



## COMPANY UPDATE/ ESTIMATES CHANGES/ TARGET PRICE CHANGE

### Key Metrics

BBT - NYSE (as of 09/18/17)	\$44.24
Price Target	\$49.00
52-Week Range	\$36.80-\$49.88
Shares Outstanding (mm)	808.1
Market Cap. (\$mm)	\$35,750
3-Mo. Average Daily Volume (000)	4,142.4
Institutional Ownership	65.9%
Tangible Equity / Tangible Assets	9.5%
ROE	8.3%
Tangible Book Value Per Share	\$20.86
Price/Tangible Book Value	212.1%
Dividend Yield	3.0%
Price/LTM Earnings	16.5x

### Operating EPS CY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.65	\$0.78A	\$0.78A	\$0.90	\$0.88
2Q	\$0.71	\$0.78	\$0.78A	\$0.94	\$0.92
3Q	\$0.77	\$0.79	\$0.78	\$0.96	\$0.94
4Q	\$0.73	\$0.82	\$0.80	\$1.00	\$0.98
Year	\$2.86	\$3.17	\$3.14	\$3.79	\$3.72
P/E	15.5x		14.1x		11.9x

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	\$0.30A	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. BBT Insurance is the fifth largest insurance broker in the world.

### Banks

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## BB&T Corporation

BBT -- NYSE -- Neutral -- 1

### Provides Updated Q3 Guidance

- As discussed below, BB&T announced certain revisions to its 3Q17 guidance at a conference last week.
- Average loans are anticipated to have declined slightly on a linked-quarter (LQ) basis versus management's prior guidance of annualized sequential growth of 1%-3%. The revision is attributable to heavier payoff activity as the reduction in long-term interest rates in 3Q17 prompted certain borrowers to refinance outside of the banking system. Management noted that loan production was similar to the pace realized in Q2.
- BB&T expects to report a stable net interest margin, up from its prior guidance of 1-3 bps of margin compression due to higher-than-anticipated purchase accounting accretion.
- Noninterest income should be down slightly YOY versus the company's previous guidance of 1%-3% growth. The change in guidance is attributable to lower estimated contingent insurance income resulting from hurricane-related losses incurred by insurance carriers.
- We are reducing our 2017 and 2018 operating EPS estimates to \$3.14 and \$3.72 from \$3.17 and \$3.79, respectively.
- We are trimming our price target by \$2 to \$49, which we derive through our discounted dividend model and the application of a 12.5X forward multiple to our 3Q18-2Q19 EPS estimates. The earnings multiple that we employ is appropriate relative to the company's risk/reward prospects, in our opinion. We reaffirm our Neutral rating.

**Note Important Disclosures on pages 4 and 5**  
**Note Analyst Certification on page 4**

**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								
	1Q16 A	2Q16 A	3Q16 A	4Q16 A	1Q17 A	2Q17 A	3Q17 E	4Q17 E	2015 A	2016 A	2017 E	2018 E	2019 E			
\$Millions, Except for Per Share Data																
<b>Average Balance Sheet Data:</b>																
Assets	210,102	223,399	222,065	220,165	219,961	221,018	220,576	221,679	209,217	220,165	221,679	233,025	233,025	5.2%	0.7%	5.1%
Loans	134,381	141,146	141,266	142,339	142,012	143,074	142,788	143,502	134,813	142,339	143,502	150,847	150,847	5.6%	0.8%	5.1%
Earning Assets	183,612	194,822	193,909	192,574	192,564	193,366	192,999	193,969	172,542	191,209	193,238	199,405	199,405	10.8%	1.1%	3.2%
Deposits	155,103	159,921	159,811	160,751	160,823	160,103	160,342	161,285	149,179	160,751	161,285	170,026	170,026	7.8%	0.3%	5.4%
Common Equity	25,076	26,519	26,824	26,962	26,807	27,208	27,185	27,052	24,736	26,962	27,052	27,009	27,009	9.0%	0.3%	-0.2%
<b>Statement of Operations:</b>																
FTE Net Interest Income	1,568	1,657	1,650	1,606	1,649	1,675	1,690	1,680	5,738	6,481	6,694	6,895	6,895	12.9%	3.3%	3.0%
Net Interest Income	1,529	1,617	1,610	1,565	1,609	1,635	1,650	1,640	5,592	6,321	6,534	6,730	6,730	13.0%	3.4%	3.0%
Provision for Credit Losses	184	111	145	129	148	135	140	152	417	569	575	712	712	36.5%	1.1%	23.7%
<b>Non-Interest Income:</b>																
Insurance Income	419	465	410	419	458	481	392	440	1,596	1,713	1,771	1,885	1,885	7.3%	3.4%	6.5%
Service charges on deposits	154	166	172	172	168	176	175	175	631	664	693	714	714	5.2%	4.4%	3.0%
Mortgage banking income	91	111	154	107	103	94	109	99	455	463	405	418	418	1.8%	-12.4%	3.0%
Investment banking and brokerage	57	102	101	108	91	105	115	118	398	408	429	457	457	2.5%	5.1%	6.5%
Bankcard fees and merchant discounts	56	60	61	60	59	75	69	69	218	237	272	283	283	8.7%	14.8%	4.0%
Trust and investment advisory revenues	62	67	68	69	68	70	71	72	240	266	282	305	305	10.8%	5.9%	8.2%
Other income	92	159	198	226	224	219	232	233	484	675	908	951	951	39.5%	34.5%	4.7%
Securities Gains	45	0	0	1	0	0	0	0	3	46	0	0	0	-1633.3%	-100.0%	NA
Total Non-Interest Income	1,016	1,130	1,164	1,162	1,171	1,220	1,163	1,206	4,019	4,472	4,760	5,012	5,012	11.3%	6.4%	5.3%
Non-Core Adjustment	-45	0	0	-1	0	0	0	0	29	-46	0	0	0	-258.6%	-100.0%	NA
Adjusted Non-Interest Income	971	1,130	1,164	1,161	1,171	1,220	1,163	1,206	4,048	4,426	4,760	5,012	5,012	9.3%	7.5%	5.3%
<b>Non-Interest Expense:</b>																
Personnel expense	915	1,039	1,006	1,004	1,011	1,042	1,017	1,026	3,469	3,964	4,096	4,237	4,237	14.3%	3.3%	3.4%
Occupancy and equipment expense	191	194	203	198	193	198	196	194	708	786	781	788	788	11.0%	-0.6%	0.9%
Loan-related expense	32	36	33	-6	30	36	33	33	150	95	132	132	132	-36.7%	38.9%	0.0%
Professional services	22	26	26	27	22	27	27	27	130	102	114	110	110	-21.5%	11.9%	-3.4%
Software expense	51	53	63	57	58	57	57	57	192	224	229	232	232	16.7%	2.2%	1.1%
Other expense	220	231	197	236	234	250	235	235	1,617	884	954	955	955	-45.3%	7.9%	0.1%
Total Non-Interest Expense	1,545	1,797	1,711	1,668	1,711	1,742	1,676	1,683	6,266	6,721	7,202	6,889	6,889	7.3%	7.2%	-4.4%
Non-Core Adjustment	-22	-92	-43	-13	-428	-10	0	0	-337	-170	-438	0	0	-49.6%	157.6%	-100.0%
Adjusted Non-Interest Expense	1,523	1,705	1,668	1,655	1,674	1,732	1,676	1,683	5,929	6,551	6,764	6,889	6,889	10.5%	3.3%	1.8%
Operating Pretax Income	793	931	961	942	958	988	986	1,011	3,294	3,627	3,954	4,142	4,142	10.1%	9.0%	4.8%
Operating Common Net Income	512	602	630	600	643	637	636	645	2,085	2,344	2,562	2,903	2,903	12.4%	9.3%	13.3%
<b>Share &amp; Per Share Data:</b>																
Diluted EPS	0.67	0.66	0.73	0.72	0.46	0.77	0.78	0.80	2.57	2.78	2.81	3.72	3.72	8.1%	1.3%	32.2%
Operating EPS	0.65	0.71	0.77	0.73	0.78	0.78	0.78	0.80	2.75	2.86	3.14	3.72	3.72	3.8%	10.1%	18.3%
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	1.38	9.5%	9.6%	9.5%
Tangible Book Value	20.36	19.75	20.31	20.18	20.33	20.86	20.99	21.13	19.82	20.18	21.13	22.34	22.34	1.8%	4.7%	5.7%
Common Shares Outstanding	782,379	814,500	811,424	809,475	811,370	808,093	798,193	788,293	780,337	809,475	788,293	755,542	755,542	3.7%	-2.6%	-4.2%
Average Diluted Shares	790,176	823,682	823,106	821,971	822,719	819,389	813,552	803,652	757,415	814,673	814,828	780,650	780,650	7.6%	0.0%	-4.2%
<b>Key Financial Statistics:</b>																
Return on Assets	1.09%	1.05%	1.16%	1.17%	0.77%	1.23%	1.23%	1.24%	1.08%	1.11%	1.12%	1.36%	1.36%	4	1	24
Return on Equity	8.41%	8.16%	8.93%	8.78%	5.64%	9.30%	9.29%	9.46%	8.36%	8.57%	8.42%	10.78%	10.78%	21	(15)	236
Net Interest Margin	3.43%	3.41%	3.39%	3.32%	3.46%	3.47%	3.47%	3.44%	3.33%	3.39%	3.46%	3.46%	3.46%	6	7	(0)
Operating Non-Int. Inc./Operating Rev.	38.84%	41.14%	41.96%	42.59%	42.12%	42.73%	41.34%	42.38%	41.99%	41.18%	42.14%	42.69%	42.69%	(81)	96	54
Efficiency Ratio	58.37%	59.20%	58.10%	58.11%	58.09%	59.40%	58.30%	57.88%	59.04%	58.45%	58.41%	57.44%	57.44%	(59)	(4)	(97)
Tangible Common Ratio	7.84%	7.61%	7.77%	7.82%	7.85%	8.00%	7.96%	7.88%	7.71%	7.82%	7.88%	7.57%	7.57%	12	5	(31)
Reserves/Loans	1.09%	1.04%	1.04%	1.03%	1.02%	1.02%	1.02%	1.02%	1.07%	1.03%	1.02%	1.00%	1.00%	(4)	(0)	(2)
NCOs/Average Loans	0.46%	0.27%	0.37%	0.42%	0.42%	0.37%	0.40%	0.40%	0.35%	0.38%	0.40%	0.45%	0.45%	4	1	6

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.

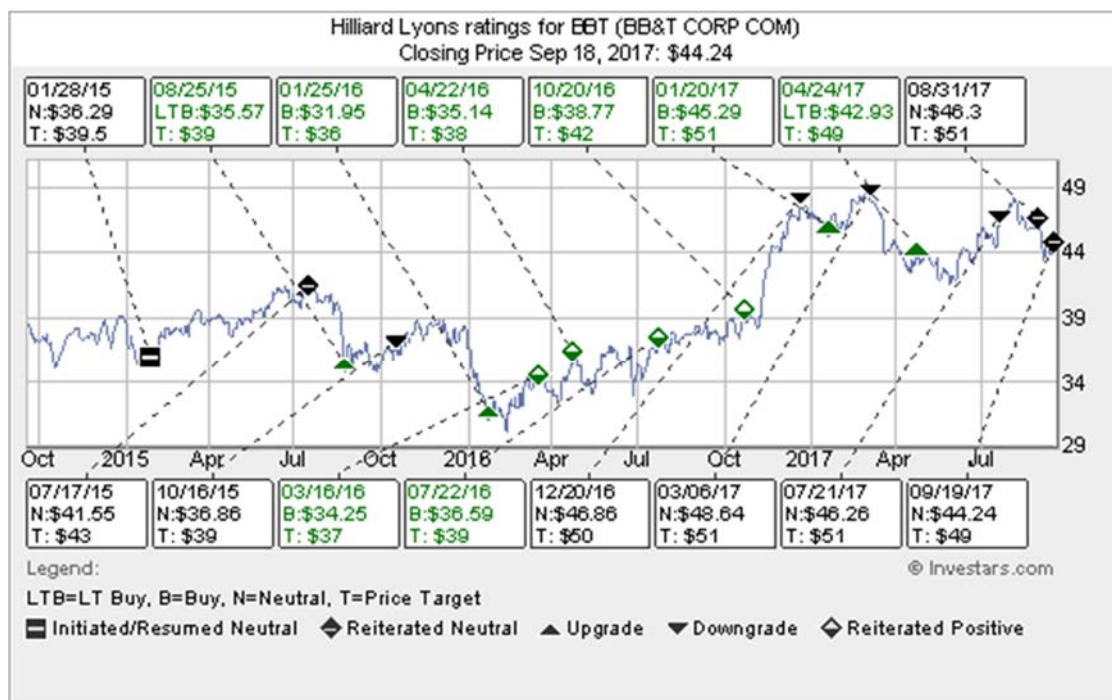
### **Definitions of Suitabilities:**

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	40	32%	10%	90%
Hold/Neutral	77	62%	8%	92%
Sell	8	6%	0%	100%

As of 6 September 2017

**Other Disclosures**

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

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