $24.8 billion compared to the same period of 2015, a higher balance of agency MBS and an increase in yields that reflects the impact of purchase accounting. The increase in funding costs was due to a $17.3 billion increase in interest-bearing liabilities, the majority of which were deposits obtained through acquisitions.

The NIM was 3.42% for the six months ended June 30, 2016, compared to 3.30% for the same period of 2015. The 12 basis point increase in NIM reflects the impact of purchase accounting and the impact from deposits representing a greater percentage of overall funding.

The annualized FTE yield on the average securities portfolio for the six months ended June 30, 2016 was 2.44%, flat compared to the annualized yield earned during the same period of 2015.

The annualized FTE yield for the total loan portfolio for the six months ended June 30, 2016 was 4.33%, compared to 4.20% in the corresponding period of 2015. This increase primarily reflects the impact of acquisitions.

The average annualized cost of interest-bearing deposits for the six months ended June 30, 2016 was 0.24%, compared to 0.25% for the same period in the prior year, reflecting improvements in mix.

The average annualized rate paid on long-term debt for the six months ended June 30, 2016 was 2.15%, compared to 2.16% for the same period in 2015. This decrease reflects the early extinguishments of higher cost FHLB advances during the second quarter of 2015 and the issuance of $3.0 billion of long-term debt at lower rates during the second quarter of 2016, partially offset by higher rates on variable rate debt.

The following tables set forth the major components of net interest income and the related annualized yields and rates as well as the variances between the periods caused by changes in interest rates versus changes in volumes. Changes attributable to the mix of assets and liabilities have been allocated proportionally between the changes due to rate and the changes due to volume.

Table 1-1
FTE Net Interest Income and Rate / Volume Analysis (1)
Three Months Ended June 30, 2016 and 2015

	Average Balances (6)		Annualized Yield/Rate		Income/Expense		Increase	Change due to	
	2016	2015	2016	2015	2016	2015	(Decrease)	Rate	Volume
	(Dollars in millions)								
Assets									
Total securities, at amortized cost (2)									
U.S. Treasury	$2,252	$2,561	1.76 %	1.56 %	$10	$10	$ —	$1	$(1)
GSE	4,199	5,400	2.06	2.13	21	28	(7)	(1)	(6)
Agency MBS	38,911	29,245	2.09	2.05	203	149	54	3	51
States and political subdivisions	2,289	1,834	5.17	5.80	30	27	3	(3)	6
Non-agency MBS	71	220	5.14	7.88	1	5	(4)	(1)	(3)
Other	67	623	1.91	1.11	1	2	(1)	1	(2)
Acquired from FDIC	721	844	19.03	11.36	34	24	10	14	(4)
Total securities	48,510	40,727	2.47	2.41	300	245	55	14	41
Other earning assets (3)	3,215	2,645	1.22	1.19	9	7	2	—	2
Loans and leases, net of unearned income (4)(5)									
Commercial:									
Commercial and industrial	51,646	42,541	3.37	3.15	433	335	98	24	74
	14,786	10,730	3.79	3.37	139	90	49	12	37

CRE-income producing properties									
CRE-construction and development	3,669	2,767	3.74	3.31	34	23	11	3	8
Dealer floor plan	1,305	1,010	2.04	1.81	7	5	2	1	1
Direct retail lending	12,031	8,449	4.33	4.04	127	86	41	6	35
Sales finance	9,670	9,507	3.05	2.70	74	64	10	9	1
Revolving credit	2,477	2,365	8.73	8.68	54	51	3	—	3
Residential mortgage	30,471	29,862	4.09	4.14	312	308	4	(4)	8
Other lending subsidiaries	13,961	11,701	8.39	8.72	292	255	37	(10)	47
PCI	1,130	1,055	16.91	14.66	48	38	10	7	3
Total loans and leases HFI	141,146	119,987	4.32	4.19	1,520	1,255	265	48	217
LHFS	1,951	2,069	3.43	3.48	16	18	(2)	—	(2)
Total loans and leases	143,097	122,056	4.31	4.18	1,536	1,273	263	48	215
Total earning assets	194,822	165,428	3.80	3.69	1,845	1,525	320	62	258
Nonearning assets	28,577	23,605							
Total assets	$ 223,399	$ 189,033							
Liabilities and Shareholders' Equity									
Interest-bearing deposits:									
Interest-checking	$ 28,376	$ 20,950	0.15	0.08	11	4	7	5	2
Money market and savings	63,195	53,852	0.19	0.18	29	23	6	1	5

Time deposits	18,101	14,800	0.51	0.72	23	28	(5)	(10)	5
Foreign deposits - interest-bearing	1,865	764	0.38	0.09	1	—	1	1	—
Total interest-bearing deposits	111,537	90,366	0.23	0.24	64	55	9	(3)	12
Short-term borrowings	2,951	3,080	0.34	0.16	3	1	2	2	—
Long-term debt	23,272	22,616	2.10	2.14	121	121	—	(2)	2
Total interest-bearing liabilities	137,760	116,062	0.55	0.61	188	177	11	(3)	14
Noninterest-bearing deposits	48,801	41,502							
Other liabilities	7,228	6,581							
Shareholders' equity	29,610	24,888							
Total liabilities and shareholders' equity	$ 223,399	$ 189,033							
Average interest rate spread			3.25 %	3.08 %					
NIM/net interest income			3.41 %	3.27 %	$ 1,657	$ 1,348	$ 309	$ 65	$ 244
Taxable-equivalent adjustment					$ 40	$ 36			

(1) Yields are stated on a FTE basis assuming tax rates in effect for the periods presented.
(2) Total securities include AFS securities and HTM securities.
(3) Includes Federal funds

sold, securities purchased under resale agreements or similar arrangements, interest-bearing deposits with banks, trading securities, FHLB stock and other earning assets.

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

(5) NPLs are included in the average balances.

(6) Excludes basis adjustments for fair value hedges.

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Table 1-2
FTE Net Interest Income and Rate / Volume Analysis (1)
Six Months Ended June 30, 2016 and 2015

	Average Balances (6)		Annualized Yield/Rate		Income/Expense		Increase	Change due to	
	2016	2015	2016	2015	2016	2015	(Decrease)	Rate	Volume
	(Dollars in millions)								
Assets									
Total securities, at amortized cost (2)									
U.S. Treasury	$ 2,514	$ 2,529	1.73 %	1.53 %	$ 22	$ 19	$ 3	$ 3	$ —
GSE	4,632	5,397	2.09	2.13	48	57	(9)	(1)	(8)
Agency MBS	30,343	29,461	2.04	2.05	370	302	68	(1)	69
States and political subdivisions	2,139	1,828	5.23	5.80	56	53	3	(6)	9
Non-agency MBS	119	224	7.33	7.87	4	9	(5)	(1)	(4)
Other	64	633	1.75	1.25	1	4	(3)	1	(4)
Acquired from FDIC	734	857	18.10	12.93	66	55	11	20	(9)
Total securities	40,545	40,929	2.44	2.44	567	499	68	15	53
Other earning assets (3)	3,310	2,324	2.07	2.02	34	23	11	1	10
Loans and leases, net of unearned income (4)(5)									
Commercial:									
Commercial and industrial	49,830	41,998	3.33	3.17	825	661	164	35	129
	14,138	10,705	3.78	3.38	266	179	87	23	64

CRE-income producing properties									
CRE-construction and development	3,644	2,750	3.75	3.32	68	45	23	6	17
Dealer floor plan	1,272	1,025	2.03	1.80	13	10	3	1	2
Direct retail lending	11,569	8,320	4.29	4.06	245	168	77	10	67
Sales finance	9,859	9,483	3.03	2.71	149	127	22	17	5
Revolving credit	2,470	2,375	8.78	8.76	108	103	5	—	5
Residential mortgage	30,167	30,143	4.09	4.12	617	620	(3)	(3)	—
Other lending subsidiaries	13,700	11,511	8.47	8.82	578	504	74	(21)	95
PCI	1,114	1,105	19.27	15.28	107	83	24	23	1
Total loans and leases HFI	137,763	119,415	4.34	4.21	2,976	2,500	476	91	385
LHFS	1,599	1,735	3.56	3.53	28	31	(3)	—	(3)
Total loans and leases	139,362	121,150	4.33	4.20	3,004	2,531	473	91	382
Total earning assets	189,217	164,403	3.82	3.73	3,605	3,053	552	107	445
Nonearning assets	27,534	23,767							
Total assets	$216,751	$188,170							
Liabilities and Shareholders' Equity									
Interest-bearing deposits:									
Interest checking	$26,990	$20,787	0.14	0.08	19	8	11	8	3
Money market and savings	61,809	52,754	0.20	0.17	61	45	16	8	8

Time deposits	17,493	15,894	0.53	0.72	46	57	(11	)	(16)	5
Foreign deposits - interest-bearing	1,308	664	0.37	0.09	2	—	2		1	1
Total interest-bearing deposits	107,600	90,099	0.24	0.25	128	110	18		1	17
Short-term borrowings	2,861	3,308	0.35	0.14	5	2	3		3	—
Long-term debt	23,090	22,828	2.15	2.16	247	246	1		(1)	2
Total interest-bearing liabilities	133,551	116,235	0.57	0.62	380	358	22		3	19
Noninterest-bearing deposits	47,502	40,607								
Other liabilities	6,980	6,600								
Shareholders' equity	28,718	24,728								
Total liabilities and shareholders' equity	$216,751	$188,170								
Average interest rate spread			3.25 %	3.11 %						
NIM/net interest income			3.42 %	3.30 %	$3,225	$2,695	$ 530		$104	$ 426
Taxable-equivalent adjustment					$79	$71				

(1) Yields are stated on a FTE basis assuming tax rates in effect for the periods presented.
(2) Total securities include AFS securities and HTM securities.
(3) Includes Federal funds

sold, securities purchased under resale agreements or similar arrangements, interest-bearing deposits with banks, trading securities, FHLB stock and other earning assets.

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

(5) NPLs are included in the average balances.

(6) Excludes basis adjustments for fair value hedges.

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Provision for Credit Losses

Second Quarter 2016 compared to Second Quarter 2015

The provision for credit losses totaled $111 million for the second quarter of 2016, compared to $97 million for the same period of the prior year.

Net charge-offs were $97 million for the second quarter of 2016 and $98 million for the second quarter of 2015. Net charge-offs were 0.28% of average loans and leases on an annualized basis for the second quarter of 2016, compared to 0.33% of average loans and leases for the same period in 2015.

Six Months of 2016 compared to Six Months of 2015

The provision for credit losses totaled $295 million for the six months ended June 30, 2016, compared to $196 million for the same period of 2015. The increase was primarily driven by exposure in the energy lending portfolio, which resulted in approximately $58 million of additional provision recorded during the first quarter of 2016.

Net charge-offs for the six months ended June 30, 2016 were $251 million, compared to $199 million for the six months ended June 30, 2015. This increase includes $30 million of net charge-offs recorded during the first quarter of 2016 related to the energy lending portfolio. Net charge-offs in the other lending subsidiaries portfolio increased $36 million, primarily due to lower collateral values in the nonprime auto lending portfolio.

Net charge-offs were 0.37% of average loans and leases on an annualized basis for the six months ended June 30, 2016, compared to 0.33% of average loans and leases for the same period in 2015.

Noninterest Income

Second Quarter 2016 compared to Second Quarter 2015

Noninterest income for the second quarter of 2016 increased $111 million compared to the earlier quarter. This increase was driven by higher other income, insurance income, service charges on deposits and trust and investment advisory revenues, partially offset by lower mortgage banking income.

Insurance income increased $43 million, due to $57 million in revenues attributable to the Swett & Crawford acquisition, partially offset by the loss of $23 million in revenues from American Coastal, which was sold in the earlier quarter. Service charges on deposits increased $12 million, while trust and investment advisory revenues increased $10 million, both of which were largely the result of acquisition-related volumes.

Other income increased $49 million primarily due to a $26 million loss on sale of American Coastal recorded in the earlier period as well as $18 million of higher income related to assets for certain post-employment benefits (which is offset in personnel expense) during the current period.

Mortgage banking income declined $19 million, driven by net mortgage servicing rights valuation adjustments.

The remaining categories of noninterest income totaled $214 million for the current quarter, compared to $198 million for the second quarter of 2015.

Six Months of 2016 compared to Six Months of 2015

Noninterest income for the six months ended June 30, 2016 totaled $2.1 billion, compared to $2.0 billion for the same period in 2015, an increase of $130 million. This change was primarily driven by higher securities gains, insurance income and service charges on deposits, along with smaller increases in a number of other categories, partially offset by lower mortgage banking income.

Securities gains were $45 million for the six months ended June 30, 2016, compared to net securities losses of $1 million for the six months ended June 30, 2015. The current year net gains were the result of first quarter sales activity.

Insurance income was $884 million, compared to $862 million for the first six months of 2015. This increase is primarily due to increased revenues across most insurance businesses as the acquisition of Swett & Crawford, which was acquired April 1, 2016 and contributed $57 million, was largely offset by lower revenue due to the sale of American Coastal.

Service charges on deposits were $320 million for the six months ended June 30, 2016, compared to $299 million for the same period of the prior year. This increase primarily reflects higher volume as a result of acquisitions.

FDIC loss share income was $19 million better in the current period due to lower accretion, partially offset by the impact of securities duration adjustments.

Trust and investment advisory revenues were $129 million for the first half of 2016, compared to $113 million for the prior year period. This increase primarily reflects organic growth along with a smaller benefit from acquisitions.

Mortgage banking income was $202 million for the six months ended June 30, 2016, down from $240 million for the same period of 2015. The decline was primarily due to lower volume for production and sales, and a $15 million net change in MSR valuation.

The remaining categories of noninterest income totaled $690 million for the first six months of 2016, compared to $646 for the first six months of 2015, which reflects a general increase due to acquisition activity.

Noninterest Expense

Second Quarter 2016 compared to Second Quarter 2015

Noninterest expense for the second quarter of 2016 was $1.8 billion, an increase of $144 million compared to the earlier quarter. This increase reflects higher expense in a number of categories as a result of acquisitions and restructuring activities, partially offset by a loss on early extinguishment of debt during the earlier quarter.

Personnel expense increased $175 million, driven by a $94 million increase in salaries, which reflects an increase in full time equivalent employees of 5,046 primarily resulting from acquisitions. Personnel expense also reflects a $31 million increase in incentives due to improved performance relative to target measures and the Swett and Crawford acquisition. Additionally, expense related to certain post-employment benefits expense (offset in other income) was higher $18 million, and pension expense increased $13 million primarily due to changes in actuarial assumptions.

Occupancy and equipment expense, amortization of intangibles and merger-related and restructuring charges increased $28 million, $19 million and $67 million, respectively, as a result of acquisition activity. Merger-related and restructuring charges also included $29 million in restructuring charges related to severance and real estate initiated during the quarter.

Outside IT services was up $15 million primarily due to various systems-related initiatives. Other expense increased $14 million primarily due to higher checkcard expense and higher depreciation of property held under operating leases.

The earlier period included a loss on early extinguishment of debt of $172 million related to the termination of higher-cost FHLB advances totaling $931 million. The loss amounts were driven by the difference between market interest rates at the time of extinguishment and the stated rates on the FHLB advances that were extinguished.

The remaining categories of noninterest expense totaled $155 million for the current quarter, compared to $157 million for the second quarter of 2015.

Six Months of 2016 compared to Six Months of 2015

Noninterest expense totaled $3.3 billion for the six months ended June 30, 2016, an increase of $267 million, or 8.7%, over the same period of the prior year. Primary drivers for the increase in noninterest expense include higher personnel expense, merger-related and restructuring charges, occupancy and equipment expense, amortization of intangibles and outside IT services. These increases were partially offset by the loss on early extinguishment of debt recorded during the earlier period.

Personnel expense was $2.0 billion for the six months ended June 30, 2016, an increase of $260 million compared to the six months ended June 30, 2015. Salary expense was $161 million higher as a result of approximately 4,300 additional full time equivalent employees, primarily due to acquisitions. Incentives were $48 million higher due to acquisitions and improved performance relative to target measures. The increase in personnel expense also includes a $24 million increase in pension plan expense that was driven by higher amortization of net actuarial losses and higher interest cost. Other components of personnel expense experienced smaller increases as a result of the overall increase in headcount.

Merger-related and restructuring charges totaled $115 million for the six months ended June 30, 2016, compared to $38 million for the prior year period. This increase is primarily due to activity related to National Penn, as well as $29 million in restructuring charges related to severance and real estate initiated during the second quarter of 2016.

Occupancy and equipment expense and amortization of intangibles increased $52 million and $30 million, respectively, as a result of acquisition activity. Outside IT services increased $26 million, primarily due to various systems-related initiatives.

The earlier period included a loss on early extinguishment of debt of $172 million related to the termination of higher-cost FHLB advances totaling $931 million.

Other categories of noninterest expense totaled $730 million for the six months ended June 30, 2016, compared to $735 million for the same period of 2015.

Provision for Income Taxes

Second Quarter 2016 compared to Second Quarter 2015

The provision for income taxes was $252 million for the second quarter of 2016, compared to $80 million for the earlier quarter. This produced an effective tax rate for the second quarter of 2015 of 30.0%, compared to 13.8% for the earlier quarter. The current quarter includes a $13 million tax benefit related to specific tax-advantaged assets, while the second quarter of 2015 includes a $107 million tax benefit recorded in connection with a U.S. Court of Appeals ruling related to previously disallowed deductions in connection with a financing transaction.

Six Months of 2016 compared to Six Months of 2015

The provision for income taxes was $498 million for the six months ended June 30, 2016, compared to $321 million for the same period of the prior year. BB&T's effective income tax rate for the six months ended June 30, 2016 was 30.1%, compared to 23.4% for the same period of the prior year. This reflects the $13 million tax benefit in 2016 and the $107 million tax benefit in 2015 discussed previously.

Refer to Note 11 "Income Taxes" in the "Notes to Consolidated Financial Statements" for a discussion of uncertain tax positions and other tax matters.

Segment Results

See the "Operating Segments" Note in the "Notes to Consolidated Financial Statements" contained herein and BB&T's Annual Report on Form 10-K for the year ended December 31, 2015, for additional disclosures related to BB&T's reportable business segments. Fluctuations in noninterest income and noninterest expense incurred directly by the segments are more fully discussed in the "Noninterest Income" and "Noninterest Expense" sections above.

The financial information related to National Penn's operations is included in the Other, Treasury & Corporate segment for the second quarter of 2016 and will be presented in certain other segments following the systems conversion date in July 2016.

Table 2
Net Income by Reportable Segments

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(Dollars in millions)			
Community Banking	$294	$231	$595	$439
Residential Mortgage Banking	44	69	83	133
Dealer Financial Services	51	49	93	94
Specialized Lending	61	58	117	111
Insurance Holdings	44	53	97	125
Financial Services	87	70	114	136
Other, Treasury and Corporate	6	(29)	58	10
BB&T Corporation	$587	$501	$1,157	$1,048

Second Quarter 2016 compared to Second Quarter 2015

Community Banking

Community Banking serves individual and business clients by offering a variety of loan and deposit products and other financial services. The segment is primarily responsible for acquiring and maintaining client relationships.

Community Banking net income was $294 million for the second quarter of 2016, an increase of $63 million compared to the earlier quarter. Segment net interest income and noninterest income increased $188 million and $15 million, respectively, primarily driven by prior-year acquisition activity and higher funding spreads on deposits. The allocated provision for credit losses increased $12 million as a result of higher loss estimates in the commercial and industrial loan portfolio, partially offset by lower net charge-offs. Noninterest expense increased $62 million driven by higher personnel and occupancy and equipment expense, primarily attributable to the prior-year acquisitions. Allocated corporate expense increased by $23 million compared to the earlier quarter, primarily driven by acquisitions.

Residential Mortgage Banking

Residential Mortgage Banking originates and purchases mortgage loans to either hold for investment or sell to third-parties. BB&T generally retains the servicing rights to loans sold. Mortgage products include fixed and adjustable-rate government guaranteed and conventional loans used for the purpose of constructing, purchasing or refinancing residential properties. Substantially all of the properties are owner-occupied.

Residential Mortgage Banking net income was $44 million for the second quarter of 2016, a decrease of $25 million compared to the earlier quarter. Segment net interest income was down slightly, primarily due to lower average loan balances. Noninterest income decreased $18 million, driven by lower net mortgage servicing rights income and production-related revenue. The increase in noninterest expense was driven by higher personnel and loan processing expense, partially offset by lower professional services expense.

Dealer Financial Services

Dealer Financial Services originates loans to consumers for the purchase of automobiles. These loans are originated on an indirect basis through approved franchised and independent automobile dealers throughout BB&T's market area through BB&T Dealer Finance, and on a national basis through Regional Acceptance Corporation. Dealer Financial Services also originates loans for the purchase of recreational and marine vehicles. In conjunction with Community Banking, Dealer Financial Services provides financing and servicing to dealers for their inventories in Community Banking’s footprint.

Dealer Financial Services net income was $51 million for the second quarter of 2016, an increase of $2 million compared to the earlier quarter. Segment net interest income was up, primarily due to the addition of Susquehanna’s consumer auto leasing business as well as growth in the Regional Acceptance loan portfolio. The allocated provision for credit losses increased $10 million, driven by higher net charge-offs in the Regional Acceptance loan portfolio due to portfolio mix and an increase in loss severity.

Specialized Lending

Specialized Lending consists of businesses that provide specialty finance solutions to commercial and consumer clients including: commercial finance, mortgage warehouse lending, tax-exempt financing for local governments and special-purpose districts, equipment leasing, full-service commercial mortgage banking, commercial and retail insurance premium finance and dealer-based financing of equipment for consumers and small businesses.

Specialized Lending net income was $61 million for the second quarter of 2016, an increase of $3 million compared to the earlier quarter. Segment net interest income increased $20 million, primarily attributable to the addition of Susquehanna's small business equipment finance group as well as growth in the small ticket dealer-based finance portfolio, partially offset by lower interest rates on new loans. The allocated provision for credit losses was up slightly, primarily due to mortgage warehouse loan growth and higher net charge-offs in the small business equipment finance portfolio and the small ticket dealer-based finance portfolio. Noninterest expense was up, primarily due to higher personnel expense and depreciation of property held under operating leases related to growth in Equipment Finance's lease portfolio.

Insurance Holdings

BB&T's insurance agency / brokerage network is the fifth largest in the United States and sixth largest in the world. Insurance Holdings provides property and casualty, life, and health insurance to businesses and individual clients. It also provides small business and corporate products, such as workers compensation and professional liability, as well as surety coverage and title insurance. The results for wholesale insurance broker Swett & Crawford are included in the segment.

Insurance Holdings net income was $44 million for the second quarter of 2016, a decrease of $9 million compared to the earlier quarter. Noninterest income increased $40 million, which primarily reflects the addition of Swett and Crawford and higher life insurance commissions, partially offset by the sale of American Coastal in the second quarter of 2015. Noninterest expense increased $40 million, primarily due to the Swett & Crawford acquisition that led to higher personnel, occupancy and equipment expense, and amortization of intangibles.

Financial Services

Financial Services provides personal trust administration, estate planning, investment counseling, wealth management, asset management, employee benefits services, corporate banking and corporate trust services to individuals, corporations, institutions, foundations and government entities. In addition, Financial Services offers clients a variety of investment services, including discount brokerage services, equities, annuities, mutual funds and government bonds through BB&T Investment Services, Inc. The segment includes BB&T Securities, a full-service brokerage and investment banking firm, and the Corporate Banking Division, which originates and services large corporate relationships, syndicated lending relationships and client derivatives. The segment also includes the company's SBIC private equity investments.

Financial Services net income was $87 million in the second quarter of 2016, an increase of $17 million compared to the earlier quarter. Segment net interest income increased $29 million, primarily driven by higher loan balances and higher funding spreads on deposits for Corporate Banking and BB&T Wealth. The allocated provision for credit losses decreased $17 million, driven by increased loss estimates in the earlier quarter for the Corporate Banking loan portfolio. Noninterest expense increased $13 million compared to the earlier quarter, primarily due to higher personnel expense and restructuring charges.

Other, Treasury & Corporate

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

Other, Treasury & Corporate net income was $6 million, an increase of $35 million compared to the earlier quarter. Segment net interest income increased $64 million driven by the addition of National Penn. Noninterest income increased $74 million, primarily attributable to an increase in income related to assets for certain post-employment benefits and the addition of National Penn. In addition, noninterest income in the earlier quarterly included the previously discussed loss on sale of American Coastal. The segment allocated $36 million more of expense to other operating segments compared to the earlier quarter.

Six Months of 2016 compared to Six Months of 2015

Community Banking

Community Banking net income was $595 million for the six months ended June 30, 2016, an increase of $156 million compared to the same period of the prior year. Segment net interest income increased $397 million driven by prior-year acquisition activity and higher funding spreads on deposits. Noninterest income increased $32 million, primarily due to higher service charges on deposits, checkcard fees and bankcard and merchant services fees. The allocated provision for credit losses decreased $11 million as a result of lower net charge-offs. Noninterest expense increased $126 million driven by higher personnel and occupancy and equipment expense, primarily attributable to the prior-year acquisitions. Amortization of intangibles increased $20 million and allocated corporate expense increased by $50 million, also primarily attributable to the prior-year acquisitions.

Residential Mortgage Banking

Residential Mortgage Banking net income was $83 million for the six months ended June 30, 2016, a decrease of $50 million compared to the same period in the prior year. Segment net interest income decreased $10 million primarily the result of lower average loan balances and lower interest rates on new loans held for investment. Noninterest income decreased $31 million driven by lower net MSR income and production-related revenue. The allocated provision for credit losses increased $30 million as the prior year reflected an improvement in loss severity trends compared to the current year.

Dealer Financial Services

Dealer Financial Services net income was $93 million for the six months ended June 30, 2016, a decrease of $1 million compared to the same period of the prior year. Segment net interest income increased $23 million, primarily due to the addition of Susquehanna's consumer auto leasing business and growth in the Regional Acceptance loan portfolio. The allocated provision for credit losses increased $25 million driven by higher net charge-offs in the Regional Acceptance loan portfolio due to portfolio mix and an increase in loss severity.

Specialized Lending

Specialized Lending net income was $117 million for the six months ended June 30, 2016, an increase of $6 million compared to the same period of the prior year. Segment net interest income increased $38 million, primarily attributable to the addition of Susquehanna's small business equipment finance group as well as growth in the small ticket dealer-based finance portfolio, partially offset by lower interest rates on new loans. The allocated provision for credit losses increased $12 million driven by higher net charge-offs in the small business equipment finance and small ticket dealer-based finance portfolios. Noninterest expense increased $16 million primarily due to higher personnel expense, loan processing expense and depreciation of property under operating leases related to growth in the lease portfolio.

Insurance Holdings

Insurance Holdings net income was $97 million for the six months ended June 30, 2016, a decrease of $28 million compared to the same period of the prior year. Noninterest income increased $19 million, which primarily reflects the addition of Swett and Crawford, higher property and casualty insurance, life insurance and employee benefit commissions, partially offset by the sale of American Coastal in the second quarter of 2015. Noninterest expense increased $37 million driven by higher personnel expense primarily attributable to the addition of Swett and Crawford, partially offset by lower business referral and insurance claims expense driven by the sale of American

Coastal.

Financial Services

Financial Services net income was $114 million for the six months ended June 30, 2016, a decrease of $22 million compared to the same period of the prior year. Segment net interest income increased $58 million, primarily driven by higher loan and deposit balances and higher funding spreads on deposits for Corporate Banking and BB&T Wealth. The allocated provision for credit losses increased $49 million driven by loan growth, higher net charge-offs and increased loss estimates primarily related to energy lending exposure within the Corporate Banking loan portfolio. Noninterest expense increased $32 million compared to the prior year, primarily due to higher personnel expense and restructuring charges.

Other, Treasury & Corporate

Other, Treasury & Corporate net income was $58 million for the six months ended June 30, 2016, an increase of $48 million compared to the same period of the prior year. Segment net interest income increased $17 million driven by the addition of National Penn in the current quarter, partially offset by higher funding credits on deposits allocated to other segments. Noninterest income increased $110 million, primarily attributable to security gains on the investment portfolio, higher FDIC loss share income and the addition of National Penn. Noninterest expense increased $23 million driven by higher personnel and occupancy and equipment expense partially attributable to National Penn, merger-related and restructuring charges, regulatory charges, IT professional services and software expense. These increases were partially offset by the previously discussed loss on early extinguishment of debt in the prior year. Allocated corporate expense decreased by $77 million compared to the prior year, reflecting increases in corporate expense allocated to the operating segments.

Analysis of Financial Condition

Investment Activities

The total securities portfolio was $47.0 billion at June 30, 2016, compared to $43.8 billion at December 31, 2015. As of June 30, 2016, the securities portfolio included $28.2 billion of AFS securities (at fair value) and $18.8 billion of HTM securities (at amortized cost).

The effective duration of the securities portfolio was 3.1 years at June 30, 2016, compared to 4.0 years at December 31, 2015. The duration of the securities portfolio excludes equity securities, auction rate securities and certain non-agency residential MBS that were acquired in the Colonial acquisition.

See the "Securities" Note in the "Notes to Consolidated Financial Statements" herein for additional disclosures related to BB&T's evaluation of securities for OTTI.

Lending Activities

Loans HFI totaled $142.2 billion at June 30, 2016, compared to $136.0 billion at December 31, 2015. The increase in loans HFI was primarily due to the acquisition of National Penn, which included $6.0 billion in loans as of the acquisition date.

Commercial and industrial loans increased $3.7 billion or $1.1 billion excluding National Penn, primarily due to growth in large corporate lending and mortgage warehouse lending. CRE-income producing properties loans were up $1.5 billion (up $249 million excluding National Penn) and direct retail lending loans were up $885 million (up $118 million excluding National Penn).

Other lending subsidiaries loans were up $1.0 billion, which represents organic growth and seasonality.

Residential mortgage loans were up $117 million but down $883 million excluding National Penn, which reflects the continuing strategy to sell conforming residential mortgage loan production. Sales finance loans were down $898 million (down $1.1 billion excluding National Penn) due to the continued effects of the dealer pricing structure changes implemented during the third quarter of 2015.

The following table presents the composition of average loans and leases:
Table 3
Composition of Average Loans and Leases

	For the Three Months Ended				
	6/30/2016	3/31/2016	12/31/2015	9/30/2015	6/30/2015
	(Dollars in millions)				
Commercial and industrial	$51,646	$48,013	$48,047	$46,462	$42,541
CRE-income producing properties	14,786	13,490	13,264	12,514	10,730
CRE-construction and development	3,669	3,619	3,766	3,502	2,767
Dealer floor plan	1,305	1,239	1,164	1,056	1,010
Direct retail lending	12,031	11,107	10,896	9,926	8,449
Sales finance	9,670	10,049	10,533	10,386	9,507
Revolving credit	2,477	2,463	2,458	2,421	2,365
Residential mortgage	30,471	29,864	30,334	30,384	29,862
Other lending subsidiaries	13,961	13,439	13,281	12,837	11,701
PCI	1,130	1,098	1,070	1,052	1,055
Total average loans and leases HFI	$141,146	$134,381	$134,813	$130,540	$119,987

Average loans held for investment for the second quarter of 2016 were $141.1 billion, up $6.8 billion compared to the first quarter of 2016. National Penn contributed $5.9 billion in average loans, which included commercial and industrial loans of $2.5 billion, CRE-income producing properties loans of $1.2 billion, $967 million of residential mortgage loans and $889 million of direct retail lending loans. The following discussion describes the growth of average loans excluding National Penn for the second quarter of 2016 compared to the first quarter.

Average commercial and industrial loans increased 9.4% annualized primarily due to growth in large corporate lending as well as seasonal growth in mortgage warehouse lending.

Average CRE-income producing properties loans increased 4.3% annualized, while average CRE-construction and development loans decreased 8.8% annualized. These fluctuations reflect the completion of client construction projects and the related movement to permanent financing sources.

Dealer floor plan average loans were up 21.4% annualized, due to organic client additions during the first half of 2016 and higher utilization by existing clients.

Average sales finance loans declined approximately 21.3% annualized, primarily due to the continued effects of the dealer pricing structure changes implemented during the third quarter of 2015.

Average residential mortgage loans decreased 4.8% annualized, which primarily reflects the continuing strategy to sell conforming residential mortgage loan production.

Other lending subsidiaries average loans increased 15.6% annualized, due to strong seasonal growth.

Asset Quality

NPAs totaled $886 million at June 30, 2016, compared to $712 million at December 31, 2015. This increase reflects $206 million of commercial and industrial NPLs that were downgraded as a result of a review of shared national credits in the energy lending portfolio during the first quarter of 2016, partially offset by the sale of a $46 million NPL during the second quarter of 2016.

At June 30, 2016, nonperforming loans and leases represented 0.56% of loans and leases held for investment, compared to 0.42% at December 31, 2015. This increase is due to the energy lending portfolio review discussed above.

The following table presents activity related to NPAs, excluding foreclosed real estate acquired from the FDIC:
Table 4
Rollforward of NPAs

	Six Months Ended June 30,	
	2016	2015
	(Dollars in millions)	
Beginning balance	$686	$726
New NPAs	970	570
Advances and principal increases	88	36
Disposals of foreclosed assets (1)	(253)	(220)
Disposals of NPLs (2)	(109)	(75)
Charge-offs and losses	(159)	(126)
Payments	(291)	(159)
Transfers to performing status	(65)	(70)
Other, net	2	—
Ending balance	$869	$682

(1) Includes charge-offs and losses recorded upon sale of $90 million and $72 million for the six months ended June 30, 2016 and 2015, respectively.

(2) Includes charge-offs and losses recorded upon sale of $7 million and $12 million for the six months ended June 30, 2016 and 2015, respectively.

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

Table 5
Asset Quality

	Three Months Ended				
	6/30/2016	3/31/2016	12/31/2015	9/30/2015	6/30/2015
	(Dollars in millions)				
NPAs (1)					
NPLs:					
Commercial and industrial	$452	$ 442	$ 237	$ 211	$ 198
CRE-income producing properties	36	48	38	45	59
CRE-construction and development	14	11	13	24	16
Dealer floor plan	—	—	—	7	7
Direct retail lending	52	51	43	39	41
Sales finance	5	7	7	6	6
Residential mortgage (2)	172	163	173	196	188
Other lending subsidiaries	62	64	65	57	57
Total nonaccrual loans and leases held for investment (2)	793	786	576	585	572
Foreclosed real estate	53	66	82	85	86
Foreclosed real estate-acquired from FDIC and PCI	17	23	26	45	47
Other foreclosed property	23	28	28	29	24
Total nonperforming assets (1)(2)	$886	$ 903	$ 712	$ 744	$ 729
Performing TDRs (3)					
Commercial and industrial	$39	$ 52	$ 49	$ 54	$ 75
CRE-income producing properties	16	18	13	12	21
CRE-construction and development	10	13	16	14	23
Direct retail lending	69	70	72	75	81
Sales finance	16	17	17	18	18
Revolving credit	31	32	33	34	36
Residential mortgage-nonguaranteed	276	281	288	275	273
Residential mortgage-government guaranteed (4)	348	317	316	321	328
Other lending subsidiaries	198	181	178	173	172
Total performing TDRs (3)(4)	$1,003	$ 981	$ 982	$ 976	$ 1,027
Loans 90 days or more past due and still accruing					
Direct retail lending	$5	$ 6	$ 7	$ 12	$ 10
Sales finance	4	4	5	4	4
Revolving credit	8	10	10	9	9
Residential mortgage-nonguaranteed	56	55	55	61	60
Residential mortgage-government guaranteed (5)	415	434	486	481	492
PCI	122	100	114	167	124
Total loans 90 days or more past due and still accruing (5)	$610	$ 609	$ 677	$ 734	$ 699
Loans 30-89 days past due					
Commercial and industrial	$20	$ 27	$ 36	$ 26	$ 16
CRE-income producing properties	8	7	13	6	4
CRE-construction and development	2	6	9	2	3

Direct retail lending	53	48	58	46	41
Sales finance	61	53	72	63	53
Revolving credit	19	18	22	20	19
Residential mortgage-nonguaranteed	361	350	397	368	362
Residential mortgage-government guaranteed (6)	81	66	78	76	76
Other lending subsidiaries	261	207	304	274	230
PCI	48	43	42	28	31
Total loans 30-89 days past due (6)	$914	$ 825	$ 1,031	$ 909	$ 835

Excludes loans held for sale.
(1) PCI loans are accounted for using the accretion method.
(2) During the second quarter of 2016, approximately $46 million of nonaccrual commercial and industrial loans were sold. During the first quarter of 2016, approximately $32 million of nonaccrual residential mortgage loans were sold. During the fourth quarter of 2015, approximately $50 million of nonaccrual residential mortgage loans were sold.
(3) Includes $33 million of performing TDRs at June 30, 2016 related to government guaranteed GNMA mortgage loans that were previously TDRs and have been repurchased by BB&T.
(4) Excludes TDRs that are nonperforming totaling $146 million, $172 million, $146 million, $154 million and $127 million at June 30, 2016, March 31, 2016, December 31, 2015, September 30, 2015 and June 30, 2015, respectively. These amounts are included in total NPAs.
(5) Includes government guaranteed GNMA mortgage loans that BB&T has the right but not the obligation to repurchase that are 90 days or more past due totaling $49 million, $323 million, $365 million, $353 million and $338 million at June 30, 2016, March 31, 2016, December 31, 2015, September 30, 2015 and June 30, 2015, respectively. In prior quarters, these amounts were excluded from this table.
(6) Includes government guaranteed GNMA mortgage loans that BB&T has the right but not the obligation to repurchase that are past due 30-89 days totaling $2 million, $2 million, $2 million, $3 million and $3 million at June 30, 2016, March 31, 2016, December 31, 2015, September 30, 2015 and June 30, 2015, respectively. In prior quarters, these amounts were excluded from this table.

Table 6
Asset Quality Ratios

	As of / For the Three Months Ended				
	6/30/2016	3/31/2016	12/31/2015	9/30/2015	6/30/2015
Asset Quality Ratios:					
Loans 30-89 days past due and still accruing as a percentage of loans and leases HFI	0.64 %	0.61 %	0.76 %	0.67 %	0.68 %
Loans 90 days or more past due and still accruing as a percentage of loans and leases HFI	0.43	0.45	0.50	0.54	0.57
NPLs as a percentage of loans and leases HFI	0.56	0.58	0.42	0.43	0.47
NPAs as a percentage of:					
Total assets	0.40	0.42	0.34	0.36	0.38
Loans and leases HFI plus foreclosed property	0.62	0.67	0.52	0.55	0.60
Net charge-offs as a percentage of average loans and leases HFI	0.28	0.46	0.38	0.32	0.33
ALLL as a percentage of loans and leases HFI	1.06	1.10	1.07	1.08	1.19
Ratio of ALLL to:					
Net charge-offs	3.88x	2.40x	2.83x	3.44x	3.71x
NPLs	1.90	1.89	2.53	2.49	2.55
Asset Quality Ratios (Excluding Government Guaranteed and PCI): (1)					
Loans 90 days or more past due and still accruing as a percentage of loans and leases HFI	0.05 %	0.06 %	0.06 %	0.06 %	0.07 %

Applicable ratios are annualized.
(1)

These asset quality ratios have been adjusted to remove the impact of government guaranteed mortgage loans and PCI. Appropriate adjustments to the numerator and denominator have been reflected in the calculation of these ratios. Management believes the inclusion of such assets in these asset quality ratios results in distortion of these ratios such that they might not be reflective of asset collectibility or might not be comparable to other periods presented or to other portfolios that were not impacted by purchase accounting.

Loans 30-89 days past due and still accruing totaled $914 million at June 30, 2016, down $117 million compared to December 31, 2015. Other lending subsidiaries declined $43 million, reflecting normal seasonality in certain consumer loans. The remaining decline was broad-based, as most categories continued to display strong credit metrics.

Loans 90 days or more past due and still accruing totaled $610 million at June 30, 2016, a decline of $67 million compared to December 31, 2015. This decline includes a $71 million reduction for past due government guaranteed residential mortgage loans, which reflects general improvements in credit quality within that portfolio. Excluding government guaranteed and PCI loans, the ratio of loans 90 days or more past due and still accruing as a percentage of loans and leases was 0.05% at June 30, 2016, a decline of one basis point compared to December 31, 2015.

Problem loans include loans on nonaccrual status or loans that are 90 days or more past due and still accruing as disclosed in Table 5. In addition, for the commercial portfolio segment, loans that are rated special mention or substandard performing are closely monitored by management as potential problem loans. Refer to the "Loans and ACL" Note in the "Notes to Consolidated Financial Statements" herein for additional disclosures related to these potential problem loans.

Certain residential mortgage loans have an initial period where the borrower is only required to pay the periodic interest. After the interest-only period, the loan will require the payment of both interest and principal over the remaining term. At June 30, 2016, approximately 2.9% of the outstanding balances of residential mortgage loans were in the interest-only phase, compared to 3.3% at December 31, 2015. Approximately 90.1% of the interest-only balances will begin amortizing within the next three years. Approximately 2.1% of interest-only loans are 30 days or more past due and still accruing and 1.5% are on nonaccrual status.

Home equity lines, which are a component of the direct retail portfolio, generally require interest-only payments during the first 15 years after origination. After this initial period, the outstanding balance begins amortizing and requires the payment of both interest and principal. At June 30, 2016, approximately 72.4% of the outstanding balances of home equity lines were in the interest-only phase. Approximately 9.3% of these balances will begin amortizing within the next three years. The delinquency rate of interest-only lines is similar to amortizing lines.

TDRs occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term and a concession has been granted to the borrower. As a result, BB&T will work with the borrower to prevent further difficulties and ultimately improve the likelihood of recovery on the loan. To facilitate this process, a concessionary modification that would not otherwise be considered may be granted, resulting in classification of the loan as a TDR. Refer to the "Summary of Significant Accounting Policies" Note in the "Notes to Consolidated Financial Statements" in the Annual Report on Form 10-K for the year ended December 31, 2015 for additional policy information regarding TDRs.

Performing TDRs totaled $1.0 billion at June 30, 2016, an increase of $21 million compared to December 31, 2015. This increase was primarily the result of implementing a change in the strategy of repurchasing loans from GNMA pools that BB&T has the right but not the obligation to repurchase. The following table provides a summary of HFI performing TDR activity:

Table 7
Rollforward of Performing TDRs

	Six Months Ended June 30,	
	2016	2015
	(Dollars in millions)	
Beginning balance	$982	$1,050
Inflows	243	240
Payments and payoffs	(98)	(122)

Charge-offs	(18)	(21)
Transfers to nonperforming TDRs, net	(35)	(31)
Removal due to the passage of time	(23)	(9)
Non-concessionary re-modifications	—	(1)
Sold and transferred to LHFS	(48)	(79)
Ending balance	$1,003	$1,027

The following table provides further details regarding the payment status of TDRs outstanding at June 30, 2016:
Table 8
TDRs

	June 30, 2016						
	Current Status		Past Due 30-89 Days		Past Due 90 Days Or More		Total
	(Dollars in millions)						
Performing TDRs (1):							
Commercial and industrial	$39	100.0%	$—	— %	$—	— %	$39
CRE—income producing properties	16	100.0	—	—	—	—	16
CRE—construction and development	10	100.0	—	—	—	—	10
Direct retail lending	67	97.1	2	2.9	—	—	69
Sales finance	15	93.8	1	6.2	—	—	16
Revolving credit	26	83.9	4	12.9	1	3.2	31
Residential mortgage—nonguaranteed	235	85.1	38	13.8	3	1.1	276
Residential mortgage—government guaranteed	185	53.2	61	17.5	102	29.3	348
Other lending subsidiaries	168	84.8	30	15.2	—	—	198
Total performing TDRs (1)	761	75.9	136	13.5	106	10.6	1,003
Nonperforming TDRs (2)	62	42.5	24	16.4	60	41.1	146
Total TDRs (1)(2)	$823	71.6	$160	13.9	$166	14.5	$1,149

(1) Past due performing TDRs are included in past due disclosures.
(2) Nonperforming TDRs are included in NPL disclosures.

Allowance for Credit Losses

The ACL, which consists of the ALLL and the RUFC, totaled $1.6 billion at June 30, 2016, an increase of $53 million compared to December 31, 2015.

The allowance for loan and lease losses, excluding PCI, was $1.4 billion, up $43 million compared to December 31, 2015. The allowance for loans acquired from the FDIC and PCI loans was $65 million, up $4 million compared to December 31, 2015. As of June 30, 2016, the total allowance for loan and lease losses was 1.06% of loans and leases held for investment, compared to 1.07% at December 31, 2015. These amounts include acquired loans, which did not receive an ALLL at the acquisition date.

The allowance for loan and lease losses was 1.90 times NPLs held for investment, compared to 2.53 times at December 31, 2015. This change reflects the increase in commercial nonaccrual loans discussed above. The remaining NPLs identified in the shared national credits review were current as of June 30, 2016. At June 30, 2016, the allowance for loan and lease losses was 3.88 times annualized net charge-offs, compared to 2.83 times at December 31, 2015.

The energy portfolio totals approximately $1.5 billion and has allocated reserves of 9.3%. This portfolio does not include any offshore, second lien or mezzanine loans.

Net charge-offs during the second quarter of 2016 totaled $97 million, or 0.28% of average loans and leases, compared to $98 million, or 0.33% of average loans and leases for the second quarter of 2015. For the six months ended June 30, 2016, net charge-offs totaled $251 million, compared to $199 million for the comparable prior year period. The other lending subsidiaries portfolio represents $36 million of the increase, driven by higher loss frequency and lower collateral values in the nonprime auto lending business. The remaining increase is primarily due to the $30 million of charge-offs related to the energy lending portfolio that were recorded during the first quarter of 2016. As a percentage of average loans and leases, annualized net charge-offs were 0.37% for the six months ended June 30, 2016, compared to 0.33% for the comparable prior year period.

Charge-offs related to PCI loans represent realized losses in certain acquired loan pools that exceed the amounts originally estimated at the acquisition date. This impairment was provided for in prior quarters and therefore the charge-offs have no impact on the Consolidated Statements of Income.

Refer to the "Loans and ACL" Note in the "Notes to Consolidated Financial Statements" for additional disclosures.

The following table presents an allocation of the ALLL at June 30, 2016 and December 31, 2015. This allocation of the ALLL is calculated on an approximate basis and is not necessarily indicative of future losses or allocations. The entire amount of the allowance is available to absorb losses occurring in any category of loans and leases.

Table 9
Allocation of ALLL by Category

	June 30, 2016		December 31, 2015	
	Amount	% Loans in each category	Amount	% Loans in each category
	(Dollars in millions)			
Commercial and industrial	$519	36.5 %	$466	35.8 %
CRE-income producing properties	116	10.5	135	9.9
CRE-construction and development	28	2.6	37	2.7
Dealer floor plan	10	0.9	8	0.9
Direct retail lending	105	8.5	105	8.2
Sales finance	36	6.6	40	7.6
Revolving credit	98	1.8	104	1.8
Residential mortgage-nonguaranteed	194	21.0	194	21.8
Residential mortgage-government guaranteed	30	0.6	23	0.6
Other lending subsidiaries	306	10.2	287	9.9
PCI	65	0.8	61	0.8
Total ALLL	1,507	100.0 %	1,460	100.0 %
RUFC	96		90	
Total ACL	$1,603		$1,550	

Activity related to the ACL is presented in the following table:
Table 10
Analysis of ACL

	Three Months Ended				
	6/30/2016	3/31/2016	12/31/2015	9/30/2015	6/30/2015
	(Dollars in millions)				
Beginning balance	$1,580	$ 1,550	$ 1,551	$ 1,535	$ 1,532
Provision for credit losses (excluding PCI)	109	182	128	100	97
Provision (benefit) for PCI loans	2	2	1	3	—
Charge-offs:					
Commercial and industrial	(26)	(56)	(19)	(16)	(32)
CRE-income producing properties	—	(2)	(3)	(4)	(4)
CRE-construction and development	—	—	(1)	(1)	—
Direct retail lending	(12)	(13)	(14)	(15)	(13)
Sales finance	(6)	(8)	(10)	(5)	(5)
Revolving credit	(16)	(19)	(16)	(17)	(19)
Residential mortgage-nonguaranteed	(8)	(7)	(14)	(7)	(8)
Residential mortgage-government guaranteed	(1)	(1)	(2)	(3)	(1)
Other lending subsidiaries	(73)	(92)	(85)	(77)	(57)
Total charge-offs	(142)	(198)	(164)	(145)	(139)
Recoveries:					
Commercial and industrial	12	12	8	8	13
CRE-income producing properties	1	3	1	3	1
CRE-construction and development	5	1	2	3	2
Direct retail lending	6	7	6	8	7
Sales finance	3	3	2	2	2
Revolving credit	5	5	5	5	5
Residential mortgage-nonguaranteed	1	1	1	1	1
Other lending subsidiaries	12	12	9	8	10
Total recoveries	45	44	34	38	41
Net charge-offs	(97)	(154)	(130)	(107)	(98)
Other	9	—	—	20	4
Ending balance	$1,603	$ 1,580	$ 1,550	$ 1,551	$ 1,535
ALLL (excluding PCI)	$1,442	$ 1,425	$ 1,399	$ 1,398	$ 1,400
ALLL for PCI loans	65	63	61	60	57
RUFC	96	92	90	93	78
Total ACL	$1,603	$ 1,580	$ 1,550	$ 1,551	$ 1,535

	Six Months Ended June 30,	
	2016	2015
	(Dollars in millions)	
Beginning balance	$1,550	$1,534
Provision for credit losses (excluding PCI)	291	202
Provision (benefit) for PCI loans	4	(6)
Charge-offs:		
Commercial and industrial	(82)	(46)
CRE-income producing properties	(2)	(13)
CRE-construction and development	—	(2)
Direct retail lending	(25)	(25)
Sales finance	(14)	(11)
Revolving credit	(35)	(37)
Residential mortgage-nonguaranteed	(15)	(19)
Residential mortgage-government guaranteed	(2)	(1)
Other lending subsidiaries	(165)	(124)
PCI	—	(1)
Total charge-offs	(340)	(279)
Recoveries:		
Commercial and industrial	24	21
CRE-income producing properties	4	3
CRE-construction and development	6	6
Direct retail lending	13	15
Sales finance	6	5
Revolving credit	10	10
Residential mortgage-nonguaranteed	2	1
Other lending subsidiaries	24	19
Total recoveries	89	80
Net charge-offs	(251)	(199)
Other	9	4
Ending balance	$1,603	$1,535

FDIC Loss Share Receivable and Assets Acquired from the FDIC

In connection with the Colonial acquisition, Branch Bank entered into loss sharing agreements with the FDIC that outline the terms and conditions under which the FDIC will reimburse Branch Bank for a portion of the losses incurred on certain loans, OREO, investment securities and other assets. Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2015 for additional information regarding the loss sharing agreements and a summary of the accounting treatment for related assets and liabilities. The following table presents the carrying amount of assets by loss share agreement:

Table 11
Assets Acquired from the FDIC by Loss Share Agreement

	June 30, 2016		December 31, 2015	
	Commercial	Total	Commercial	Total

		Single Family			Single Family	
	(Dollars in millions)					
Loans and leases	$240	$ 482	$722	$273	$ 539	$812
AFS securities	943	—	943	1,064	—	1,064
Other assets	23	22	45	32	27	59
Total assets acquired from the FDIC	$1,206	$ 504	$1,710	$1,369	$ 566	$1,935
UPB of loans and leases	$377	$ 654	$1,031	$462	$ 725	$1,187

As of October 1, 2014, the loss share provisions of the commercial loss sharing agreement expired; however, gains on the disposition of assets subject to this agreement will be shared with the FDIC through September 30, 2017. Any gains realized after September 30, 2017 would not be shared with the FDIC. Assets subject to the single family loss sharing agreement are indemnified through August 31, 2019. BB&T has commenced negotiations with the FDIC to terminate the loss sharing agreements. While a final termination agreement has not been reached, the impact of a settlement is not expected to be material to the financial condition of BB&T. Should a final agreement be reached, future financial results would no longer include amounts related to the FDIC loss sharing provisions. However, the accounting for the related loans and securities would not be affected by the termination of these agreements.

The gain/loss sharing coverage related to the acquired AFS securities is based on a contractually-specified value of the securities as of the date of the commercial loss sharing agreement, adjusted to reflect subsequent pay-downs, redemptions or maturities on the underlying securities. The contractually-specified value of these securities was approximately $449 million and $492 million at June 30, 2016 and December 31, 2015, respectively. During the period of gain sharing (October 1, 2014 through September 30, 2017), any decline in the fair value of the acquired AFS securities down to the contractually-specified value would reduce BB&T's liability to the FDIC at the applicable loss sharing percentage. BB&T is not indemnified for declines in the fair value of the acquired securities below the contractually-specified amount.

The following table provides information related to the carrying amounts and fair values of the components of the FDIC loss share receivable (payable):
Table 12
FDIC Loss Share Receivable (Payable)

Attributable to:	June 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in millions)			
Loans	$218	$47	$285	$11
Securities	(520)	(507)	(536)	(518)
Aggregate loss calculation	(153)	(159)	(149)	(158)
Total	$(455)	$(619)	$(400)	$(665)

The decrease in the carrying amount of the FDIC loss share receivable attributable to loans acquired from the FDIC was due to the receipt of cash from the FDIC, negative accretion due to credit loss improvement and the offset to the provision for loans acquired from the FDIC. The change in the carrying amount attributable to the aggregate loss calculation is primarily due to accretion up to the expected payment. The fair values are based upon a discounted cash flow methodology that is consistent with the acquisition date methodology. The fair value attributable to acquired loans and the aggregate loss calculation changes over time due to the receipt of cash from the FDIC, updated credit loss assumptions and the passage of time. The fair value attributable to securities acquired from the FDIC is based upon the timing and amount that would be payable to the FDIC should the securities settle at the current fair value at the conclusion of the gain sharing period.

The cumulative amount recognized through earnings related to securities acquired from the FDIC resulted in a liability of $299 million as of June 30, 2016. Securities acquired from the FDIC are classified as AFS and carried at fair market value, and the changes in unrealized gains/losses are offset by the applicable loss share percentage in AOCI, which resulted in an additional pre-tax liability of $221 million as of June 30, 2016. BB&T would only owe these amounts to the FDIC if BB&T were to sell these securities prior to October 1, 2017. BB&T does not currently intend to dispose of the acquired securities.

Following the conclusion of the 10 year loss share period in 2019, should actual aggregate losses, excluding securities, be less than an amount determined in accordance with these agreements, BB&T will pay the FDIC a portion of the difference. As of June 30, 2016, BB&T projects that in 2019 it would owe the FDIC approximately $170 million under the aggregate loss calculation. This liability is expensed over time and BB&T has recognized total expense of approximately $153 million through June 30, 2016.

Deposits

Deposits totaled $159.2 billion at June 30, 2016, an increase of $10.1 billion from December 31, 2015. This change is primarily due to the acquisition of National Penn, which provided $6.6 billion in deposits as of the acquisition date.

The following table presents the composition of average deposits for the last five quarters:
Table 13
Composition of Average Deposits

	For the Three Months Ended				
	6/30/2016	3/31/2016	12/31/2015	9/30/2015	6/30/2015
	(Dollars in millions)				
Noninterest-bearing deposits	$48,801	$46,203	$ 45,824	$44,153	$41,502
Interest checking	28,376	25,604	24,157	22,593	20,950
Money market and savings	63,195	60,424	61,431	59,306	53,852
Time deposits	18,101	16,884	16,981	16,837	14,800
Foreign office deposits - interest-bearing	1,865	752	98	948	764
Total average deposits	$160,338	$149,867	$ 148,491	$143,837	$131,868

Average deposits for the second quarter were $160.3 billion, an increase of $10.5 billion compared to the prior quarter. National Penn contributed $6.6 billion of average deposits. Excluding National Penn, average deposits were up 10.5% annualized. The following discussion describes growth of average deposits excluding National Penn for the second quarter of 2016 compared to the first quarter.

Average noninterest-bearing deposits increased 12.1% annualized due to increases in personal balances and commercial balances, partially offset by decreases in public funds.

Interest checking grew 15.8% annualized primarily due to increases in personal balances and commercial balances.

Money market and savings increased 2.2% annualized as increases in personal balances and commercial balances were partially offset by declines in public funds.

Average foreign office deposits were up $1.1 billion primarily due to elevated short-term funding needs as a result of the acquisitions of National Penn and Swett & Crawford.

Including acquisitions, noninterest-bearing deposits represented 30.4% of total average deposits for the second quarter, compared to 30.8% for the prior quarter and 31.5% a year ago. The cost of interest-bearing deposits was 0.23% for the second quarter, down two basis points compared to the prior quarter.

Borrowings

At June 30, 2016, short-term borrowings totaled $1.5 billion, a decrease of $2.1 billion compared to December 31, 2015. Short-term borrowings fluctuate based on the Company's funding needs. Long-term debt totaled $24.4 billion at June 30, 2016, an increase of $666 million from the balance at December 31, 2015, which reflects the issuance of $3.0 billion worth of senior notes, partially offset by normal repayment activity and maturities.

Shareholders' Equity

Total shareholders' equity at June 30, 2016 was $29.7 billion, compared to $27.3 billion at December 31, 2015. This increase was primarily driven by net income of $1.2 billion, net common stock issuances of $1.1 billion (primarily due to National Penn), a preferred stock issuance for net proceeds of $450 million and a $191 million net change in AOCI, partially offset by common and preferred dividends totaling $519 million. BB&T's book value per common share at June 30, 2016 was $32.72, compared to $31.66 at December 31, 2015.

Merger-Related and Restructuring Activities

In conjunction with the consummation of an acquisition and completion of other requirements, BB&T typically accrues certain merger-related expenses, which may include 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. Merger-related and restructuring accruals are re-evaluated periodically and adjusted as necessary. The remaining accruals at June 30, 2016 are expected to be utilized within one year, unless they relate to specific contracts that expire later. The following table presents a summary of BB&T's merger accrual activity.

Table 14
Merger-Related and Restructuring Accrual Rollforward

	Three Months Ended June 30, 2016				Six Months Ended June 30, 2016			
	Beginning Balance	Expense	Utilized	Ending Balance	Beginning Balance	Expense	Utilized	Ending Balance
	(Dollars in millions)							
Personnel-related items	$20	$ 30	$ (8)	$ 42	$26	$ 34	$ (18)	$ 42
Occupancy and equipment	7	40	(26)	21	11	42	(32)	21
Professional services	16	2	(17)	1	13	10	(22)	1
Systems conversion and related charges	1	7	(8)	—	—	12	(12)	—
Other adjustments	1	13	(11)	3	2	17	(16)	3
Total	$45	$ 92	$ (70)	$ 67	$52	$ 115	$ (100)	$ 67

Critical Accounting Policies

The accounting and reporting policies of BB&T are in accordance with GAAP and conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. BB&T's financial position and results of operations are affected by management's application of accounting policies, including estimates, assumptions and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues and expenses. Different assumptions in the application of these policies could result in material changes in the consolidated financial position and/or consolidated results of operations and related disclosures. The more critical accounting and reporting policies include accounting for the ACL, determining fair value of financial instruments, intangible assets, costs and benefit obligations associated with pension and postretirement benefit plans, and income taxes. Understanding BB&T's accounting policies is fundamental to understanding the consolidated financial position and consolidated results of operations. Accordingly, the critical accounting policies are discussed in detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in BB&T's Annual Report on Form 10-K for the year ended December 31, 2015. Significant accounting policies and changes in accounting principles and effects of new accounting pronouncements are discussed in detail in "Basis of Presentation" Note in the "Notes to Consolidated Financial Statements" in BB&T's Annual Report on Form 10-K for the year ended December 31, 2015. Effective January 1, 2016, BB&T adopted the fair value method for commercial MSRs. There have been no other changes to the significant accounting policies during 2016. Additional disclosures regarding the effects of new accounting pronouncements are included in the "Basis of Presentation" Note included herein.

Risk Management

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

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

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

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

The principal types of inherent risk include compliance, credit, liquidity, market, operational, reputation and strategic risks. Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2015 for disclosures related to each of these risks under the section titled "Risk Management."

Market Risk Management

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

Interest Rate Market Risk (Other than Trading)

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

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

BB&T uses derivatives primarily to manage economic risk related to securities, commercial loans, MSRs and mortgage banking operations, long-term debt and other funding sources. BB&T also uses derivatives to facilitate transactions on behalf of its clients. As of June 30, 2016, BB&T had derivative financial instruments outstanding with notional amounts totaling $79.1 billion, with a net fair value gain of $180 million. See the "Derivative Financial Instruments" Note in the "Notes to Consolidated Financial Statements" herein for additional disclosures.

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

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

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

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

Table 15

Interest Sensitivity Simulation Analysis

Interest Rate Scenario			Annualized Hypothetical Percentage Change in Net Interest Income June 30,	
Linear Change in Prime Rate	Prime Rate June 30,			
	2016	2015	2016	2015
Up 200 bps	5.50 %	5.25 %	3.18 %	2.23 %
Up 100	4.50	4.25	2.42	1.60
No Change	3.50	3.25	—	—
Down 25	3.25	3.00	(1.42)	0.18

The MRLCC has established parameters related to interest sensitivity that prescribe a maximum negative impact on net interest income under different interest rate scenarios. In the event the results of the Simulation model fall outside the established parameters, management will make recommendations to the MRLCC on the most appropriate response given the current economic forecast. The following parameters and interest rate scenarios are considered BB&T's primary measures of interest rate risk:

- Maximum negative impact on net interest income of 2% for the next 12 months assuming a 25 basis point change in interest rates each month for four months followed by a flat interest rate scenario for the remaining eight month period.

- Maximum negative impact on net interest income of 4% for the next 12 months assuming a 25 basis point change in interest rates each month for eight months followed by a flat interest rate scenario for the remaining four month period.

If a rate change of 200 basis points cannot be modeled due to a low level of rates, a proportional limit applies. Management currently only models a negative 25 basis point decline because larger declines would have resulted in a Federal funds rate of less than zero. In a situation such as this, the maximum negative impact on net interest income is adjusted on a proportional basis. Regardless of the proportional limit, the negative risk exposure limit will be the greater of 2% or the proportional limit.

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Management has also established a maximum negative impact on net interest income of 4% for an immediate 100 basis points change in rates and 8% for an immediate 200 basis points change in rates. These "interest rate shock" limits are designed to create an outer band of acceptable risk based upon a significant and immediate change in rates.

Management also considers potential negative interest rate scenarios, which implies that a depositor would pay a premium for a financial institution to hold funds on deposit. In such a scenario, some depositors may choose to withdraw their deposits in lieu of paying an interest rate to BB&T to hold such deposits. As a result, management considers potential pricing and structure changes, such as the movement to a primarily fee-based deposit system. Negative rates would also diminish the spreads on loans and securities. As a result, management considers interest rate floors or rate index floors in loans to mitigate this risk. BB&T purchases both fixed and variable rate securities. The fixed rate securities would be beneficial in a negative interest rate environment.

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

Beta represents the correlation between overall market interest rates and the rates paid by BB&T on interest-bearing deposits. BB&T applies an average beta of approximately 80% to its managed rate deposits for determining its interest rate sensitivity. Managed rate deposits are high beta, premium money market and interest checking accounts, which attract significant client funds when needed to support balance sheet growth. BB&T regularly conducts sensitivity on other key variables to determine the impact they could have on the interest rate risk position. This allows BB&T to evaluate the likely impact on its balance sheet management strategies due to a more extreme variation in a key assumption than expected.

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

Table 16
Deposit Mix Sensitivity Analysis

Linear Change in Rates	Base Scenario at June 30, 2016 (1)	Results Assuming a Decrease in Noninterest Bearing Demand Deposits	
		$1 Billion	$5 Billion
Up 200 bps	3.18 %	2.97 %	2.10 %
Up 100	2.42	2.29	1.75

(1) The base scenario is equal to the annualized hypothetical percentage change in net interest income at June 30, 2016 as presented in the preceding table.

If rates increased 200 basis points, BB&T could absorb the loss of $14.6 billion, or 29.4%, of noninterest bearing deposits and replace them with managed rate deposits with a beta of 100% before becoming neutral to interest rate changes.

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

Table 17
EVE Simulation Analysis

	EVE/Assets		Hypothetical Percentage Change in EVE	
Change in	June 30,		June 30,	
Interest Rates	2016	2015	2016	2015
Up 200 bps	10.4%	11.5%	5.5 %	(0.5)%
Up 100	10.3	11.7	5.2	1.3
No Change	9.8	11.5	—	—
Down 25	9.5	11.4	(3.0)	(1.2)

Market Risk from Trading Activities

BB&T also manages market risk from trading activities which consists of acting as a financial intermediary to provide its customers access to derivatives, foreign exchange and securities markets. Trading market risk is managed through the use of statistical and non-statistical risk measures and limits. BB&T utilizes a historical VaR methodology to measure and aggregate risks across its covered trading BUs. This methodology uses two years of historical data to estimate economic outcomes for a one-day time horizon at a 99% confidence level. The average 99% one-day VaR and the maximum daily VaR for the three months ended June 30, 2016 and 2015 were each less than $1 million. Market risk disclosures under Basel II.5 are available in the Additional Disclosures section of the Investor Relations site on www.bbt.com.

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

Refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2015 for discussion with respect to BB&T's quantitative and qualitative disclosures about its fixed and determinable contractual obligations. Additional disclosures about BB&T's contractual obligations, commitments and derivative financial instruments are included in the "Commitments and Contingencies" Note and "Fair Value Disclosures" Note in the "Notes to Consolidated Financial Statements."

The following table presents activity in residential mortgage indemnification, recourse and repurchase reserves:

Table 18
Mortgage Indemnification, Recourse and Repurchase
Reserves Activity

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015

	(Dollars in millions)			
Balance, at beginning of period	$83	$88	$79	$94
Payments	(1)	(2)	(2)	(4)
Expense (benefit)	(2)	(3)	3	(7)
Balance, at end of period	$80	$83	$80	$83

Liquidity

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

BB&T monitors the ability to meet customer demand for funds under both normal and stressed market conditions. In considering its liquidity position, management evaluates BB&T's funding mix based on client core funding, client rate-sensitive funding and non-client rate-sensitive funding. In addition, management also evaluates exposure to rate-sensitive funding sources that mature in one year or less. Management also measures liquidity needs against 30 days of stressed cash outflows for Branch Bank. To ensure a strong liquidity position, management maintains a liquid asset buffer of cash on hand and highly liquid unpledged securities. The Company has established a policy that the liquid asset buffer would be a minimum of 5% of total assets, but intends to maintain the ratio well in excess of this level. As of June 30, 2016 and December 31, 2015, BB&T's liquid asset buffer was 13.7% and 13.5%, respectively, of total assets.

BB&T is considered to be a "modified LCR" holding company. BB&T would be subject to full LCR requirements if its operations were to fall under the "internationally active" rules, which would generally be triggered if BB&T's assets were to increase above $250 billion. BB&T produces LCR calculations to effectively manage the position of High-Quality Liquid Assets and the balance sheet deposit mix to optimize BB&T's liquidity position. BB&T's LCR was approximately 135% at June 30, 2016, compared to the regulatory minimum for such entities of 90%, which puts BB&T in full compliance with the rule. The regulatory minimum will increase to 100% on January 1, 2017.

On April 27, 2016, the OCC, the FRB and the FDIC released a notice of proposed rulemaking for the US version of the net stable funding ratio. Under the proposal, BB&T will be a "modified NSFR" holding company. BB&T would be subject to full NSFR requirements if it has $250 billion or more in assets or $10 billion or more in total on-balance sheet foreign exposure. BB&T is evaluating the information in the release but does not currently expect a material impact on its results of operations or financial condition. The proposed rule would become effective January 1, 2018.

Parent Company

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

Liquidity at the Parent Company is more susceptible to market disruptions. BB&T prudently manages cash levels at the Parent Company to cover a minimum of one year of projected contractual cash outflows which includes unfunded external commitments, debt service, preferred dividends and scheduled debt maturities without the benefit of any new cash infusions. Generally, BB&T maintains a significant buffer above the projected one year of contractual cash outflows. In determining the buffer, BB&T considers cash requirements for common and preferred dividends, unfunded commitments to affiliates, being a source of strength to its banking subsidiaries and being able to withstand sustained market disruptions that could limit access to the capital markets. As of June 30, 2016 and December 31, 2015, the Parent Company had 33 months and 36 months, respectively, of cash on hand to satisfy projected contractual cash outflows as described above.

Branch Bank

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

Branch Bank has several major sources of funding to meet its liquidity requirements, including access to capital markets through issuance of senior or subordinated bank notes and institutional CDs, access to the FHLB system, dealer repurchase agreements and repurchase agreements with commercial clients, access to the overnight and term Federal funds markets, use of a Cayman branch facility, access to retail brokered CDs and a borrower in custody program with the FRB for the discount window. As of June 30, 2016, Branch Bank has approximately $79.5 billion of secured borrowing capacity, which represents approximately 9.0 times the amount of one year wholesale funding maturities.

Capital

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

Management regularly monitors the capital position of BB&T on both a consolidated and bank level basis. In this regard, management's overriding policy is to maintain capital at levels that are in excess of the operating capital guidelines, which are above the regulatory "well capitalized" levels. Management has implemented stressed capital ratio minimum guidelines to evaluate whether capital ratios calculated with planned capital actions are likely to remain above minimums specified by the FRB for the annual CCAR. Breaches of stressed minimum guidelines prompt a review of the planned capital actions included in BB&T's capital plan.
Table 19
BB&T's Internal Capital Guidelines

	Operating		Stressed	
Tier 1 Capital Ratio	10.0	%	7.5	%
Total Capital Ratio	12.0		9.5	
Tier 1 Leverage Capital Ratio	8.0		5.5	
Tangible Common Equity Ratio	6.0		4.0	
Common Equity Tier 1 Ratio	8.5		6.0	

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

Basel III capital requirements became effective on January 1, 2015. Risk-based capital ratios for the quarter ended June 30, 2016, which include common equity tier 1, Tier 1 capital, total capital and leverage capital, are calculated based on Basel III regulatory transitional guidance related to the measurement of capital, risk-weighted assets and average assets.

The Company released the results of its annual company-run stress tests and announced that the FRB accepted its capital plan and did not object to the Company’s proposed capital actions. On July 26, 2016, BB&T's Board of Directors approved an increase in the quarterly dividend of $0.02 to $0.30 and authorized cumulative share buybacks of up to $640 million beginning during the third quarter of 2016. These capital actions were consistent with BB&T's capital plan.

Table 20
Capital Ratios (1)

	June 30, 2016		December 31, 2015	
	(Dollars in millions, except per share data, shares in thousands)			
Risk-based:				
Common equity tier 1	10.0	%	10.3	%
Tier 1	11.7		11.8	
Total	13.9		14.3	
Leverage capital	9.6		9.8	
Non-GAAP capital measures (2):				
Tangible common equity as a percentage of tangible assets	7.6	%	7.7	%
Tangible common equity per common share	$ 19.75		$ 19.82	
Calculations of tangible common equity and tangible assets (2):				
Total shareholders' equity	$ 29,743		$ 27,340	
Less:				
Preferred stock	3,053		2,603	
Noncontrolling interests	39		34	
Intangible assets	10,567		9,234	
Tangible common equity	$ 16,084		$ 15,469	
Total assets	$ 221,859		$ 209,947	
Less:				
Intangible assets	10,567		9,234	
Tangible assets	$ 211,292		$ 200,713	
Risk-weighted assets	$ 176,232		$ 166,611	
Common shares outstanding at end of period	814,500		780,337	

(1) Current quarter regulatory capital information is preliminary and based on transitional approach.

(2) Tangible common equity and related ratios are non-GAAP measures. Management uses these measures to assess the quality of capital and believes that investors may find them useful in their analysis of the Company. These capital measures are not necessarily comparable to similar capital measures that may be presented by other companies.

The Company's estimated common equity tier 1 ratio using the Basel III standardized approach on a fully phased-in basis was 9.8% at June 30, 2016 and 10.0% at December 31, 2015. Capital levels remained strong at June 30, 2016. BB&T declared total common dividends of $0.28 per share during the second quarter of 2016, which represents a $0.01 increase and resulted in a dividend payout ratio of 41.8%. Capital ratios decreased during the second quarter as the deployment of capital for acquisitions was greater than the impact of earnings in excess of dividends.

Table 21
Capital Requirements Under Basel III

	Minimum Capital	Well-Capitalized	Minimum Capital Plus Capital Conservation Buffer 2016	2017	2018	2019 (1)	BB&T Target
Common equity Tier 1 to risk-weighted assets	4.5 %	6.5 %	5.125 %	5.750 %	6.375 %	7.000 %	8.5 %
Tier 1 capital to risk-weighted assets	6.0	8.0	6.625	7.250	7.875	8.500	10.0
Total capital to risk-weighted assets	8.0	10.0	8.625	9.250	9.875	10.500	12.0
Leverage ratio	4.0	5.0	N/A	N/A	N/A	N/A	8.0

(1) BB&T's goal is to maintain capital levels above the 2019 requirements.

Share Repurchase Activity

During June of 2015, the Board of Directors authorized a new stock repurchase plan, the 2015 Repurchase Plan, to repurchase up to 50 million shares of the Company's common stock. Repurchases under the 2015 Repurchase Plan may be effected through open market purchases or privately negotiated transactions. The timing and exact amount of repurchases will be consistent with the Company's capital plan and subject to various factors, including the Company's capital position, liquidity, financial performance, alternative uses of capital, stock trading price and general market conditions, and may be suspended at any time. The 2015 Repurchase Plan does not have an expiration date. Shares that are repurchased pursuant to the 2015 Repurchase Plan will constitute authorized but unissued shares of the Company and will therefore be available for future issuances. No shares were repurchased in connection with the 2015 Repurchase Plan through June 30, 2016. The Board of Directors has authorized up to $640 million of share repurchases over a one-year period beginning with the third quarter of 2016.

Table 22
Share Repurchase Activity

	Total Shares Repurchased (1)	Average Price Paid Per Share (2)	Total Shares Purchased Pursuant to Publicly-Announced Plan (3)
	(Shares in thousands)		
April 2016	19	$ 34.09	—
May 2016	11	34.86	—
June 2016	24	34.65	—
Total	54	34.49	—

(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.
(3) The maximum remaining number of shares available for repurchase pursuant to publicly-announced plan was 50 million at June 30, 2016.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

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	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

			BB&T CORPORATION (Registrant)
Date:	July 28, 2016	By:	/s/ Daryl N. Bible Daryl N. Bible Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date:	July 28, 2016	By:	/s/ Cynthia B. Powell Cynthia B. Powell Executive Vice President and Corporate Controller (Principal Accounting Officer)