BB&T CORP
Form 10-Q
July 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

For the quarterly period ended: June 30, 2015

Commission file number: 1-10853

BB&T CORPORATION

(Exact name of registrant as specified in its charter)

North Carolina	**56-0939887**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**

200 West Second Street **27101**
Winston-Salem, North Carolina

(Zip Code)
(Address of Principal Executive Offices)
(336) 733-2000

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

At June 30, 2015, 733,480,586 shares of the Registrant's common stock, $5 par value, were outstanding.

BB&T CORPORATION
FORM 10-Q
June 30, 2015
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Glossary of Defined Terms

The following terms may be used throughout this Report, including the consolidated financial statements and related notes.

Term	Definition
2015 Repurchase Plan	Plan for the repurchase of up to 50 million shares of BB&T’s common stock
2006 Repurchase Plan	Plan for the repurchase of up to 50 million shares of BB&T’s common stock
ACL	Allowance for credit losses
Acquired from FDIC	Assets of Colonial Bank acquired from the Federal Deposit Insurance Corporation during 2009, which are currently covered or were formerly covered under loss sharing agreements
AFS	Available-for-sale
Agency MBS	Mortgage-backed securities issued by a U.S. government agency or GSE
ALLL	Allowance for loan and lease losses
American Coastal	American Coastal Insurance Company
AOCI	Accumulated other comprehensive income (loss)
Basel III	Global regulatory standards on bank capital adequacy and liquidity published by the BCBS
BB&T	BB&T Corporation and subsidiaries
BCBS	Basel Committee on Bank Supervision
BHC	Bank holding company
BHCA	Bank Holding Company Act of 1956, as amended
Branch Bank	Branch Banking and Trust Company
BU	Business Unit
CCAR	Comprehensive Capital Analysis and Review
CD	Certificate of deposit
CDI	Core deposit intangible assets
CFPB	Consumer Financial Protection Bureau
CEO	Chief Executive Officer
CRO	Chief Risk Officer
CMO	Collateralized mortgage obligation
Colonial	Collectively, certain assets and liabilities of Colonial Bank acquired by BB&T in 2009
Company	BB&T Corporation and subsidiaries (interchangeable with "BB&T" above)
CRA	Community Reinvestment Act of 1977
CRE	Commercial real estate
CRMC	Credit Risk Management Committee
CROC	Compliance Risk Oversight Committee
DIF	Deposit Insurance Fund administered by the FDIC
Directors’ Plan	Non-Employee Directors’ Stock Option Plan
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EITSC	Enterprise IT Steering Committee
EPS	Earnings per common share
ERP	Enterprise resource planning
EVE	Economic value of equity
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board

FATCA	Foreign Account Tax Compliance Act
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHC	Financial Holding Company
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FINRA	Financial Industry Regulatory Authority
FNMA	Federal National Mortgage Association
FRB	Board of Governors of the Federal Reserve System
FTE	Fully taxable-equivalent
FTP	Funds transfer pricing
GAAP	Accounting principles generally accepted in the United States of America
GNMA	Government National Mortgage Association

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Term	Definition
Grandbridge	Grandbridge Real Estate Capital, LLC
GSE	U.S. government-sponsored enterprise
HFI	Held for investment
HMDA	Home Mortgage Disclosure Act
HTM	Held-to-maturity
HUD-OIG	Office of Inspector General, U.S. Department of Housing and Urban Development
IDI	Insured depository institution
IMLAFA	International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001
IPV	Independent price verification
IRA	Individual retirement account
IRC	Internal Revenue Code
IRS	Internal Revenue Service
ISDA	International Swaps and Derivatives Association, Inc.
LCR	Liquidity Coverage Ratio
LHFS	Loans held for sale
LIBOR	London Interbank Offered Rate
MBS	Mortgage-backed securities
MRLCC	Market Risk, Liquidity and Capital Committee
MSR	Mortgage servicing right
MSRB	Municipal Securities Rulemaking Board
NIM	Net interest margin
NPA	Nonperforming asset
NPL	Nonperforming loan
NPR	Notice of Proposed Rulemaking
NYSE	NYSE Euronext, Inc.
OAS	Option adjusted spread
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income (loss)
OREO	Other real estate owned
ORMC	Operational Risk Management Committee
OTTI	Other-than-temporary impairment
Parent Company	BB&T Corporation, the parent company of Branch Bank and other subsidiaries
Patriot Act	Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001
Peer Group	Financial holding companies included in the industry peer group index
Reform Act	Federal Deposit Insurance Reform Act of 2005
RMC	Risk Management Committee
RMO	Risk Management Organization
RSU	Restricted stock unit
RUFC	Reserve for unfunded lending commitments
S&P	Standard & Poor's
SBIC	Small Business Investment Company
SCAP	Supervisory Capital Assessment Program
SEC	Securities and Exchange Commission
Short-Term Borrowings	Federal funds purchased, securities sold under repurchase agreements and other short-term borrowed funds with original maturities of less than one year
Simulation	Interest sensitivity simulation analysis

TBA	To be announced
TDR	Troubled debt restructuring
U.S.	United States of America
U.S. Treasury	United States Department of the Treasury
UPB	Unpaid principal balance
VA	U.S. Department of Veterans Affairs
VaR	Value-at-risk
VIE	Variable interest entity

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

	June 30, 2015	December 31, 2014
Assets		
Cash and due from banks	$ 1,607	$ 1,639
Interest-bearing deposits with banks	824	529
Federal funds sold and securities purchased under resale agreements or similar arrangements	190	157
Restricted cash	379	374
AFS securities at fair value	21,183	20,907
HTM securities (fair value of $19,455 and $20,313 at June 30, 2015 and December 31, 2014, respectively)	19,437	20,240
LHFS at fair value	2,469	1,423
Loans and leases	122,301	119,884
ALLL	(1,457)	(1,474)
Loans and leases, net of ALLL	120,844	118,410
Premises and equipment	1,900	1,827
Goodwill	7,141	6,869
Core deposit and other intangible assets	514	505
Residential MSRs at fair value	912	844
Other assets	13,617	13,110
Total assets	$ 191,017	$ 186,834
Liabilities and Shareholders' Equity		
Deposits:		
	$ 42,234	$ 38,786

Noninterest-bearing deposits		
Interest-bearing deposits	90,549	90,254
Total deposits	132,783	129,040
Short-term borrowings	3,883	3,717
Long-term debt	23,271	23,312
Accounts payable and other liabilities	5,948	6,388
Total liabilities	165,885	162,457
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, $5 par, liquidation preference of $25,000 per share	2,603	2,603
Common stock, $5 par	3,667	3,603
Additional paid-in capital	6,667	6,517
Retained earnings	12,891	12,317
AOCI, net of deferred income taxes	(748)	(751)
Noncontrolling interests	52	88
Total shareholders' equity	25,132	24,377
Total liabilities and shareholders' equity	$ 191,017	$ 186,834
Common shares outstanding	733,481	720,698
Common shares authorized	2,000,000	2,000,000
Preferred shares outstanding	107	107
Preferred shares authorized	5,000	5,000

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest Income				
Interest and fees on loans and leases	$ 1,249	$ 1,295	$ 2,486	$ 2,590
Interest and dividends on securities	232	234	472	470
Interest on other earning assets	8	8	24	23
Total interest income	1,489	1,537	2,982	3,083
Interest Expense				
Interest on deposits	55	60	110	120
Interest on short-term borrowings	1	1	2	2
Interest on long-term debt	121	133	246	271
Total interest expense	177	194	358	393
Net Interest Income	1,312	1,343	2,624	2,690
Provision for credit losses	97	74	196	134
Net Interest Income After Provision for Credit Losses	1,215	1,269	2,428	2,556
Noninterest Income				
Insurance income	422	422	862	849
Service charges on deposits	154	158	299	308
Mortgage banking income	130	86	240	160
Investment banking and brokerage fees and commissions	108	92	202	180
Bankcard fees and merchant discounts	55	54	105	100
Trust and investment advisory revenues	57	55	113	109
Checkcard fees	43	42	82	80
Operating lease income	30	20	59	42
Income from bank-owned life insurance	27	25	57	52
FDIC loss share income, net	(64)	(88)	(143)	(172)
Other income	58	92	141	175
Securities gains (losses), net				
Gross realized gains	2		2	6
Gross realized losses				(3)
OTTI charges	(2)		(2)	(23)
Non-credit portion recognized in OCI	(1)		(1)	22
Total securities gains (losses), net	(1)		(1)	2
Total noninterest income	1,019	958	2,016	1,885
Noninterest Expense				
Personnel expense	864	809	1,694	1,591

Occupancy and equipment expense	166	168	333	344
Loan-related expense	37	80	75	131
Software expense	46	42	90	85
Professional services	35	34	59	67
Outside IT services	29	31	59	58
Regulatory charges	25	30	48	59
Amortization of intangibles	23	23	44	46
Foreclosed property expense	14	10	27	19
Merger-related and restructuring charges, net	25	13	38	21
Loss on early extinguishment of debt	172		172	
Other expense	217	294	436	498
Total noninterest expense	1,653	1,534	3,075	2,919
Earnings				
Income before income taxes	581	693	1,369	1,522
Provision for income taxes	80	216	321	472
Net income	501	477	1,048	1,050
Noncontrolling interests	10	16	32	56
Preferred stock dividends	37	37	74	74
Net income available to common shareholders	$ 454	$ 424	$ 942	$ 920
EPS				
Basic	$ 0.63	$ 0.59	$ 1.30	$ 1.29
Diluted	$ 0.62	$ 0.58	$ 1.29	$ 1.27
Cash dividends declared	$ 0.27	$ 0.24	$ 0.51	$ 0.47
Weighted Average Shares Outstanding				
Basic	724,880	719,080	723,268	715,978
Diluted	734,527	728,452	733,002	726,388

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

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BB&T CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollars in millions)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net Income	$ 501	$ 477	$ 1,048	$ 1,050
OCI, net of tax:				
Change in unrecognized net pension and postretirement costs	9	2	18	3
Change in unrealized net gains (losses) on cash flow hedges	73	(2)	19	9
Change in unrealized net gains (losses) on AFS securities	(107)	86	(50)	165
Net change in FDIC's share of unrealized gains/losses on AFS securities	9	3	19	9
Other, net	1	5	(3)	1
Total OCI	(15)	94	3	187
Total comprehensive income	$ 486	$ 571	$ 1,051	$ 1,237

Income Tax Effect of Items Included in OCI:

Change in unrecognized net pension and postretirement costs	$ 5	$ 1	$ 11	$ 2
Change in unrealized net gains (losses) on cash flow hedges	43	(1)	11	6
Change in unrealized net gains	(65)	53	(31)	98

(losses) on AFS securities				
Net change in FDIC's share of unrealized gains/losses on AFS securities	9	1	14	4
Other, net		2		1

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

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BB&T CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
Six Months Ended June 30, 2015 and 2014
(Dollars in millions, shares in thousands)

	Shares of Common Stock	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	AOCI	Noncontrolling Interests	Total Shareholders' Equity
Adjusted Balance, January 1, 2014	706,620	$ 2,603	$ 3,533	$ 6,172	$ 11,015	$ (593)	$ 50	$ 22,780
Add (Deduct):								
Net income					994		56	1,050
Net change in AOCI						187		187
Stock transactions:								
Issued in connection with equity awards	14,097		71	209				280
Shares repurchased in connection with equity awards	(2,177)		(11)	(70)				(81)
Excess tax benefits in connection with equity awards				49				49
Issued in connection with dividend reinvestment plan	391		2	13				15
Issued in connection with 401(k) plan	653		3	22				25
Cash dividends declared on common stock					(336)			(336)
Cash dividends declared on preferred stock					(74)			(74)

Equity-based compensation expense				56				56
Other, net							(21)	(21)
Balance, June 30, 2014	719,584	$ 2,603	$ 3,598	$ 6,451	$ 11,599	$ (406)	$ 85	$ 23,930
Adjusted Balance, January 1, 2015	720,698	$ 2,603	$ 3,603	$ 6,517	$ 12,317	$ (751)	$ 88	$ 24,377
Add (Deduct):								
Net income					1,016		32	1,048
Net change in AOCI						3		3
Stock transactions:								
Issued in business combinations	7,847		39	283				322
Issued in connection with equity awards	6,249		31	64				95
Shares repurchased in connection with equity awards	(1,313)		(6)	(45)				(51)
Excess tax benefits in connection with equity awards				9				9
Purchase of additional ownership interest in AmRisc, LP				(219)			(3)	(222)
Cash dividends declared on common stock					(368)			(368)
Cash dividends declared on preferred stock					(74)			(74)
Equity-based compensation expense				58				58
Other, net							(65)	(65)
Balance, June 30, 2015	733,481	$ 2,603	$ 3,667	$ 6,667	$ 12,891	$ (748)	$ 52	$ 25,132

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

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

	Six Months Ended June 30, 2015	2014
Cash Flows From Operating Activities:		
Net income	$ 1,048	$ 1,050
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	196	134
Adjustment to income tax provision	(107)	14
Depreciation	173	161
Loss on early extinguishment of debt	172	
Amortization of intangibles	44	46
Equity-based compensation expense	58	56
(Gain) loss on securities, net	1	(2)
Net change in operating assets and liabilities:		
LHFS	(1,044)	(470)
Other assets	(739)	368
Accounts payable and other liabilities	180	(559)
Other, net	64	79
Net cash from operating activities	46	877

Cash Flows From Investing Activities:		
Proceeds from sales of AFS securities	754	1,172
Proceeds from maturities, calls and paydowns of AFS securities	2,708	1,921
Purchases of AFS securities	(3,486)	(1,644)
Proceeds from maturities, calls and paydowns of HTM securities	1,733	726
Purchases of HTM securities	(945)	(3,067)
Originations and purchases of loans and leases, net of principal collected	(1,704)	(4,079)
Net cash received (paid) for business combinations	1,742	1,025
Proceeds from sales of foreclosed property	105	134
Other, net	(246)	270
Net cash from investing activities	661	(3,542)
Cash Flows From Financing Activities:		
Net change in deposits	277	2,883
Net change in short-term borrowings	143	(159)
Proceeds from issuance of long-term debt	1,017	2,407
Repayment of long-term debt	(1,266)	(2,040)
Cash dividends paid on common stock	(368)	(321)

Cash dividends paid on preferred stock	(74)	(74)
Other, net	(140)	252
Net cash from financing activities	(411)	2,948
Net Change in Cash and Cash Equivalents	296	283
Cash and Cash Equivalents at Beginning of Period	2,325	2,165
Cash and Cash Equivalents at End of Period	$ 2,621	$ 2,448
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 360	$ 397
Income taxes	440	384
Noncash investing activities:		
Transfers of loans to foreclosed assets	249	228
Purchase of additional interest in AmRisc, LP	216	
Stock issued in business combinations	322	

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

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NOTE 1. Basis of Presentation

See the Glossary of Defined Terms at the beginning of this Report for terms used throughout the consolidated financial statements and related notes of this Form 10-Q.

General

These consolidated financial statements and notes are presented in accordance with the instructions for Form 10-Q and, therefore, do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flow activity required in accordance with GAAP. In the opinion of management, all normal recurring adjustments necessary for a fair statement of the consolidated financial position and consolidated results of operations have been made. The year-end consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by GAAP. The information contained in the financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2014 should be referred to in connection with these unaudited interim consolidated financial statements.

Reclassifications

Certain amounts reported in prior periods' consolidated financial statements have been reclassified to conform to the current presentation. Such reclassifications had no effect on previously reported cash flows, shareholders' equity or net income.

Use of Estimates in the Preparation of Financial Statements

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

Changes in Accounting Principles and Effects of New Accounting Pronouncements

In May 2015, the FASB issued new guidance related to *Insurance*. The new guidance requires insurance companies to provide additional disclosures about the liability for unpaid claims and claim adjustment expenses. This guidance is effective for annual periods beginning after December 15, 2015. BB&T's insurance operations primarily consist of agency/broker transactions; therefore, the adoption of this guidance is not expected to be material to the consolidated financial statements.

In May 2015, the FASB issued new guidance related to *Fair Value Measurement*. The new guidance eliminates the requirement to classify in the fair value hierarchy any investments for which fair value is measured at net asset value per share using the practical expedient. This guidance is effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. The adoption of this guidance is not expected to be material to the consolidated financial statements.

In April 2015, the FASB issued new guidance related to *Internal-Use Software*. Under the new guidance, if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance is effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. The Company is currently evaluating this guidance to determine the impact on its consolidated financial statements.

In April 2015, the FASB issued new guidance related to *Debt Issuance Costs*. The new guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. This guidance is effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. The adoption of this guidance is not expected to be material to the consolidated financial statements.

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In February 2015, the FASB issued new guidance related to *Consolidation*. The new guidance provides an additional requirement for a limited partnership or similar entity to qualify as a voting interest entity, amending the criteria for consolidating such an entity and eliminating the deferral provided under previous guidance for investment companies. In addition, the new guidance amends the criteria for evaluating fees paid to a decision maker or service provider as a variable interest and amends the criteria for evaluating the effect of fee arrangements and related parties on a VIE primary beneficiary determination. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The Company is currently evaluating this guidance to determine the impact on its consolidated financial statements.

In May 2014, the FASB issued new guidance related to *Revenue from Contracts with Customers*. This guidance supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Accounting Standards Codification. The guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016; however, the FASB has proposed a one year deferral of the effective date. The Company is currently evaluating this guidance to determine the impact on its consolidated financial statements.

Effective January 1, 2015, the Company adopted new guidance related to *Receivables*. The new guidance requires that a government guaranteed mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met. The adoption of this guidance was not material to the consolidated financial statements.

Effective January 1, 2015, the Company adopted new guidance related to *Repurchase-to-Maturity Transactions and Repurchase Financings*. The new guidance changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting. The guidance also requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which results in secured borrowing accounting for the repurchase agreement. The adoption of this guidance was not material to the consolidated financial statements.

Effective January 1, 2015, the Company adopted new guidance related to *Investments in Qualified Affordable Housing Projects.* The Company used the retrospective method of adoption and has elected the proportional amortization method to account for these investments. The proportional amortization method allows an entity to amortize the initial cost of the investment in proportion to the amount of tax credits and other tax benefits received and recognize the net investment performance in the income statement as a component of the provision for income taxes. See Note 13 “Commitments and Contingencies” for the impact of the adoption of this guidance.

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NOTE 2. Acquisitions and Divestitures

The following table summarizes the purchase price allocations for certain bank and branch acquisitions. Accordingly, the assets acquired and liabilities assumed are presented at their estimated fair values. In many cases, the determination of these fair values required management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change. The fair value estimates for the current-year acquisitions are considered preliminary and are subject to change for up to one year after the closing date of the acquisition as additional information becomes available.

	The Bank of Kentucky	**Citi - 41 Branches in Texas**	**Citi - 21 Branches in Texas**
	(Dollars in millions)		
Period of acquisition	Q2 2015	Q1 2015	Q2 2014
Assets acquired:			
Cash, due from banks and fed funds sold	$ 135	$ 14	$ 6
Securities	347		
Loans	1,198	61	112
Goodwill	237	79	29
CDI	14	36	20
Other assets	98	48	16
Total assets acquired	2,029	238	183
Liabilities assumed:			
Deposits	1,558	1,907	1,228
Debt	73		
Other liabilities	3		
Total liabilities assumed	1,634	1,907	1,228
Consideration paid (received)	$ 395	$ (1,669)	$ (1,045)
Cash paid (received)	$ 73	$ (1,669)	$ (1,045)
Fair value of common stock	322		

issued

The acquisition of The Bank of Kentucky provided 32 additional retail branches. The UPB of loans acquired from The Bank of Kentucky was $1.3 billion, and the acquired goodwill is expected to be non-deductible for income tax purposes.

BB&T has reached an agreement and received regulatory approval to acquire Susquehanna Bancshares, Inc. Closing is expected to occur on August 1, 2015.

During the second quarter of 2015, BB&T purchased additional ownership interest in AmRisc, LP. from the noncontrolling owners for cash and ownership of American Coastal. Since BB&T held a controlling interest in AmRisc, LP prior to this transaction, the total consideration less the establishment of a deferred tax asset was recognized as a charge to shareholders' equity. BB&T will continue to consolidate AmRisc, LP and recognize a noncontrolling interest for the remaining interests held by the noncontrolling owners. The transfer of the ownership of American Coastal was accounted for as a sale, and the resulting pre-tax loss is included in other income in the Consolidated Statements of Income. The following table summarizes these transactions:

Purchase of Additional Ownership of AmRisc, LP		**Sale of American Coastal**	
(Dollars in millions)			
Fair value of American Coastal	$ 216	Fair value of American Coastal	$ 216
Cash paid	146	Net assets sold	(193)
Total consideration	362	Allocated goodwill	(49)
Deferred tax asset recognized	(140)	Pre-tax loss on sale	(26)
		Income tax expense	(8)
Net charge to shareholders' equity	$ 222	After-tax net loss on sale	$ (34)

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NOTE 3. Securities

June 30, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
AFS securities:				
U.S. Treasury	$ 1,381	$ 5	$ 1	$ 1,385
Agency MBS	16,655	62	283	16,434
States and political subdivisions	1,926	99	66	1,959
Non-agency MBS	217	26	—	243
Other	5	—	—	5
Securities acquired from FDIC	833	324	—	1,157
Total AFS securities	$ 21,017	$ 516	$ 350	$ 21,183
HTM securities:				
U.S. Treasury	$ 1,097	$ 25	$ —	$ 1,122
GSE	5,395	17	114	5,298
Agency MBS	12,335	89	13	12,411
States and political subdivisions	21	1	—	22
Other	589	13	—	602
Total HTM securities	$ 19,437	$ 145	$ 127	$ 19,455

December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
AFS securities:				
U.S. Treasury	$ 1,230	$ 1	$ —	$ 1,231
Agency MBS	16,358	93	297	16,154
States and political subdivisions	1,913	120	59	1,974
Non-agency MBS	232	32	—	264
Other	41	—	—	41
Securities acquired from FDIC	886	357	—	1,243
Total AFS securities	$ 20,660	$ 603	$ 356	$ 20,907
HTM securities:				
U.S. Treasury	$ 1,096	$ 23	$ —	$ 1,119
GSE	5,394	17	108	5,303
Agency MBS	13,120	137	12	13,245
States and political subdivisions	22	2	—	24

Other	608	14	—	622
Total HTM securities	$ 20,240	$ 193	$ 120	$ 20,313

The fair value of securities acquired from the FDIC included non-agency MBS of $853 million and $931 million as of June 30, 2015 and December 31, 2014, respectively, and states and political subdivisions securities of $304 million and $312 million as of June 30, 2015 and December 31, 2014, respectively. Effective October 1, 2014, securities subject to the commercial loss sharing agreement with the FDIC related to the Colonial acquisition were no longer covered by loss sharing; however, any gains on the sale of these securities through September 30, 2017 would be shared with the FDIC. Since these securities are in a significant unrealized gain position, they continue to be effectively covered as any declines in the unrealized gains of the securities down to a contractually specified amount would reduce the liability to the FDIC at the applicable percentage. The contractually-specified amount is the acquisition date fair value less any paydowns, redemptions or maturities and OTTI and totaled approximately $554 million at June 30, 2015. Any further declines below the contractually-specified amount would not be covered.

Certain investments in marketable debt securities and MBS issued by FNMA and FHLMC exceeded ten percent of shareholders’ equity at June 30, 2015. The FNMA investments had total amortized cost and fair value of $13.0 billion and $12.8 billion, respectively. The FHLMC investments had total amortized cost and fair value of $5.8 billion.

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The following table reflects changes in credit losses on securities with OTTI (excluding securities acquired from the FDIC) where a portion of the unrealized loss was recognized in OCI:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2015	**2014**	**2015**	**2014**
	(Dollars in millions)			
Balance at beginning of period	$ 61	$ 76	$ 64	$ 78
Credit losses on securities without previously recognized OTTI				1
Credit losses on securities with previously recognized OTTI	3		3	
Reductions for securities sold/settled during the period	(4)	(3)	(7)	(6)
Credit recoveries through yield	(1)	(1)	(1)	(1)
Balance at end of period	$ 59	$ 72	$ 59	$ 72

The amortized cost and estimated fair value of the securities portfolio by contractual maturity are shown in the following table. The expected life of MBS may differ from contractual maturities because borrowers have the right to prepay the underlying mortgage loans with or without prepayment penalties.

June 30, 2015	AFS Amortized Cost	AFS Fair Value	HTM Amortized Cost	HTM Fair Value
	(Dollars in millions)			
Due in one year or less	$ 271	$ 271	$ 1	$ 1
Due after one year through five years	1,332	1,345	750	740
Due after five years through ten years	639	661	6,005	5,947
Due after ten years	18,775	18,906	12,681	12,767
Total debt securities	$ 21,017	$ 21,183	$ 19,437	$ 19,455

The following tables present the fair values and gross unrealized losses of investments based on the length of time that individual securities have been in a continuous unrealized loss position:

	Less than 12 months		12 months or more		Total	
June 30, 2015	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in millions)					
AFS securities:						
U.S. Treasury securities	$ 259	$ 1	$ —	$ —	$ 259	$ 1
Agency MBS	4,151	45	5,946	238	10,097	283
States and political subdivisions	79	2	431	64	510	66
Total	$ 4,489	$ 48	$ 6,377	$ 302	$ 10,866	$ 350
HTM securities:						
GSE	$ 2,883	$ 59	$ 1,995	$ 55	$ 4,878	$ 114
Agency MBS	2,166	11	387	2	2,553	13
Total	$ 5,049	$ 70	$ 2,382	$ 57	$ 7,431	$ 127

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December 31, 2014	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in millions)					
AFS securities:						
Agency MBS	$ 2,285	$ 19	$ 6,878	$ 278	$ 9,163	$ 297
States and political subdivisions	13		449	59	462	59
Total	$ 2,298	$ 19	$ 7,327	$ 337	$ 9,625	$ 356
HTM securities:						
GSE	$ 896	$ 5	$ 3,968	$ 103	$ 4,864	$ 108
Agency MBS	1,329	5	800	7	2,129	12
Total	$ 2,225	$ 10	$ 4,768	$ 110	$ 6,993	$ 120

The unrealized losses on GSE securities and agency MBS were the result of increases in market interest rates compared to the date the securities were acquired rather than the credit quality of the issuers or underlying loans. At June 30, 2015, one non-agency MBS had an immaterial amount of credit impairment.

At June 30, 2015, $61 million of the unrealized loss on states and political subdivisions securities was the result of fair value hedge basis adjustments that are a component of amortized cost. These securities in an unrealized loss position are evaluated for credit impairment through a qualitative analysis of issuer performance and the primary source of repayment. At June 30, 2015, four of these securities had immaterial amounts of credit impairment.

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NOTE 4. Loans and ACL

During the first quarter of 2014, approximately $8.3 billion of nonguaranteed, closed-end, first and second lien position residential mortgage loans, along with the related allowance, were transferred from direct retail lending to residential mortgage to facilitate compliance with a series of new rules related to mortgage servicing associated with first and second lien position mortgages collateralized by real estate.

During the third quarter of 2014, approximately $550 million of loans, which were primarily performing residential mortgage TDRs, with a related ALLL of $57 million were sold for a gain of $42 million. During the fourth quarter of 2014, approximately $140 million of loans, which were primarily residential mortgage NPLs, with a related ALLL of $19 million were sold for a gain of $24 million. Both gains were recognized as reductions to the provision for credit losses.

Effective October 1, 2014, loans subject to the commercial loss sharing agreement with the FDIC related to the Colonial acquisition were no longer covered by loss sharing. At June 30, 2015, these loans had a carrying value of $392 million, a UPB of $617 million and an allowance of $41 million and are included in acquired from FDIC loans. Loans with a carrying value of $600 million at June 30, 2015 continue to be covered by loss sharing and are included in the acquired from FDIC balance.

	Accruing				
June 30, 2015	**Current**	**30-89 Days Past Due**	**90 Days Or More Past Due**	**Nonaccrual**	**Total**
	(Dollars in millions)				
Commercial:					
Commercial and industrial	$ 43,393	$ 16	$	$ 198	$ 43,607
CRE-income producing properties	11,069	4		59	11,132
CRE-construction and development	2,855	3		16	2,874
Other lending subsidiaries	5,475	18		12	5,505
Retail:					
Direct retail lending	8,583	41	10	41	8,675
Revolving credit	2,379	19	9		2,407
	28,605	362	60	188	29,215

Residential mortgage-nonguaranteed					
Residential mortgage-government guaranteed	270	77	492		839
Sales finance	10,423	53	4	13	10,493
Other lending subsidiaries	6,305	212		45	6,562
Acquired from FDIC	837	31	124		992
Total	$ 120,194	$ 836	$ 699	$ 572	$ 122,301

	Accruing				
December 31, 2014	**Current**	**30-89 Days Past Due**	**90 Days Or More Past Due**	**Nonaccrual**	**Total**
	(Dollars in millions)				
Commercial:					
Commercial and industrial	$ 41,192	$ 23	$	$ 239	$ 41,454
CRE-income producing properties	10,644	4		74	10,722
CRE-construction and development	2,708	1		26	2,735
Other lending subsidiaries	5,337	15		4	5,356
Retail:					
Direct retail lending	8,045	41	12	48	8,146
Revolving credit	2,428	23	9		2,460
Residential mortgage-nonguaranteed	29,468	392	83	164	30,107
Residential mortgage-government guaranteed	251	82	648	2	983
Sales finance	10,528	62	5	5	10,600
Other lending subsidiaries	5,830	222		54	6,106
Acquired from FDIC	994	33	188		1,215
Total	$ 117,425	$ 898	$ 945	$ 616	$ 119,884

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The following tables present the carrying amount of loans by risk rating. Loans acquired from the FDIC are excluded because their related ALLL is determined by loan pool performance.

June 30, 2015	**Commercial & Industrial**	**CRE - Income Producing Properties**	**CRE - Construction and Development**	**Other Lending Subsidiaries**
	(Dollars in millions)			
Commercial:				
Pass	$ 41,951	$ 10,657	$ 2,761	$ 5,464
Special mention	296	102	17	15
Substandard-performing	1,162	314	80	14
Nonperforming	198	59	16	12
Total	$ 43,607	$ 11,132	$ 2,874	$ 5,505

	Direct Retail Lending	**Revolving Credit**	**Residential Mortgage**	**Sales Finance**	**Other Lending Subsidiaries**
	(Dollars in millions)				
Retail:					
Performing	$ 8,634	$ 2,407	$ 29,866	$ 10,480	$ 6,517
Nonperforming	41		188	13	45
Total	$ 8,675	$ 2,407	$ 30,054	$ 10,493	$ 6,562

December 31, 2014	**Commercial & Industrial**	**CRE - Income Producing Properties**	**CRE - Construction and Development**	**Other Lending Subsidiaries**
	(Dollars in millions)			
Commercial:				
Pass	$ 40,055	$ 10,253	$ 2,615	$ 5,317
Special mention	163	67	7	10
Substandard-performing	997	328	87	25
Nonperforming	239	74	26	4
Total	$ 41,454	$ 10,722	$ 2,735	$ 5,356

	Direct Retail Lending	**Revolving Credit**	**Residential Mortgage**	**Sales Finance**	**Other Lending Subsidiaries**

(Dollars in millions)					
Retail:					
Performing	$ 8,098	$ 2,460	$ 30,924	$ 10,595	$ 6,052
Nonperforming	48		166	5	54
Total	$ 8,146	$ 2,460	$ 31,090	$ 10,600	$ 6,106

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Three Months Ended June 30, 2015	ACL Rollforward Beginning Balance	Charge-Offs	Recoveries	Provision (Benefit)	Other	Ending Balance
	(Dollars in millions)					
Commercial:						
Commercial and industrial	$ 448	$ (32)	$ 13	$ 28	$	$ 457
CRE-income producing properties	153	(4)	1	(9)		141
CRE-construction and development	42		2	(6)		38
Other lending subsidiaries	22	(2)	1			21
Retail:						
Direct retail lending	111	(13)	7	8		113
Revolving credit	106	(19)	5	10		102
Residential mortgage-nonguaranteed	200	(7)	1	3		197
Residential mortgage-government guaranteed	30	(2)				28
Sales finance	58	(5)	2	(1)		54
Other lending subsidiaries	237	(55)	9	58		249
Acquired from FDIC	57					57
ALLL	1,464	(139)	41	91		1,457
RUFC	68			6	4	78
ACL	$ 1,532	$ (139)	$ 41	$ 97	$ 4	$ 1,535

Three Months Ended June 30, 2014	ACL Rollforward Beginning Balance	Charge-Offs	Recoveries	Provision (Benefit)	Ending Balance
	(Dollars in millions)				
Commercial:					
Commercial and industrial	$ 423	$ (40)	$ 10	$ 30	$ 423
CRE-income producing properties	136	(11)	3	(1)	127
CRE-construction and development	65	(3)	10	(13)	59
Other lending subsidiaries	16	(1)	1	1	17
Retail:					
Direct retail lending	120	(19)	7	16	124
Revolving credit	115	(18)	5	10	112
Residential mortgage-nonguaranteed	327	(20)		17	324
Residential mortgage-government guaranteed	69	(1)		(17)	51
Sales finance	45	(4)	2	1	44
Other lending subsidiaries	222	(46)	8	34	218
Acquired from FDIC	104	(4)		(9)	91
ALLL	1,642	(167)	46	69	1,590
RUFC	80			5	85
ACL	$ 1,722	$ (167)	$ 46	$ 74	$ 1,675

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Six Months Ended June 30, 2015	ACL Rollforward Beginning Balance	Charge-Offs	Recoveries	Provision (Benefit)	Other	Ending Balance
	(Dollars in millions)					
Commercial:						
Commercial and industrial	$ 421	$ (46)	$ 21	$ 61	$	$ 457
CRE - income producing properties	162	(13)	3	(11)		141
CRE - construction and development	48	(2)	6	(14)		38
Other lending subsidiaries	21	(5)	2	3		21
Retail:						
Direct retail lending	110	(25)	15	13		113
Revolving credit	110	(37)	10	19		102
Residential mortgage-nonguaranteed	217	(18)	1	(3)		197
Residential mortgage-government guaranteed	36	(2)		(6)		28
Sales finance	50	(11)	5	10		54
Other lending subsidiaries	235	(119)	17	116		249
Acquired from FDIC	64	(1)		(6)		57
ALLL	1,474	(279)	80	182		1,457
RUFC	60			14	4	78
ACL	$ 1,534	$ (279)	$ 80	$ 196	$ 4	$ 1,535

Six Months Ended June 30, 2014	ACL Rollforward Beginning Balance	Charge-Offs	Recoveries	Provision (Benefit)	Other	Ending Balance
	(Dollars in millions)					
Commercial:						
Commercial and industrial	$ 454	$ (73)	$ 19	$ 23	$	$ 423
CRE - income producing properties	149	(19)	5	(8)		127
CRE - construction and development	76	(7)	13	(23)		59
Other lending subsidiaries	15	(2)	1	3		17
Retail:						
Direct retail lending	209	(38)	15	23	(85)	124
Revolving credit	115	(36)	10	23		112
Residential mortgage-nonguaranteed	269	(41)	1	10	85	324
Residential mortgage-government guaranteed	62	(1)		(10)		51
Sales finance	45	(11)	5	5		44
Other lending subsidiaries	224	(130)	16	108		218
Acquired from FDIC	114	(7)		(16)		91
ALLL	1,732	(365)	85	138		1,590
RUFC	89			(4)		85
ACL	$ 1,821	$ (365)	$ 85	$ 134	$	$ 1,675

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The following table provides a summary of loans that are collectively evaluated for impairment.

	June 30, 2015		December 31, 2014	
	Recorded Investment	Related ALLL	Recorded Investment	Related ALLL
	(Dollars in millions)			
Commercial:				
Commercial and industrial	$ 43,300	$ 424	$ 41,120	$ 379
CRE-income producing properties	11,009	131	10,583	147
CRE-construction and development	2,832	30	2,670	39
Other lending subsidiaries	5,493	18	5,351	20
Retail:				
Direct retail lending	8,585	91	8,048	86
Revolving credit	2,371	88	2,419	94
Residential mortgage-nonguaranteed	28,761	155	29,660	181
Residential mortgage-government guaranteed	511	2	622	4
Sales finance	10,473	50	10,579	46
Other lending subsidiaries	6,379	218	5,930	204
Acquired from FDIC	992	57	1,215	64
Total	$ 120,706	$ 1,264	$ 118,197	$ 1,264

The following tables set forth certain information regarding impaired loans, excluding purchased impaired loans and LHFS, that were individually evaluated for reserves.

As Of / For The Six Months Ended June 30, 2015	Recorded Investment	UPB	Related ALLL	Average Recorded Investment	Interest Income Recognized
	(Dollars in millions)				
With no related ALLL recorded:					
Commercial:					
Commercial and industrial	$ 88	$ 120	$	$ 85	$

CRE-income producing properties	24	33		19	
CRE-construction and development	4	6		10	
Other lending subsidiaries		2		1	
Retail:					
Direct retail lending	12	43		13	
Residential mortgage-nonguaranteed	90	151		107	2
Residential mortgage-government guaranteed	2	3		3	
Sales finance	1	2		1	
Other lending subsidiaries	3	7		3	
With an ALLL recorded:					
Commercial:					
Commercial and industrial	219	225	33	237	2
CRE-income producing properties	99	100	10	108	2
CRE-construction and development	38	38	8	41	1
Other lending subsidiaries	12	13	3	6	
Retail:					
Direct retail lending	78	80	22	82	2
Revolving credit	36	36	14	38	1
Residential mortgage-nonguaranteed	364	376	42	345	8
Residential mortgage-government guaranteed	326	327	26	333	7
Sales finance	19	19	4	19	
Other lending subsidiaries	180	182	31	177	14
Total	$ 1,595	$ 1,763	$ 193	$ 1,628	$ 39

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As Of / For The Year Ended December 31, 2014	Recorded Investment	UPB	Related ALLL	Average Recorded Investment	Interest Income Recognized
	(Dollars in millions)				
With no related ALLL recorded:					
Commercial:					
Commercial and industrial	$ 87	$ 136	$	$ 138	$ 2
CRE-income producing properties	18	25		36	
CRE-construction and development	14	21		20	
Other lending subsidiaries		1			
Retail:					
Direct retail lending	13	49		14	1
Residential mortgage-nonguaranteed	87	141		147	5
Residential mortgage-government guaranteed	3	4		7	
Sales finance	1	2		1	
Other lending subsidiaries	3	7		3	
With an ALLL recorded:					
Commercial:					
Commercial and industrial	247	254	42	279	5
CRE-income producing properties	121	123	15	133	4
CRE-construction and development	51	52	9	65	2
Other lending subsidiaries	5	5	1	4	
Retail:					
Direct retail lending	85	87	24	95	5
Revolving credit	41	41	16	45	2
Residential mortgage-nonguaranteed	360	370	36	700	31
Residential mortgage-government guaranteed	358	358	32	402	17
Sales finance	20	21	4	20	1
Other lending subsidiaries	173	175	31	148	22

Total	$ 1,687	$ 1,872	$ 210	$ 2,257	$ 97

The following table provides a summary of TDRs, all of which are considered impaired.

	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Performing TDRs:		
Commercial:		
Commercial and industrial	$ 75	$ 64
CRE-income producing properties	21	27
CRE-construction and development	23	30
Direct retail lending	81	84
Sales finance	18	19
Revolving credit	36	41
Residential mortgage-nonguaranteed	273	261
Residential mortgage-government guaranteed	328	360
Other lending subsidiaries	172	164
Total performing TDRs	1,027	1,050
Nonperforming TDRs (also included in NPL disclosures)	127	126
Total TDRs	$ 1,154	$ 1,176
ALLL attributable to TDRs	$ 151	$ 159

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The following table summarizes the primary reason loan modifications were classified as TDRs and includes newly designated TDRs as well as modifications made to existing TDRs. Balances represent the recorded investment at the end of the quarter in which the modification was made. Rate modifications in this table include TDRs made with below market interest rates that also include modifications of loan structures.

	Three Months Ended June 30,					
	2015			**2014**		
	Types of Modifications		**Impact To**	**Types of Modifications**		**Impact To**
	Rate	**Structure**	**Allowance**	**Rate**	**Structure**	**Allowance**
	(Dollars in millions)					
Commercial:						
Commercial and industrial	$ 40	$ 10	$ 1	$ 49	$ 10	$ 1
CRE-income producing properties	2	10		5	6	
CRE-construction and development		9		6	10	
Retail:						
Direct retail lending	3		1	8	1	1
Revolving credit	4		1	6		2
Residential mortgage-nonguaranteed	21	10	2	19	8	2
Residential mortgage-government guaranteed	49		2	105		4
Sales finance		3		1	1	
Other lending subsidiaries	29		4	29		3

	Six Months Ended June 30,					
	2015			**2014**		
	Types of Modifications		**Impact To**	**Types of Modifications**		**Impact To**
	Rate	**Structure**	**Allowance**	**Rate**	**Structure**	**Allowance**
	(Dollars in millions)					
Commercial:						
Commercial and industrial	$ 49	$ 24	$ 2	$ 68	$ 29	$ 2
CRE-income producing properties	4	13		13	11	
		12		11	13	

CRE-construction and development						
Retail:						
Direct retail lending	6		2	19	3	4
Revolving credit	8		2	13		3
Residential mortgage-nonguaranteed	44	22	5	51	17	13
Residential mortgage-government guaranteed	109		4	144		7
Sales finance		5		1	6	1
Other lending subsidiaries	60		8	58		8

Charge-offs and forgiveness of principal and interest for TDRs were immaterial for all periods presented.

The pre-default balance for modifications that experienced a payment default that had been classified as TDRs during the previous 12 months was $14 million and $17 million for the three months ended June 30, 2015 and 2014, respectively, and $35 million and $38 million for the six months ended June 30, 2015 and 2014, respectively. Payment default is defined as movement of the TDR to nonaccrual status, foreclosure or charge-off, whichever occurs first.

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Changes in the carrying value and accretable yield of loans acquired from the FDIC are presented in the following table:

	Six Months Ended June 30, 2015				Year Ended December 31, 2014			
	Purchased Impaired		Purchased Nonimpaired		Purchased Impaired		Purchased Nonimpaired	
	Accretable Yield	Carrying Value	Accretable Yield	Carrying Value	Accretable Yield	Carrying Value	Accretable Yield	Carrying Value
	(Dollars in millions)							
Balance at beginning of period	$ 134	$ 579	$ 244	$ 636	$ 187	$ 863	$ 351	$ 1,172
Accretion	(35)	35	(49)	49	(107)	107	(169)	169
Payments received, net		(133)		(174)		(391)		(705)
Other, net	23		9		54		62	
Balance at end of period	$ 122	$ 481	$ 204	$ 511	$ 134	$ 579	$ 244	$ 636
Outstanding UPB at end of period		$ 728		$ 704		$ 864		$ 860

The following table presents additional information about BB&T’s loans and leases:

	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Unearned income and net deferred loan fees and costs	$ 183	$ 147
Residential mortgage loans in process of foreclosure	295	379

NOTE 5. Goodwill and Other Intangible Assets

The changes in the carrying amounts of goodwill attributable to BB&T's operating segments are reflected in the table below. During the second quarter of 2015, BB&T sold American Coastal, which resulted in the allocation and write-off of goodwill from the Insurance Services segment.

	Community Banking	Residential Mortgage Banking	Dealer Financial Services	Specialized Lending	Insurance Services	Financial Services	Total
	(Dollars in millions)						
Goodwill balance, January 1, 2015	$ 4,634	$ 326	$ 111	$ 88	$ 1,518	$ 192	$ 6,869
Acquisitions	316				3		319
Allocated to sale of American Coastal					(49)		(49)
Other adjustments	5				(3)		2
Goodwill balance, June 30, 2015	$ 4,955	$ 326	$ 111	$ 88	$ 1,469	$ 192	$ 7,141

The following table presents information for identifiable intangible assets subject to amortization:

	June 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Dollars in millions)					
CDI	$ 743	$ (601)	$ 142	$ 693	$ (585)	$ 108
Other, primarily customer relationship intangibles	1,090	(718)	372	1,088	(691)	397
Total	$ 1,833	$ (1,319)	$ 514	$ 1,781	$ (1,276)	$ 505

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NOTE 6. Loan Servicing

Residential Mortgage Banking Activities

The following tables summarize residential mortgage banking activities. Mortgage and home equity loans managed exclude loans serviced for others with no other continuing involvement.

	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Mortgage and home equity loans managed	$ 33,483	$ 33,742
Less:		
LHFS	2,184	1,317
Mortgage loans acquired from FDIC	626	668
Mortgage loans sold with recourse	619	667
Mortgage loans held for investment	$ 30,054	$ 31,090
UPB of mortgage loan servicing portfolio	$ 115,122	$ 115,476
UPB of home equity loan servicing portfolio	6,040	6,781
UPB of residential mortgage and home equity loan servicing portfolio	$ 121,162	$ 122,257
UPB of residential		

mortgage loans serviced for others (primarily agency conforming fixed rate)	$ 89,235	$ 90,230
Maximum recourse exposure from mortgage loans sold with recourse liability	335	344
Indemnification, recourse and repurchase reserves	83	94
FHA-insured mortgage loan reserve	85	85

The potential exposure related to losses incurred by the FHA on defaulted loans ranges from $25 million to $105 million.

	As Of / For The Six Months Ended June 30,	
	2015	**2014**
	(Dollars in millions)	
UPB of residential mortgage loans sold from LHFS	$ 6,804	$ 5,972
Pre-tax gains recognized on mortgage loans sold and held for sale	74	38
Servicing fees recognized from mortgage loans serviced for others	136	136
Approximate weighted average		

servicing fee on the outstanding balance of residential mortgage loans serviced for others	0.29 %	0.30 %
Weighted average interest rate on mortgage loans serviced for others	4.16	4.23

	Six Months Ended June 30,	
	2015	**2014**
	(Dollars in millions)	
Residential MSRs, carrying value, January 1,	$ 844	$ 1,047
Additions	68	66
Change in fair value due to changes in valuation inputs or assumptions:		
Prepayment speeds	166	(100)
OAS	(70)	3
Servicing costs	(25)	
Realization of expected net servicing cash flows, passage of time and other	(71)	(62)
Residential MSRs, carrying value, June 30,	$ 912	$ 954

Gains (losses) on derivative financial instruments used to

mitigate the income statement effect of changes in fair value	$ (38)	$ 105

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The sensitivity of the fair value of the residential MSRs to changes in key assumptions is included in the accompanying table:

	June 30, 2015			December 31, 2014		
	Range		Weighted	Range		Weighted
	Min	Max	Average	Min	Max	Average
	(Dollars in millions)					
Prepayment speed	4.8 %	7.7 %	7.0 %	10.8 %	12.8 %	12.0 %
Effect on fair value of a 10% increase			$ (26)			$ (30)
Effect on fair value of a 20% increase			(51)			(58)
OAS	10.5 %	12.4 %	11.0 %	9.1 %	9.9 %	9.3 %
Effect on fair value of a 10% increase			$ (37)			$ (26)
Effect on fair value of a 20% increase			(72)			(50)
Composition of loans serviced for others:						
Fixed-rate residential mortgage loans			99.3 %			99.4 %
Adjustable-rate residential mortgage loans			0.7			0.6
Total			100.0 %			100.0 %
Weighted average life			7.7 yrs			5.7 yrs

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. As indicated, changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in the above table, the effect of an adverse variation in a particular assumption on the fair value of the MSRs is calculated without changing any other assumption; while in reality, changes in one factor may result in changes in another, which may magnify or counteract the effect of the change.

Commercial Mortgage Banking Activities

CRE mortgage loans serviced for others are not included in loans and leases on the accompanying Consolidated Balance Sheets. The following table summarizes commercial mortgage banking activities for the periods presented:

	June 30, 2015	December 31, 2014
	(Dollars in millions)	
UPB of CRE mortgages serviced for others	$ 28,039	$ 27,599
CRE mortgages serviced for others covered by recourse provisions	4,425	4,264
Maximum recourse exposure from CRE mortgages sold with recourse liability	1,331	1,278
Recorded reserves related to recourse exposure	8	7
Originated CRE mortgages during the year	3,264	5,265

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NOTE 7. Deposits

A summary of deposits is presented in the accompanying table:

	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Noninterest-bearing deposits	$ 42,234	$ 38,786
Interest checking	20,843	20,262
Money market and savings	55,269	50,604
Time deposits	14,437	19,388
Total deposits	$ 132,783	$ 129,040
Time deposits $100,000 and greater	$ 5,525	$ 9,782
Time deposits $250,000 and greater	1,870	5,753

NOTE 8. Long-Term Debt

	June 30, 2015	December 31, 2014
	(Dollars in millions)	
BB&T Corporation:		
3.95% senior notes due 2016	$ 500	$ 500
3.20% senior notes due 2016	1,000	1,000
2.15% senior notes due 2017	749	749
1.60% senior notes due 2017	749	749
1.45% senior notes due 2018	500	500
	400	400

Floating rate senior notes due 2018 (LIBOR-based, 1.15% at June 30, 2015)		
2.05% senior notes due 2018	599	599
6.85% senior notes due 2019	540	539
2.25% senior notes due 2019	648	648
Floating rate senior notes due 2019 (LIBOR-based, 0.94% at June 30, 2015)	450	450
2.45% senior notes due 2020	1,298	1,298
2.63% senior notes due 2020	999	
Floating rate senior notes due 2020 (LIBOR-based, 0.99% at June 30, 2015)	200	200
5.20% subordinated notes due 2015	934	933
4.90% subordinated notes due 2017	354	353
5.25% subordinated notes due 2019	586	586
3.95% subordinated notes due 2022	299	298
Branch Bank:		
1.45% senior notes due 2016	750	750
Floating rate senior notes due 2016 (LIBOR-based, 0.71% at June 30, 2015)	375	500
	500	500

1.05% senior notes due 2016		
1.00% senior notes due 2017	599	599
1.35% senior notes due 2017	750	750
2.30% senior notes due 2018	750	750
2.85% senior notes due 2021	700	699
5.63% subordinated notes due 2016	386	386
Floating rate subordinated notes due 2016 (LIBOR-based, 0.61% at June 30, 2015)	350	350
Floating rate subordinated note due 2017 (LIBOR-based, 0.58% at June 30, 2015)	262	262
3.80% subordinated notes due 2026	848	848
FHLB advances to Branch Bank:		
Varying maturities to 2034	5,577	6,496
Other long-term debt	154	119
Fair value hedge-related basis adjustments	465	501
Total long-term debt	$ 23,271	$ 23,312

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The following table reflects the carrying amounts and effective interest rates for long-term debt:

	June 30, 2015		December 31, 2014	
	Carrying Amount	Effective Rate	Carrying Amount	Effective Rate
	(Dollars in millions)			
BB&T Corporation fixed rate senior notes	$ 7,681	2.30 %	$ 6,669	2.39 %
BB&T Corporation floating rate senior notes	1,050	1.08	1,050	1.07
BB&T Corporation fixed rate subordinated notes	2,340	2.20	2,362	2.30
Branch Bank fixed rate senior notes	4,074	1.56	4,060	1.72
Branch Bank floating rate senior notes	375	0.76	500	0.72
Branch Bank fixed rate subordinated notes	1,279	2.95	1,299	2.86
Branch Bank floating rate subordinated notes	612	3.42	612	3.27
FHLB advances (weighted average maturity of	5,706	3.98	6,641	4.03

5.3 years at June 30, 2015)		
Other long-term debt	154	119
Total long-term debt	$ 23,271	$ 23,312

The effective rates above reflect the impact of cash flow and fair value hedges, as applicable. Subordinated notes with a remaining maturity of one year or greater qualify under the risk-based capital guidelines as Tier 2 supplementary capital, subject to certain limitations.

During the second quarter of 2015, BB&T terminated FHLB advances totaling $931 million, which resulted in a pre-tax loss on early extinguishment of $172 million.

NOTE 9. Shareholders' Equity

The activity relating to options and RSUs during the period is presented in the following tables:

	Options	**Wtd. Avg. Exercise Price**
	(Shares in thousands)	
Outstanding at January 1, 2015	28,374	$ 35.09
Granted	434	38.22
Exercised	(2,775)	32.14
Forfeited or expired	(5,618)	38.66
Outstanding at June 30, 2015	20,415	34.58
Exercisable at June 30, 2015	18,687	34.73
Exercisable and expected to vest at June 30, 2015	20,296	34.59

	Restricted Shares/Units	**Wtd. Avg. Grant Date Fair Value**
	(Shares in thousands)	
Nonvested at January 1, 2015	12,075	$ 27.38
Granted	3,680	33.28
Vested	(3,400)	24.83
Forfeited	(193)	30.91
Nonvested at June 30, 2015	12,162	29.82
Expected to vest at June 30, 2015	11,158	29.83

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NOTE 10. AOCI

Three Months Ended June 30, 2015	Unrecognized Net Pension and Postretirement Costs	Unrealized Net Gains (Losses) on Cash Flow Hedges	Unrealized Net Gains (Losses) on AFS Securities	FDIC's Share of Unrealized (Gains) Losses on AFS Securities	Other, net	Total
	(Dollars in millions)					
AOCI balance, April 1, 2015	$ (617)	$ (108)	$ 209	$ (197)	$ (20)	$ (733)
OCI before reclassifications, net of tax	1	60	(121)	5	1	(54)
Amounts reclassified from AOCI:						
Personnel expense	12					12
Interest income			22			22
Interest expense		21				21
FDIC loss share income, net				6		6
Securities (gains) losses, net			1			1
Total before income taxes	12	21	23	6		62
Less: Income taxes	4	8	9	2		23
Net of income taxes	8	13	14	4		39
Net change in OCI	9	73	(107)	9	1	(15)
AOCI balance, June 30, 2015	$ (608)	$ (35)	$ 102	$ (188)	$ (19)	$ (748)

Three Months Ended June 30, 2014	Unrecognized Net Pension and Postretirement Costs	Unrealized Net Gains (Losses) on Cash Flow Hedges	Unrealized Net Gains (Losses) on AFS Securities	FDIC's Share of Unrealized (Gains) Losses on AFS Securities	Other, net	Total
	(Dollars in millions)					
AOCI balance, April 1, 2014	$ (302)	$ 13	$ 37	$ (229)	$ (19)	$ (500)
OCI before reclassifications, net of tax	1	(14)	89	(6)	8	78

Amounts reclassified from AOCI:						
Personnel expense	1					1
Interest income			(5)		(5)	(10)
Interest expense		19				19
FDIC loss share income, net				14		14
Total before income taxes	1	19	(5)	14	(5)	24
Less: Income taxes		7	(2)	5	(2)	8
Net of income taxes	1	12	(3)	9	(3)	16
Net change in OCI	2	(2)	86	3	5	94
AOCI balance, June 30, 2014	$ (300)	$ 11	$ 123	$ (226)	$ (14)	$ (406)

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Six Months Ended June 30, 2015	**Unrecognized Net Pension and Postretirement Costs**	**Unrealized Net Gains (Losses) on Cash Flow Hedges**	**Unrealized Net Gains (Losses) on AFS Securities**	**FDIC's Share of Unrealized (Gains) Losses on AFS Securities**	**Other, net**	**Total**
	(Dollars in millions)					
AOCI balance, January 1, 2015	$ (626)	$ (54)	$ 152	$ (207)	$ (16)	$ (751)
OCI before reclassifications, net of tax	3	(7)	(54)	7	(4)	(55)
Amounts reclassified from AOCI:						
Personnel expense	24					24
Interest income			6		1	7
Interest expense		42				42
FDIC loss share income, net				19		19
Securities (gains) losses, net			1			1
Total before income taxes	24	42	7	19	1	93
Less: Income taxes	9	16	3	7		35
Net of income taxes	15	26	4	12	1	58
Net change in AOCI	18	19	(50)	19	(3)	3
AOCI balance, June 30, 2015	$ (608)	$ (35)	$ 102	$ (188)	$ (19)	$ (748)

Six Months Ended June 30, 2014	**Unrecognized Net Pension and Postretirement Costs**	**Unrealized Net Gains (Losses) on Cash Flow Hedges**	**Unrealized Net Gains (Losses) on AFS Securities**	**FDIC's Share of Unrealized (Gains) Losses on AFS Securities**	**Other, net**	**Total**
	(Dollars in millions)					
AOCI balance, January 1, 2014	$ (303)	$ 2	$ (42)	$ (235)	$ (15)	$ (593)
OCI before reclassifications, net of tax	2	(16)	174	(6)	3	157
Amounts reclassified from AOCI:						

Personnel expense	1					1
Interest income			(13)		(4)	(17)
Interest expense		40				40
FDIC loss share income, net				24		24
Securities (gains) losses, net			(2)			(2)
Total before income taxes	1	40	(15)	24	(4)	46
Less: Income taxes		15	(6)	9	(2)	16
Net of income taxes	1	25	(9)	15	(2)	30
Net change in AOCI	3	9	165	9	1	187
AOCI balance, June 30, 2014	$ (300)	$ 11	$ 123	$ (226)	$ (14)	$ (406)

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NOTE 11. Income Taxes

The effective tax rates for the three months ended June 30, 2015 and 2014 were 13.8% and 31.2%, respectively. The effective tax rates for the six months ended June 30, 2015 and 2014 were 23.4% and 31.0%, respectively. The effective tax rates were lower than the corresponding periods of 2014 primarily due to adjustments for uncertain tax positions as described below. Additionally, during the second quarter of 2014, a tax provision of $14 million related to the IRS's change in stance related to an income tax position that was under examination was recorded. Effective January 1, 2015, the Company adopted new accounting guidance related to investments in qualified affordable housing projects. See Note 13 "Commitments and Contingencies" for additional information.

In February 2010, BB&T received an IRS statutory notice of deficiency for tax years 2002-2007 asserting a liability for taxes, penalties and interest of approximately $892 million related to the disallowance of foreign tax credits and other deductions claimed by a subsidiary in connection with a financing transaction. BB&T paid the disputed tax, penalties and interest in March 2010 and filed a lawsuit seeking a refund in the U.S. Court of Federal Claims. On September 20, 2013, the court denied the refund claim. BB&T appealed the decision to the U.S. Court of Appeals for the Federal Circuit. On May 14, 2015, the appeals court overturned a portion of the earlier ruling, resulting in the recognition of income tax benefits of $107 million during the second quarter. The remainder of the decision was affirmed. While management is continuing to evaluate its options for responding to the court's ruling, both BB&T and the IRS have the ability to appeal the decision to the U.S. Supreme Court.

Depending on both parties' chosen courses of action, it is reasonably possible that the litigation associated with the financing transaction may conclude within the next twelve months; however, it is also possible that the appeals process could take longer than one year. Changes in the amount of unrecognized tax benefits, penalties and interest could result in a benefit of up to approximately $596 million.

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NOTE 12. Benefit Plans

	Qualified Plan		Nonqualified Plans	
Three Months Ended June 30,	**2015**	**2014**	**2015**	**2014**
	(Dollars in millions)			
Service cost	$ 42	$ 32	$ 3	$ 3
Interest cost	34	31	4	3
Estimated return on plan assets	(81)	(74)		
Amortization and other	12	1	3	3
Net periodic benefit cost	$ 7	$ (10)	$ 10	$ 9

	Qualified Plan		Nonqualified Plans	
Six Months Ended June 30	**2015**	**2014**	**2015**	**2014**
	(Dollars in millions)			
Service cost	$ 85	$ 65	$ 6	$ 6
Interest cost	68	62	8	7
Estimated return on plan assets	(162)	(148)		
Amortization and other	24	1	7	6
Net periodic benefit cost	$ 15	$ (20)	$ 21	$ 19

BB&T makes contributions to the qualified pension plan in amounts between the minimum required for funding and the maximum amount deductible for federal income tax purposes. Discretionary contributions totaling $117 million were made during 2015. There are no required contributions for the remainder of 2015, though BB&T may elect to make additional contributions.

NOTE 13. Commitments and Contingencies

	As Of / For the Year-To-Date Period Ended	
	June 30, 2015	December 31, 2014
	(Dollars in millions)	
Letters of credit and financial guarantees	$ 3,353	$ 3,462
Carrying amount of the liability for letter of credit guarantees	24	22
Investments in affordable housing and historic building rehabilitation projects:		
Carrying amount	1,548	1,416
Amount of future funding commitments included in carrying amount	583	459
Lending exposure	190	169
Tax credits subject to recapture	314	300
Amortization recognized in the provision for income taxes	92	161
Tax credits and other tax benefits recognized in	128	222

the provision for income taxes		
Investments in private equity and similar investments	359	329
Future funding commitments to consolidated private equity funds	176	202

Effective January 1, 2015, BB&T adopted new guidance related to investments in qualified affordable housing projects and elected the proportional amortization method to account for these investments. The following table summarizes the impact to certain previously reported amounts.

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	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
	(Dollars in millions)	
Increase in other income	$ 42	$ 76
Increase in provision for income taxes	(43)	(82)
Decrease in net income and net income available to common shareholders	$ (1)	$ (6)
Decrease in diluted EPS	$	$ (0.01)

	January 1, 2015	2014
	(Dollars in millions)	
Decrease to retained earnings	$ (49)	$ (29)

Legal Proceedings

The nature of BB&T's business ordinarily results in a certain amount of claims, litigation, investigations and legal and administrative cases and proceedings, all of which are considered incidental to the normal conduct of business. BB&T believes it has meritorious defenses to the claims asserted against it in its currently outstanding legal proceedings and, with respect to such legal proceedings, intends to continue to defend itself vigorously, litigating or settling cases according to management's judgment as to what is in the best interests of BB&T and its shareholders.

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

Pledged Assets

Certain assets were pledged to secure municipal deposits, securities sold under agreements to repurchase, borrowings, and borrowing capacity, subject to certain limits, at the FHLB and FRB as well as for other purposes as required or permitted by law. The following table provides the total carrying amount of pledged assets by asset type, of which the majority are pursuant to agreements that do not permit the other party to sell or repledge the collateral. Assets related to employee benefit plans have been excluded from the following table.

	June 30, 2015	**December 31, 2014**
	(Dollars in millions)	
Pledged securities	$ 14,284	$ 14,636
Pledged loans	66,890	67,248

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NOTE 14. Fair Value Disclosures

Accounting standards define fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants, with a three level valuation input hierarchy.

The following tables present fair value information for assets and liabilities measured at fair value on a recurring basis:

June 30, 2015	**Total**	**Level 1**	**Level 2**	**Level 3**
	(Dollars in millions)			
Assets:				
Trading securities	$ 720	$ 315	$ 405	$
AFS securities:				
U.S. Treasury	1,385		1,385	
Agency MBS	16,434		16,434	
States and political subdivisions	1,959		1,959	
Non-agency MBS	243		243	
Other	5	5		
Acquired from FDIC	1,157		469	688
LHFS	2,469		2,469	
Residential MSRs	912			912
Derivative assets:				
Interest rate contracts	949		938	11
Foreign exchange contracts	6		6	
Private equity and similar investments	359			359
Total assets	$ 26,598	$ 320	$ 24,308	$ 1,970
Liabilities:				
Derivative liabilities:				
Interest rate contracts	$ 774	$	$ 761	$ 13
Foreign exchange contracts	4		4	
Short-term borrowings	196		196	
Total liabilities	$ 974	$	$ 961	$ 13

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December 31, 2014	**Total**	**Level 1**	**Level 2**	**Level 3**
	(Dollars in millions)			
Assets:				
Trading securities	$ 482	$ 289	$ 193	$
AFS securities:				
U.S. Treasury	1,231		1,231	
Agency MBS	16,154		16,154	
States and political subdivisions	1,974		1,974	
Non-agency MBS	264		264	
Other	41	6	35	
Acquired from FDIC	1,243		498	745
LHFS	1,423		1,423	
Residential MSRs	844			844
Derivative assets:				
Interest rate contracts	1,114		1,094	20
Foreign exchange contracts	8		8	
Private equity and similar investments	329			329
Total assets	$ 25,107	$ 295	$ 22,874	$ 1,938
Liabilities:				
Derivative liabilities:				
Interest rate contracts	$ 1,007	$	$ 1,004	$ 3
Foreign exchange contracts	6		6	
Short-term borrowings	148		148	
Total liabilities	$ 1,161	$	$ 1,158	$ 3

The following discussion focuses on the valuation techniques and significant inputs for Level 2 and Level 3 assets and liabilities.

A third-party pricing service is generally utilized in determining the fair value of the securities portfolio. Management independently evaluates the fair values provided by the pricing service through comparisons to other third party pricing sources, review of additional information provided by the third party pricing service and other third party sources for selected securities and back-testing to compare the price realized on any security sales to the daily pricing information received from the pricing service. Fair value measurements are derived from market-based pricing matrices that were developed using observable inputs that include benchmark yields, benchmark securities, reported trades, offers, bids, issuer spreads and broker quotes. As described by security type below, additional inputs may be used, or some inputs may not be applicable. In the event that market observable data was not available, which would generally occur due to the lack of an active market for a given security, the valuation of the security would be subjective and may involve substantial judgment by management.

Trading securities: Trading securities include various types of debt and equity securities, primarily consisting of debt securities issued by the U.S. Treasury, GSEs, or states and political subdivisions. The valuation techniques used for these investments are more fully discussed below.

U.S. Treasury securities: Treasury securities are valued using quoted prices in active over the counter markets.

GSE securities and Agency MBS: GSE pass-through securities are valued using market-based pricing matrices that are based on observable inputs including benchmark TBA security pricing and yield curves that were estimated based on U.S. Treasury yields and certain floating rate indices. The pricing matrices for these securities may also give consideration to pool-specific data supplied directly by the GSE. GSE CMOs are valued using market-based pricing matrices that are based on observable inputs including offers, bids, reported trades, dealer quotes and market research reports, the characteristics of a specific tranche, market convention prepayment speeds and benchmark yield curves as described above.

States and political subdivisions: These securities are valued using market-based pricing matrices that are based on observable inputs including MSRB reported trades, issuer spreads, material event notices and benchmark yield curves.

Non-agency MBS: Pricing matrices for these securities are based on observable inputs including offers, bids, reported trades, dealer quotes and market research reports, the characteristics of a specific tranche, market convention prepayment speeds and benchmark yield curves as described above.

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

Acquired from FDIC securities: Securities acquired from the FDIC consist of re-remic non-agency MBS, municipal securities and non-agency MBS. State and political subdivision securities and certain non-agency MBS acquired from the FDIC are valued in a manner similar to the approach described above for those asset classes. The re-remic non-agency MBS, which are categorized as Level 3, are valued based on broker dealer quotes that reflected certain unobservable market inputs.

LHFS: Certain mortgage loans are originated to be sold to investors, which are carried at fair value. The fair value is primarily based on quoted market prices for securities backed by similar types of loans. The changes in fair value of these assets are largely driven by changes in interest rates subsequent to loan funding and changes in the fair value of servicing associated with the mortgage LHFS.

Residential MSRs: Residential MSRs are valued using an OAS valuation model to project cash flows over multiple interest rate scenarios, which are then discounted at risk-adjusted rates. The model considers portfolio characteristics, contractually specified servicing fees, prepayment assumptions, delinquency rates, late charges, other ancillary revenue, costs to service and other economic factors. Fair value estimates and assumptions are compared to industry surveys, recent market activity, actual portfolio experience and, when available, other observable market data.

Derivative assets and liabilities: The fair values of derivatives are determined based on quoted market prices and internal pricing models that are primarily sensitive to market observable data. The fair values of interest rate lock commitments, which are related to mortgage loan commitments and are categorized as Level 3, are based on quoted market prices adjusted for commitments that are not expected to fund and include the value attributable to the net servicing fees.

Private equity and similar investments: Private equity and similar investments are measured at fair value based on the investment's net asset value. In many cases there are no observable market values for these investments and therefore management must estimate the fair value based on a comparison of the operating performance of the company to multiples in the marketplace for similar entities. This analysis requires significant judgment, and actual values in a sale could differ materially from those estimated.

Short-term borrowings: Short-term borrowings represent debt securities sold short that are entered into as a hedging strategy for the purposes of supporting institutional and retail client trading activities.

The following tables summarize activity for Level 3 assets and liabilities:

Three Months Ended June 30, 2015	Acquired from FDIC Securities	Residential MSRs	Net Derivatives	Private Equity and Similar Investments
	(Dollars in millions)			
Balance at April 1, 2015	$ 719	$ 764	$ 23	$ 366
Total realized and unrealized gains (losses):				
Included in earnings:				
Interest income	5			
Mortgage banking income		140	20	
Other noninterest income			2	3
Included in unrealized net holding gains (losses) in OCI	(11)			
Purchases				13
Issuances		42	3	
Sales				(10)
Settlements	(25)	(34)	(50)	(13)
Balance at June 30, 2015	$ 688	$ 912	$ (2)	$ 359
Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at June 30, 2015	$ 5	$ 140	$ 4	$ (1)

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Three Months Ended June 30, 2014	Acquired from FDIC Securities	Residential MSRs	Net Derivatives	Private Equity and Similar Investments
	(Dollars in millions)			
Balance at April 1, 2014	$ 832	$ 1,008	$ 4	$ 328
Total realized and unrealized gains (losses):				
Included in earnings:				
Interest income	2			
Mortgage banking income		(54)	29	
Other noninterest income				9
Included in unrealized net holding gains (losses) in OCI	3			
Purchases				14
Issuances		33	28	
Sales				(29)
Settlements	(27)	(33)	(37)	(1)
Transfers into Level 3				1
Balance at June 30, 2014	$ 810	$ 954	$ 24	$ 322
Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at June 30, 2014	$ 2	$ (54)	$ 24	$ (6)

Private

Six Months Ended June 30, 2015	Acquired from FDIC Securities	Residential MSRs	Net Derivatives	Equity and Similar Investments
	(Dollars in millions)			
Balance at January 1, 2015	$ 745	$ 844	$ 17	$ 329
Total realized and unrealized gains (losses):				
Included in earnings:				
Interest income	16			
Mortgage banking income		69	48	
Other noninterest income			(2)	19
Included in unrealized net holding gains (losses) in OCI	(25)			
Purchases				55
Issuances		68	41	
Sales				(29)
Settlements	(48)	(69)	(106)	(15)
Balance at June 30, 2015	$ 688	$ 912	$ (2)	$ 359
Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at June 30, 2015	$ 16	$ 69	$	$ 15

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Six Months Ended June 30, 2014	Acquired from FDIC Securities	Residential MSRs	Net Derivatives	Private Equity and Similar Investments
	(Dollars in millions)			
Balance at January 1, 2014	$ 861	$ 1,047	$ (11)	$ 291
Total realized and unrealized gains (losses):				
Included in earnings:				
Interest income	17			
Mortgage banking income		(97)	44	
Other noninterest income				12
Included in unrealized net holding gains (losses) in OCI	(15)			
Purchases				52
Issuances		66	40	
Sales				(30)
Settlements	(53)	(62)	(49)	(4)
Transfers into Level 3				1
Balance at June 30, 2014	$ 810	$ 954	$ 24	$ 322
Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at June 30, 2014	$ 17	$ (97)	$ 24	$ (4)

BB&T's policy is to recognize transfers in and transfers out of Levels 1, 2 and 3 as of the end of a reporting period.

The majority of private equity and similar investments are in SBIC qualified funds, which primarily focus on equity and subordinated debt investments in privately-held middle market companies. The majority of these investments are not redeemable and distributions are received as the underlying assets of the funds liquidate. The timing of distributions, which are expected to occur on various dates through 2025, is uncertain and dependent on various events such as recapitalizations, refinance transactions and ownership changes among others. Excluding the investment of future funds, these investments have an estimated weighted average remaining life of approximately two years; however, the timing and amount of distributions may vary significantly. Restrictions on the ability to sell the investments include, but are not limited to, consent of a majority member or general partner approval for transfer of ownership. These investments are spread over numerous privately-held middle market companies, and thus the sensitivity to a change in fair value for any single investment is limited. The significant unobservable inputs for these investments are EBITDA multiples that ranged from 5x to 11x, with a weighted average of 8x, at June 30, 2015.

The following table details the fair value and UPB of LHFS that were elected to be carried at fair value:

	June 30, 2015			**December 31, 2014**		
	Fair Value	**Aggregate UPB**	**Difference**	**Fair Value**	**Aggregate UPB**	**Difference**
	(Dollars in millions)					
LHFS reported at fair value	$ 2,469	$ 2,468	$ 1	$ 1,423	$ 1,390	$ 33

Excluding government guaranteed, LHFS that were nonaccrual or 90 days or more past due and still accruing interest were not material at June 30, 2015.

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The following table provides information about certain financial assets measured at fair value on a nonrecurring basis, which are primarily collateral dependent and may be subject to liquidity adjustments. The carrying values represent end of period values, which approximate the fair value measurements that occurred on the various measurement dates throughout the period. The valuation adjustments represent the amounts recorded during the period regardless of whether the asset is still held at period end. These assets are considered to be Level 3 assets (excludes acquired from FDIC).

	June 30, 2015			**June 30, 2014**		
		Valuation Adjustments			**Valuation Adjustments**	
	Carrying Value	**Three Months Ended**	**Six Months Ended**	**Carrying Value**	**Three Months Ended**	**Six Months Ended**
	(Dollars in millions)					
Impaired loans	$ 114	$ (1)	$ (13)	$213	$ (19)	$ (37)
Foreclosed real estate	86	(43)	(83)	56	(27)	(86)

For financial instruments not recorded at fair value, estimates of fair value are based on relevant market data and information about the instrument and are based on the value of one trading unit without regard to any premium or discount that may result from concentrations of ownership, possible tax ramifications, estimated transaction costs that may result from bulk sales or the relationship between various instruments.

An active market does not exist for certain financial instruments. Fair value estimates for these instruments are based on current economic conditions, currency and interest rate risk characteristics, loss experience and other factors. Many of these estimates involve uncertainties and matters of significant judgment and cannot be determined with precision. Therefore, the fair value estimates in many instances cannot be substantiated by comparison to independent markets and, in many cases, may not be realizable in a current sale of the instrument. In addition, changes in assumptions could significantly affect these fair value estimates. The following assumptions were used to estimate the fair value of these financial instruments.

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

HTM securities: The fair values of HTM securities are based on a market approach using observable inputs such as benchmark yields and securities, TBA prices, reported trades, issuer spreads, current bids and offers, monthly payment information and collateral performance.

Loans receivable: The fair values for loans are estimated using discounted cash flow analyses, applying interest rates currently being offered for loans with similar terms and credit quality, which are deemed to be indicative of orderly transactions in the current market. For commercial loans and leases, discount rates may be adjusted to address additional credit risk on lower risk grade instruments. For residential mortgage and other consumer loans, internal prepayment risk models are used to adjust contractual cash flows. Loans are aggregated into pools of similar terms and credit quality and discounted using a LIBOR based rate. The carrying amounts of accrued interest approximate fair values.

FDIC loss share receivable and payable: The fair values of the receivable and payable are estimated using discounted cash flow analyses, applying a risk free interest rate that is adjusted for the uncertainty in the timing and amount of the cash flows. The expected cash flows to/from the FDIC related to loans were estimated using the same assumptions that were used in determining the accounting values for the related loans. The expected cash flows to/from the FDIC related to securities are based upon the fair value of the related securities and the payment that would be required if the securities were sold for that amount. The loss share agreements are not transferrable and, accordingly, there is no market for the receivable or payable.

Deposit liabilities: The fair values for demand deposits are equal to the amount payable on demand. Fair values for CDs are estimated using a discounted cash flow calculation that applies current interest rates to aggregate expected maturities. BB&T has developed long-term relationships with its deposit customers, commonly referred to as CDIs, that have not been considered in the determination of the deposit liabilities' fair value.

Short-term borrowings: The carrying amounts of short-term borrowings approximate their fair values.

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

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Contractual commitments: The fair values of commitments are estimated using the fees charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The fair values of guarantees and letters of credit are estimated based on the counterparties' creditworthiness and average default rates for loan products with similar risks. These respective fair value measurements are categorized within Level 3 of the fair value hierarchy. Retail lending commitments are assigned no fair value as BB&T typically has the ability to cancel such commitments by providing notice to the borrower.

Financial assets and liabilities not recorded at fair value are summarized below:

June 30, 2015	**Carrying Amount**	**Total Fair Value**	**Level 2**	**Level 3**
	(Dollars in millions)			
Financial assets:				
HTM securities	$ 19,437	$ 19,455	$ 19,455	$
Loans and leases HFI, net of ALLL	120,844	120,646		120,646
FDIC loss share receivable	383	59		59
Financial liabilities:				
Deposits	132,783	132,948	132,948	
FDIC loss share payable	695	694		694
Long-term debt	23,271	23,762	23,762	

December 31, 2014	**Carrying Amount**	**Total Fair Value**	**Level 2**	**Level 3**
	(Dollars in millions)			
Financial assets:				
HTM securities	$ 20,240	$ 20,313	$ 20,313	$
Loans and leases	118,410	118,605		118,605

HFI, net of ALLL				
FDIC loss share receivable	534	123		123
Financial liabilities:				
Deposits	129,040	129,259	129,259	
FDIC loss share payable	697	696		696
Long-term debt	23,312	24,063	24,063	

The following is a summary of selected information pertaining to off-balance sheet financial instruments:

	June 30, 2015		**December 31, 2014**	
	Notional/ Contract Amount	**Fair Value**	**Notional/ Contract Amount**	**Fair Value**
	(Dollars in millions)			
Commitments to extend, originate or purchase credit	$ 54,071	$ 108	$ 49,333	$ 97
Residential mortgage loans sold with recourse	619	9	667	9
Other loans sold with recourse	4,425	8	4,264	7
Letters of credit and financial guarantees	3,353	24	3,462	22

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NOTE 15. Derivative Financial Instruments

Derivative Classifications and Hedging Relationships

	June 30, 2015			December 31, 2014		
		Fair Value			Fair Value	
Hedged Item or Transaction	Notional Amount	Gain	Loss	Notional Amount	Gain	Loss
&						