



COMPANY UPDATE/ ESTIMATES CHANGE/
TARGET PRICE CHANGE/ RATING CHANGE

Banks

Analyst: Andrew W. Stapp
502-588-4190 / astapp@hilliard.com
Institutional Sales Desk: George Moorin
502-588-9141 / gmoorin@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
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Key Metrics

BBT - NYSE (as of 04/21/17)	\$42.93
Price Target	\$49.00
52-Week Range	\$32.85-\$49.88
Shares Outstanding (mm)	811.4
Market Cap. (\$mm)	\$34,832
3-Mo. Average Daily Volume (000)	4,535.7
Institutional Ownership	66.6%
Tangible Equity / Tangible Assets	9.5%
ROE	8.3%
Tangible Book Value Per Share	\$20.33
Price/Tangible Book Value	211.2%
Dividend Yield	2.8%
Price/LTM Earnings	16.7x

Operating EPS CY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.65	\$0.72	\$0.78A	\$0.89	\$0.86
2Q	\$0.71	\$0.77	\$0.76	\$0.92	\$0.90
3Q	\$0.74	\$0.77	\$0.77	\$0.95	\$0.92
4Q	\$0.73	\$0.82	\$0.80	\$0.99	\$0.98
Year	\$2.83	\$3.08	\$3.10	\$3.75	\$3.67
P/E	15.1x		13.8x		11.7x

Numbers may not add due to rounding

Common Dividends

	2016A	Curr. 2017E	Prior %chg.	Curr. 2018E
1Q	\$0.27	\$0.30A	11.1	\$0.33
2Q	\$0.28	\$0.30	7.1	\$0.33
3Q	\$0.30	\$0.33	10.0	\$0.36
4Q	\$0.30	\$0.33	10.0	\$0.36
Year	\$1.15	\$1.26	9.6	\$1.38

Company Description – BB&T Corporation is one of the largest commercial banking organizations in the U.S. with its community banking operations focusing on the Southeast, Mid-Atlantic, Mid-West and Southwest regions of the country, while other operations are scattered across the country. In addition to traditional retail and commercial banking services, BBT offers insurance, mortgage banking, investment banking, securities brokerage and wealth management services. BB&T Insurance Holdings is the fifth largest distributor of insurance products in the U.S..

BB&T Corporation

BBT -- NYSE -- Long-term Buy -- 1

Strong NIM Expansion; Raising to Long-term Buy on Valuation

- **Earnings Results:** Excluding non-core items that negatively impacted EPS by \$0.32, BBT reported 1Q17 operating EPS of \$0.78, which was \$0.06 ahead of our estimate and \$0.07 above the Street consensus. A new accounting standard regarding stock-based compensation boosted EPS by \$0.04.
- **Positive Highlights:** Net interest income rose 2.8% linked-quarter (LQ) to \$1.61 billion driven by 14 bps of net interest margin (NIM) expansion to 3.46%, which was partially offset by two fewer days in the quarter. Average earning assets were stable. We had projected net interest income of \$1.55 billion and a 3.42% margin.

Noninterest income advanced 0.8% LQ to \$1.17 billion primarily as a 9.3% increase in insurance income, including seasonal contingent income, more than offset declines in a number of other line items. Results were in line with our projection.

Noninterest expense rose 1.1% sequentially to \$1.67 billion on a host of line items but was modestly below our estimate of \$1.69 billion.

- **Negative Highlights:** Loans were down 0.5% LQ on an end-of-period basis, while average loans fell 0.2%.

The provision for loan losses increased \$19 million LQ to \$148 million. The net charge-off ratio fell one bp to 0.41%, while Nonperforming Assets/Assets dropped one bp to 0.36%. We had modeled a provision of \$141 million and net charge-offs of 40 bps.

- **Estimates:** We are revising our 2017 and 2018 operating EPS estimates to \$3.10 and \$3.67 from \$3.08 and \$3.75, respectively. We are reducing our 12-month price target by \$2.00 to \$49.00. With the recent decline in BBT's share, our price target suggests an attractive return of 17%, including dividends. Accordingly, we are raising our rating to Long-term Buy from Neutral.

Note Important Disclosures on pages 5 and 6
Note Analyst Certification on page 5

OTHER TAKEAWAYS & VALUATION

- Non-core items during the quarter included the following:
 - Loss on the early extinguishment of Federal Home Loan Bank (FHLB) advances (\$246 after-tax).
 - Restructuring charges (\$22 million after-tax).
 - \$35 million of tax benefits resulting from a new accounting standard regarding equity-based compensation. We are including this item in operating earnings given that it will be a recurring item.
- The 1Q17 NIM increase was due to higher earning asset yields, duration adjustments in the securities portfolio and the prepayment of higher-cost FHLB advances, which was partially offset by modestly higher deposit costs. Excluding purchase accounting accretion, the core NIM advanced ten bps to 3.28%.
- Management provided the following 2Q17 guidance:
 - The core NIM is expected to advance 2-4 bps LQ due to the impact of the March Fed rate hike, while the GAAP margin is expected to be flat due to the impact of purchase accounting.
 - Net interest income should increase 2%-4% annualized versus Q1.
 - Annualized sequential growth in average loans of 1%-3%.
 - Nonperforming Assets/Assets are expected to remain flat LQ, while the net charge-off ratio should range between 35-45 bps.
 - Noninterest income and expense should increase 6%-8% and 0%-2%, respectively.
- The company returned 106.3% of 1Q17 earnings through dividends and share repurchases. Management is currently targeting a total payout ratio in excess of 100% in the upcoming 2017 Comprehensive Capital Analysis and Review.
- BBT has approximately \$4.1 billion of exposure to retail CRE, nearly 70% of which is neighborhood grocery-anchored centers with high occupancy rates.
- Approximately \$600 million of outstanding loans are to the retail REIT sector. Management noted that they are conservative with underwriting standards in this space, with 80% of outstanding loans being considered investment grade.
- Direct C&I retail exposure is approximately \$1.3 billion, with 30%-40% considered investment grade.
- Based on the foregoing, the company is comfortable with its retail exposure despite the pressure the sector is currently facing.
- Our price target is derived through our discounted dividend model and the application of the stock's historical forward multiple of approximately 12.7X to our 2Q18-1Q19 EPS estimates.
- We are assigning a Long-term Buy rating on shares of BBT given the risk that delays in tax reform, regulatory reform and other Federal policy changes could extend the realization of our price target beyond one year.
- Major model assumptions include one additional Fed rate hike this year and another next year, continued flattening of the yield curve, slower loan growth in 2017 and a 28% corporate tax rate in 2018.

SUITABILITY

Our suitability rating on BBT is 1 on our scale of 1 to 4 (1 = most conservative, 4 = most aggressive). Factors contributing to our suitability rating include the company's market capitalization, liquidity and trading volume, diversity of revenues and the geographic diversification of its footprint.

RISK FACTORS

- **Economy** – If the economy softens, loan demand could wane and credit quality could deteriorate.
- **Regulatory** – Banks operate in a highly regulated environment. Consequently, the company is vulnerable to regulatory uncertainties that could negatively impact shareholders. Moreover, the company is one of the largest commercial banking organizations in the nation and, accordingly, is subject to greater regulatory scrutiny compared to smaller financial institutions.
- **Real Estate** – A significant percentage of the company’s loans are real estate oriented. Any deterioration in real estate values would impair the value of the underlying real estate collateral.
- **Competition** – The industry is highly competitive and many of the company’s competitors have greater resources.
- **Sector Rotation** – The share price of the company’s common stock may be vulnerable to any sector rotation that might occur.
- **Other** – Please see the company’s financial statements for a further discussion of risks and considerations.

	BB&T CORPORATION										BBT: LONG-TERM BUY				
	\$Millions, Except for Per Share Data										YOY Change-BPS				
	1Q16 A	2Q16 A	3Q16 A	4Q16 A	1Q17 A	2Q17 E	3Q17 E	4Q17 E	2015 A	2016 A	2017 E	2018 E	2016 A	2017 E	2018 E
Balance Sheet Data:															
Assets	212,405	221,859	222,622	219,276	220,501	223,809	227,166	229,437	209,947	219,276	229,437	242,358	4.4%	4.6%	5.6%
Loans Held for Investment	135,096	142,226	142,433	143,322	142,605	143,104	145,251	146,703	135,951	143,322	146,703	154,965	5.4%	2.4%	5.6%
Average Earning Assets	182,365	192,871	191,486	190,344	190,878	193,052	195,948	197,481	170,842	189,250	194,329	203,611	10.8%	2.7%	4.8%
Deposits	150,500	159,238	159,915	160,234	161,333	163,753	166,209	167,871	149,124	160,234	167,871	177,325	7.5%	4.8%	5.6%
Equity	28,239	29,743	30,091	29,926	30,025	27,106	27,063	27,020	27,340	29,926	27,020	27,070	9.5%	-9.7%	0.2%
Statement of Operations:															
FTE Net Interest Income	1,568	1,657	1,650	1,606	1,649	1,662	1,705	1,724	5,738	6,481	6,739	7,059	12.9%	4.0%	4.7%
Net Interest Income	1,529	1,617	1,610	1,565	1,609	1,621	1,664	1,682	5,592	6,321	6,576	6,888	13.0%	4.0%	4.7%
Provision for Loan Losses	184	111	148	129	148	155	159	165	428	572	626	762	33.6%	9.5%	21.6%
Non-Interest Income:															
Insurance income	419	465	410	419	458	488	424	434	1,596	1,713	1,804	1,867	7.3%	5.3%	3.5%
Service charges on deposits	154	166	172	172	168	168	175	175	631	664	686	696	5.2%	3.3%	1.5%
Mortgage banking income	91	111	154	107	103	108	110	102	455	463	422	435	1.8%	-8.8%	3.0%
Investment banking and brokerage	97	102	101	108	91	112	108	115	398	408	426	454	2.5%	4.5%	6.5%
Bankcard fees and merchant discounts	56	60	61	60	59	60	63	62	218	237	245	255	8.7%	3.3%	4.0%
Trust and investment advisory revenues	62	67	68	69	68	69	70	71	240	266	278	299	10.8%	4.4%	7.7%
Other income	92	159	198	226	224	210	210	211	484	675	855	856	39.5%	26.7%	0.2%
Securities Gains	45	0	0	0	0	0	0	0	-3	46	0	0	-1633.3%	-100.0%	NA
Total Non-Interest Income	1,016	1,130	1,164	1,162	1,171	1,215	1,160	1,169	4,019	4,472	4,716	4,862	11.3%	5.5%	3.1%
Non-Core Adjustment	-45	0	0	-1	0	0	0	0	29	-46	0	0	-258.6%	-100.0%	NA
Adjusted Non-Interest Income	971	1,130	1,164	1,161	1,171	1,215	1,160	1,169	4,048	4,426	4,716	4,862	9.3%	6.6%	3.1%
Non-Interest Expense:															
Personnel expense	915	1,039	1,006	1,004	1,011	1,052	1,032	1,027	3,469	3,964	4,122	4,225	14.3%	4.0%	2.5%
Occupancy and equipment expense	191	194	203	198	193	193	194	194	708	786	775	789	11.0%	-1.4%	1.9%
Loan-related expense	32	36	33	-6	30	30	30	30	150	95	120	120	-36.7%	26.3%	0.0%
Professional services	22	26	27	27	22	27	27	27	130	102	103	111	-21.5%	1.4%	7.1%
Software expense	51	53	63	63	58	58	58	58	192	224	232	236	16.7%	3.6%	1.6%
Other expense	220	231	197	236	234	235	235	235	1,617	984	939	955	-45.3%	6.2%	1.7%
Total Non-Interest Expense	1,545	1,797	1,711	1,668	2,102	1,722	1,703	1,699	6,266	6,721	7,227	6,941	7.3%	7.5%	-3.9%
Non-Core Adjustment	-23	-92	-20	-13	-428	0	0	0	-337	-148	-428	0	-56.1%	189.2%	-100.0%
Adjusted Non-Interest Expense	1,522	1,705	1,691	1,655	1,674	1,722	1,703	1,699	5,929	6,573	6,799	6,941	10.9%	3.4%	2.1%
Operating Pretax Income	794	931	935	942	958	960	962	967	3,283	3,602	3,867	4,047	9.7%	7.4%	4.6%
Operating Common Net Income	512	602	612	600	643	624	626	644	2,080	2,326	2,537	2,678	11.9%	9.1%	13.4%
Share & Per Share Data:															
Diluted EPS	0.67	0.66	0.73	0.72	0.46	0.76	0.77	0.80	2.56	2.78	2.78	3.67	8.5%	0.2%	31.9%
Operating EPS	0.65	0.71	0.74	0.73	0.78	0.78	0.77	0.80	2.74	2.83	3.10	3.67	3.2%	9.6%	18.2%
Dividends Per Share	0.27	0.28	0.30	0.30	0.30	0.30	0.33	0.33	1.05	1.15	1.26	1.38	9.5%	9.6%	9.5%
Tangible Book Value	20.36	19.75	20.31	20.18	20.33	20.69	20.90	21.12	19.82	20.18	21.12	22.38	1.8%	4.7%	6.0%
Common Shares Outstanding	782,379	814,500	811,424	809,475	811,370	807,649	799,333	790,643	780,337	809,475	790,643	755,210	3.7%	-2.3%	-4.5%
Average Diluted Shares	790,176	823,682	823,106	821,971	822,719	822,326	816,307	807,804	757,415	814,673	817,289	784,798	7.6%	0.3%	-4.0%
Key Financial Statistics:															
Return on Assets	1.09%	1.05%	1.16%	1.17%	0.77%	1.21%	1.19%	1.20%	1.08%	1.11%	1.09%	1.30%	4	(2)	21
Return on Equity	8.45%	8.16%	8.87%	8.78%	5.64%	9.26%	9.17%	9.44%	8.38%	8.56%	8.38%	10.66%	18	(18)	228
Net Interest Margin	3.43%	3.41%	3.39%	3.32%	3.46%	3.45%	3.45%	3.46%	3.33%	3.39%	3.46%	3.47%	6	7	1
Operating Non-Int. Inc./Operating Rev.	38.84%	41.14%	41.96%	42.59%	42.12%	42.84%	41.09%	41.01%	41.99%	41.18%	41.77%	41.39%	(81)	58	(38)
Efficiency Ratio	59.94%	59.38%	59.28%	58.11%	58.09%	59.37%	58.95%	58.27%	59.65%	59.19%	58.67%	57.79%	(47)	(52)	(88)
Tangible Common Ratio	7.84%	7.61%	7.77%	7.82%	7.85%	7.83%	7.70%	7.62%	7.71%	7.82%	7.62%	7.28%	(12)	(20)	(34)
Reserves/Loans	1.10%	1.06%	1.06%	1.04%	1.04%	1.04%	1.03%	1.03%	1.07%	1.04%	1.03%	1.03%	3	(1)	0
NCOs/Average Loans	0.46%	0.27%	0.37%	0.42%	0.42%	0.42%	0.43%	0.43%	0.35%	0.38%	0.42%	0.45%	4	4	3

Source: Company reports and Hilliard Lyons estimates.

Additional information is available upon request.

Analyst Certification

I, Andrew W. Stapp, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

BB&T Corporation is/was a client of Hilliard Lyons within the past 12 months, received non-investment banking securities-related services, and Hilliard Lyons received compensation for those services.

Definitions of Ratings:

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price decline in the next 12 months.

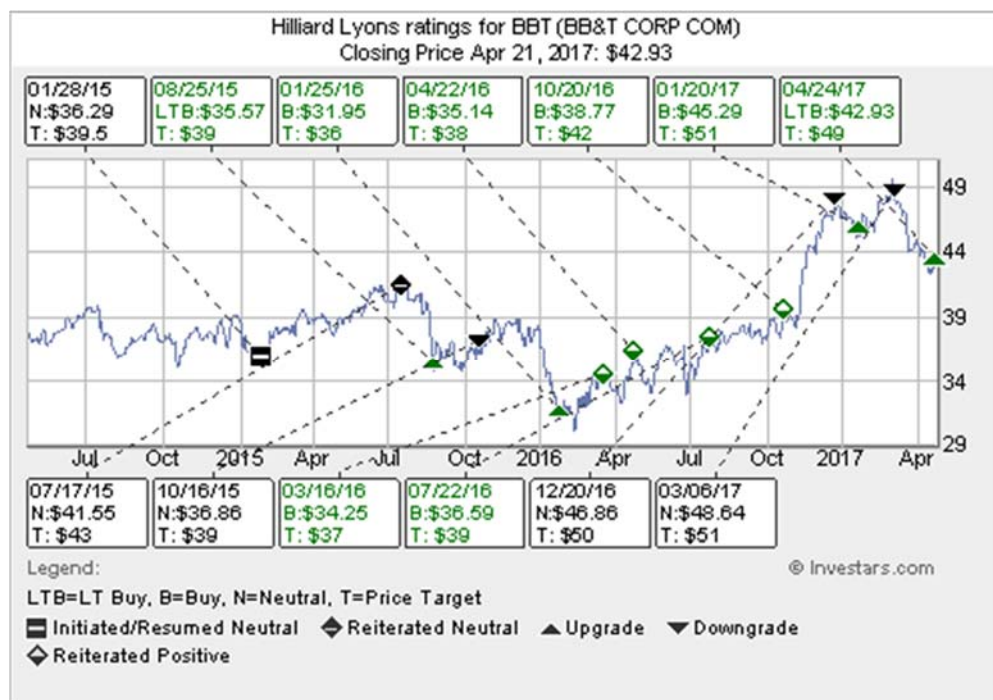
Definitions of Suitabilities:

1. A large cap, core holding with a solid history.

2. A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks.

3. An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage.

4. Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base.



Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	
Buy	36	30%	Banking: 14%, No Banking: 86%
Hold/Neutral	71	58%	Banking: 6%, No Banking: 94%
Sell	15	12%	Banking: 7%, No Banking: 93%

As of 5 April 2017

Other Disclosures

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