

BB&T CORP
Form 8-K
February 07, 2002

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**Form 8-K
Current Report**

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

February 7, 2002

Date of Report (Date of earliest event reported)

BB&T Corporation

(Exact name of registrant as specified in its charter)

Commission file number : 1-10853

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)

This Form 8-K has 45 pages.

ITEM 5. OTHER EVENTS

The purpose of this Current Report on Form 8-K is to file presentation materials from BB&T's 2002 Investor Conference, held on February 7, 2002.

EXHIBIT INDEX

BB&T CORPORATION

Loan Portfolio Performance and Strategies

February 2002

PEER PERFORMANCE COMPARISON

PORTFOLIO & LINES OF BUSINESS

RISK MANAGEMENT

LONG TERM RISK MANAGEMENT STRATEGIES

LOAN PORTFOLIO MANAGEMENT

**NONPERFORMING ASSETS/
TOTAL LOANS**

NET CHARGE-OFFS/AVERAGE LOANS

TOTAL LOAN YIELD

TOTAL LOAN GROWTH

BB&T PORTFOLIO and LINES OF BUSINESS

LINES OF BUSINESS

Portfolio Summary As of December 31, 2001

**Proforma w/ F&M,
Community First,**

**Proforma w/ F&M,
AREA &
Mid-America**

	\$	%	\$	%
Commercial Loans	20,033	44.8	22,724	44.9
Small Business	4,040	9.0	4,631	9.2
Direct Retail	7,515	16.8	8,317	16.4
Sales Finance	2,402	5.4	2,659	5.3
Bankcard & Merchant	948	2.1	970	1.9
Mortgage	8,588	19.2	10,017	19.8
Specialized Lending	<u>1,239</u>	<u>2.8</u>	<u>1,272</u>	<u>2.5</u>
TOTAL	<u>\$44,765</u>	<u>100.0 %</u>	<u>\$50,590</u>	<u>100.0 %</u>

\$ In Millions

COMMERCIAL LENDING

- Loans to small and middle market companies
 - * Locally based or major local presence
 - * Closely held, owner involvement
 - * Total sales under \$200 Million
 - * Service and relationship driven
- Portfolio includes Commercial Real Estate
 - * In-market lending to experienced clients
- Delivered in a value-added style
 - * Responsive, reliable, flexible and advisory
 - * Community bank, decentralized

* Quality service focus

COMMERCIAL LENDING

	<u>2000</u>	<u>2001</u>	<u>Plan</u> <u>2002</u>
Past Dues	.80%	1.24%	1.50% or less
Loan Losses	.05%	.22%	.25% or less
<hr/>			
Yield	Prime + .25 %	Prime + .83 %	Prime + 1.15 %
<hr/>			
			%
			Increase
			<u>00-01</u>
			<u>01-02</u>
Growth	\$ 17,563	\$ 19,501	11.04 %
			7.00 %

\$ in Millions
Excludes Unconverted Banks

SMALL BUSINESS BANKING

- Market segment with common characteristics:
 - * Owner/Manager
 - * One or two locations
 - * Less than 20 employees
 - * Sales under \$2.5 Million
 - * Credit needs of \$500,000 or less
 - * Often use the branches
- Standard credit and deposit products delivered by Business Bankers and City Executives

Largest Small Business lender in the Carolinas, Virginia and West Virginia

SMALL BUSINESS BANKING

<u>Top 10 Small Business Lenders</u>	<u># 1 Small Business Friendly Bank</u>
1. Wells Fargo	1. BB&T
2. Bank of America	2. Regions
3. US Bancorp	3. US Bancorp
4. Bank One	4. Wells Fargo
5. First Union	5. Union Planters
6. BB&T	6. Columbus B&T
7. National City	7. Zions
8. Sun Trust	8. AmSouth
9. Fifth Third	9. Colonial
10. Key Corp	10. National City
Source: December 2001 Issue of	Source: June 2001 Small

Top 10 Small
SNL Securities -
Specialty Lender

1 Small Business
Business
Administration

SMALL BUSINESS BANKING

	<u>2000</u>	<u>2001</u>	<u>Plan</u> <u>2002</u>
Past Dues	2.35%	3.16%	3.00% or less
Loan Losses	.35%	.62%	.65% or less
Yield	Prime + 1.01%	Prime + 1.73%	Prime + 2.00%
			%
			Increase
			<u>00-01</u>
			<u>01-02</u>
Growth	\$ 3,776	\$ 4,012	6.28%
			4.80%

\$ in Millions
Excludes Unconverted Banks

DIRECT RETAIL LENDING

- Consumer purpose term loans and convenient personal lines of credit
- Products delivered to clients through branch network by Retail Service Officers and Financial Center Managers
- Noninterest income from Credit Life insurance sales and loan related fees
- 83% of all Direct Retail Lending loans are secured by Real Estate

Largest Home Equity Line lender in the Carolinas

DIRECT RETAIL LENDING

DIRECT RETAIL LENDING

	<u>2000</u>	<u>2001</u>	<u>Plan</u> <u>2002</u>
Past Dues	1.44%	1.77%	1.75% or less
Loan Losses	.21%	.27%	.30% or less
Yield	9.68%	8.90%	8.00%

Plan

				%
				Increase
			<u>00-01</u>	<u>01-02</u>
Growth	\$ 7,363	\$ 7,535	2.34%	6.00%

\$ in Millions
Excludes Unconverted Banks

SALES FINANCE

- Automobile financing provided through automobile retail dealerships
- New loan contracts purchased from over 1,500 active dealers by Sales Finance Specialists in 9 centers
- Each dealer client is assigned to a Relationship Manager in the branch network
- Over 60% of Dealers have commercial loan/deposit relationships
- Consistently ranked in Top 5% of all bank indirect lenders in Dealer Satisfaction (by J.D. Powers)

SALES FINANCE

			Plan
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Past			2.50%
Dues	2.56%	2.60%	or less
Loan			.85% or
Losses	.69%	.89%	less

Plan

Yield	8.76%	8.85%	8.10%
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				%
				Increase
			<u>00-01</u>	<u>01-02</u>
Growth	\$ 2,461	\$ 2,446	-.60%	.20%

\$ in Millions
Excludes Unconverted Banks

BANKCARD and MERCHANT SERVICES

- Bankcard Products (VISA & MasterCard) and Overdraft Protection
 - * Delivered through Branch Network, Direct Mail and Telemarketing
 - * One-quarter of production through branch POS system
 - * Sold within BB&T's Geographic Market

Merchant Services (POS Payment Processing)

- * 28,000 Merchant Clients
- * \$84.2 Million in Merchant Services' revenues projected for 2002

BANKCARD and

MERCHANT SERVICES

	<u>2000</u>	<u>2001</u>	<u>Plan</u> <u>2002</u>
Past			2.50%
Dues	2.29%	2.29%	or less
Loan			3.30%
Losses	2.92%	3.28%	or less

Yield	17.22%	16.24%	15.97%
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					% Increase
			<u>00-01</u>		<u>01-02</u>
Growth	\$ 740	\$ 871	17.81%		13.00%

\$ in Millions
Excludes Unconverted Banks

MORTGAGE LENDING

Production

- Largest originator of mortgage loans in the Carolinas
- Home purchase/refinance loans originated in over 200 cities
- Correspondent Lending purchases loans from 130 + correspondents, primarily mortgage bankers and financial institutions
- Wholesale Lending purchases loans from over 500 mortgage brokers

Servicing

- Servicing retained as a client service, relationship building strategy

Total Servicing -- \$29.0 Billion -- 295,000 mortgages

MORTGAGE LENDING

	<u>2000</u>	<u>2001</u>	<u>Plan</u>	
			<u>2002</u>	
Past Dues	2.51%	2.94%	3.00%	
Loan			or less	
Losses	.02%	.02%	.03%	
			or less	
<hr/>				
Yield	7.72%	7.43%	6.82%	
<hr/>				
				%
				Increase
			<u>00-01</u>	<u>01-02</u>
Growth	\$8,430	\$8,917	5.80%	-4.66%
Originations	\$5,072	\$10,525	\$7,800	

\$ in Millions

Excludes Unconverted Banks

BB&T MORTGAGE INCOME

Residential Mortgages

	2000	2001	Plan 2002
Origination Revenue	16,043	47,226	28,515
Servicing Revenue	50,418	68,029	78,009
Gross Revenue	\$66,461	\$115,255	\$106,524
Mortgage Servicing Rights (MSRs):			
Income at origination	36,358	72,340	53,893
Provision for Impairment	-2,964	-67,085	--
Impairment Recapture	--	5,930	40,000
Net MSRs	\$33,394	\$ 11,185	\$ 93,893
BB&T Mortgage Banking Income	\$99,855	\$126,440	\$200,417
Noninterest Expenses:			
Amortization of MSRs	18,441	43,481	58,174
Mortgage Loan Incentive Comp.	17,010	31,017	25,598
Total Expenses	\$35,451	\$ 74,498	\$ 83,772
Net BB&T Mortgage Banking Income	\$64,132	\$ 51,942	\$116,645

\$ in Millions

SPECIALIZED LENDING

- Eight non-bank companies with oversight provided by advisory boards of directors from the bank and subsidiaries
- Provides "higher risk" financing alternatives to consumers and businesses
- Bank clients as well as non-bank clients within and outside the bank's primary geographic market area served by these subsidiaries
 - * Laureate Capital -- Commercial mortgage banking
 - * BB&T Factors -- Commercial factoring services
 - * BB&T Leasing -- Commercial fleet and equipment leasing
 - * Sheffield Financial -- Financing of outdoor power equipment
 - * Regional Acceptance -- Indirect sub-prime auto finance
 - * Lendmark Financial Services -- Sub-prime mortgage lending
 - * Rose Shanis Financial Services -- Direct consumer finance
 - * Prime Rate Premium Finance -- Insurance premium finance

SPECIALIZED LENDING

	<u>2000</u>	<u>2001</u>	Plan <u>2002</u>
Loan Losses	2.61 %	3.25 %	3.35 %
Yield	16.34 %	16.52 %	17.07 %
Growth	26.92 %	23.20 %	21.36 %
Net Income*	\$38.6	\$50.9	\$69.1

\$ in Millions

Excludes BB&T Factors and Laureate Capital

* Before Taxes and Intercompany Expenses

TOTAL LOAN PORTFOLIO

	<u>2000</u>	<u>2001</u>	<u>Plan</u> <u>2002</u>
Loan Losses	.27 %	.40 %	.45 %
Yield	Prime + .16%	Prime + 1.45%	Prime + 2.00%
Growth	\$41,934	\$46,590	\$51,762
% Increase	10.90%	11.10%	11.10%

\$ in Millions

TOTAL LOAN PORTFOLIO

	<u>2000</u>	<u>2001</u>	<u>Plan</u> <u>2002</u>
Nonperforming Assets (EOP)	\$ 236,329	\$ 373,571	\$ 395,000
Nonperforming Assets/ Total Assets (EOP)	.36	.53	.50
Nonperforming Assets/ Total Loans +ORE (EOP)	.53	.79	.75
Loan Loss Reserve/	2.45x	1.73x	1.78x

Nonperforming Assets
(EOP)
\$ in Thousands

RISK MANAGEMENT

**Risk Management
Diversification by Lines of Business**

**Risk Management
Diversification by Industry**

Risk Management Watch List Distribution

Highest Percentage of Watch List Credits in Manufacturing

	% of Total <u>Loans</u>	% of Total <u>Business Loans</u>	% of <u>Watch List</u>
Manufacturing	3.3	6.1	29.0
Services	12.9	23.9	16.4
Retail	4.2	7.9	15.1
Real Estate Related	15.1	28.1	14.8
Construction	6.0	11.1	8.5
Agriculture/Forestry	1.7	3.2	8.2
Wholesale Trade	1.9	3.5	2.5
Transportation/Utilities	0.7	1.4	1.6
All Other Industries	<u>8.0</u>	<u>14.8</u>	<u>3.9</u>
	53.8	100.0	100.0

69% of Watch List in North and South Carolina

Risk Management Commercial Real Estate

**Largest concentration is
Commercial Real Estate loans**

**(Definition: the primary source
of funds for repayment is the sale
or rental of the property)**

Total CRE portfolio = \$8.5 billion
*** 18.9% of Total Loans**
Highly diversified by Property Type

Risk Management Diversification by Property Type

Risk Management Commercial Real Estate

In-market relationship lending focus

Underwrite client as well as the transaction
Professional CRE Underwriters assist with >\$5,000,000 loans
Professional Construction Managers inspect >\$1,000,000 loans
CRE limits by Risk Grade = 1/2 of non- CRE limits
Single project limit of \$25,000,000

Risk Management

Diversification by Size of Relationship

Commercial and Small Business Relationships

Relationship Commitment	# of Relationships	Outstandings \$ in Thousands	% of Total Loans
\$500M	74,690	\$ 5,822,669	13.0 %
\$500M - \$2MM	6,376	4,831,563	10.8 %
\$2MM - \$5MM	1,839	4,159,587	9.3 %
\$5MM - \$10MM	564	2,720,019	6.1 %
\$10MM - \$20MM	239	2,172,438	4.9 %
\$20MM	142	2,332,067	5.2 %
Total	83,850	\$22,038,343	49.3 %

Average Small Business Relationship = \$78,000

Average Commercial Relationship = \$1,800,000

Excludes Leases

Risk Management Diversification by Size of Relationship

Limited exposure to Shared National Credits

**Total outstandings = \$618 million
1.3% of Total Loans**

**Participation in syndicated credits limited to
Relationship-based clients**

**Average Committed = \$21 million
Average Outstandings = \$9 million**

Risk Management Diversification by State

Risk Management Small Business Portfolio

In-market Relationship Driven Strategy
Dedicated lenders in branches close to clients
Judgmental underwriting with scoring as tool only
64% of portfolio secured by real estate
Loss results will continue to better industry averages

Risk Management Consumer Portfolio

Mortgage: (19.2% of Total Loans)
Low risk single family permanent mortgages
Direct Retail: (16.8% of Total Loans)
83% of portfolio is real estate secured
Sales Finance: (5.4% of Total Loans)
No retail leasing
Expect used car prices to stabilize
Bankcard: (2.1% of Total Loans)
Issue cards in-market; relationship-based strategy
Specialized Lending: (2.8% of Total Loans)
Diversified segment/product mix

LONG TERM RISK MANAGEMENT STRATEGIES

BB&T LOAN LOSS HISTORY

RISK MANAGEMENT STRATEGIES

Instill the BB&T Values Driven Credit Culture

Focus on knowledge of local markets and individual clients

***Practice sound and fundamental underwriting and portfolio
management techniques***

Diversify to mitigate concentration risks

LOAN PORTFOLIO MANAGEMENT

S I G N A T U R E

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 hereunto duly authorized.

BB&T CORPORATION
(Registrant)

By: /S/ SHERRY A. KELLETT

Sherry A. Kellett
Senior Executive Vice President and Controller
(Principal Accounting Officer)

Date: February 7, 2002