



COMPANY UPDATE/ ESTIMATES CHANGE/ TARGET PRICE CHANGE

Key Metrics

| | |
|-----------------------------------|-----------------|
| BBT - NYSE (as of 01/21/18) | \$54.14 |
| Price Target | \$57.00 |
| 52-Week Range | \$41.17-\$55.70 |
| Shares Outstanding (mm) | 782.0 |
| Market Cap. (\$mm) | \$42,338 |
| 3-Mo. Average Daily Volume (000) | 4,783.5 |
| Institutional Ownership | 65.4% |
| Tangible Equity / Tangible Assets | 9.5% |
| ROE | 8.0% |
| Tangible Book Value Per Share | \$20.80 |
| Price/Tangible Book Value | 263.5% |
| Dividend Yield | 2.4% |
| Price/LTM Earnings | 20.0x |

Operating EPS CY 12/31

| | 2017A | Prior 2018E | Curr. 2018E | Prior 2019E | Curr. 2019E |
|------|--------|----------------|----------------|----------------|----------------|
| 1Q | \$0.78 | \$0.91 | \$0.92 | | \$1.05 |
| 2Q | \$0.78 | \$0.93 | \$1.00 | | \$1.01 |
| 3Q | \$0.78 | \$0.96 | \$0.96 | | \$1.12 |
| 4Q | \$0.84 | \$0.96 | \$1.03 | | \$1.05 |
| Year | \$3.19 | \$3.75 | \$3.90 | | \$4.23 |
| P/E | 17.0x | | 13.9x | | 12.8x |

Numbers may not add due to rounding

Common Dividends

| | 2017A | Curr. 2018E | Prior %chg. | Curr. 2019E |
|------|--------|----------------|----------------|----------------|
| 1Q | \$0.30 | \$0.33 | 10.0 | \$0.36 |
| 2Q | \$0.30 | \$0.33 | 10.0 | \$0.36 |
| 3Q | \$0.33 | \$0.36 | 9.1 | \$0.39 |
| 4Q | \$0.33 | \$0.36 | 9.1 | \$0.39 |
| Year | \$1.26 | \$1.38 | 9.5 | \$1.50 |

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. BBT Insurance is the fifth largest insurance broker in the world.

Banks

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BB&T Corporation

BBT -- NYSE -- Neutral -- 1

Guides for Flat Nonoperating Expense in 2018; Reiterating Neutral Rating

- **Earnings Results:** Excluding non-core items that negatively impacted earnings by \$0.07, BBT reported 4Q17 operating EPS of \$0.84, which exceeded our estimate of \$0.78 and the Street consensus of \$0.80.
- **Positive Highlights:** Noninterest income rose 5.1% linked-quarter (LQ) to \$1.23 billion primarily on gains in insurance income (5.3%) and “other” noninterest income (24.8%). Our estimate was \$1.17 billion.

Loans were up 0.5% LQ on a period end basis, while average loans were little changed.

The provision for loan losses fell 9.5% LQ to \$138 million. NPAs/Assets dropped three bps to 0.28%, while the net charge-off ratio inched up one bp to 0.36%. We had modeled a provision of \$150 million and net charge-offs of 45 bps.

- **Negative Highlights:** Net interest income dipped 0.2% LQ to \$1.64 billion as five bps of net interest margin (NIM) erosion to 3.43% more than offset a 1.2% rise in average earning assets. We had projected net interest income of \$1.64 billion and a 3.45% margin.

Operating noninterest expense was essentially flat sequentially at \$1.70 billion and was modestly above our estimate of \$1.68 billion.

- **Estimates:** We are raising our 2018 operating EPS estimate by \$0.15 to \$3.90 and introducing our 2019 estimate at \$4.23. We are raising our 12-month price target by \$7.00 to \$57.00. We reaffirm our Neutral rating.

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:
 - A \$43 million charge resulting from the revaluation of the company's deferred tax assets
 - Special bonuses of \$36 million
 - A charitable contribution of \$100 million.
- Despite these items, tangible book value per share rose \$0.02 to \$20.80 LQ.
- Excluding purchase accounting accretion, the core NIM fell four bps to 3.28% sequentially. The decline in the core margin was primarily attributable to a shift in asset mix from loans to investment securities, lower securities yields due to duration adjustments and reduced spreads on loans.
- Insurance revenue was up 5.2% sequentially mostly due to seasonality. Management continues to expect insurance carriers to raise pricing as a result of losses incurred from 2017 hurricane activity and other natural catastrophes.
- Retail loans declined 4.6% LQ annualized in 4Q17 as the company is nearing completion of its loan optimization process wherein it has been reducing its auto and mortgage portfolios that did not fit management's desired risk/return profile.
- In addition to the loan optimization initiative, certain other headwinds that impacted 2017 earnings are abating, including the integration of BBT's Pennsylvania acquisitions and the BSA/AML compliance program
- The company closed 148 branches during 2017 and anticipates closing another ~150 in 2018.
- Management provided the following 1Q18 and full year 2018 guidance:
 - Growth in average loans of 1%-3% annualized LQ in 1Q18 and up 2%-4% during full year 2018
 - Net charge-offs of 35-45 bps in 1Q18
 - The GAAP margin is expected to decline 1-3 bps LQ in 1Q18, while the core NIM should remain stable
 - 1Q18 noninterest income growth of 1%-3% LQ
 - Flat noninterest expenses in 1Q18 and 2018
 - Revenue growth of 2%-4% in 2018
 - An effective tax rate of 21% in 1Q18 and full year 2018
- BB&T expects to maintain flat noninterest expenses in 2018 despite reinvesting ~\$150 million to \$200 million of tax reform savings into its business.
- The company returned 102.8% of 4Q17 earnings through dividends and share repurchases. The dividend payout ratio was 42.1%, while the rest of the payout reflected \$373 million in share repurchases. The company has \$640 million remaining on the current share repurchase authorization through 2Q18.
- Our price target is derived through our discounted dividend model and the application of a 12.7X forward multiple to our 2019 EPS estimate. The earnings multiple that we employ is appropriate relative to the company's risk/reward prospects, in our opinion.
- Major model assumptions include two Fed rate hikes in 2018 and 2019 and continued flattening of the yield curve.

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: NEUTRAL | | | | |
|--|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------------|---------|---------|---------|--------|
| | 1Q17 A | 2Q17 A | 3Q17 A | 4Q17 A | 1Q18 E | 2Q18 E | 3Q18 E | 4Q18 E | 2016 A | 2017 A | 2018 E | 2019 E | 2017 A | 2018 E | 2019 E |
| \$Millions, Except for Per Share Data | | | | | | | | | | | | | | | |
| Balance Sheet Data: | | | | | | | | | | | | | | | |
| Average Assets | 219,961 | 221,018 | 220,732 | 222,525 | 223,638 | 226,299 | 229,184 | 232,106 | 218,933 | 221,059 | 227,807 | 236,789 | 1.0% | 3.1% | 3.9% |
| Average Loans Held for Investment | 142,012 | 143,074 | 142,691 | 142,661 | 143,374 | 145,382 | 147,853 | 150,367 | 139,783 | 142,610 | 146,744 | 153,400 | 2.0% | 2.9% | 4.5% |
| Average Earning Assets | 192,564 | 193,386 | 193,073 | 195,305 | 196,018 | 198,012 | 200,536 | 203,093 | 191,229 | 193,582 | 199,415 | 207,191 | 1.2% | 3.0% | 3.9% |
| Average Deposits | 160,823 | 158,839 | 157,667 | 158,551 | 160,091 | 162,064 | 164,130 | 165,583 | 158,896 | 158,975 | 162,967 | 169,345 | 0.0% | 2.5% | 3.9% |
| Average Common Equity | 26,807 | 27,208 | 26,857 | 26,759 | 26,648 | 26,782 | 26,916 | 27,027 | 26,345 | 26,908 | 26,843 | 27,318 | 2.1% | -0.2% | 1.8% |
| Statement of Operations: | | | | | | | | | | | | | | | |
| FTE Net Interest Income | 1,649 | 1,675 | 1,688 | 1,689 | 1,662 | 1,694 | 1,731 | 1,763 | 6,481 | 6,701 | 6,850 | 7,132 | 3.4% | 2.2% | 4.1% |
| Net Interest Income | 1,609 | 1,635 | 1,647 | 1,647 | 1,622 | 1,652 | 1,689 | 1,720 | 6,321 | 6,538 | 6,684 | 6,959 | 3.4% | 2.2% | 4.1% |
| Provision for Credit Losses | 148 | 135 | 120 | 142 | 146 | 157 | 161 | 172 | 569 | 545 | 636 | 736 | -4.2% | 16.7% | 15.7% |
| Non-Interest Income: | | | | | | | | | | | | | | | |
| Insurance income | 458 | 481 | 397 | 418 | 469 | 498 | 411 | 437 | 1,713 | 1,754 | 1,815 | 1,878 | 2.4% | 3.5% | 3.5% |
| Service charges on deposits | 168 | 176 | 179 | 183 | 174 | 182 | 185 | 189 | 664 | 706 | 731 | 756 | 6.3% | 3.5% | 3.5% |
| Mortgage banking income | 103 | 94 | 114 | 104 | 90 | 104 | 103 | 99 | 463 | 415 | 395 | 405 | -10.4% | -4.8% | 2.4% |
| Investment banking and brokerage | 91 | 105 | 103 | 111 | 95 | 109 | 107 | 115 | 408 | 410 | 426 | 443 | 0.5% | 4.0% | 4.0% |
| Bankcard fees and merchant discounts | 59 | 75 | 70 | 67 | 66 | 78 | 73 | 70 | 237 | 271 | 286 | 298 | 14.3% | 5.7% | 4.0% |
| Trust and investment advisory revenues | 68 | 70 | 68 | 72 | 74 | 75 | 76 | 78 | 266 | 278 | 303 | 325 | 4.5% | 9.0% | 7.2% |
| Other income | 224 | 219 | 235 | 271 | 230.0 | 232.2 | 233.3 | 235.5 | 675 | 949 | 931 | 956 | 40.6% | -1.9% | 2.7% |
| Securities Gains | 0 | 0 | 0 | -1 | 0 | 0 | 0 | 0 | 46 | -1 | 0 | 0 | -102.2% | -100.0% | NA |
| Total Non-Interest Income | 1,171 | 1,220 | 1,166 | 1,225 | 1,197 | 1,278 | 1,188 | 1,224 | 4,472 | 4,782 | 4,887 | 5,062 | 6.9% | 2.2% | 3.6% |
| Non-Core Adjustment | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | -46 | 1 | 0 | 0 | -102.2% | -100.0% | NA |
| Adjusted Non-Interest Income | 1,171 | 1,220 | 1,166 | 1,226 | 1,197 | 1,278 | 1,188 | 1,224 | 4,426 | 4,783 | 4,887 | 5,062 | 8.1% | 2.2% | 3.6% |
| Non-Interest Expense: | | | | | | | | | | | | | | | |
| Personnel expense | 1,011 | 1,042 | 1,024 | 1,044 | 1,008 | 1,028 | 1,023 | 1,018 | 3,964 | 4,121 | 4,077 | 4,180 | 4.0% | -1.1% | 2.5% |
| Occupancy and equipment expense | 193 | 198 | 198 | 195 | 195 | 195 | 195 | 195 | 786 | 784 | 780 | 795 | -0.3% | -0.5% | 1.9% |
| Loan-related expense | 30 | 36 | 32 | 32 | 32 | 36 | 36 | 36 | 95 | 130 | 124 | 130 | 36.8% | -1.5% | 1.9% |
| Professional services | 22 | 38 | 27 | 36 | 36 | 36 | 36 | 36 | 102 | 123 | 144 | 148 | 20.6% | 17.1% | 3.0% |
| Software expense | 58 | 57 | 62 | 65 | 66 | 66 | 67 | 68 | 224 | 242 | 288 | 281 | 8.0% | 10.6% | 4.9% |
| Other expense | 234 | 250 | 247 | 351 | 250 | 250 | 250 | 250 | 884 | 1,082 | 1,000 | 1,024 | 22.4% | -7.6% | 2.4% |
| Total Non-Interest Expense | 2,102 | 1,742 | 1,745 | 1,855 | 1,697 | 1,718 | 1,707 | 1,703 | 6,721 | 7,444 | 6,825 | 6,975 | 10.8% | -8.3% | 2.2% |
| Non-Core Adjustment | -428 | -10 | -47 | -158 | 0 | 0 | 0 | 0 | -170 | -643 | 0 | 0 | 278.2% | -100.0% | NA |
| Adjusted Non-Interest Expense | 1,674 | 1,732 | 1,698 | 1,697 | 1,697 | 1,718 | 1,707 | 1,703 | 6,551 | 6,801 | 6,825 | 6,975 | 3.8% | 0.4% | 2.2% |
| Operating Pretax Income | 958 | 988 | 995 | 1,034 | 976 | 1,056 | 1,009 | 1,069 | 3,627 | 3,975 | 4,111 | 4,310 | 9.6% | 3.4% | 4.9% |
| Operating Common Net Income | 643 | 637 | 632 | 671 | 725 | 783 | 749 | 794 | 2,344 | 2,584 | 3,051 | 3,205 | 10.2% | 18.1% | 5.1% |
| Share & Per Share Data: | | | | | | | | | | | | | | | |
| Diluted EPS | 0.46 | 0.77 | 0.75 | 0.71 | 0.92 | 1.00 | 0.96 | 1.03 | 2.78 | 2.69 | 3.90 | 4.23 | -3.2% | 45.1% | 8.5% |
| Operating EPS | 0.78 | 0.78 | 0.78 | 0.84 | 0.92 | 1.00 | 0.96 | 1.03 | 2.86 | 3.19 | 3.90 | 4.23 | 11.6% | 22.4% | 8.5% |
| Dividends Per Share | 0.30 | 0.30 | 0.33 | 0.33 | 0.33 | 0.33 | 0.36 | 0.36 | 1.15 | 1.26 | 1.38 | 1.50 | 9.6% | 9.5% | 8.7% |
| Tangible Book Value | 20.33 | 20.86 | 20.78 | 20.80 | 21.13 | 21.55 | 21.89 | 22.27 | 20.18 | 20.80 | 22.27 | 23.84 | 3.1% | 7.1% | 7.0% |
| Common Shares Outstanding | 811,370 | 808,093 | 788,921 | 782,006 | 776,156 | 770,306 | 764,499 | 758,065 | 809,475 | 782,006 | 758,065 | 732,927 | -3.4% | -3.1% | -3.3% |
| Average Diluted Shares | 822,719 | 819,389 | 806,124 | 795,867 | 791,184 | 785,334 | 779,505 | 773,385 | 814,673 | 811,025 | 782,352 | 757,391 | -0.4% | -3.5% | -3.2% |
| Key Financial Statistics: | | | | | | | | | | | | | | | |
| Return on Assets | 0.77% | 1.23% | 1.23% | 1.26% | 1.41% | 1.48% | 1.38% | 1.44% | 1.11% | 1.13% | 1.43% | 1.44% | 1 | 30 | 1 |
| Return on Equity | 5.64% | 9.30% | 8.89% | 8.42% | 11.03% | 11.72% | 11.04% | 11.66% | 8.57% | 8.06% | 11.36% | 11.73% | (51) | 330 | 37 |
| Net Operating Margin | 3.46% | 3.47% | 3.48% | 3.43% | 3.44% | 3.43% | 3.42% | 3.44% | 3.39% | 3.46% | 3.43% | 3.44% | 7 | (3) | 1 |
| Operating Non-Int. Inc./Operating Rev. | 42.12% | 42.73% | 41.45% | 42.67% | 42.46% | 43.61% | 41.30% | 41.57% | 41.18% | 42.24% | 42.24% | 42.11% | 106 | (1) | (13) |
| Efficiency Ratio | 58.09% | 59.40% | 59.15% | 57.87% | 58.99% | 57.49% | 58.21% | 56.76% | 58.45% | 58.63% | 57.86% | 57.01% | 18 | (77) | (86) |
| Tangible Common Ratio | 7.85% | 8.00% | 7.81% | 7.70% | 7.70% | 7.69% | 7.66% | 7.62% | 7.82% | 7.70% | 7.62% | 7.60% | (13) | (6) | (2) |
| Reserves/Loans | 1.04% | 1.03% | 1.04% | 1.04% | 1.04% | 1.02% | 1.01% | 1.01% | 1.04% | 1.04% | 1.01% | 1.00% | (0) | (0) | (1) |
| NCOs/Average Loans | 0.42% | 0.37% | 0.36% | 0.36% | 0.40% | 0.40% | 0.40% | 0.40% | 0.38% | 0.38% | 0.40% | 0.45% | (0) | 3 | 5 |

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 an average 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.

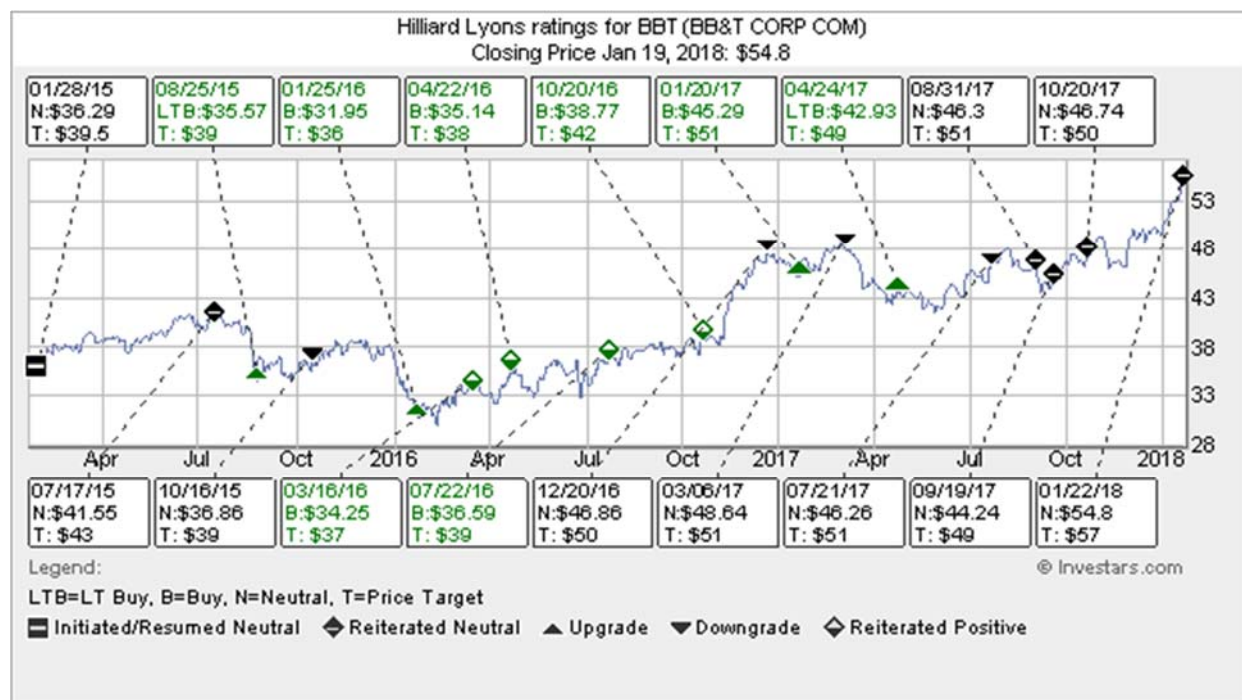
Definitions of Suitabilities:

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.



| Rating | Hilliard Lyons Recommended Issues | | Investment Banking Provided in Past 12 Mo. | |
|--------------|-----------------------------------|---------------------|--|------------|
| | # of Stocks Covered | % of Stocks Covered | Banking | No Banking |
| Buy | 31 | 28% | 10% | 90% |
| Hold/Neutral | 75 | 67% | 9% | 91% |
| Sell | 6 | 5% | 0% | 100% |

As of 8 January 2018

Other Disclosures

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