BB&T CORP
Form 10-Q
November 06, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended:

September 30, 2008

Commission file number: 1-10853

BB&T CORPORATION

(Exact name of registrant as specified in its charter)

North Carolina **(State of Incorporation)**	**56-0939887** **(I.R.S. Employer Identification No.)**
200 West Second Street **Winston-Salem, North Carolina** **(Address of Principal Executive Offices)**	**27101** **(Zip Code)**

(336) 733-2000
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ 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 þ	**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 þ

At October 31, 2008, 552,487,459 shares of the registrant's common stock, $5 par value, were outstanding.

BB&T CORPORATION
FORM 10-Q
September 30, 2008
INDEX

			Page No.
Part I. FINANCIAL INFORMATION			
	Item 1.	Financial Statements (Unaudited)	2
		Notes to Consolidated Financial Statements (Unaudited)	6
	Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
		Executive Summary	35
		Analysis of Financial Condition	36
		Analysis of Results of Operations	48
		Market Risk Management	58
		Capital Adequacy and Resources	63
		Segment Results	65
	Item 3.	Quantitative and Qualitative Disclosures About Market Risk	67
	Item 4.	Controls and Procedures	67
Part II. OTHER INFORMATION			
	Item 1.	Legal Proceedings	67
	Item 1A.	Risk Factors	68
	Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	69
	Item 6.	Exhibits	70
SIGNATURES			70
EXHIBIT INDEX			71
CERTIFICATIONS			72

Item 1. Financial Statements

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

	September 30, 2008	December 31, 2007
Assets		
Cash and due from banks	**$ 1,675**	$ 2,050
Interest-bearing deposits with banks	**420**	388
Federal funds sold and securities purchased under resale agreements or similar arrangements	**297**	679
Segregated cash due from banks	**307**	208
Trading securities at fair value	**548**	1,009
Securities available for sale at fair value	**20,534**	22,419
Loans held for sale ($1,379 at fair value at September 30, 2008)	**1,419**	779
Loans and leases, net of unearned income	**95,263**	90,907
Allowance for loan and lease losses	**(1,377)**	(1,004)
Loans and leases, net	**93,886**	89,903
Premises and equipment, net of accumulated depreciation	**1,557**	1,529
Goodwill	**5,340**	5,194
Core deposit and other intangible assets	**507**	489
Residential mortgage servicing rights at fair value	**601**	472
Other assets	**9,950**	7,499
Total assets	**$ 137,041**	$ 132,618
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing deposits	**$ 13,534**	$ 13,059
Interest checking	**2,189**	1,201
Other client deposits	**37,786**	35,504
Client certificates of deposit	**26,519**	26,972
Other interest-bearing deposits	**8,359**	10,030
Total deposits	**88,387**	86,766
Federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	**10,075**	10,634
Long-term debt	**21,337**	18,693
Accounts payable and other liabilities	**4,307**	3,893
Total liabilities	**124,106**	119,986
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Preferred stock, $5 par, 5,000 shares authorized, none issued or outstanding at September 30, 2008 or at December 31, 2007	**-**	**-**
Common stock, $5 par, 1,000,000 shares authorized; 552,259 issued and outstanding at September 30, 2008, and		

545,955 issued and outstanding at December 31, 2007	**2,761**	2,730
Additional paid-in capital	**3,278**	3,087
Retained earnings	**7,357**	6,919
Accumulated other comprehensive loss, net of deferred income taxes of $(277) at September 30, 2008 and $(65) at December 31, 2007	**(461)**	(104)
Total shareholders' equity	**12,935**	12,632
Total liabilities and shareholders' equity	**$ 137,041**	$ 132,618

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	**2008**	2007
Interest Income				
Interest and fees on loans and leases	**$ 1,499**	$ 1,719	**$ 4,595**	$ 5,007
Interest and dividends on securities	**287**	297	**859**	838
Interest on short-term investments	**7**	14	**24**	37
Total interest income	**1,793**	2,030	**5,478**	5,882
Interest Expense				
Interest on deposits	**449**	679	**1,468**	1,965
Interest on federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	**48**	110	**195**	299
Interest on long-term debt	**208**	263	**642**	729
Total interest expense	**705**	1,052	**2,305**	2,993
Net Interest Income	**1,088**	978	**3,173**	2,889
Provision for credit losses	**364**	105	**917**	264
Net Interest Income After Provision for Credit Losses	**724**	873	**2,256**	2,625
Noninterest Income				
Insurance income	**232**	206	**681**	632
Service charges on deposits	**176**	157	**502**	446
Investment banking and brokerage fees and commissions	**84**	87	**258**	258
Mortgage banking income	**83**	27	**199**	88

Checkcard fees	**52**	47	**151**	132
Other nondeposit fees and commissions	**47**	46	**140**	137
Trust and investment advisory revenues	**37**	40	**115**	120
Bankcard fees and merchant discounts	**38**	36	**113**	101
Income from bank-owned life insurance	**24**	24	**62**	77
Securities gains (losses), net	**13**	6	**66**	(4)
Other income (loss)	**6**	(1)	**103**	69
Total noninterest income	**792**	675	**2,390**	2,056
Noninterest Expense				
Personnel expense	**552**	514	**1,664**	1,578
Occupancy and equipment expense	**127**	118	**374**	351
Professional services	**51**	36	**136**	99
Loan processing expenses	**32**	29	**96**	84
Amortization of intangibles	**25**	26	**77**	77
Merger-related and restructuring charges, net	**5**	7	**11**	18
Other expenses	**217**	158	**549**	487
Total noninterest expense	**1,009**	888	**2,907**	2,694
Earnings				
Income before income taxes	**507**	660	**1,739**	1,987
Provision for income taxes	**149**	216	**525**	664
Net income	**$ 358**	$ 444	**$ 1,214**	$ 1,323
Per Common Share				
Net income:				
Basic	**$ .65**	$ .81	**$ 2.22**	$ 2.42
Diluted	**$ .65**	$ .80	**$ 2.20**	$ 2.40
Cash dividends paid	**$ .47**	$ .46	**$ 1.39**	$ 1.30
Weighted Average Shares Outstanding				
Basic	**549,761**	550,603	**547,543**	546,978
Diluted	**553,544**	555,336	**551,144**	552,153

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

BB&T CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Nine Months Ended September 30, 2008 and 2007
(Unaudited)
(Dollars in millions, except per share data, shares in thousands)

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive	Total Shareholders' Equity

					Income (Loss)	
Balance, January 1, 2007	541,475	$ 2,707	$ 2,801	$ 6,596	$ (359)	$ 11,745
Add (Deduct):						
Comprehensive income (loss):						
Net income	-	-	-	1,323	-	1,323
Unrealized holding gains (losses) arising during the period						
on securities available for sale, net of tax of $52	-	-	-	-	96	96
Reclassification adjustment for losses (gains)						
on securities available for sale included in net						
income, net of tax of $1	-	-	-	-	3	3
Change in unrealized gains (losses) on securities, net of tax	-	-	-	-	99	99
Change in unrecognized gains (losses) on cash flow hedges,						
net of tax	-	-	-	-	(1)	(1)
Change in pension and postretirement liability, net of tax of $(2)	-	-	-	-	(10)	(10)
Foreign currency translation adjustment	-	-	-	-	3	3
Total comprehensive income (loss)	-	-	-	1,323	91	1,414
Common stock issued:						
In purchase acquisitions (1)	8,807	44	356	-	-	400
In connection with stock option exercises						
and other employee benefits, net of cancellations	2,155	11	47	-	-	58
Redemption of common stock	(3,100)	(16)	(107)	-	-	(123)
Cash dividends declared on common stock, $1.34 per share	-	-	-	(735)	-	(735)
Cumulative effect of adoption of FIN 48	-	-	-	(119)	-	(119)
Cumulative effect of adoption of FSP FAS 13-2	-	-	-	(306)	-	(306)
Other, net	-	-	68	-	-	68
	549,337	$ 2,746	$ 3,165	$ 6,759	$ (268)	$ 12,402

Balance, September 30, 2007						
Balance, January 1, 2008	545,955	$ 2,730	$ 3,087	$ 6,919	$ (104)	$ 12,632
Add (Deduct):						
Comprehensive income (loss):						
Net income	-	-	-	1,214	-	1,214
Unrealized holding gains (losses) arising during the period						
on securities available for sale, net of tax of $(196)	-	-	-	-	(329)	(329)
Reclassification adjustment for losses (gains)						
on securities available for sale included in net						
income, net of tax of $(25)	-	-	-	-	(41)	(41)
Change in unrealized gains (losses) on securities, net of tax	-	-	-	-	(370)	(370)
Change in unrecognized gains (losses) on cash flow hedges,						
net of tax of $8	-	-	-	-	13	13
Change in pension and postretirement liability, net of tax of $1	-	-	-	-	1	1
Foreign currency translation adjustment	-	-	-	-	(1)	(1)
Total comprehensive income (loss)	-	-	-	1,214	(357)	857
Common stock issued:						
In purchase acquisitions	1,181	6	27	-	-	33
In connection with stock option exercises						
and other employee benefits, net of cancellations	1,857	9	43	-	-	52
In connection with dividend reinvestment plan	813	4	19	-	-	23
In connection with private placement to BB&T pension plan	2,458	12	41	-	-	53
Cash dividends declared on common stock, $1.40 per share	-	-	-	(768)	-	(768)
Cumulative effect of adoption of EITF 06-4	-	-	-	(8)	-	(8)

and EITF 06-10						
Other, net	(5)	-	61	-	-	61
Balance, September 30, 2008	552,259	$ 2,761	$ 3,278	$ 7,357	$ (461)	$ 12,935

(1) Additional paid-in capital includes the value of replacement stock options issued.

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

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

	For the Nine Months Ended September 30,	
	2008	2007
Cash Flows From Operating Activities:		
Net income	**$ 1,214**	$ 1,323
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	**917**	264
Depreciation	**146**	133
Amortization of intangibles	**77**	77
Equity-based compensation	**61**	56
Discount accretion and premium amortization on long-term debt, net	**74**	92
(Gain) loss on sales of securities, net	**(66)**	4
Loss (gain) on disposals of premises and equipment, net	**2**	(4)
Net decrease in trading account securities	**461**	560
Net increase in loans held for sale	**(600)**	(720)
Increase in other assets, net	**(2,289)**	(828)
Increase (decrease) in accounts payable and other liabilities, net	**513**	(1,225)
Increase in segregated cash due from banks	**(99)**	(73)
Other, net	**15**	(1)
Net cash provided by (used in) operating activities	**426**	(342)
Cash Flows From Investing Activities:		
Proceeds from sales of securities available for sale	**12,374**	1,813
Proceeds from maturities, calls and paydowns of securities available for sale	**3,774**	4,905
Purchases of securities available for sale	**(14,827)**	(8,465)
Originations and purchases of loans and leases, net of principal collected	**(5,360)**	(4,242)
Net cash (paid) acquired in business combinations	**(159)**	23
Proceeds from disposals of premises and equipment	**4**	15

Purchases of premises and equipment	**(152)**	(184)
Proceeds from sales of foreclosed property or other real estate held for sale	**106**	64
Other, net	**95**	-
Net cash used in investing activities	**(4,145)**	(6,071)
Cash Flows From Financing Activities:		
Net increase in deposits	**1,626**	3,244
Net (decrease) increase in federal funds purchased, securities sold under repurchase agreements and short-term borrowed funds	**(559)**	989
Proceeds from issuance of long-term debt	**4,901**	5,405
Repayment of long-term debt	**(2,342)**	(2,707)
Net proceeds from common stock issued	**128**	58
Redemption of common stock	**-**	(123)
Cash dividends paid on common stock	**(760)**	(709)
Excess tax benefit from equity-based awards	**-**	12
Net cash provided by financing activities	**2,994**	6,169
Net Decrease in Cash and Cash Equivalents	**(725)**	(244)
Cash and Cash Equivalents at Beginning of Period	**3,117**	2,712
Cash and Cash Equivalents at End of Period	**$ 2,392**	$ 2,468
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	**$ 2,335**	$ 2,918
Income taxes	**562**	2,073
Noncash investing and financing activities:		
Transfers of loans to foreclosed property	**374**	91
Common stock issued in business combinations	**33**	400

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

Back to Index

BB&T Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) Third Quarter 2008

NOTE 1. Basis of Presentation

General

In the opinion of management, the accompanying unaudited Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Changes in Shareholders Equity, and Consolidated Statements of Cash Flows of BB&T Corporation and subsidiaries (referred to herein as BB&T, the Corporation or the Company), are a fair statement of BB&Ts financial position at September 30, 2008 and December 31, 2007,

BB&T's results of operations for the three and nine month periods ended September 30, 2008 and 2007, and BB&T's changes in shareholders' equity and cash flows for the nine month periods ended September 30, 2008 and 2007. 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.

These consolidated financial statements and notes are presented in accordance with the instructions for Form 10-Q. The information contained in the financial statements and footnotes included in BB&T's Annual Report on Form 10-K for the year ended December 31, 2007 should be referred to in connection with these unaudited interim consolidated financial statements.

Nature of Operations

BB&T is a financial holding company headquartered in Winston-Salem, North Carolina. BB&T conducts its operations primarily through its subsidiary, Branch Banking and Trust Company ("Branch Bank"), which has branches in North Carolina, South Carolina, Virginia, Maryland, Georgia, West Virginia, Tennessee, Kentucky, Florida, Alabama, Indiana and Washington, D.C. Branch Bank provides a wide range of banking services to individuals and businesses, and offers a variety of loans to businesses and consumers. Such loans are made primarily to individuals residing in the market areas described above or to businesses located within BB&T's geographic footprint. Branch Bank also markets a wide range of deposit services to individuals and businesses. Branch Bank offers, either directly, or through its subsidiaries, lease financing to businesses and municipal governments; factoring; discount brokerage services, annuities and mutual funds; life insurance, property and casualty insurance, health insurance and commercial general liability insurance on an agency basis and through a wholesale insurance brokerage operation; insurance premium financing; permanent financing arrangements for commercial real estate; loan servicing for third-party investors; direct consumer finance loans to individuals; and trust services. The direct nonbank subsidiaries of BB&T provide a variety of financial services including automobile lending, equipment financing, full-service securities brokerage, payroll processing, asset management and capital markets services.

Principles of Consolidation

The consolidated financial statements of BB&T include the accounts of BB&T Corporation and those subsidiaries that are majority owned by BB&T and over which BB&T exercises control. In consolidation, all significant intercompany accounts and transactions are

eliminated. The results of operations of companies acquired are included only from the dates of acquisition. All material wholly-owned and majority-owned subsidiaries are consolidated unless accounting principles generally accepted in the United States of America require

otherwise.

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

BB&T has variable interests in certain entities that were not required to be consolidated, including affordable housing partnership interests, historic tax credit partnerships, other partnership interests and trusts that have issued capital securities.

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

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

Reclassifications

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan and lease losses and the reserve for unfunded lending

commitments, 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 expenses.

Changes in Accounting Principles and Effects of New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 clarifies that fair value is the price that would be received 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 on the measurement date. SFAS No. 157 is required to be applied whenever another financial accounting standard requires or permits an asset or liability to be measured at fair value. SFAS No. 157 does not expand the use of fair value to any new circumstances. BB&T adopted SFAS No. 157 effective January 1, 2008. The adoption of SFAS No. 157 was not material to the consolidated financial statements. Additional disclosures required by SFAS No. 157 are included in Note 12 to these consolidated financial statements.

In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active,* (FSP 157-3). FSP 157-3 clarifies the application of SFAS No. 157 in determining the fair value of a financial asset during periods of inactive markets. FSP 157-3 was effective as of September 30, 2008 and did not have a material impact on BB&Ts consolidated financial statements.

In September 2006, the FASB reached a consensus on Emerging Issues Task Force (EITF) Issue 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*, (EITF Issue 06-4). In March 2007, the FASB reached a consensus on EITF Issue 06-10, *Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements*, (EITF Issue 06-10). Both of these standards require a company to recognize an obligation over an employees service period based upon the substantive agreement with the employee such as the promise to maintain a life insurance policy or provide a death benefit. BB&T adopted the provisions of these standards effective January 1, 2008. The adoption of these standards was not material to the consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*, (SFAS No. 159 or the Fair Value Option), which permits companies to choose to measure many financial instruments and certain other items at fair value, on an instrument-by-instrument basis. Once a company has elected to record eligible items at fair value, the decision is generally irrevocable. The objective of SFAS No. 159 is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. BB&T adopted SFAS No. 159 effective January 1, 2008, and elected the Fair Value Option for certain loans held for sale originated

after December 31, 2007. The adoption of SFAS

No. 159 was not material to the consolidated financial statements. Additional disclosures required by SFAS No. 159 are included in Note 12 to these consolidated financial statements.

In November 2007, the Securities and Exchange Commission (SEC) Staff issued Staff Accounting Bulletin No. 109 *Written Loan Commitments Recorded at Fair Value through Earnings,* (SAB No. 109), which supersedes the guidance previously issued in SAB No. 105 *Application of Accounting Principles to Loan Commitments* (SAB No. 105). SAB No. 109 expresses the current view of the Staff that the expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The provisions of SAB No. 109 affect only the timing of mortgage banking income recognition and are effective for loan commitments as of January 1, 2008. The adoption of the provisions of SAB No. 109 was not material to BB&Ts consolidated results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations,* (SFAS No. 141(R)). SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction (whether a full or partial acquisition); establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; requires expensing of most transaction and restructuring costs; and requires the acquirer to disclose to investors and other users all of the information needed to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141(R) is effective for BB&T for business combinations consummated after December 31, 2008.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51,* (SFAS No. 160). SFAS No. 160 requires that a noncontrolling interest in a subsidiary be accounted for as equity in the consolidated statement of financial position and that net income include the amounts for both the parent and the noncontrolling interest, with a separate amount presented in the income statement for the noncontrolling interest share of net income. SFAS No. 160 also expands the disclosure requirements and provides guidance on how to account for changes in the ownership interest of a subsidiary. SFAS No. 160 is effective prospectively for BB&T on January 1, 2009, except for the presentation and disclosure provisions that will be applied retrospectively for all periods presented. Management does not expect the adoption of SFAS No. 160 to be material to the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of SFAS No. 133,* (SFAS No. 161). SFAS No. 161 requires that an entity provide enhanced disclosures related to derivative and hedging activities. SFAS No. 161 is effective for BB&T on January 1, 2009.

In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, "*Determination of the Useful Life of Intangible Assets*" ("FSP No. 142-3"). FSP No. 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under FASB SFAS No. 142, "*Goodwill and Other Intangible Assets*" ("SFAS No. 142"). The intent of FSP No. 142-3 is to improve the consistency

between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R). FSP No. 142-3 is effective for BB&T on January 1, 2009, and applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. The adoption of FSP No. 142-3 is not expected to have a material impact on BB&T's consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "*The Hierarchy of Generally Accepted Accounting Principles*," ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "*The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*." Management does not expect the adoption of the provisions of SFAS No. 162 to have any impact on the consolidated financial statements.

In September 2008, the FASB issued FSP FAS 133-1 and FIN 45-4, "*Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*," ("FSP 133-1 and FIN 45-4"). FSP 133-1 and FIN 45-4 require a seller of credit derivatives to disclose information about its credit derivatives and hybrid instruments that have embedded credit derivatives to enable users of financial statements to assess their potential effect on its financial position, financial performance and cash flows. The disclosures required by FSP 133-1 and FIN 45-4 will be effective for BB&T on December 31, 2008.

NOTE 2. Business Combinations and Intangible Assets

Acquisitions

During the first nine months of 2008, BB&T acquired nine insurance agencies. Approximately $123 million in goodwill and $92 million of identifiable intangibles were recorded in connection with these transactions.

Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill attributable to each of BB&T's operating segments for the nine months ended September 30, 2008 are as follows:

	Goodwill Activity by Operating Segment							
	Banking Network	Residential Mortgage Banking	Sales Finance	Specialized Lending	Insurance Services	Financial Services	All Other	Total
	(Dollars in millions)							
Balance, January 1, 2008	$ 4,035	$ 7	$ 93	$ 100	$ 741	$ 192	$ 26	$ 5,194
Acquisitions	-	-	-	-	123	-	-	123
Contingent consideration	-	-	-	-	24	-	-	24
Other adjustments	2	-	-	(4)	1	-	-	(1)
Balance, September 30, 2008	$ 4,037	$ 7	$ 93	$ 96	$ 889	$ 192	$ 26	$ 5,340

The following table presents the gross carrying amounts and accumulated amortization for BB&T's identifiable intangible assets subject to amortization at the dates presented:

	Identifiable Intangible Assets					
	As of September 30, 2008			As of December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Dollars in millions)					
Identifiable intangible assets						
Core deposit intangibles	$ 457	$ (315)	$ 142	$ 457	$ (284)	$ 173
Other (1)	661	(296)	365	566	(250)	316
Totals	$ 1,118	$ (611)	$ 507	$ 1,023	$ (534)	$ 489

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

NOTE 3. Securities

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

	September 30, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
Securities available for sale:				
U.S. government-sponsored entities (GSE)	$ 1,531	$ 2	$ 9	$ 1,524
Mortgage-backed securities issued by GSE	14,879	21	161	14,739
States and political subdivisions	2,170	3	236	1,937
Non-agency mortgage-backed securities	1,604	-	225	1,379
Equity and other securities	986	4	35	955
Total securities available for sale	$ 21,170	$ 30	$ 666	$ 20,534

	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in millions)			
Securities available for sale:				
U.S. government-sponsored entities (GSE)	$ 9,792	$ 50	$ 35	$ 9,807
Mortgage-backed securities issued by GSE	8,218	58	55	8,221
States and political subdivisions	1,423	20	51	1,392
Non-agency mortgage-backed securities	1,740	8	28	1,720
Equity and other securities	1,291	7	19	1,279
Total securities available for sale	$ 22,464	$ 143	$ 188	$ 22,419

The following tables reflect the gross unrealized losses and fair values of BB&T's investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at the dates presented.

	September 30, 2008					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in millions)					
Securities:						
U.S. government-sponsored entities (GSE)	$ 1,148	$ 9	$ -	$ -	$ 1,148	$ 9
Mortgage-backed securities issued by GSE	11,914	143	750	18	12,664	161
States and political subdivisions	1,375	182	200	54	1,575	236
Non-agency mortgage-backed securities	869	121	510	104	1,379	225

Equity and other securities	224	32	38	3	262	35
Total temporarily impaired securities	$ 15,530	$ 487	$ 1,498	$ 179	$ 17,028	$ 666

	December 31, 2007					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in millions)					
Securities:						
U.S. government-sponsored entities (GSE)	$ 1,537	$ 16	$ 3,701	$ 19	$ 5,238	$ 35
Mortgage-backed securities issued by GSE	3,236	39	797	16	4,033	55
States and political subdivisions	354	51	1	-	355	51
Non-agency mortgage-backed securities	1,111	28	24	-	1,135	28
Equity and other securities	412	18	61	1	473	19
Total temporarily impaired securities	$ 6,650	$ 152	$ 4,584	$ 36	$ 11,234	$ 188

BB&T periodically evaluates available-for-sale securities for other-than-temporary impairment. Based on its evaluation on September 30, 2008, BB&T recorded $41 million of other-than-temporary impairment related to certain debt and equity securities.

On September 30, 2008, BB&T also held certain investment securities having continuous unrealized loss positions for more than 12 months. As of September 30, 2008, the unrealized losses on these securities totaled $179 million. Substantially all of these losses were in mortgage-backed, municipal and corporate securities, all of which were investment grade. The unrealized losses are the result of changes in market interest rates rather than the credit quality of the issuers. At September 30, 2008, BB&T had the ability and intent to retain these securities for a period of time sufficient to recover all unrealized losses.

NOTE 4. Loans and Leases

The following table provides a breakdown of BB&T's loan portfolio as of September 30, 2008 and December 31, 2007.

	September 30, 2008	December 31, 2007
	(Dollars in millions)	

Loans and leases, net of unearned income:		
Commercial loans and leases	**$ 48,694**	$ 44,870
Sales finance	**6,314**	6,021
Revolving credit	**1,718**	1,618
Direct retail	**15,569**	15,691
Residential mortgage loans	**17,259**	17,467
Specialized lending	**5,709**	5,240
Loans held for sale	**1,419**	779
Total loans and leases	**$ 96,682**	$ 91,686

An analysis of the allowance for credit losses for the nine month periods ended September 30, 2008 and 2007 is presented in the following table:

	For the Nine Months Ended September 30,	
	2008	2007
	(Dollars in millions)	
Beginning Balance	**$ 1,015**	$ 888
Allowance for acquired (sold) loans, net	**(2)**	16
Provision for credit losses	**917**	264
Loans and leases charged-off	**(583)**	(280)
Recoveries of previous charge-offs	**46**	53
Net loans and leases charged-off	**(537)**	(227)
Ending Balance	**$ 1,393**	$ 941
Allowance for loan and lease losses	**$ 1,377**	$ 934
Reserve for unfunded lending commitments	**16**	7
Allowance for credit losses	**$ 1,393**	$ 941

The following table provides a summary of BB&T's nonperforming and past due loans as of September 30, 2008 and December 31, 2007.

	September 30, 2008	December 31, 2007
	(Dollars in millions)	
Nonaccrual loans and leases	**$ 1,196**	$ 502
Foreclosed real estate	**382**	143

Other foreclosed property		**60**		51
Total foreclosed property		**442**		194
Total nonperforming assets	**$**	**1,638**	$	696
Loans 90 days or more past due and still accruing (1)	**$**	**297**	$	223

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

NOTE 5. Long-Term Debt

Long-term debt is summarized as follows:

	September 30, 2008	**December 31, 2007**
	(Dollars in millions)	
Parent Company		
6.50% Subordinated Notes Due 2011 (1,3)	$ 648	$ 648
4.75% Subordinated Notes Due 2012 (1,3)	497	496
5.20% Subordinated Notes Due 2015 (1,3)	997	997
4.90% Subordinated Notes Due 2017 (1,3)	367	365
5.25% Subordinated Notes Due 2019 (1,3)	600	600
Branch Bank		
Fixed Rate Secured Borrowings Due 2010 (5)	4,000	4,000
Floating Rate Senior Notes Due 2008	-	500
Floating Rate Senior Notes Due 2009 (9)	540	500
Floating Rate Subordinated Notes Due 2016 (1,9)	350	350
Floating Rate Subordinated Notes Due 2017 (1,9)	300	300
4.875% Subordinated Notes Due 2013 (1,3)	250	249
5.625% Subordinated Notes Due 2016 (1,3)	399	399
Federal Home Loan Bank Advances to Branch Bank (4)		
Varying maturities to 2028	9,789	7,210
Junior Subordinated Debt to Unconsolidated Trusts (2)		
5.85% BB&T Capital Trust I Securities Due 2035 (3)	514	514
6.75% BB&T Capital Trust II Securities Due 2036	598	598
6.82% BB&T Capital Trust IV Securities Due 2077 (6)	600	600
8.95% BB&T Capital Trust V Securities Due 2068 (7)	450	-

Other Securities (8)		182		183
Other Long-Term Debt		62		37
Fair value hedge-related basis adjustments		194		147
Total Long-Term Debt	$	21,337	$	18,693

(1) Subordinated notes that qualify under the risk-based capital guidelines as Tier 2 supplementary capital, subject to certain limitations.

(2) Securities that qualify under the risk-based capital guidelines as Tier 1 capital, subject to certain limitations.

(3) These fixed rate notes were swapped to floating rates based on LIBOR. At September 30, 2008, the effective rates paid on these borrowings ranged from 2.94% to 4.32%.

(4) At September 30, 2008, the weighted average cost of these advances was 4.39% and the weighted average maturity was 7.5 years.

(5) This borrowing is currently secured by automobile loans. The fixed rate was swapped to a floating rate based on LIBOR. This borrowing was called effective October 14, 2008.

(6) These securities are fixed rate through June 12, 2037 and then switch to a floating rate based on LIBOR.

(7) $360 million of this issuance was swapped to a floating rate based on LIBOR. At September 30, 2008 the effective rate on the swapped portion was 6.58%.

(8) These securities were issued by companies acquired by BB&T. At September 30, 2008, the effective rate paid on these borrowings ranged from 4.48% to 10.07%. These securities have varying maturities through 2035.

(9) These floating-rate securities are based on LIBOR and had an effective rate of 3.01% as of September 30, 2008.

Junior Subordinated Debt to Unconsolidated Trusts

In September 2008, BB&T Capital Trust V (□BBTCT V□) issued $450 million of Capital Securities, with a fixed interest rate of 8.95% through September 15, 2063 and a floating rate, if extended, through September 15, 2068. BBTCT V, a statutory business trust created under the laws of the State of Delaware, was formed by BB&T for the sole purpose of issuing the Capital Securities and investing the proceeds thereof in Junior Subordinated Debentures issued by BB&T. BB&T has made guarantees which, taken collectively, fully, irrevocably, and unconditionally guarantee, on a subordinated basis, all of BBTCT V□s obligations under the Trust and Capital Securities. BBTCT V□s sole asset is the Junior Subordinated Debentures issued by BB&T which have an initial maturity on September 15, 2063 and a final maturity date on September 15, 2068. The Junior Subordinated Debentures are subject to early redemption (i) in whole, but not in part, at any time under certain prescribed limited circumstances or (ii) in whole, or in part, pursuant to the call provisions after September 15, 2013. The Capital Securities of BBTCT V are subject to mandatory redemption in whole, or in

part, upon repayment of the Junior Subordinated Debentures at maturity or their earlier redemption.

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

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

Standby letters of credit and financial guarantees written are unconditional commitments issued by BB&T to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper issuance, bond financing and similar transactions. The credit risk involved in the issuance of these guarantees is essentially the same as that involved in extending loans to clients and as such, the instruments are collateralized when necessary. As of September 30, 2008 and December 31, 2007, BB&T had issued standby letters of credit totaling $5.4 billion and $3.4 billion, respectively. The carrying amount of the liability for such guarantees was $15 million and $5 million at September 30, 2008 and December 31, 2007, respectively.

A derivative is a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or referenced interest rate. These instruments include interest-rate swaps, swaptions, caps, floors, collars, financial forward and futures contracts, when-issued securities, foreign exchange contracts and options written and purchased. BB&T uses derivatives primarily to manage risk related to securities, business loans, overnight funds, long-term debt, mortgage servicing rights, mortgage banking operations and certificates of deposit. BB&T also uses derivatives to facilitate transactions on behalf of its clients. BB&T held a variety of derivative financial instruments with notional values of $67.3 billion and $47.2 billion at September 30, 2008 and December 31, 2007, respectively. These instruments were in

a net gain position of $219 million and $181 million at September 30, 2008 and December 31, 2007, respectively.

BB&T invests in certain affordable housing and historic building rehabilitation projects throughout its market area as a means of supporting local communities and receives tax credits related to these investments. BB&T typically acts as a limited partner in these investments and does not exert control over the operating or financial policies of the partnerships. Branch Bank typically provides financing during the construction and development of the properties; however, permanent financing is generally obtained from

independent third parties upon completion of a project. BB&T's outstanding commitments to fund affordable housing investments totaled $426 million and $444 million at September 30, 2008 and December 31, 2007, respectively. At September 30, 2008, BB&T's maximum exposure to loss associated with these investments totaled $815 million.

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

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

BB&T has sold certain mortgage-related loans that contain recourse provisions. These provisions generally require BB&T to reimburse the investor for a share of any loss that is incurred after the disposal of the property. At September 30, 2008, BB&T had $844 million of residential mortgage loans sold with recourse. In the event of nonperformance by the borrower, BB&T has maximum recourse exposure of approximately $760 million. In addition, BB&T has $3.2 billion in loans serviced for others that were covered by loss sharing agreements. BB&T's maximum exposure to loss for these loans is approximately $786 million. The majority of these recourse obligations were acquired by BB&T during 2007 in connection with the acquisition of Collateral Real Estate Capital, LLC.

BB&T has investments and future funding commitments to certain venture capital funds. As of September 30, 2008, BB&T had investments of $158 million, net of minority interest, related to these ventures and future funding commitments of $228 million. BB&T's risk exposure relating to such commitments is generally limited to the amount of investments and future funding commitments made.

NOTE 7. Benefit Plans

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

are typically merged into the BB&T plans after consummation of the mergers, and, under these circumstances, credit is usually given to these employees for years of service at the acquired institution for vesting and eligibility purposes. Please refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2007 for descriptions and disclosures about the various benefit plans offered by BB&T.

The following tables summarize the components of net periodic benefit cost recognized for BB&T's pension plans for the three and nine month periods ended September 30, 2008 and 2007, respectively:

	Pension Plans			
	Qualified For the Three Months Ended September 30,		Nonqualified For the Three Months Ended September 30,	
	2008	2007	2008	2007
	(Dollars in millions)			
Service cost	$ 16	$ 16	$ 1	$ 2
Interest cost	18	16	3	2
Estimated return on plan assets	(36)	(32)	-	-
Amortization and other	(1)	-	-	1
Net periodic benefit cost	$ (3)	$ -	$ 4	$ 5

	Pension Plans			
	Qualified For the Nine Months Ended September 30,		Nonqualified For the Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Dollars in millions)			
Service cost	$ 51	$ 53	$ 3	$ 4
Interest cost	54	50	7	6
Estimated return on plan assets	(104)	(89)	-	-
Amortization and other	(3)	1	1	2
Net periodic benefit cost	$ (2)	$ 15	$ 11	$ 12

BB&T makes contributions to the qualified pension plan in amounts between the minimum required for funding standard accounts and the maximum amount deductible for federal income tax purposes. Management elected to make discretionary contributions of $249 million and $83 million to the qualified pension plan during the third quarters of 2007 and 2008, respectively. Management currently has no plans to make any additional contributions to the qualified pension plan in 2008.

NOTE 8. Computation of Earnings per Share

BB&T's basic and diluted earnings per share amounts for the three and nine month periods ended September 30, 2008 and 2007, respectively, were calculated as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Dollars in millions, except per share data, shares in thousands)			
Basic Earnings Per Share:				
Net income	**$ 358**	$ 444	**$ 1,214**	$ 1,323
Weighted average number of common shares	**549,761**	550,603	**547,543**	546,978
Basic earnings per share	**$ .65**	$ .81	**$ 2.22**	$ 2.42
Diluted Earnings Per Share:				
Net income	**$ 358**	$ 444	**$ 1,214**	$ 1,323
Weighted average number of common shares	**549,761**	550,603	**547,543**	546,978
Add:				
Effect of dilutive outstanding equity-based awards	**3,783**	4,733	**3,601**	5,175
Weighted average number of diluted common shares	**553,544**	555,336	**551,144**	552,153
Diluted earnings per share	**$ .65**	$ .80	**$ 2.20**	$ 2.40

For the three months ended September 30, 2008 and 2007, the number of anti-dilutive awards was 35.1 million and 5.5 million shares, respectively. For the nine months ended September 30, 2008 and 2007, the number of anti-dilutive awards was 32.7 million and 5.4 million shares, respectively.

NOTE 9. Comprehensive Income (Loss)

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

	As of September 30, 2008		
	Pre-Tax Amount	Tax Benefit	After-Tax Amount
	(Dollars in millions)		
Unrealized net losses on securities available for sale	$ (636)	$ (238)	$ (398)
Unrecognized net pension and postretirement costs	(125)	(47)	(78)
Unrealized net gains on cash flow hedges	21	8	13
Foreign currency translation adjustment	2	-	2

Total	$ (738)	$ (277)	$ (461)

	As of December 31, 2007		
	Pre-Tax Amount	Tax Benefit	After-Tax Amount
	(Dollars in millions)		
Unrealized net losses on securities available for sale	$ (45)	$ (17)	$ (28)
Unrecognized net pension and postretirement costs	(127)	(48)	(79)
Foreign currency translation adjustment	3	-	3
Total	$ (169)	$ (65)	$ (104)

The following table reflects the components of total comprehensive income for the three and nine month periods ended September 30, 2008 and 2007, respectively.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Dollars in millions)			
Comprehensive income:				
Net income	$ 358	$ 444	$ 1,214	$ 1,323
Other comprehensive income:				
Unrealized net (losses) gains on securities available for sale	(124)	189	(370)	99
Unrealized net gains (losses) on cash flow hedges	-	3	13	(1)
Net change in pension and postretirement liability	3	(9)	1	(10)
Net foreign currency translation adjustment	(1)	1	(1)	3
Total comprehensive income	$ 236	$ 628	$ 857	$ 1,414

NOTE 10. Operating Segments

BB&T's operations are divided into seven reportable business segments: the Banking Network, Residential Mortgage Banking, Sales Finance, Specialized Lending, Insurance Services, Financial Services and Treasury. These operating segments have been identified based on BB&T's organizational structure. The segments require unique technology and marketing strategies and offer different products and services. While BB&T is managed as an integrated organization, individual executive managers are held accountable for the operations of these business segments.

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

Please refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2007 for a description of internal accounting policies and the basis of segmentation, including a description of the segments presented in the accompanying tables.

The following tables disclose selected financial information with respect to BB&T's reportable business segments for the periods indicated:

BB&T Corporation
Reportable Segments
For the Three Months Ended September 30, 2008 and 2007

	Banking Network		Residential Mortgage Banking		Sales Finance		Specialized Lending		Insurance Services	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(Dollars in millions)									
Net interest income (expense)	$ 534	$ 583	$ 284	$ 270	$ 102	$ 98	$ 179	$ 172	$ 3	$ 6
Net funds transfer pricing (FTP)	306	292	(207)	(203)	(68)	(68)	(52)	(58)	(1)	(2)
Net interest income (expense) and FTP	840	875	77	67	34	30	127	114	2	4
Economic provision for loan and	49	40	3	3	6	5	64	48	-	-

lease losses										
Noninterest income	317	282	67	30	-	-	32	21	228	198
Intersegment net referral fees (expense)	56	60	(23)	(23)	(3)	(3)	-	-	-	-
Noninterest expense	389	370	20	15	6	5	64	52	180	154
Allocated corporate expenses	176	147	3	3	3	3	9	6	10	7
Income (loss) before income taxes	599	660	95	53	16	14	22	29	40	41
Provision (benefit) for income taxes	214	238	34	19	6	5	8	11	15	16
Segment net income (loss)	$ 385	$ 422	$ 61	$ 34	$ 10	$ 9	$ 14	$ 18	$ 25	$ 25
Identifiable segment assets (period end)	$63,518	$59,143	$19,046	$18,406	$6,127	$5,868	$ 6,262	$5,474	$ 1,117	$ 1,035

	Financial Services		**Treasury**		**All Other Segments (1)**		**Parent/Reconciling Items**		**Total BB&T Corporation**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	(Dollars in millions)									
Net interest income (expense)	$ 9	$ 1	$ 91	$ (30)	$ 37	$ 44	$ (151)	$ (166)	$ 1,088	$ 978
Net funds transfer pricing (FTP)	15	11	(38)	(47)	(38)	(43)	83	118	-	-
Net interest income (expense) and FTP	24	12	53	(77)	(1)	1	(68)	(48)	1,088	978
Economic provision for loan and lease losses	1	-	-	-	-	1	241	8	364	105
Noninterest income	149	129	26	39	13	13	(40)	(37)	792	675
Intersegment net referral fees (expense)	5	3	-	-	-	-	(35)	(37)	-	-
Noninterest expense	125	116	2	2	19	17	204	157	1,009	888
Allocated corporate expenses	6	7	2	-	-	2	(209)	(175)	-	-
Income (loss) before income taxes	46	21	75	(40)	(7)	(6)	(379)	(112)	507	660

Provision (benefit) for income taxes	17	7	14	(22)	(9)	(4)	(150)	(54)	149	216
Segment net income (loss)	$ 29	$ 14	$ 61	$ (18)	$ 2	$ (2)	$ (229)	$ (58)	$ 358	$ 444
Identifiable segment assets (period end)	$ 2,769	$ 3,863	$ 24,786	$ 25,277	$ 4,752	$ 3,753	$ 8,664	$ 7,962	$ 137,041	$ 130,781

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

BB&T Corporation
Reportable Segments
For the Nine Months Ended September 30, 2008 and 2007

	Banking Network		Residential Mortgage Banking		Sales Finance		Specialized Lending		Insurance Services	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(Dollars in millions)									
Net interest income (expense)	$ 1,594	$ 1,734	$ 857	$ 765	$ 298	$ 276	$ 528	$ 503	$ 10	$ 14
Net funds transfer pricing (FTP)	954	834	(626)	(578)	(200)	(188)	(156)	(166)	(4)	(2)
Net interest income (expense) and FTP	2,548	2,568	231	187	98	88	372	337	6	12
Economic provision for loan and lease losses	139	113	8	7	17	15	218	135	-	-
Noninterest income	916	793	158	93	1	1	91	62	663	625
Intersegment net referral fees (expense)	198	180	(75)	(70)	(10)	(10)	-	-	-	-
Noninterest expense	1,148	1,095	58	46	20	17	183	152	519	466
Allocated corporate expenses	525	440	8	8	8	8	26	17	30	21
Income (loss) before income taxes	1,850	1,893	240	149	44	39	36	95	120	150
Provision (benefit) for	664	684	86	54	16	14	14	36	46	57

income taxes										
Segment net income (loss)	1$186	$ 1,209	$ 154	$ 95	$ 28	$ 25	$ 22	$ 59	$ 74	$ 93
Identifiable segment assets (period end)	63$518	$59,143	$19,046	$18,406	$6,127	$5,868	$6,262	$5,474	$ 1,117	$ 1,035

	Financial Services		Treasury		All Other Segments (1)		Parent/Reconciling Items		Total BB&T Corporation	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(Dollars in millions)									
Net interest income (expense)	$ 34	$ 10	$ 185	$ (107)	$ 121	$ 121	$ (454)	$ (427)	$ 3,173	$ 2,889
Net funds transfer pricing (FTP)	33	26	(135)	(109)	(124)	(125)	258	308	-	-
Net interest income (expense) and FTP	67	36	50	(216)	(3)	(4)	(196)	(119)	3,173	2,889
Economic provision for loan and lease losses	1	-	-	-	1	1	533	(7)	917	264
Noninterest income	466	411	121	80	30	43	(56)	(52)	2,390	2,056
Intersegment net referral fees (expense)	15	11	-	-	-	-	(128)	(111)	-	-
Noninterest expense	389	361	9	6	65	61	516	490	2,907	2,694
Allocated corporate expenses	25	22	3	3	1	5	(626)	(524)	-	-
Income (loss) before income taxes	133	75	159	(145)	(40)	(28)	(803)	(241)	1,739	1,987
Provision (benefit) for income taxes	49	26	24	(81)	(33)	(19)	(341)	(107)	525	664
Segment net income (loss)	$ 84	$ 49	$ 135	$ (64)	$ (7)	$ (9)	$ (462)	$ (134)	$ 1,214	$ 1,323
Identifiable segment assets (period end)	2$769	$ 3,863	$24,786	$25,277	$4,752	$3,753	$8,664	$7,962	$137,041	$130,781

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

NOTE 11. Equity-Based Compensation Plans

BB&T has options, restricted shares of common stock and restricted share units outstanding from the following equity-based compensation plans: the 2004 Stock Incentive Plan (2004 Plan), the 1995 Omnibus Stock Incentive Plan, the Non-Employee Directors Stock Option Plan, and plans assumed from acquired entities. All plans generally allow for accelerated vesting of awards for holders who retire and have met all retirement eligibility requirements and in connection with certain other events. BB&Ts shareholders have approved all equity-based compensation plans with the exception of plans assumed from acquired companies. As of September 30, 2008, the 2004 Plan is the only plan that has awards available for future grants. Please refer to BB&Ts Annual Report on Form 10-K for the year ended December 31, 2007 for further disclosures related to equity-based awards issued by BB&T.

BB&T measures the fair value of each option award on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants awarded during the first nine months of 2008.

Assumptions:	
Risk-free interest rate	3.7 %
Dividend yield	4.5
Volatility factor	15.5
Expected life	6.9 yrs
Fair value of options per share	$ 3.43

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

The following table details the activity during the first nine months of 2008 related to stock options awarded by BB&T:

	For the Nine Months Ended September 30, 2008	
	Options	Wtd. Avg. Exercise Price
Outstanding at beginning of period	38,042,742	$ 36.61
Granted	6,718,748	34.04
Exercised	(1,901,331)	30.02
Forfeited or expired	(578,421)	37.54
Outstanding at end of period	42,281,738	$ 36.48

Exercisable at end of period	26,195,989	$ 35.54

The following table details the activity during the first nine months of 2008 related to restricted shares and restricted share units awarded by BB&T:

	For the Nine Months Ended September 30, 2008	
	Shares/Units	Wtd. Avg. Grant Date Fair Value
Nonvested at beginning of period	3,994,441	$ 33.20
Granted	2,609,672	23.08
Vested	(68,779)	30.97
Forfeited	(204,125)	29.99
Nonvested at end of period	6,331,209	$ 29.16

NOTE 12. Fair Value Measurements

BB&T adopted SFAS No. 157 effective January 1, 2008. SFAS No. 157, which provides a framework for measuring fair value, requires that an entity determine fair value based on the principal market for the asset or liability being measured. Upon adoption, BB&T changed its principal market for measuring the fair value of certain client derivative contracts. The impact of this change on the measurement of fair value for these contracts was $7 million, pre-tax, and was recorded as a decrease in other noninterest income effective January 1, 2008.

BB&T also adopted SFAS No. 159 effective January 1, 2008. SFAS No. 159 allows an entity the option to elect fair value for the initial and subsequent measurement of certain financial assets and liabilities on a contract-by-contract basis. This option is generally irrevocable. BB&T elected to adopt fair value for all commercial mortgage loans held for sale and prime residential mortgage loans held for sale originated after December 31, 2007. There was no impact to retained earnings as a result of the adoption of SFAS No. 159.

BB&T elected the Fair Value Option for the majority of new loans held for sale because they are hedged using derivatives and the historical accounting practice resulted in volatility in earnings. Under historical accounting practices, BB&T was required to account for the derivatives at fair value and the loans held for sale at lower of cost or market. This practice

resulted in volatility in reported earnings during a declining interest-rate environment because the decline in the value of derivatives held were required to be marked down, but the increasing value of the loans held for sale could not be marked up. Under the Fair Value Option, BB&T will be permitted to record both the loans held for sale and the corresponding derivatives at the full fair value, which will eliminate the mismatch in reported earnings that was caused by the prior accounting practices. BB&T has not elected the Fair Value Option for a small portfolio of its loans held for sale because these loans are not exchanged in an active market and BB&T does not hedge these assets. Fair value for loans held for sale is primarily based on quoted market prices for securities backed by similar types of loans. Following the adoption of SFAS No. 159,

direct loan origination fees and costs related to loans held for sale for which the Fair Value Option has been elected are no longer capitalized and recognized in earnings upon the sale of such loans, but rather are recorded as mortgage banking income in the case of the direct loan origination fees and primarily personnel expense in the case of the direct loan origination costs.

The following table details the fair value and unpaid principal balance of loans held for sale at September 30, 2008 that were elected to be carried at fair value.

	Fair Value	Aggregate Unpaid Principal Balance	Fair Value less Aggregate Unpaid Principal Balance
		(Dollars in millions)	
Loans held for sale reported at fair value			
Total (1)	$ 1,379	$ 1,371	$ 8
Nonaccrual loans	1	1	-
Loans 90 days or more past due and still accruing interest	2	3	(1)

(1) The change in fair value is reflected in mortgage banking income.

Fair Value Measurements

SFAS No. 157 defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or

most advantageous market available to the entity in an orderly transaction between market participants. SFAS No. 157 also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

Level 1

Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities. Level 1 assets and liabilities include certain equity securities and derivative contracts that are traded in an active market.

Level 2

Level 2 asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include fixed income securities and mortgage-backed securities that are held in the Corporation's trading and available-for-sale portfolios, loans held for sale, certain derivative contracts and short-term borrowings.

Level 3

Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. Level 3 assets and liabilities include certain trading securities, certain structured notes, mortgage servicing rights, venture capital investments and certain derivative contracts.

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

		Fair Value Measurements for Assets and Liabilities Measured on a Recurring Basis		
	9/30/2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Dollars in Millions)		
Assets:				
Trading securities	$ 548	$ 223	$ 320	$ 5

Securities available for sale	20,534	170	20,316	48
Loans held for sale (1)	1,379	-	1,379	-
Residential mortgage servicing rights	601	-	-	601
Derivative assets (2)	561	2	553	6
Venture capital investments (2)	175	-	1	174
Total assets	**$ 23,798**	**$ 395**	**$ 22,569**	**$ 834**
Liabilities:				
Derivative liabilities (2)	$ 342	$ 2	$ 332	$ 8
Short-term borrowed funds (3)	208	-	208	-
Total liabilities	**$ 550**	**$ 2**	**$ 540**	**$ 8**

(1) Loans held for sale are residential and commercial mortgage loans that were originated subsequent to December 31, 2007 for which the Company elected the fair value option under SFAS No. 159. Loans originated prior to January 1, 2008 and certain other loans held for sale are still accounted for at the lower of cost or market. There were $40 million in loans held for sale that are not accounted for at fair value at September 30, 2008.

(2) These amounts are reflected in other assets and other liabilities on the Consolidated Balance Sheet.

(3) Short term borrowed funds reflect securities sold short positions.

The tables below present a reconciliation for the three and nine month periods ended September 30, 2008 for all Level 3 assets and liabilities that are measured at fair value on a recurring basis.

	Fair Value Measurements Using Significant Unobservable Inputs				
For the Three Month Period Ended September 30, 2008	**AFS Securities**	**Trading**	**Mortgage Servicing Rights**	**Net Derivatives**	**Venture Capital Investments**
			(Dollars in Millions)		
Balance at June 30, 2008	$ 14	$ 5	$ 611	$ 6	$ 152
Total realized and unrealized gains or losses:					
Included in earnings	-	-	(63)	(8)	1
Included in other comprehensive income	(1)	-	-	-	-
Purchases, issuances and settlements	-	-	53	-	21
Transfers in and/or out of Level 3	35	-	-	-	-
Balance at September 30, 2008	$ 48	$ 5	$ 601	$ (2)	$ 174

	Fair Value Measurements Using Significant Unobservable Inputs

For the Nine Month Period Ended September 30, 2008	AFS Securities	Trading	Mortgage Servicing Rights	Net Derivatives	Venture Capital Investments
			(Dollars in Millions)		
Balance at January 1, 2008	$ 9	$ 27	$ 472	$ 2	$ 128
Total realized and unrealized gains or losses:					
Included in earnings	-	(2)	(39)	(4)	(8)
Included in other comprehensive income	(1)	-	-	-	-
Purchases, issuances and settlements	5	(23)	168	-	54
Transfers in and/or out of Level 3	35	3	-	-	-
Balance at September 30, 2008	$ 48	$ 5	$ 601	$ (2)	$ 174

The table below summarizes unrealized and realized gains and losses recorded in earnings for Level 3 assets and liabilities for the three month period ended September 30, 2008.

	Total Gains and Losses				
	AFS Securities	Trading	Mortgage Servicing Rights	Net Derivatives	Venture Capital Investments
			(Dollars in Millions)		
Classification of gains and losses (realized/unrealized) included in earnings for the period:					
Mortgage banking income	$ -	$ -	$ (63)	$ (8)	$ -
Other noninterest income	-	-	-	-	1
Total	$ -	$ -	$ (63)	$ (8)	$ 1
Net unrealized gains (losses) included in net income relating to assets and liabilities still held at September 30, 2008	$ -	$ -	$ (41)	$ (2)	$ 1

The realized and unrealized losses reported for mortgage servicing rights assets are composed of a negative valuation adjustment of $41 million plus the realization of expected residential mortgage servicing rights cash flows of $22 million for the quarter ended September 30, 2008. BB&T uses various derivative financial instruments to mitigate the income statement effect of changes in fair value due to its quarterly valuation. During the three months ended September 30, 2008, the derivative instruments produced gains of $65 million, which offset the negative valuation adjustment recorded.

The table below summarizes unrealized and realized gains and losses recorded in earnings for Level 3 assets and liabilities for the nine month period ended September 30, 2008.

	Total Gains and Losses				
	AFS Securities	Trading	Mortgage Servicing Rights	Net Derivatives	Venture Capital Investments
	(Dollars in Millions)				
Classification of gains and losses (realized/unrealized) included in earnings for the period:					
Mortgage banking income	$ -	$ -	$ (39)	$ (4)	$ -
Other noninterest income	-	(2)	-	-	(8)
Total	$ -	$ (2)	$ (39)	$ (4)	$ (8)
Net unrealized gains (losses) included in net income relating to assets and liabilities still held at September 30, 2008	$ -	$ -	$ 27	$ (2)	$ (12)

The realized and unrealized losses reported for mortgage servicing rights assets are composed of a positive valuation adjustment of $27 million less the realization of expected residential mortgage servicing rights cash flows of $66 million for the nine months ended September 30, 2008. BB&T uses various derivative financial instruments to mitigate the income statement effect of changes in fair value due to its quarterly valuation. During the first nine months of 2008, the derivative instruments produced losses of $11 million, which offset the positive valuation adjustment recorded.

Also, BB&T may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis. Assets measured at fair value on a nonrecurring basis in the first nine months of 2008 that were still held on the balance sheet at September 30, 2008 totaled $549 million. This amount consists of impaired loans that were classified as Level 3 assets. During the first nine months of 2008, BB&T recorded $66 million in losses related to write-downs of impaired loans based on the appraised value of the underlying collateral.

Back to Index

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

Forward-Looking Statements

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

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

Regulatory Considerations

BB&T and its subsidiaries and affiliates are subject to numerous examinations by federal and state banking regulators, as well as the SEC, the Financial Industry Regulatory Authority, and various state insurance and securities regulators. BB&T and its subsidiaries have from time to time received requests for information from regulatory authorities in various states, including state insurance commissions and state attorneys general, securities regulators and other regulatory authorities, concerning their business practices. Such requests are considered incidental to the normal conduct of business. Please refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2007 for additional

disclosures with respect to laws and regulations affecting the Company's businesses.

On April 1, 2008, BB&T Bankcard Corporation was converted into a federally chartered thrift institution and renamed BB&T Financial, FSB ("BB&T FSB"). As a federally chartered thrift, BB&T FSB is subject to regulation, supervision and examination by the Office of Thrift Supervision. In connection with the charter conversion of BB&T FSB, Sheffield Financial, LLC and MidAmerica Gift Certificate Company, which were previously direct operating subsidiaries of the Corporation, became divisions or subsidiaries of BB&T FSB. In addition, Liberty Mortgage Corporation, formerly a subsidiary of Branch Bank, was reorganized as a subsidiary of BB&T FSB. These organizational structure changes were made to optimize the operating efficiency of these divisions or subsidiaries and have no impact on BB&T's reportable segments.

On October 14, 2008, under authority granted by the Emergency Economic Stabilization Act of 2008 (the "EESA"), the United States Department of the Treasury adopted the Troubled Asset Relief Program ("TARP") and the Capital Purchase Program (the "Capital Purchase Program") pursuant to which the Treasury will purchase up to $250 billion of preferred stock and warrants to be issued by United States banks, savings associations and their holding companies. BB&T received preliminary approval to participate in the Capital Purchase Program on October 27, 2008. Under the Capital Purchase Program, BB&T will issue and sell to the Treasury preferred stock and warrants to purchase shares of BB&T common stock for an aggregate purchase price of approximately $3.1 billion. The Treasury will receive 10-year warrants to purchase shares of BB&T common stock with an aggregate market price of approximately $465 million as of the closing date. Upon the consummation of the transaction, BB&T will be subject to the terms and conditions of the Capital Purchase Program, which are generally described in the Treasury's term sheet available on the Treasury's website at http://www.ustreas.gov.

BB&T also is considering whether it will participate in other programs currently being offered under, or in conjunction with, the EESA including the FDIC's program to insure noninterest-bearing deposits, the FDIC's program to guarantee senior debt of FDIC-insured institutions, and the Federal Reserve Board of Governors' commercial paper funding facility, which will serve as a funding backstop to facilitate the issuance of unsecured and asset-backed term commercial paper by eligible issuers.

Critical Accounting Policies

The accounting and reporting policies of BB&T Corporation and its subsidiaries are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. BB&T's financial position and results of operations are affected by management's application of accounting policies, including estimates, assumptions and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues and expenses. Different

assumptions in the application of these policies could result in material changes in BB&T's consolidated financial position and/or consolidated results of operations and related disclosures. The more critical accounting and reporting policies include BB&T's accounting for the allowance for loan and lease losses and reserve for unfunded lending commitments, determining fair value of financial instruments, intangible assets and other purchase accounting related adjustments associated with mergers and acquisitions, costs and benefit obligations associated with BB&T's pension and postretirement benefit plans, and income taxes. Understanding BB&T's accounting policies is fundamental to understanding BB&T's consolidated financial position and consolidated results

of operations. Accordingly, BB&T's significant accounting policies and changes in accounting principles are discussed in detail in Note 1 of the "Notes to Consolidated Financial Statements" in BB&T's Annual Report on Form 10-K for the year ended December 31, 2007.

The following is a summary of BB&T's critical accounting policies that are highly dependent on estimates, assumptions and judgments. These critical accounting policies are reviewed with BB&T's Audit Committee on a periodic basis.

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

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

Fair Value of Financial Instruments

A significant portion of BB&T's assets and liabilities are financial instruments that are carried at fair value. This includes securities available for sale, trading securities, derivatives, certain loans held for sale, residential mortgage servicing rights, certain

short-term borrowings and venture capital investments. At September 30, 2008, the percentage of total assets and total liabilities measured at fair value was 17.4% and less than 1%, respectively. The vast majority of assets and liabilities carried at fair value are based on either quoted market prices or market prices for similar instruments. At September 30, 2008, 3.5% of assets measured at fair value were based on significant unobservable inputs. This is less than 1% of BB&T's total assets.

Securities

The fair values for available-for-sale and trading securities are generally based upon market prices or market prices for similar instruments. These values take into account recent market activity as well as other market observable data such as interest rate, spread and prepayment information. When market observable data is not available, which generally occurs due to the lack of liquidity for certain trading securities, the valuation of the security is subjective and may involve substantial judgment. As of September 30, 2008, BB&T had approximately

$53 million of available-for-sale and trading securities, which is less than 1% of total assets, valued using unobservable inputs.

Mortgage Servicing Rights

BB&T has a significant mortgage loan servicing portfolio and related mortgage servicing rights. Mortgage servicing rights represent the present value of the future net servicing fees from servicing mortgage loans acquired or originated by BB&T. The methodology used to determine the fair value of mortgage servicing rights is subjective and requires the development of a number of assumptions, including anticipated prepayments of loan principal. The value of mortgage servicing rights is significantly affected by mortgage interest rates available in the marketplace, which influence mortgage loan prepayment speeds. In general, during periods of declining interest rates, the value of mortgage servicing rights declines due to increasing prepayments attributable to increased mortgage refinance activity. Conversely, during periods of rising interest rates, the value of servicing rights generally increases due to reduced refinance activity. BB&T has two classes of mortgage servicing rights for which it separately manages the economic risk: residential and commercial. Residential mortgage servicing rights are carried at fair value with changes in fair value recorded as a component of mortgage banking income each period. BB&T uses various derivative instruments to mitigate the income statement effect of changes in fair value, due to changes in valuation inputs and assumptions, of its residential mortgage servicing rights. Commercial mortgage servicing rights are carried at lower of cost or market and amortized over the estimated period that servicing income is expected to be received based on projections of the amount and timing of estimated future cash flows. The amount and timing of servicing asset amortization is updated based on actual results and updated projections.

Loans Held for Sale

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

Derivatives

BB&T uses derivatives to manage various financial risks. The fair values of derivative financial instruments are determined based on quoted market prices, dealer quotes and internal pricing models that are primarily sensitive to market observable data. BB&T mitigates the credit risk by subjecting counterparties to credit reviews and approvals similar to those used in making loans and other extensions of credit. In addition, certain counterparties are required to provide collateral to BB&T when their unsecured loss positions exceed certain negotiated limits. The fair value of interest rate lock commitments, which are related to mortgage loan commitments, is

based on quoted market prices adjusted for commitments that BB&T does not expect to fund and includes the value attributable to the net servicing fee.

Venture Capital Investments

BB&T has venture capital investments that are carried at fair value. Changes in the fair value of these investments are recorded in other noninterest income each period. In many cases there is no observable market value for these investments and therefore management must estimate the fair value based on a comparison of the operating performance of the company to multiples in the marketplace for similar entities. This analysis requires significant judgment and actual values in a sale could differ materially from those estimated. As of September 30, 2008, BB&T had $175 million of venture capital investments, which is less than 1% of total assets.

Intangible Assets

BB&T's mergers and acquisitions are accounted for using the purchase method of accounting. Under the purchase method, BB&T is required to record the assets acquired, including identified intangible assets and liabilities assumed at their fair value, which often

involves estimates based on third party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques, all of which are inherently subjective. The amortization of identified intangible assets is based upon the estimated economic benefits to be received, which is also subjective. These estimates also include the establishment of various accruals and allowances based on planned facility dispositions and employee severance considerations, among other acquisition-related items. In addition, purchase acquisitions typically result in goodwill, which is subject to ongoing periodic impairment tests based on the fair value of net assets acquired compared to the carrying value of goodwill. The major assumptions used in the impairment testing process include the estimated future cash flows of each business unit and discount rates. Discount rates are unique to each business unit and are based upon the cost of capital specific to the industry in which the business unit operates.

Pension and Postretirement Benefit Obligations

BB&T offers various pension plans and postretirement benefit plans to employees. The calculation of the obligations and related expenses under these plans requires the use of actuarial valuation methods and assumptions. Actuarial valuations and assumptions used in the determination of future values of plan assets and liabilities are subject to management judgment and may differ significantly if different assumptions are used.

Income Taxes

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

tax developments in order to evaluate the effect they may have on the Company's overall tax position and the estimates and judgments used in determining the income tax provision and records adjustments as necessary.

Back to Index

EXECUTIVE SUMMARY

BB&T's total assets at September 30, 2008 were $137.0 billion, an increase of $4.4 billion, or 3.3%, from December 31, 2007. The asset category that experienced the largest

increase was loans and leases, including loans held for sale, which grew $5.0 billion, or 5.4%, during the first nine months of 2008.

Total deposits at September 30, 2008 were $88.4 billion, an increase of $1.6 billion, or 1.9%, from December 31, 2007. Long-term debt increased $2.6 billion, or 14.1%, and total shareholders equity increased $303 million compared to December 31, 2007.

Consolidated net income for the third quarter of 2008 totaled $358 million, a decrease of 19.4% compared to $444 million earned during the third quarter of 2007. On a diluted per share basis, earnings for the three months ended September 30, 2008 were $.65, compared to $.80 for the same period in 2007, a decrease of 18.8% . BB&T s results of operations for the third quarter of 2008 produced an annualized return on average assets of 1.04% and an annualized return on average shareholders equity of 10.86% compared to prior year ratios of 1.37% and 14.24%, respectively.

Consolidated net income for the first nine months of 2008 totaled $1.2 billion, a decrease of 8.2% compared to $1.3 billion earned during the first nine months of 2007. On a diluted per share basis, earnings for the nine months ended September 30, 2008 were $2.20, compared to $2.40 for the same period in 2007, a decrease of 8.3% . BB&T s results of operations for the first nine months of 2008 produced an annualized return on average assets of 1.20% and an annualized return on average shareholders equity of 12.46% compared to prior year ratios of 1.42% and 14.74%, respectively.

Included in the results of operations for the third quarter and first nine months of 2008 were a number of notable items. During the third quarter of 2008, earnings benefited from $54 million in net gains from the sales of securities which was partially offset by $41 million in charges for other-than-temporary impairment. The first nine months of 2008 also included an additional increase in earnings from $36 million in gains on the early extinguishment of certain FHLB advances, a $94 million gain associated with the initial public offering and sale of Visa, Inc. shares, which included a $14 million reversal of a previously recorded liability.

The third quarter and first nine months of 2008 included $364 million and $917 million, respectively, in provision for credit losses. The provision for credit losses exceeded net charge-offs by $122 million for the third quarter and $380 million for the first nine months of 2008, which resulted in an increase in the allowance for loan and lease losses as a percentage of loans and leases held for investment to 1.45% compared to 1.33% at June 30, 2008 and 1.10% at December 31, 2007.

During the third quarter of 2008, BB&T continued to experience challenges resulting from the current credit cycle. These challenges resulted in additional credit deterioration during the quarter, which primarily related to residential real estate in Georgia, Florida and metro Washington, D.C. Management is working aggressively to deal with problem assets

and continues to believe that BB&T's credit issues are manageable.

BB&T's core operations produced 7.7% growth in average loans and leases and 6.9% growth in average deposits compared to the third quarter of 2007. BB&T's net interest margin improved 1 basis point during the third quarter of 2008 compared to the second quarter of 2008, marking the fourth consecutive quarter of expansion.

As of September 30, 2008, BB&T's Tier 1 leverage and tangible capital ratios were 7.6% and 5.8%, respectively. In addition, BB&T's Tier 1 risk-based capital and total risk-based capital ratios were 9.4% and 14.4%, respectively, which are significantly higher than the average levels recently reported by BB&T's peers. BB&T's capital levels improved compared to the prior quarter and are well above the regulatory standards for well-capitalized banks.

In the third quarter the volatility and disruption in the financial markets reached unprecedented levels. In response to financial conditions affecting the banking industry and the financial markets, the U.S. government has taken a number of actions. Early in the fourth quarter, the U.S. Department of the Treasury announced plans to inject up to $250 billion of capital into the banking industry, by purchasing preferred stock and warrants from qualified banking organizations. BB&T has received preliminary approval from the Treasury to sell approximately $3.1 billion of securities to the Treasury under this program.

Please refer to the section titled "Executive Overview" in BB&T's Annual Report on Form 10-K for the year ended December 31, 2007 for additional information with respect to BB&T's recent accomplishments and significant challenges. The factors causing the fluctuations in the major balance sheet and income statement categories for the third quarter of 2008 are further discussed in the following sections.

Back to Index

ANALYSIS OF FINANCIAL CONDITION

Securities

Securities available for sale totaled $20.5 billion at September 30, 2008, a decrease of $1.9 billion, or 8.4%, compared with December 31, 2007. The decline in the securities available for sale portfolio was primarily the result of sales of securities in September that were not reinvested until early in the fourth quarter of 2008. Trading securities totaled $548 million, down $461 million, or 45.7%, compared to the balance at December 31, 2007. The decline in the trading portfolio was largely the result of a reduction in Scott & Stringfellow's trading portfolio primarily due to management's decision to reduce risk associated with trading activities. BB&T's trading portfolio may fluctuate significantly from period to period based on market conditions, which affect the timing of purchases and sales of securities classified as trading.

Average total securities for the third quarter of 2008 totaled $24.1 billion, a slight decrease compared to the average balance during the third quarter of 2007. Average total securities for the first nine months of 2008 totaled $23.8 billion, an increase of $710 million, or 3.1%, compared to the average balance during the first nine months of 2007. BB&T sold a total of $12.4 billion in available-for-sale securities during the nine month period ended September 30, 2008, which produced net securities gains of $107 million. In addition, BB&T recorded $41 million in charges for other-than-temporary impairment related to certain debt and equity securities.

The annualized fully taxable equivalent ("FTE") yield on the average securities portfolio for the third quarter of 2008 was 5.03%, which represents a decrease of 2 basis points compared to the annualized yield earned during the third quarter of 2007. For the first nine months, the annualized FTE yield was 5.07%, which represents a 5 basis point increase compared to the annualized interest earned during the same period of 2007. The fluctuations in the annualized FTE yield on the average securities portfolio were primarily the result of changes in the overall composition of the securities portfolio including purchases of higher-yielding mortgage-backed securities issued by government-sponsored entities and purchases of municipal securities.

Securities available for sale had net unrealized losses of $636 million and $45 million at September 30, 2008 and December 31, 2007, respectively. On September 30, 2008, BB&T held certain investment securities having continuous unrealized loss positions for more than 12 months. As of September 30, 2008, the unrealized losses on these securities totaled $179 million. Substantially all of these losses were in mortgage-backed, municipal and corporate securities, all of which were investment grade. The unrealized losses are the result of changes in market interest rates rather than the credit quality of the issuers. At September 30, 2008, BB&T had the ability and intent to retain these securities for a period of time sufficient to recover all unrealized losses.

Loans and Leases

BB&T emphasizes commercial lending to small and medium-sized businesses, consumer lending, mortgage lending and specialized lending with an overall goal of maximizing the profitability of the loan portfolio, maintaining strong asset quality and achieving an equal mix of consumer and commercial loans. For the third quarter of 2008, average total loans were $95.9 billion, an increase of $6.9 billion, or 7.7%, compared to the same period in 2007. For the first nine months of 2008, average total loans were $94.5 billion, an increase of $7.5 billion, or 8.6%, compared to the same period in 2007.

The following table presents the composition of average loans and leases for the third quarter and nine months ended September 30, 2008 and 2007, respectively:

Table 1
Composition of Average Loans and Leases

	For the Three Months Ended			
	September 30, 2008		September 30, 2007	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Commercial loans and leases	$ 48,132	50.0 %	$ 42,838	48.1 %
Direct retail loans	15,595	16.3	15,534	17.4
Sales finance loans	6,292	6.6	6,006	6.7
Revolving credit loans	1,688	1.8	1,485	1.7
Mortgage loans	18,485	19.3	17,922	20.1
Specialized lending loans	5,751	6.0	5,305	6.0
Total average loans and leases	$ 95,943	100.0 %	$ 89,090	100.0 %

	For the Nine Months Ended			
	September 30, 2008		September 30, 2007	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Commercial loans and leases	$ 46,931	49.8 %	$ 41,971	48.3 %
Direct retail loans	15,606	16.5	15,415	17.7
Sales finance loans	6,171	6.5	5,856	6.7
Revolving credit loans	1,639	1.7	1,430	1.6
Mortgage loans	18,653	19.7	17,217	19.8
Specialized lending loans	5,514	5.8	5,101	5.9
Total average loans and leases	$ 94,514	100.0 %	$ 86,990	100.0 %

The fluctuation in the mix of the loan portfolio during the third quarter and the first nine months of 2008 compared to the same periods of 2007 was primarily due to increased growth in the commercial loan and lease portfolio, which grew at a faster pace than the direct retail portfolio. The slower growth in the direct retail portfolio was the result of decreased demand for home equity loans as a result of a slowdown in the residential real estate market. Growth in the commercial portfolio has shifted somewhat, primarily due to a slowdown in commercial real estate lending, which has been offset by stronger growth in commercial and industrial loans.

The annualized FTE yield for the total loan portfolio for the third quarter of 2008 was 6.28% compared to 7.72% in the third quarter of 2007. The annualized yield on commercial loans for the third quarter of 2008 was 5.42%, a decline of 243 basis points compared to the same period in 2007, while the annualized yield on direct retail loans for the third quarter of 2008 was 6.35% compared to 7.40% in the same period in 2007. The annualized FTE yield on the total loan portfolio for the first nine months of 2008 was 6.54%, which reflects a decrease of 119 basis points compared to the same period in 2007. The annualized yield on commercial loans for the first nine months of 2008 was 5.82%, a decline of 207 basis points compared to the

same period in 2007, while the annualized yield on direct retail loans for the first nine months of 2008 was 6.59% compared to 7.38% in the same period in 2007. The decreases in the FTE yield on the loan portfolio were primarily the result of the repricing of loans in response to the decrease in the prime lending rate and other indices.

Other Interest-Earning Assets

Federal Funds sold and securities purchased under resale agreements or similar arrangements totaled $297 million at September 30, 2008, a decrease of $382 million compared to December 31, 2007. Interest-bearing deposits with banks, including segregated cash, increased $131 million, or 22.0%, compared to year-end 2007. These categories of earning assets are subject to large daily fluctuations. The average yield on other interest-earning assets was 2.61% for the third quarter of 2008 compared to 4.96% for the third quarter of 2007. For the first nine months of 2008, the average yield on other interest-earning assets was 2.88% compared to 5.06% for the same period in 2007. The decreases in the yield on other interest-earning assets reflect the decline in the Federal Funds target rate during 2008 that began in the second half of 2007.

Noninterest-Earning Assets

BB&T's other noninterest-earning assets, including premises and equipment, goodwill, core deposit and other intangible assets, residential mortgage servicing rights and noninterest-bearing cash and due from banks, increased $2.4 billion from December 31, 2007 to September 30, 2008. The growth in this category included an increase of $1.4 billion for certain short-term receivables, $146 million in goodwill, which resulted primarily from the acquisitions of insurance agencies and certain contingent payments related to prior acquisitions, an increase of $129 million in the fair value of residential mortgage servicing rights due to growth in mortgage loans serviced for others and a decline in prepayment speeds, which increases the value of existing servicing relationships. In addition, investments in partnerships increased by $123 million, primarily due to additional investments in affordable housing projects that produce tax benefits, and foreclosed real estate increased by $239 million compared to December 31, 2007.

Deposits

Client deposits generated through the BB&T banking network are the largest source of funds used to support asset growth. Deposits totaled $88.4 billion at September 30, 2008, an increase of $1.6 billion, or 1.9%, from December 31, 2007.

Average deposits for the third quarter of 2008 increased $5.8 billion, or 6.9%, to $90.0 billion compared to the same period in 2007. The categories of deposits with the highest growth for the third quarter of 2008 compared to the third quarter of 2007 were other client deposits, which includes money rate savings accounts, investor deposit accounts, savings accounts, individual retirement accounts and other time deposits, which increased $3.5 billion, or 10.1%, and other interest-bearing deposits, which consist of negotiable certificates

of deposit and Eurodollar deposits, which increased $2.3 billion, or 30.8% .

Average deposits for the first nine months of 2008 increased $4.9 billion, or 5.9%, to $87.8 billion compared to the first nine months of 2007. The categories of deposits with the highest average rates of growth for the first nine months of 2008 compared to the same period of 2007 were other client deposits, which increased $1.9 billion, or 5.7%, and other interest-bearing deposits, which increased $2.1 billion, or 28.3%, for the first nine months of 2008 compared to the same period in 2007.

The following table presents the composition of average deposits for the third quarter and nine months ended September 30, 2008 and 2007:

Table 2
Composition of Average Deposits

	For the Three Months Ended			
	September 30, 2008		September 30, 2007	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Noninterest-bearing deposits	$ 13,181	14.6 %	$ 13,248	15.7 %
Interest checking	2,369	2.6	2,202	2.6
Other client deposits	38,369	42.7	34,836	41.4
Client certificates of deposit	26,317	29.2	26,456	31.4
Total client deposits	80,236	89.1	76,742	91.1
Other interest-bearing deposits	9,785	10.9	7,481	8.9
Total average deposits	$ 90,021	100.0 %	$ 84,223	100.0 %

	For the Nine Months Ended			
	September 30, 2008		September 30, 2007	
	Balance	% of total	Balance	% of total
	(Dollars in millions)			
Noninterest-bearing deposits	$ 12,981	14.8 %	$ 13,188	15.9 %
Interest checking	2,412	2.7	2,299	2.8
Other client deposits	35,965	41.0	34,035	41.1
Client certificates of deposit	26,707	30.4	25,822	31.1
Total client deposits	78,065	88.9	75,344	90.9
Other interest-bearing deposits	9,707	11.1	7,564	9.1
Total average deposits	$ 87,772	100.0 %	$ 82,908	100.0 %

The change in deposit mix primarily reflects a decline in noninterest-bearing accounts due to the slowing economy. In addition, beginning late in the third quarter of 2008, BB&T began to experience strong deposit inflows in the other client deposits category, as BB&T gained many new client relationships from competitors. The average balance of client certificates of

deposit declined compared to third quarter of 2007, as management decided to lower the rates paid for certificates of deposit.

For the third quarter of 2008, the annualized average rate paid on total interest-bearing deposits was 2.32% compared to 3.80% in the same period last year. For the first nine months of 2008, the annualized average rate paid on total interest-bearing deposits was 2.62%, a decrease of 115 basis points compared to the first nine months of 2007. The decrease in the average rate paid on interest-bearing deposits resulted primarily from the declining interest rate environment that existed during 2008 compared to 2007.

Borrowings

While client deposits remain the primary source for funding loan originations and other balance sheet growth, management uses short-term borrowings as a supplementary funding source for balance sheet growth. Short-term borrowings used by BB&T include Federal Funds purchased, securities sold under repurchase agreements, master notes, U.S. Treasury tax and loan deposit notes, short-term FHLB advances and short-term bank notes. At September 30, 2008, short-term borrowings totaled $10.1 billion, a decrease of $559 million, or 5.3%, compared to December 31, 2007.

Average short-term borrowed funds for the third quarter of 2008 were $8.9 billion compared to $9.9 billion for the same period of 2007. For the first nine months of 2008 the average balance of short-term borrowed funds was $10.0 billion, an increase of $1.2 billion compared to the first nine months of 2007. For the third quarter of 2008, the average annualized FTE rate paid on short-term borrowings was 2.44% compared to 4.71% during the third quarter of 2007. The average annualized FTE rate paid on short-term borrowed funds for the first nine months of 2008 was 2.84%, a decrease of 179 basis points from the average rate of 4.63% paid during the comparable period of 2007. The lower rate paid on short-term borrowed funds during 2008 compared to 2007 was primarily the result of decreases in the Federal Funds target rate.

BB&T also uses long-term debt for a variety of funding needs, including the repurchase of common stock and to supplement levels of regulatory capital. Long-term debt consists of FHLB advances to Branch Bank, corporate subordinated notes, senior and subordinated notes issued by Branch Bank, junior subordinated debentures issued by BB&T and certain private borrowings by Branch Bank. Long-term debt totaled $21.3 billion at September 30, 2008, an increase of $2.6 billion, or 14.1%, from the balance at December 31,

2007. The increase primarily resulted from a $2.6 billion increase in FHLB advances due to the more competitive rates obtained compared to other financing options.

Early in the fourth quarter of 2008, BB&T received notice that its $4 billion privately financed debt scheduled to mature in 2010 would be called effective October 14, 2008. The financing was called by BB&T s counterparty because it was no longer profitable to the counterparty due to changes in LIBOR. Under the terms of the financing, BB&T has exercised its option to continue funding the debt with the counterparty for an additional fifty-five days. BB&T has adequate sources of funding available and will determine the appropriate mix of replacement funding based on its interest-sensitivity position and funding costs.

The average annualized rate paid on long-term debt for the third quarter of 2008 was 4.00% compared to 5.59% for the same period in 2007. For the first nine months of 2008, the average annualized rate was 4.17%, a decrease of 131 basis points compared to the first nine months of 2007. The decreases in the cost of long-term funds resulted from decreases in short-term rates and new FHLB advances issued at lower rates. The decline in short-term rates resulted in decreases in the effective rates paid on the portion of BB&T s long-term debt that was either issued as a floating-rate instrument or swapped to a floating rate.

Asset Quality

BB&T experienced additional credit deterioration during the third quarter, reflecting the ongoing challenges in the residential real estate markets with the largest concentration of credit issues occurring in Georgia, Florida and metro Washington, D.C.

Nonperforming assets, which are composed of foreclosed real estate, repossessions, nonaccrual loans and restructured loans, totaled $1.6 billion at September 30, 2008, compared to $696 million at December 31, 2007. As a percentage of loans and leases plus foreclosed property, nonperforming assets were 1.69% at September 30, 2008 and .76% at December 31, 2007. Loans 90 days or more past due and still accruing interest totaled $297 million at September 30, 2008, compared to $223 million at year-end 2007.

BB&T s net charge-offs totaled $242 million for the third quarter of 2008 and amounted to 1.00% of average loans and leases, on an annualized basis, compared to $90 million, or .40%, of average loans and leases, on an annualized basis, in the corresponding period in 2007. For the nine months ended September 30, 2008 and 2007, net charge-offs totaled $537 million and $227 million, respectively, and represented .76% and .35%, respectively, of average loans and leases on an annualized basis. The increase in net charge-offs in 2008 compared to 2007 was largely driven by challenges in the residential real estate market, which has resulted in increases in losses in the commercial, direct retail and mortgage portfolios.

The allowance for credit losses, which totaled $1.4 billion and $1.0 billion at September 30, 2008 and December 31, 2007, respectively, consists of the allowance for loan

and lease losses, which is presented on the Consolidated Balance Sheets, and the reserve for unfunded lending commitments, which is included in other liabilities on the Consolidated Balance Sheets. The allowance for loan and lease losses amounted to 1.45% of loans and leases held for investment at September 30, 2008, compared to 1.10% at December 31, 2007.

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

Table 3 - 1
Asset Quality Analysis

	For the Three Months Ended				
	9/30/2008	6/30/2008	3/31/2008	12/31/2007	9/30/2007
	(Dollars in millions)				
Allowance For Credit Losses					
Beginning balance	**$ 1,273**	$ 1,113	$ 1,015	$ 941	$ 926
Allowance for acquired (sold) loans, net	**(2)**	-	-	1	-
Provision for credit losses	**364**	330	223	184	105
Charge-offs					
Commercial loans and leases	**(87)**	(48)	(18)	(26)	(18)
Direct retail loans	**(41)**	(38)	(28)	(18)	(20)
Sales finance loans	**(15)**	(13)	(13)	(10)	(9)
Revolving credit loans	**(20)**	(18)	(18)	(11)	(12)
Mortgage loans	**(33)**	(13)	(5)	(6)	(1)
Specialized lending	**(61)**	(55)	(59)	(54)	(45)
Total charge-offs	**(257)**	(185)	(141)	(125)	(105)
Recoveries					
Commercial loans and leases	**3**	2	4	2	3
Direct retail loans	**3**	3	3	3	3
Sales finance loans	**2**	2	2	2	2
Revolving credit loans	**2**	3	3	3	3
Specialized lending	**5**	5	4	4	4
Total recoveries	**15**	15	16	14	15
Net charge-offs	**(242)**	(170)	(125)	(111)	(90)
Ending balance	**$ 1,393**	$ 1,273	$ 1,113	$ 1,015	$ 941
Nonperforming Assets					
Nonaccrual loans and leases					
Commercial loans and leases	**$ 722**	$ 621	$ 443	$ 273	$ 237
Direct retail loans	**76**	65	60	43	56

Sales finance loans	**6**	4	5	5	4
Mortgage loans	**298**	250	185	119	74
Specialized lending	**94**	76	67	62	48
Total nonaccrual loans and leases	**1,196**	1,016	760	502	419
Foreclosed real estate	**382**	232	178	143	82
Other foreclosed property	**60**	53	51	51	46
Total nonperforming assets	**$ 1,638**	$ 1,301	$ 989	$ 696	$ 547
Loans 90 days or more past due and still accruing (1):					
Commercial loans and leases	**$ 39**	$ 42	$ 52	$ 40	$ 21
Direct retail loans	**88**	72	59	58	18
Sales finance loans	**19**	17	15	17	14
Revolving credit loans	**17**	15	16	15	7
Mortgage loans	**123**	126	106	85	76
Specialized lending	**11**	10	10	8	13
Total loans 90 days or more past due and still accruing	**$ 297**	$ 282	$ 258	$ 223	$ 149
Loans 30 - 89 days past due (1)					
Commercial loans and leases	**$ 355**	$ 492	$ 364	$ 284	$ 216
Direct retail loans	**200**	175	185	192	148
Sales finance loans	**119**	93	86	105	89
Revolving credit loans	**29**	25	24	24	20
Mortgage loans	**582**	519	510	506	479
Specialized lending	**294**	258	216	243	187
Total loans 30 - 89 days past due	**$ 1,579**	$ 1,562	$ 1,385	$ 1,354	$ 1,139

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

Table 3 - 2
Asset Quality Ratios

	For the Three Months Ended				
	9/30/2008	6/30/2008	3/31/2008	12/31/2007	9/30/2007
Loans 30 - 89 days past due and still accruing as a percentage of total loans and leases (1):	**1.63 %**	1.63 %	1.47 %	1.48 %	1.26 %
Loans 90 days or more past due and still					

accruing as a percentage of total loans and leases (1):	**.31**	.29	.27	.24	.17
Nonaccrual and restructured loans and leases as a percentage of total loans and leases	**1.24**	1.06	.81	.55	.47
Total nonperforming assets as a percentage of:					
Total assets	**1.20**	.95	.73	.52	.42
Loans and leases plus foreclosed property	**1.69**	1.36	1.05	.76	.61
Net charge-offs as a percentage of average loans and leases	**1.00**	.72	.54	.48	.40
Allowance for loan and lease losses as a percentage of loans and leases	**1.42**	1.31	1.17	1.10	1.04
Allowance for loan and lease losses as a percentage of loans and leases held for investment	**1.45**	1.33	1.19	1.10	1.05
Ratio of allowance for loan and lease losses to:					
Net charge-offs	**1.43 x**	1.84 x	2.18 x	2.29 x	2.61 x
Nonaccrual and restructured loans and leases	**1.15**	1.24	1.44	2.00	2.23

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

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

The following tables provide further details regarding BB&T's commercial real estate lending, residential mortgage and consumer home equity portfolios as of September 30, 2008.

Table 4-1
Real Estate Lending Portfolio Credit Quality and Geographic Distribution

Commercial Real Estate Loan Portfolio (1)

As of / For the Period Ended September 30, 2008

Residential Acquisition, Development, and Construction Loans (ADC)	**Builders / Construction**	**Land /Land Development**	**Condos / Townhomes**	**Total ADC**
	(Dollars in millions, except average loan and average client size)			
Total loans outstanding	$ 3,093	$ 4,581	$ 654	$ 8,328
Average loan size (in thousands)	294	600	1,438	447
Average client size (in thousands)	863	1,366	3,466	1,163

Percentage of total loans	3.2 %	4.7 %	.7 %	8.6 %
Nonaccrual loans and leases as a percentage of category	5.33	4.70	5.79	5.02
Gross charge-offs as a percentage of category	1.04	1.57	2.41	1.44

	As of / For the Period Ended September 30, 2008				
Residential Acquisition, Development, and Construction Loans (ADC) by State of Origination	**Total Outstandings**	**Percentage of Total**	**Nonaccrual Loans and Leases** (Dollars in millions)	**Nonaccrual as a Percentage of Outstandings**	**Gross Charge-Offs as a Percentage of Outstandings**
North Carolina	$ 2,951	35.4 %	$ 68	2.31 %	.10 %
Georgia	1,494	17.9	126	8.42	3.98
Virginia	1,311	15.7	68	5.17	1.48
Florida	872	10.5	109	12.48	2.24
South Carolina	656	7.9	10	1.54	.28
Washington, D.C.	267	3.2	2	.76	1.99
Tennessee	267	3.2	9	3.43	1.27
Kentucky	212	2.6	13	6.33	.10
Maryland	150	1.8	7	4.68	3.65
West Virginia	148	1.8	6	3.87	1.28
Total	$ 8,328	100.0 %	$ 418	5.02 %	1.44 %

	As of / For the Period Ended September 30, 2008			
Other Commercial Real Estate Loans (2)	**Commercial / Construction**	**Commercial Land/ Development**	**Permanent Income Producing Properties**	**Total Other Commercial Real Estate**
	(Dollars in millions, except average loan and average client size)			
Total loans outstanding	$ 2,396	$ 2,714	$ 5,737	$ 10,847
Average loan size (in thousands)	1,211	787	337	485
Average client size (in thousands)	1,586	951	499	684
Percentage of total loans	2.5 %	2.8 %	5.9 %	11.2 %

Nonaccrual loans and leases as a percentage of category	.53	2.02	.53	.90
Gross charge-offs as a percentage of category	.09	.13	.11	.11

	As of / For the Period Ended September 30, 2008				
Other Commercial Real Estate Loans by State of Origination	**Total Outstandings**	**Percentage of Total**	**Nonaccrual Loans and Leases** (Dollars in millions)	**Nonaccrual as a Percentage of Outstandings**	**Gross Charge-Offs as a Percentage of Outstandings**
North Carolina	$ 3,215	29.6 %	$ 11	.35 %	.10 %
Georgia	1,925	17.7	25	1.28	.19
Virginia	1,688	15.6	3	.20	.03
South Carolina	878	8.1	5	.59	.15
Florida	821	7.6	39	4.69	.14
Washington, D.C.	565	5.2	-	.05	.06
Maryland	452	4.2	-	.08	-
Kentucky	437	4.0	5	1.04	.05
West Virginia	437	4.0	2	.44	.02
Tennessee	322	3.0	8	2.40	.51
Other	107	1.0	-	-	-
Total	$ 10,847	100.0 %	$ 98	.90 %	.11 %

NOTES: (1) Commercial real estate loans (CRE) are defined as loans to finance non-owner occupied real property where the primary repayment source is the sale or rental/lease of the real property. Definition is based on internal classification.

(2) Other CRE loans consist primarily of non-residential income producing CRE loans. C&I loans secured by real property are excluded.

Table 4-2
Real Estate Lending Portfolio Credit Quality and Geographic Distribution
Residential Mortgage Portfolio

As of / For the Period Ended September 30, 2008

Mortgage Loans	Prime	ALT-A	Construction/ Permanent	Subprime (1)
	(Dollars in millions, except average loan size)			
Total loans outstanding	$ 12,043	$ 3,255	$ 1,659	$ 630
Average loan size (in thousands)	193	329	316	69
Average credit score	721	734	735	607
Percentage of total loans	12.5 %	3.4 %	1.7 %	.7 %
Percentage that are first mortgages	99.6	99.7	98.9	82.2
Average loan to value	74.4	67.3	77.4	81.1
Nonaccrual loans and leases as a percentage of category	1.36	2.04	3.14	4.08
Gross charge-offs as a percentage of category	.27	.47	.88	1.80

	As of / For the Period Ended September 30, 2008			
Residential Mortgage Loans by State	Total Mortgages Outstanding (1)	Percentage of Total	Nonaccrual as a Percentage of Outstandings	Gross Charge-Offs as a Percentage of Outstandings
	(Dollars in millions)			
North Carolina	$ 4,354	24.8 %	.53 %	.07 %
Virginia	3,576	20.3	1.22	.35
Florida	2,611	14.8	5.15	1.30
Maryland	1,864	10.6	1.23	.37
South Carolina	1,623	9.2	1.17	.10
Georgia	1,620	9.2	2.46	.60
West Virginia	384	2.2	.82	.15
Kentucky	363	2.1	.45	.28
Tennessee	260	1.5	1.05	.04
Washington, D.C.	195	1.1	1.28	.02
Other	737	4.2	2.06	.48
Total	$ 17,587	100.0 %	1.75 %	.42 %

NOTES: (1) Includes $378 million in loans originated by Lendmark Financial Services, which are disclosed as a part of the specialized lending category, and excludes mortgage loans guaranteed by GNMA that BB&T does not have the obligation to repurchase.

Real Estate Lending Portfolio Credit Quality and Geographic Distribution
Home Equity Portfolio (1)

Home Equity Loans & Lines	As of / For the Period Ended September 30, 2008 Home Equity Loans	 Home Equity Lines
	(Dollars in millions, except average loan size)	
Total loans outstanding	$ 9,217	$ 5,254
Average loan size (in thousands) (2)	49	35
Average credit score	725	759
Percentage of total loans	9.5 %	5.4 %
Percentage that are first mortgages	77.1	23.5
Average loan to value	67.4	67.2
Nonaccrual loans and leases as a percentage of category	.63	.28
Gross charge-offs as a percentage of category	.54	.89

Home Equity Loans and Lines by State	As of / For the Period Ended September 30, 2008 Total Home Equity Loans and Lines Outstanding	 Percentage of Total	 Nonaccrual as a Percentage of Outstandings	 Gross Charge-Offs as a Percentage of Outstandings
	(Dollars in millions)			
North Carolina	$ 5,026	34.7 %	.47 %	.26 %
Virginia	3,245	22.4	.22	.83
South Carolina	1,418	9.8	.81	.44
Georgia	1,163	8.0	.48	1.14
West Virginia	880	6.1	.40	.30
Maryland	861	6.0	.30	.66
Florida	722	5.0	1.41	3.16
Kentucky	610	4.2	.65	.22
Tennessee	434	3.0	.89	.21
Washington, D.C.	91	.6	1.21	3.43
Other	21	.2	.32	.35
Total	$ 14,471	100.0 %	.50 %	.66 %

NOTES: (1) Home equity portfolio is a component of direct retail loans and originated through the BB&T branching network.

(2) Home equity lines without an outstanding balance are excluded from this calculation.

The residential acquisition, development and construction (ADC) loan portfolio, a component of BB&T's commercial real estate loan portfolio, totaled $8.3 billion at September 30, 2008, a decrease of $397 million, or 4.6%, from December 31, 2007. The ADC portfolio is 8.6% of total loans and leases at September 30, 2008. Nonaccrual ADC loans were $418 million

at September 30, 2008, an increase of $305 million, compared to $113 million at December 31, 2007. As a percentage of loans and leases, ADC nonaccruals were 5.02% at September 30, 2008, compared to 1.30% at December 31, 2007. Gross charge-offs for the ADC portfolio were 1.44% of average loans on an annualized basis for the first nine months of 2008, compared to .21% of average loans for the full year 2007. The remainder of the commercial real estate portfolio, which is largely related to loans for office buildings, hotels, warehouses, apartments, rental houses, and shopping centers, totaled $10.8 billion at September 30, 2008. This portion of the portfolio continues to perform reasonably well.

The residential mortgage loan portfolio totaled $17.6 billion, a decrease of $229 million, or 1.3%, from December 31, 2007. As a percentage of loans and leases, residential mortgage loan nonaccruals were 1.75% at September 30, 2008, compared to .71% at December 31, 2007. Gross charge-offs for the residential mortgage loan portfolio were .42% of average loans on an annualized basis compared to .08% of average loans for the full year 2007.

The home equity portfolio totaled $14.5 billion, a decrease of $130 million from December 31, 2007. As a percentage of loans and leases, home equity loan nonaccruals were .50% at September 30, 2008, compared to .28% at December 31, 2007. Gross charge-offs for the home equity loan portfolio were .66% of average loans on an annualized basis compared to .28% of average loans for the full year 2007.

Shareholders' Equity

Total shareholders' equity at September 30, 2008 was $12.9 billion, an increase of $303 million compared to $12.6 billion at December 31, 2007. BB&T's book value per common share at September 30, 2008 was $23.42, compared to $23.14 at December 31, 2007. BB&T's tangible shareholders' equity was $7.7 billion at September 30, 2008, compared to $7.2 billion at December 31, 2007. BB&T's tangible book value per common share at September 30, 2008 was $13.91 compared to $13.18 at December 31, 2007.

Back to Index

ANALYSIS OF RESULTS OF OPERATIONS

Consolidated net income for the third quarter of 2008 totaled $358 million, a decrease of $86 million, or 19.4%, compared to $444 million earned during the third quarter of 2007.

On a diluted per share basis, earnings for the three months ended September 30, 2008 were $.65, a decrease of 18.8% compared to $.80 for the same period in 2007. BB&T's results of operations for the third quarter of 2008 produced an annualized return on average assets of 1.04% and an annualized return on average shareholders' equity of 10.86%, compared to prior year ratios of 1.37% and 14.24%, respectively.

Consolidated net income for the first nine months of 2008 totaled $1.2 billion, a decrease of 8.2% compared to $1.3 billion earned during the same period of 2007. On a diluted per share basis, earnings for the first nine months of 2008 and 2007 were $2.20 and $2.40, respectively, which represents a decrease of 8.3% . BB&T's results of operations for the first nine months of 2008 produced an annualized return on average assets of 1.20% and an annualized return on

average shareholders' equity of 12.46% compared to prior year ratios of 1.42% and 14.74%, respectively.

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

Table 5
Annualized
Profitability Measures

		2008		2007	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Return on average assets	**1.04 %**	1.27 %	1.29 %	1.24 %	1.37 %
Return on average shareholders' equity	**10.86**	13.27	13.30	12.89	14.24
Net interest margin (taxable equivalent)	**3.66**	3.65	3.54	3.46	3.45

Net Interest Income and Net Interest Margin

Net interest income on an FTE basis was $1.1 billion for the third quarter of 2008 compared to $992 million for the same period in 2007, an increase of $117 million, or 11.8% . For the quarter ended September 30, 2008, average earning assets increased $6.6 billion, or 5.7%, compared to the same period of 2007, while average interest-bearing liabilities increased $6.9 billion, or 7.0%, and the net interest margin increased from 3.45% in the third quarter of 2007 to 3.66% in the current quarter.

For the first nine months of 2008, net interest income on an FTE basis was $3.2 billion, an increase of 10.0% compared to the same period in 2007. Average earning assets

for the first nine months of 2008 were $119.4 billion, an increase of 7.5% compared to the prior year average of $111.1 billion, while average interest-bearing liabilities increased $9.0 billion, or 9.4%, compared to the first nine months of 2007. The net interest margin for the first nine months of 2008 was 3.61%, an increase of 7 basis points compared to 3.54% during the first nine months of 2007. The improvement in the net interest margin was caused by a combination of factors. BB&T entered 2008 in a liability sensitive position, which means that interest-bearing liabilities generally reprice more frequently than interest-earning assets. This resulted in the net interest margin improvement over the last four quarters, as interest-rates declined. Additionally, BB&T maintained effective control of deposit and funding costs, while experiencing some improvement in loan pricing in 2008. Management currently anticipates that there will be some contraction in the net interest margin for the fourth quarter primarily due to higher funding costs, as a result of increased deposit pricing and the dislocation in LIBOR, as well as the balance sheet being slightly asset sensitive.

The following tables set forth the major components of net interest income and the related annualized yields and rates for the third quarter and first nine months of 2008 compared to the same periods in 2007, as well as the variances between the periods caused by changes in interest rates versus changes in volumes.

Table 6-1
FTE Net Interest Income and Rate / Volume Analysis
For the Three Months Ended September 30, 2008 and 2007

	Average Balances		Annualized Yield / Rate		Income/Expense		Increase (Decrease)	Change due to Rate	Change due to Volume
	2008	2007	**2008**	2007	**2008**	2007			
	(Dollars in millions)								
Assets									
Securities, at amortized cost (1):									
U.S. government-sponsored entities (GSE)	**$ 3,619**	$ 10,576	**5.08 %**	4.62 %	**$ 46**	$ 123	**$ (77)**	**$ 11**	**$ (88)**
Mortgage-backed securities issued by GSE	**15,186**	8,334	**4.89**	5.21	**186**	109	**77**	**(7)**	**84**
States and political subdivisions	**2,070**	981	**6.40**	6.36	**33**	15	**18**	**-**	**18**
Non-agency mortgage-backed securities	**1,615**	1,730	**5.82**	5.79	**23**	25	**(2)**	**-**	**(2)**
Other securities	**1,068**	1,170	**3.88**	6.33	**11**	19	**(8)**	**(7)**	**(1)**
Trading securities	**525**	1,455	**2.99**	4.54	**4**	16	**(12)**	**(4)**	**(8)**
Total securities (5)	**24,083**	24,246	**5.03**	5.05	**303**	307	**(4)**	**(7)**	**3**
Other earning assets (2)	**975**	1,105	**2.61**	4.96	**7**	14	**(7)**	**(6)**	**(1)**
Loans and leases, net of unearned income (1)(3)(4):									
Commercial loans and leases	**48,132**	42,838	**5.42**	7.85	**656**	847	**(191)**	**(286)**	**95**
Direct retail loans	**15,595**	15,534	**6.35**	7.40	**248**	289	**(41)**	**(41)**	**-**

Sales finance loans	**6,292**	6,006	**6.57**	6.71	**104**	101	**3**	**(2)**	**5**
Revolving credit loans	**1,688**	1,485	**10.72**	12.93	**45**	49	**(4)**	**(9)**	**5**
Mortgage loans	**18,485**	17,922	**6.01**	6.05	**278**	271	**7**	**(2)**	**9**
Specialized lending	**5,751**	5,305	**12.49**	13.02	**180**	173	**7**	**(7)**	**14**
Total loans and leases	**95,943**	89,090	**6.28**	7.72	**1,511**	1,730	**(219)**	**(347)**	**128**
Total earning assets	**121,001**	114,441	**6.00**	7.13	**1,821**	2,051	**(230)**	**(360)**	**130**
Non-earning assets	**15,932**	14,192							
Total assets	**$ 136,933**	$ 128,633							
Liabilities and Shareholders' Equity									
Interest-bearing deposits:									
Interest-checking	**$ 2,369**	$ 2,202	**1.32**	2.33	**8**	13	**(5)**	**(6)**	**1**
Other client deposits	**38,369**	34,836	**1.62**	2.94	**157**	258	**(101)**	**(125)**	**24**
Client certificates of deposit	**26,317**	26,456	**3.33**	4.64	**220**	310	**(90)**	**(87)**	**(3)**
Other interest-bearing deposits	**9,785**	7,481	**2.61**	5.22	**64**	98	**(34)**	**(59)**	**25**
Total interest-bearing deposits	**76,840**	70,975	**2.32**	3.80	**449**	679	**(230)**	**(277)**	**47**
Federal Funds purchased, securities sold under repurchase agreements and short-term borrowed funds (1)	**8,915**	9,892	**2.44**	4.71	**55**	117	**(62)**	**(52)**	**(10)**
Long-term debt	**20,770**	18,721	**4.00**	5.59	**208**	263	**(55)**	**(81)**	**26**
Total interest-bearing liabilities	**106,525**	99,588	**2.66**	4.23	**712**	1,059	**(347)**	**(410)**	**63**
Noninterest-bearing deposits	**13,181**	13,248							
Other liabilities	**4,094**	3,438							
Shareholders' equity	**13,133**	12,359							
Total liabilities and shareholders' equity	**$ 136,933**	$ 128,633							
Average interest rate spread			**3.34**	2.90					
Net interest margin			**3.66 %**	3.45 %	**$ 1,109**	$ 992	**$ 117**	**$ 50**	**$ 67**
Taxable equivalent adjustment					**$ 21**	$ 14			

(1) Yields are stated on a taxable equivalent basis assuming tax rates in effect for the periods presented.

(2) Includes Federal Funds sold, securities purchased under resale agreements or similar arrangements, interest-bearing deposits with banks, and other earning assets.

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

(4) Nonaccrual loans have been included in the average balances. Only the interest collected on such loans has been included as income.

(5) Includes securities available for sale at amortized cost and trading securities at estimated fair value.

Table 6-2
FTE Net Interest Income and Rate / Volume Analysis
For the Nine Months Ended September 30, 2008 and 2007

	Average Balances		Annualized Yield / Rate		Income / Expense		Increase (Decrease)	Change due to	
	2008	2007	**2008**	2007	**2008**	2007	**(Dollars in millions)**	**Rate**	**Volume**
Assets									
Securities, at amortized cost (1):									
U.S. government-sponsored entities (GSE)	**$ 5,560**	$ 10,083	**4.90 %**	4.50 %	**$ 204**	$ 341	**$ (137)**	**$ 27**	**$ (164)**
Mortgage-backed securities issued by GSE	**12,990**	8,282	**4.92**	5.11	**479**	317	**162**	**(12)**	**174**
States and political subdivisions	**1,739**	710	**6.26**	6.62	**82**	35	**47**	**(2)**	**49**
Non-agency mortgage-backed securities	**1,661**	1,649	**5.81**	5.77	**72**	71	**1**	**-**	**1**
Other securities	**1,190**	1,173	**5.21**	6.98	**47**	62	**(15)**	**(16)**	**1**
Trading securities	**660**	1,193	**4.24**	4.83	**21**	43	**(22)**	**(5)**	**(17)**
Total securities (5)	**23,800**	23,090	**5.07**	5.02	**905**	869	**36**	**(8)**	**44**
Other earning assets (2)	**1,096**	971	**2.88**	5.06	**24**	37	**(13)**	**(17)**	**4**
Loans and leases, net of unearned income (1)(3)(4):									
Commercial loans and leases	**46,931**	41,971	**5.82**	7.89	**2,043**	2,475	**(432)**	**(703)**	**271**
Direct retail loans	**15,606**	15,415	**6.59**	7.38	**769**	851	**(82)**	**(92)**	**10**
Sales finance loans	**6,171**	5,856	**6.63**	6.58	**306**	288	**18**	**2**	**16**
Revolving credit loans	**1,639**	1,430	**11.11**	13.15	**136**	141	**(5)**	**(23)**	**18**
Mortgage loans	**18,653**	17,217	**6.01**	5.97	**841**	771	**70**	**5**	**65**
Specialized lending	**5,514**	5,101	**12.89**	13.33	**532**	508	**24**	**(17)**	**41**
Total loans and leases	**94,514**	86,990	**6.54**	7.73	**4,627**	5,034	**(407)**	**(828)**	**421**
Total earning assets	**119,410**	111,051	**6.21**	7.15	**5,556**	5,940	**(384)**	**(853)**	**469**
Non-earning assets	**15,901**	13,822							
Total assets	**$135,311**	$124,873							
Liabilities and Shareholders' Equity									
Interest-bearing deposits:									
Interest-checking	**$ 2,412**	$ 2,299	**1.33**	2.34	**$ 24**	$ 40	**(16)**	**(18)**	**2**
Other client deposits	**35,965**	34,035	**1.76**	2.87	**475**	731	**(256)**	**(297)**	**41**
Client certificates of deposit	**26,707**	25,822	**3.79**	4.63	**758**	894	**(136)**	**(167)**	**31**

Other interest-bearing deposits	**9,707**	7,564	**2.91**	5.30	**211**	300	**(89)**	**(159)**	**70**
Total interest-bearing deposits	**74,791**	69,720	**2.62**	3.77	**1,468**	1,965	**(497)**	**(641)**	**144**
Federal Funds purchased, securities sold under repurchase agreements and short-term borrowed funds (1)	**10,004**	8,848	**2.84**	4.63	**213**	306	**(93)**	**(130)**	**37**
Long-term debt	**20,557**	17,769	**4.17**	5.48	**642**	729	**(87)**	**(191)**	**104**
Total interest-bearing liabilities	**105,352**	96,337	**2.94**	4.16	**2,323**	3,000	**(677)**	**(962)**	**285**
Noninterest-bearing deposits	**12,981**	13,188							
Other liabilities	**3,963**	3,347							
Shareholders' equity	**13,015**	12,001							
Total liabilities and shareholders' equity	**$135,311**	$124,873							
Average interest rate spread			**3.27**	2.99					
Net interest margin			**3.61 %**	3.54 %	**$3,233**	$2,940	**$ 293**	**$ 109**	**$ 184**
Taxable equivalent adjustment					**$ 60**	$ 51			

(1) Yields are stated on a taxable equivalent basis assuming tax rates in effect for the periods presented.
(2) Includes Federal Funds sold, securities purchased under resale agreements or similar arrangements, interest-bearing deposits with banks, and other earning assets.
(3) Loan fees, which are not material for any of the periods shown, have been included for rate calculation purposes.
(4) Nonaccrual loans have been included in the average balances. Only the interest collected on such loans has been included as income.
(5) Includes securities available for sale at amortized cost and trading securities at estimated fair value.

Provision for Credit Losses

The provision for credit losses totaled $364 million for the third quarter of 2008, compared to $105 million for the third quarter of 2007. For the first nine months of 2008, the provision for credit losses totaled $917 million, an increase of $653 million, or 247.3%, compared to the provision of $264 million for the same period in 2007. The increases in the

provision for credit losses were driven primarily by challenges in residential real estate markets with the largest concentration of credit issues occurring in Georgia, Florida, and metro Washington D.C. Net charge-offs were 1.00% of average loans and leases on an annualized basis for the third quarter of 2008 compared to .40% of average loans and leases for the same period in 2007. For the first nine months of 2008, the annualized net-charge off ratio was .76% of average loans and leases, compared to .35% during the corresponding period of 2007. Net charge-offs have risen in recent periods as a result of a weakening economy and more distress by borrowers. Management currently anticipates that net-charge offs will be between 1.00% and 1.25% of average loans and leases for the fourth quarter.

The allowance for loan and lease losses was 1.45% of loans and leases held for investment and was 1.15x total nonaccrual and restructured loans and leases at September 30, 2008, compared to 1.05% and 2.23x, respectively, at September 30, 2007.

Noninterest Income

Noninterest income as a percentage of total revenues has increased in recent years due to BB&T's emphasis on growing its fee-based businesses. Fee-based service revenues lessen BB&T's dependence on traditional spread-based interest income and are a relatively stable revenue source during periods of changing interest rates. Noninterest income for the three months ended September 30, 2008 totaled $792 million, compared to $675 million for the same period in 2007, an increase of $117 million, or 17.3% . For the nine months ended September 30, 2008, noninterest income totaled $2.4 billion, an increase of $334 million, or 16.2%, compared to the same period in 2007.

Insurance income, which is BB&T's largest source of noninterest income, totaled $232 million for the third quarter of 2008, an increase of 12.6% compared to the same three month period of 2007. For the first nine months of 2008, insurance income totaled $681 million, up $49 million, or 7.8%, compared to the same period last year. This increase is primarily the result of new product initiatives that were introduced in the second half of 2007. This growth also includes the impact from acquisitions and divestitures completed during 2008 and 2007.

Service charges on deposits totaled $176 million for the third quarter of 2008, an increase of $19 million, or 12.1%, compared to the third quarter of 2007. For the first nine months of 2008, service charges on deposits totaled $502 million, an increase of $56 million, or 12.6%, compared to the same period in 2007. This increase in revenues was primarily attributable to growth in client relationships and revenues from overdrafts compared to the same periods last year. During the first nine months of 2008, BB&T opened 101 thousand net new transaction accounts.

Investment banking and brokerage fees and commissions totaled $84 million for the third quarter of 2008, a decrease of 3.4%, from $87 million earned in the third quarter of

2007. For the first nine months of 2008 and 2007, investment banking and brokerage fees and commissions totaled $258 million.

The following table provides a breakdown of the various components of mortgage banking income and other statistical information for the third quarters of 2008 and 2007:

Table 7-1
Mortgage Banking Income and Related Statistical Information

Mortgage Banking Income	For the Three Months Ended September 30, 2008	2007
	(Dollars in millions)	
Residential mortgage production income	$ 27	$ 8
Residential Mortgage Servicing:		
Residential mortgage servicing fees	37	28
Residential mortgage servicing rights decrease in fair value due to change in valuation inputs or assumptions	(41)	(54)
Mortgage servicing rights hedging gains	65	60
Net	24	6
Realization of expected residential mortgage servicing rights cash flows	(22)	(23)
Total residential mortgage servicing income	39	11
Total residential mortgage banking income	66	19
Commercial mortgage banking income	17	8
Total mortgage banking income	$ 83	$ 27

Mortgage Banking Statistical Information	As of / For the Three Months Ended September 30, 2008	2007
	(Dollars in millions)	
Residential mortgage originations	$ 3,743	$ 3,225
Residential mortgage loans serviced for others	38,707	30,318
Residential mortgage loan sales	3,453	2,109
Commercial mortgage originations	$ 1,220	$ 608
Commercial mortgage loans serviced for others	22,457	9,940

Mortgage banking income totaled $83 million in the third quarter of 2008, an increase of $56 million, compared to $27 million earned in the third quarter of 2007. BB&T adopted SFAS No. 159 for the majority of loans originated for sale after January 1, 2008, and implemented the provisions of SAB 109. As a result of the adoption of both standards, mortgage banking income increased approximately $13 million compared to the third quarter of 2007. Of the $13 million increase relating to the adoption of these accounting standards, approximately $11 million relates to the elimination of the provisions of SFAS No.

91 "*Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases" an amendment of FASB Statements No. 13, 60, and 65 and a rescission of FASB Statement No. 17,"* ("SFAS No. 91") on loans accounted for at fair value and resulted in a corresponding increase in

personnel expense. The net change in the valuation of mortgage servicing rights resulted in an $18 million increase compared to the third quarter of 2007. The $18 million increase was the result of the mortgage servicing rights hedge outperforming the decline in the value of the asset. The positive hedge performance was attributable to (i) the strong appreciation of option-based hedge instruments, which occurs during periods of extreme interest rate volatility, and (ii) the favorable hedge effectiveness against the interest rate basis movements between mortgages and swap-based hedge instruments. Excluding the impact of these items, mortgage banking income increased $25 million, or 119.0%, compared to the same period last year. The growth in mortgage banking income includes strong production revenues from both residential and commercial mortgage banking operations. Commercial mortgage loans serviced for others increased from $9.9 billion at September 30, 2007 to $22.5 billion at September 30, 2008 largely as a result of the acquisition of Collateral Real Estate Capital, LLC, which occurred in November 2007.

The following table provides a breakdown of the various components of mortgage banking income for the nine month periods ended September 30, 2008 and 2007, respectively:

Table 7-2
Mortgage Banking Income and Related Statistical Information

Mortgage Banking Income	For the Nine Months Ended September 30, 2008	2007
	(Dollars in millions)	
Residential mortgage production income	$ 99	$ 38
Residential Mortgage Servicing:		
Residential mortgage servicing fees	105	84
Residential mortgage servicing rights increase in fair value due to change in valuation inputs or assumptions	27	25
Mortgage servicing rights hedging losses	(11)	(16)
Net	16	9
Realization of expected residential mortgage servicing rights cash flows	(66)	(69)
Total residential mortgage servicing income	55	24

Total residential mortgage banking income	154	62
Commercial mortgage banking income	45	26
Total mortgage banking income	$ 199	$ 88

Mortgage Banking Statistical Information	As of / For the Nine Months Ended September 30, 2008	2007
	(Dollars in millions)	
Residential mortgage originations	$ 12,857	$ 8,700
Residential mortgage loan sales	10,285	5,181
Commercial mortgage originations	$ 3,182	$ 1,906

Mortgage banking income totaled $199 million in the first nine months of 2008, an increase of $111 million, compared to $88 million earned in the same period of 2007. As a result of the adoption of fair value accounting standards, mortgage banking income increased approximately $63 million compared to the first nine months of 2007. Of the $63 million increase relating to the adoption of fair value accounting standards, approximately $43 million relates to the elimination of the provisions of SFAS No. 91 on loans accounted for at fair value and resulted in a corresponding increase in personnel expense. The net change in the valuation of mortgage servicing rights during the first nine months of 2008 resulted in a $7 million increase compared to the same period of 2007. Excluding the impact of these items, mortgage banking income increased $41 million, or 51.9%, compared to the same period last year. The growth in mortgage banking income includes strong production revenues from both residential and commercial mortgage banking operations.

Other nondeposit fees and commissions, including bankcard fees and checkcard fees, totaled $137 million for the third quarter of 2008, an increase of $8 million, or 6.2%, compared to the third quarter of 2007. The principal driver of the third quarter increase was debit and check card related service fees, which increased by $5 million compared to the same period in 2007. This increase was due to increased purchase volumes as clients continue to migrate toward electronic forms of payment. For the nine months ended September 30, 2008, other nondeposit fees and commissions, including bankcard fees and merchant discounts, and checkcard fees totaled $404 million, up $34 million, or 9.2%, from the same period in 2007. The increase for the first nine months of 2008 was driven by increases in checkcard fees and bankcard income of $19 million and $12 million, respectively.

Other income, including income from bank-owned life insurance, totaled $30 million for the third quarter of 2008, an increase of $7 million, or 30.4%, compared to the third quarter of 2007. The increase for the third quarter of 2008 primarily resulted from an

increase of $16 million related to trading and hedging activities due to losses incurred in the prior year's third quarter, which were partially offset by an additional $9 million of operating losses related to low income housing partnerships that generate tax benefits compared to the third quarter of 2007.

For the first nine months of 2008, other income totaled $165 million, an increase of $19 million, or 13.0%, compared to the first nine months of 2007. The increase for the first nine months of 2008 included gains related to BB&T's ownership interest and sale of Visa, Inc. stock that amounted to $80 million. In addition, revenues from client derivative activities were $20 million higher in the first nine months of 2008 compared to the same period of 2007. These increases were partially offset by a number of factors. The adoption of fair value accounting standards resulted in a decline of $13 million in other income related to the valuation of derivatives. In addition, earnings from investments in low income housing partnerships that generate tax benefits declined $29 million, net revenues from BB&T's venture capital investments declined $14 million, and income from bank-owned life insurance declined $15 million compared to the first nine months of 2007. The decline in income from bank-owned life insurance was due to a valuation adjustment that resulted from a decline in the underlying assets of certain insurance policies. The increase in other income for the first nine months of 2008 compared to 2007 was partially reduced by a prior-period sale of an insurance operation, which produced a gain of $19 million last year.

Securities gains, net of losses and other-than-temporary impairment charges, totaled $13 million and $66 million for the third quarter and first nine months of 2008, respectively. During the third quarter of 2008, BB&T sold $7.2 billion in securities available for sale, which produced net securities gains of $54 million. In addition, BB&T recorded $41 million in other-than-temporary impairment losses related to certain debt and equity securities. This compares to $6 million in net securities gains and $4 million in net securities losses during the third quarter and first nine months of 2007, respectively. There were no other-than-temporary impairment charges during the corresponding periods of 2007.

Noninterest Expense

Noninterest expenses totaled $1.0 billion for the third quarter of 2008, compared to $888 million for the same period a year ago, an increase of $121 million, or 13.6% . For the first nine months of 2008, noninterest expenses totaled $2.9 billion, an increase of $213 million, or 7.9%, compared to the same period in 2007.

Personnel expense, the largest component of noninterest expense, was $552 million for the current quarter compared to $514 million for the same period in 2007, an increase of $38 million, or 7.4% . This increase was primarily attributable to an increase in salaries and wages of $47 million, including $11 million that resulted from the elimination of the provisions of SFAS No. 91 on loans accounted for at fair value. This increase was partially offset by a decrease in incentive compensation of $12 million. In addition, equity-based

compensation expense increased $10 million and certain nonqualified retirement benefits decreased by $6 million. For the first nine months of 2008, personnel expense totaled $1.7 billion, an increase of $86 million, or 5.4% compared to the same period in 2007. This increase was primarily due to an increase in salaries and wages of $120 million, including $43 million that resulted from the elimination of the provisions of SFAS No. 91 on loans accounted for at fair value. This increase was offset by decreases in certain nonqualified retirement benefits and pension plan expense of $20 million and $18 million, respectively.

Occupancy and equipment expense for the three months ended September 30, 2008 totaled $127 million, compared to $118 million for the third quarter of 2007, representing an increase of $9 million, or 7.6% . For the first nine months of 2008, occupancy and equipment expense totaled $374 million, up $23 million, or 6.6%, compared to 2007. The increase for the third quarter and the first nine months of 2008 was primarily related to additional rent in connection with de novo branches, acquisitions and renewals of existing leases.

Other noninterest expenses, including professional services, loan processing expenses and amortization of intangibles, totaled $325 million for the current quarter, an increase of $76 million, or 30.5%, compared to the same period of 2007. The increase was primarily attributable to an increase of $17 million in foreclosed property expense, $15 million in professional services expense, $9 million of reserves and losses related to insurance claims, $9 million in other charge-offs and $4 million for FDIC insurance expense compared to the same period of 2007.

For the first nine months of 2008, other noninterest expenses, including professional services, loan processing expenses and amortization of intangibles, totaled $858 million for the current year, an increase of $111 million, or 14.9%, compared to the same period of 2007. The

increase was primarily attributable to an increase of $37 million in professional services expense, $34 million in foreclosed property expense, $19 million of reserves and losses related to insurance claims, $12 million in loan processing expense, $10 million in other charge-offs, and $9 million in mainframe and software costs compared to the same period of 2007. These increases were partially offset by the reversal of an accrual of $14 million related to BB&T□s obligations arising from its ownership interest in Visa, Inc. and by a gain of $36 million from the early extinguishment of certain FHLB advances in the second quarter of 2008.

Merger-Related and Restructuring Activities

BB&T has incurred certain merger-related and restructuring expenses, primarily in connection with business combinations. Merger-related and restructuring expenses or credits include severance and personnel-related costs or credits, which typically occur in corporate support and data processing functions, occupancy and equipment charges or

credits, which relate to costs or gains associated with lease terminations, obsolete equipment write-offs, and the sale of duplicate facilities and equipment, and other merger-related and restructuring charges or credits, which include expenses necessary to convert and combine the acquired branches and operations of merged companies, direct media advertising related to the acquisitions, asset and supply inventory write-offs, litigation accruals, and other similar charges. Merger-related and restructuring charges during the third quarters of 2008 and 2007 were $5 million and $7 million, respectively.

At September 30, 2008 and December 31, 2007, there were $17 million and $16 million, respectively, of merger-related and restructuring accruals. In general, a major portion of accrued costs are used in conjunction with or immediately following the systems conversion, when most of the duplicate positions are eliminated and the terminated employees begin to receive severance. Other accruals are used over time based on the sale, closing or disposal of duplicate facilities or equipment or the expiration of lease contracts. Merger and restructuring accruals are re-evaluated periodically and adjusted as necessary. The remaining accruals at September 30, 2008 are expected to be used during 2008, unless they relate to specific contracts that expire in later years.

Provision for Income Taxes

The provision for income taxes totaled $149 million for the third quarter of 2008, a decrease of $67 million compared to the same period of 2007, primarily due to lower pretax income and low income housing tax credits from investments that were made in late 2007. BB&T's effective income tax rates for the third quarters of 2008 and 2007 were 29.4% and 32.7%, respectively. For the first nine months of 2008, the provision for income taxes was $525 million compared to $664 million for the first nine months of 2007. The $139 million decrease in the provision for income taxes for the first nine months of 2008 was primarily attributable to lower pretax income, as well as receiving additional interest for settlement of normal audits of tax returns and low income housing tax credits. BB&T's effective income tax rates for the first nine months of 2008 and 2007 were 30.2% and 33.4%, respectively.

BB&T has extended credit to and invested in the obligations of states and municipalities and their agencies, and has made other investments and loans that produce tax-exempt income.

The income generated from these investments, together with certain other transactions that have favorable tax treatment, have reduced BB&T's overall effective tax rate from the statutory rate in 2008 and 2007.

BB&T continually monitors and evaluates the potential impact of current events and circumstances on the estimates and assumptions used in the analysis of its income tax positions and, accordingly, BB&T's effective tax rate may fluctuate in the future. On a periodic basis, BB&T evaluates its income tax positions based on tax laws and regulations and financial reporting considerations, and records adjustments as appropriate. This evaluation takes into consideration the status of taxing authorities' current examinations of BB&T's tax returns, recent positions taken by the taxing authorities on similar transactions, if

any, and the overall tax environment in relation to tax-advantaged transactions. Accordingly, the results of these examinations may alter the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. In this regard, the Internal Revenue Service (IRS) disallowed certain deductions taken by BB&T on leveraged lease transactions during 1997-2002. In 2004, BB&T filed a lawsuit against the IRS to pursue a refund of amounts assessed by the IRS related to a leveraged lease transaction entered into during 1997. On January 4, 2007, the United States Middle District Court of North Carolina issued a summary judgment in favor of the IRS related to BB&Ts lawsuit. BB&T filed a notice of appeal with the United States Appeals Court for the Fourth Circuit, based in Richmond, Virginia. On April 29, 2008, the United States Appeals Court for the Fourth Circuit affirmed the lower courts decision.

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

The IRS has recently announced a settlement initiative related to leveraged lease transactions. Management is currently evaluating the IRSs settlement proposal and expects to make a decision during the fourth quarter of 2008.

Back to Index

MARKET RISK MANAGEMENT

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

The asset/liability management process is designed to achieve relatively stable net interest margins and assure liquidity by coordinating the volumes, maturities or repricing opportunities of earning assets, deposits and borrowed funds. It is the responsibility of the Market Risk and Liquidity Committee to determine and achieve the most appropriate volume and mix of earning assets and interest-bearing liabilities, as well as to ensure an adequate level of liquidity and capital, within the context of corporate performance goals. The Market

Risk and Liquidity Committee also sets policy guidelines and establishes long-term strategies with respect to interest rate risk exposure and liquidity. The Market Risk and Liquidity Committee meets regularly to review BB&T's interest rate risk and liquidity positions in relation to present and prospective market and business conditions, and adopts funding and balance sheet management strategies that are intended to ensure that the potential impact on earnings and liquidity as a result of fluctuations in interest rates is within acceptable standards.

The majority of BB&T's assets and liabilities are monetary in nature and, therefore, differ greatly from most commercial and industrial companies that have significant investments in fixed assets or inventories. Fluctuations in interest rates and actions of the Board of Governors of the Federal Reserve System 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. Liquidity represents BB&T's continuing ability to meet funding needs, primarily deposit withdrawals, timely repayment of borrowings and other liabilities, and funding of loan commitments. In addition to the level of liquid assets, such as trading securities and securities available for sale, many other factors affect 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 client loans to BB&T and the capability to securitize or package loans for sale. Through its balance sheet management function, which is monitored by the Market Risk and Liquidity Committee, management believes that BB&T is positioned to respond to changing needs for liquidity, changes in interest rates and inflationary trends.

Management uses Interest Sensitivity Simulation Analysis ("Simulation") to measure the sensitivity of projected earnings to changes in interest rates. Simulation takes into account the current contractual agreements that BB&T has made with its customers on deposits, borrowings, loans, investments and any commitments to enter into those transactions. Management monitors BB&T's interest sensitivity by means of a computer model that incorporates the current volumes, average rates earned and paid, and scheduled maturities and payments of asset and liability portfolios, together with multiple scenarios of projected prepayments, repricing opportunities and anticipated volume growth. Using this information, the model projects earnings based on projected portfolio balances under multiple interest rate scenarios. This level of detail is needed to simulate the effect that changes in interest rates and portfolio balances may have on the earnings of BB&T. This method is subject to the accuracy of the assumptions that underlie the process, but management believes that it provides a better illustration of the sensitivity of earnings to changes in interest rates than other analyses such as static or dynamic gap.

The asset/liability management process requires a number of key assumptions. Management determines the most likely outlook for the economy and interest rates by analyzing external factors, including published economic projections and data, the effects of likely monetary and fiscal policies, as well as any enacted or prospective regulatory changes. BB&T's

current and prospective liquidity position, current balance sheet volumes and projected growth, accessibility of funds for short-term needs and capital maintenance are also considered. This data is combined with various interest rate scenarios to provide management with the information necessary to analyze interest sensitivity and aid in the development of strategies to reach performance goals.

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

During the first quarter of 2008, the Market Risk and Liquidity Committee revised its policy for measuring interest sensitivity to align more with peers. The new parameters for asset/liability management prescribe a maximum negative impact on interest sensitive income of 2% for the next 12 months for a linear change of 100 basis points over four months followed by a flat interest rate scenario for the remaining eight month period, and a maximum negative impact of 4% for a linear change of 200 basis points over eight months followed by a flat interest rate scenario for the remaining four month period. Previously, management's policy was a maximum negative impact on interest sensitive income of 3% for the next 12 months for a linear change of 150 basis points over six months followed by a flat interest rate scenario for the remaining six month period, and a maximum negative impact of 6% for a linear change of 300 basis points over 12 months. Management did not model a negative 300 basis point decline in the current period, because this would have resulted in a Federal Funds rate of less than zero.

Table 8
Interest Sensitivity Simulation Analysis

Interest Rate Scenario			Annualized Hypothetical Percentage Change in	
Linear Change in Prime Rate	Prime Rate September 30, 2008	2007	Net Interest Income September 30, 2008	2007
3.00 %	8.00 %	10.75 %	0.54 %	(4.55) %
2.00	7.00	9.75	0.32	NA
1.50	6.50	9.25	0.22	(3.24)
1.00	6.00	8.75	0.01	NA
No Change	5.00	7.75	-	-

(1.00)	4.00	6.75	(1.99)	NA
(1.50)	3.50	6.25	(3.71)	2.58
(2.00)	3.00	5.75	(4.89)	NA
(3.00)	2.00	4.75	NA	3.05

As of September 30, 2008, BB&T's interest sensitive position was slightly outside the parameters established by the Market Risk and Liquidity Committee for a down 200 basis point move. Management is continually monitoring the economic outlook and the Company's interest

sensitive position, but believes that further rate declines of this magnitude are unlikely. As of September 30, 2008, a down 200 basis point rate move would be equal to a targeted federal funds rate of zero percent.

Derivative Financial Instruments

BB&T uses a variety of financial instruments to manage various financial risks. These instruments, commonly referred to as derivatives, primarily consist of interest-rate swaps, swaptions, caps, floors, collars, financial forward and futures contracts, when-issued securities, foreign exchange contracts and options written and purchased. A derivative is a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or referenced interest rate. BB&T uses derivatives primarily to manage risk related to securities, business loans, overnight based funding, long-term debt, mortgage servicing rights, mortgage banking operations and certificates of deposit. BB&T also uses derivatives to facilitate clients' needs.

Derivative contracts are written in amounts referred to as notional amounts. Notional amounts only provide the basis for calculating payments between counterparties. Notional amounts do not represent amounts to be exchanged between parties, and are not a measure of financial risk. On September 30, 2008, BB&T had derivative financial instruments outstanding with notional amounts totaling $67.3 billion. The estimated net fair value of open contracts was $219 million at September 30, 2008. This compares to $47.2 billion of notional amounts with a fair value of $181 million outstanding at December 31, 2007. The majority of the increase in notional amounts was due to the addition of $3.8 billion in derivatives related to hedges of interest rate risk on commercial loans, $7.6 billion in derivatives related to mortgage servicing rights and mortgage banking operations and $8.8 billion in derivatives related to BB&T's clients. The $38 million increase in the fair value of derivatives between December 31, 2007 and September 30, 2008 was primarily the result of an increase in the fair value of derivatives hedging interest rate risk related to long term debt.

Credit risk related to derivatives arises when amounts receivable from a counterparty exceed amounts payable. Because the notional amount of the instruments only serves as a basis for calculating amounts receivable or payable, the risk of loss with any counterparty is limited to a small fraction of the notional amount. BB&T controls the risk of loss by subjecting counterparties to credit reviews and approvals similar to those used in making loans and other extensions of credit. In addition, certain counterparties are required to provide collateral to BB&T when their unsecured loss positions exceed certain negotiated limits. All of the derivative contracts to which BB&T is a party settle monthly, quarterly or semiannually. In the case of contracts with derivatives dealers, BB&T only transacts with dealers that are national market makers whose credit ratings are strong. Further, BB&T frequently has netting agreements with the dealers with which it does business. Because of these factors, BB&T's credit risk exposure related to derivative contracts at September 30, 2008 was not material.

The following tables set forth certain information concerning BB&T's derivative financial instruments at September 30, 2008 and December 31, 2007:

Table 9-1
Derivative Classifications and Hedging Relationships

	September 30, 2008		
	Notional Amount	Fair Value	
		Gain	Loss
	(Dollars in Millions)		
Derivatives Designated as Cash Flow Hedges:			
Hedging business loans	$ 5,869	$ 10	$ (1)
Hedging overnight and short-term funding	1,971	5	(19)
Hedging 3 Month LIBOR funding	3,039	9	(5)
Derivatives Designated as Fair Value Hedges:			
Hedging long-term debt	8,660	211	(22)
Hedging municipal securities	354	-	(39)
Hedging certificates of deposit and other time deposits	357	-	(5)
Derivatives not designated as hedges	47,037	326	(251)
Total	$ 67,287	$ 561	$ (342)

	December 31, 2007		

	Notional Amount	Fair Value Gain	Fair Value Loss
	(Dollars in Millions)		
Derivatives Designated as Cash Flow Hedges:			
Hedging business loans	$ 2,119	$ 20	$ -
Hedging overnight and short-term funding	1,750	-	(14)
Hedging 3 Month LIBOR funding	2,934	-	(8)
Derivatives Designated as Fair Value Hedges:			
Hedging long-term debt	8,300	148	(6)
Hedging municipal securities	446	-	(33)
Derivatives not designated as hedges	31,648	241	(167)
Total	$ 47,197	$ 409	$ (228)

Table 9-2
Derivative Financial Instruments

	September 30, 2008 Notional Amount	September 30, 2008 Estimated Fair Value	December 31, 2007 Notional Amount	December 31, 2007 Estimated Fair Value
	(Dollars in Millions)			
Receive fixed swaps (includes forward starting)	$ 23,715	$ 363	$ 14,890	$ 336
Pay fixed swaps (includes forward starting)	11,734	(162)	7,492	(171)
Other swaps	9,820	8	5,457	(10)
Caps, floors and collars	2,682	6	3,650	16
Foreign exchange contracts	354	(1)	227	-
Futures contracts	3,599	-	8,690	(3)
Treasury forwards	-	-	10	-
Interest rate lock commitments	2,073	(3)	1,203	2
Forward commitments	3,090	10	2,028	(10)
Swaptions	4,982	14	1,741	21
When-issued securities and forward rate agreements	5,062	(17)	1,703	-
Options on contracts purchased and sold	176	1	106	-

Total	$ 67,287	$ 219	$ 47,197	$ 181

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

BB&T uses a variety of financial instruments to meet the financial needs of its clients and reduce exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, options written, standby letters of credit and other financial guarantees, interest-rate caps, floors and collars, interest-rate swaps, swaptions, when-issued securities and forward and futures contracts. Please refer to BB&T's Annual Report on Form 10-K for the year ended December 31, 2007 for discussion with respect to BB&T's quantitative and qualitative disclosures about its fixed and determinable contractual obligations. Items disclosed in BB&T's Annual Report on Form 10-K for the year ended December 31, 2007 have not materially changed since that report was filed. A discussion of BB&T's derivative financial instruments is included in the "Derivative Financial Instruments" section herein.

Back to Index

CAPITAL ADEQUACY AND RESOURCES

The maintenance of appropriate levels of capital is a management priority and is monitored on a regular basis. BB&T's principal goals related to the maintenance of capital are to provide adequate capital to support BB&T's comprehensive risk profile, preserve a sufficient capital base from which to support future growth, provide a competitive return to shareholders, comply with regulatory standards and achieve optimal credit ratings for BB&T and its subsidiaries.

Management regularly monitors the capital position of BB&T. In this regard, management's overriding policy is to maintain capital at levels that will result in BB&T being classified as "well-capitalized" for regulatory purposes and to maintain sufficient capital relative to the Corporation's level of risk. Secondarily, it is management's intent to maintain consolidated capital levels that result in regulatory risk-based capital ratios that are generally comparable with BB&T's peers of similar size, complexity and risk profile. Further, management particularly monitors and intends to maintain the following minimum consolidated capital ratios:

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

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

Financial holding companies and their bank subsidiaries are subject to regulatory requirements with respect to risk-based capital adequacy. Capital adequacy is an important indicator of financial stability and performance. Risk-based capital ratios measure capital as a percentage of a combination of risk-weighted balance sheet and off-balance sheet risk. The risk-weighted values of both balance sheet and off-balance sheet items are determined in accordance with risk factors specified by federal bank regulatory pronouncements. Please refer to the section titled "Capital" in BB&T's Annual Report on Form 10-K for the year ended December 31, 2007, for additional information with regard to BB&T's capital requirements.

BB&T's regulatory and tangible capital ratios for the last five calendar quarters are set forth in the following table.

Table 10
Capital Ratios

	2008			2007	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Risk-based capital ratios:					
Tier 1 capital	**9.4 %**	8.9 %	9.0 %	9.1 %	9.3 %
Total capital	**14.4**	14.0	14.1	14.2	14.5
Tier 1 leverage ratio	**7.6**	7.2	7.3	7.2	7.3
Tangible capital ratio	**5.8**	5.7	5.6	5.7	5.7

The increase in BB&T's leverage and risk-based capital ratios was primarily the result of the issuance of $450 million of Tier 1 qualifying trust preferred securities in September 2008.

Share Repurchase Activity

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

On June 27, 2006, BB&T's Board of Directors granted authority under a plan (the "2006 Plan") for the repurchase of up to 50 million shares of BB&T's common stock as needed for general corporate purposes. The 2006 Plan also authorizes the repurchase of the remaining shares from the previous authorization. The 2006 Plan remains in effect until all the authorized shares are repurchased unless modified by the Board of Directors. No shares were repurchased in connection with the 2006 Plan during the third quarter of 2008.

Table 11
Share Repurchase Activity

	2008			
	Total Shares Repurchased (1)	Average Price Paid Per Share (2)	Total Shares Purchased Pursuant to Publicly-Announced Plan (Shares in Thousands)	Maximum Remaining Number of Shares Available for Repurchase Pursuant to Publicly-Announced Plan
July 1-31	2	$ 25.95	-	44,139
August 1-31	1	25.44	-	44,139
September 1-30	8	34.86	-	44,139
Total	11	$ 32.44	-	44,139

(1) Repurchases reflect shares exchanged or surrendered in connection with the exercise of equity-based awards under BB&T's equity-based compensation plans.

(2) Excludes commissions.

SEGMENT RESULTS

BB&T's operations are divided into seven reportable business segments: the Banking Network, Residential Mortgage Banking, Sales Finance, Specialized Lending, Insurance Services, Financial Services and Treasury. These operating segments have been identified based primarily on BB&T's organizational structure. See Note 10 "Operating Segments" in the notes to the consolidated financial statements contained herein for additional disclosures related to BB&T's reportable business segments. Fluctuations in noninterest income and noninterest expense incurred directly by the operating segments are more fully described in the sections titled "Noninterest Income" and "Noninterest Expense" of this discussion and analysis. The following table reflects the net income (loss) for each of BB&T's operating segments for the nine month periods ended September 30, 2008 and 2007, respectively.

Table 12
BB&T Corporation
Reportable Segments

	For the Nine Months Ended	
	September 30, 2008	September 30, 2007
	(Dollars in Millions)	
Banking Network	$ 1,186	$ 1,209
Residential Mortgage Banking	154	95
Sales Finance	28	25
Specialized Lending	22	59
Insurance Services	74	93
Financial Services	84	49
Treasury	135	(64)
All Other Segments	(7)	(9)
Parent/Reconciling Items	(462)	(134)
BB&T Corporation	$ 1,214	$ 1,323

The $59 million increase in net income attributable to the Residential Mortgage Banking segment was due to the adoption of fair value accounting for the loans held for sale portfolio and increased net interest income from growth in mortgage loans held for investment. The decline of $37 million in the Specialized Lending segment was largely due to higher provision for loan and lease loss expense, as net losses in these portfolios were higher in the first nine months of 2008 compared to the same period last year. The decline of $19 million in the Insurance Services segment was largely due to a pre-tax gain of $19 million earned in the prior period on the sale of an insurance operation. The increase of $35 million in net income attributable to the Financial Services segment was primarily the result of strong performance from the corporate banking division, which focuses on meeting the financial needs of large commercial clients along with the management of BB&T's client interest-rate derivatives program. The increase of $199 million in net income in the Treasury segment was a result of securities gains of $66 million earned in the current year compared to $4 million of losses in the same period last year. In addition, the Treasury segment benefited from the decline in short term rates, which reduced liability costs. The decrease of $328 million related to Parent/Reconciling items is largely due to the difference between the provision for credit losses that is recorded under generally accepted accounting principles and the provision for credit losses that is allocated to the business units.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

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

Back to Index

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

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

Back to Index

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

The nature of the business of BB&T's banking and other subsidiaries ordinarily results in a certain amount of litigation. The subsidiaries of BB&T are involved in various legal proceedings, all of which are considered incidental to the normal conduct of business. Based on information currently available, advice of counsel, available insurance coverage and established reserves, BB&T's management believes that the liabilities, if any, arising from these proceedings will not have a materially adverse effect on the consolidated financial position, consolidated results of operations or consolidated cash flows of BB&T. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to BB&T's consolidated financial position, consolidated results of operations or consolidated cash flows.

Back to Index

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

There have been no material changes from the risk factors disclosed in BB&T's Annual Report on Form 10-K for the year ended December 31, 2007. In addition to the risk factors in our Annual Report on Form 10-K, you should carefully consider the following supplemental risk factors. These risks could materially affect our business, financial condition or future results, and are not the only risks we face. Additional risks and uncertainties not currently known to us or that we have deemed to be immaterial also may materially adversely affect our business, financial condition, and/or operating results.

Back to Index

Market developments may adversely affect BB&T's industry, business and results of operations.

Significant declines in the housing market in recent months, with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by many financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative securities caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. To date, BB&T has not experienced material asset write downs and has produced quarterly earnings during 2007 and 2008. However, during this time, BB&T has experienced significant challenges, credit quality has deteriorated, and net income and results of operations have been adversely impacted. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced, and in some cases, ceased to provide funding to borrowers including other financial institutions. Although to date BB&T has performed relatively well during the current financial crisis as compared with peers and several of the largest financial institutions, BB&T is part of the financial system and a systemic lack of available credit, a lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity could materially and adversely affect BB&T's business, financial condition and results of operations.

The capital and credit markets have experienced unprecedented levels of volatility.

During 2008 the capital and credit markets experienced extended volatility and disruption. In the third quarter of 2008, the volatility and disruption reached unprecedented levels. In some cases, the markets produced downward pressure on stock prices and credit capacity for certain issuers without regard to those issuers' underlying financial strength. If these levels of market disruption and volatility continue, worsen or abate and then arise at a later date, BB&T's ability to access capital could be materially impaired. BB&T's inability to access the capital markets could constrain its ability to make new loans, to meet existing lending commitments and, ultimately, jeopardize its overall liquidity and capitalization.

In response to financial conditions affecting the banking system and financial markets and the potential threats to the solvency of investment banks and other financial institutions, the U.S. government has taken unprecedented actions. These actions include the government assisted acquisition of Bear Stearns by JPMorgan Chase, the federal conservatorship of Fannie Mae and Freddie Mac, and the US Treasury's plan to inject capital and to purchase mortgage loans and mortgage-backed and other securities from financial institutions for the purpose of stabilizing the financial markets or particular financial institutions. It should not be assumed that these governmental actions will necessarily benefit the financial markets in general, or BB&T in

particular. BB&T could also be adversely impacted if one or more of its direct competitors are beneficiaries of selective governmental interventions (such as FDIC assisted transactions) and BB&T does not receive comparable assistance. Further, one should not assume that the government will continue to intervene in the financial markets at all. One should be aware that governmental intervention (or the lack thereof) could materially and adversely affect BB&T's business, financial condition and results of operations.

The soundness of other financial institutions could adversely affect BB&T.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. BB&T has exposure to many different industries and counterparties, and BB&T and certain of its subsidiaries routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose BB&T to credit risk in the event of default of our counterparty or client. In addition, BB&T's credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. These types of losses could materially and adversely affect BB&T's results of operations or earnings.

Unpredictable catastrophic events could have a material adverse effect on BB&T.

The occurrence of catastrophic events such as hurricanes, tropical storms, earthquakes, pandemic disease, windstorms, floods, severe winter weather (including snow, freezing water, ice storms and blizzards), fires and other catastrophes could adversely affect BB&T's consolidated financial condition or results of operations. Unpredictable natural and other disasters 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 offered by BB&T. BB&T's property and casualty insurance operations also expose us to claims arising out of catastrophes. The incidence and severity of catastrophes are inherently unpredictable. Although BB&T carries insurance to mitigate its exposure to certain catastrophic events, catastrophic events could nevertheless reduce BB&T's earnings and cause volatility in its financial results for any fiscal quarter or year and have a material adverse effect on BB&T's financial condition or results of operations.

Back to Index

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

(a) As previously announced, on July 22, 2008, BB&T issued and sold 2,458,222 shares of its common stock, $5.00 par value per share, to its subsidiary, Branch Bank, in Branch Bank's capacity as directed trustee for the BB&T Corporation Pension Plan Trust, which holds the assets of the BB&T Corporation Pension Plan, for total consideration of $52,876,353 The issuance and sale was exempt from registration under the Securities Act of 1933 as a nonpublic offering pursuant to Section 4(2) thereof.

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

Back to Index

Item 6. ***Exhibits***

11	Statement re: Computation of Earnings Per Share.
12	Statement re: Computation of Ratios.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Back to Index

SIGNATURES

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

BB&T CORPORATION
(Registrant)

Date: November 6, 2008

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

Date: November 6, 2008 By: /s/ Edward D. Vest
Edward D. Vest, Executive Vice President
and Corporate Controller
(Principal Accounting Officer)

Back to Index

EXHIBIT INDEX

Exhibit No.	Description	Location
11	Statement re: Computation of Earnings Per Share.	Filed herewith as Note 8.
12	Statement re: Computation of Ratios.	Filed herewith.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
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.	Filed herewith.
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.

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

Back to Index