FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

Filing Date: **1994-03-17** | Period of Report: **1993-12-31**
SEC Accession No. 0000950109-94-000479

(HTML Version on secdatabase.com)

FILER

BB&T FINANCIAL CORP

CIK:**13839**| IRS No.: **561056232** | State of Incorp.:**NC** | Fiscal Year End: **1231**
Type: **10-K/A** | Act: **34** | File No.: **000-07871** | Film No.: **94516594**
SIC: **6022** State commercial banks

Business Address
223 W NASH ST
WILSON NC 27893
9193994291

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM TO	COMMISSION FILE NUMBER 0-7871

BB&T FINANCIAL CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NORTH CAROLINA (STATE OF INCORPORATION)	56-1056232 (I.R.S. EMPLOYER IDENTIFICATION NO.)
223 WEST NASH STREET, WILSON, NORTH CAROLINA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	27893 (ZIP CODE)

(919) 399-4291
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE SECURITIES EXCHANGE ACT OF 1934:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, PAR VALUE $2.50 PER SHARE	NATIONAL ASSOCIATION OF SECURITIES DEALERS AUTOMATED QUOTATIONS SYSTEM (NASDAQ)

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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 X NO

The aggregate market value of the voting stock held by non-affiliates of the Registrant at January 31, 1994 was approximately $1,006,049,000.

The number of shares of Registrant's Common Stock outstanding on January 31, 1994 was 32,097,247.

Portions of the Proxy Statement of Registrant for the Annual Meeting of Shareholders to be held on April 26, 1994, are incorporated in Part III of this report.

CROSS REFERENCE INDEX

<TABLE>
<CAPTION>

upon written request

(b) On October 29, 1993, the Registrant filed Form 8-K, including as exhibits the unaudited interim financial statements of Old Stone Bank of North Carolina, Citizens Savings Bank, SSB, Inc. and Asheville Savings Bank, SSB and subsidiary for the period ended June 30, 1993.

On December 10, 1993, the Registrant filed Form 8-K, reporting the agreement to acquire all of the outstanding shares of LSB Bancshares, Inc. of South Carolina, Lexington, South Carolina in exchange for approximately 3,834,625 shares of the Registrant's common stock. Also the Registrant reported the termination of the pending acquisition of Key Risk Management Services, Inc. by mutual consent of the parties.

</TABLE>

* Information called for by Part III (Items 10 through 13) is incorporated by reference to the Registrant's Proxy Statement for the 1994 Annual Meeting of Shareholders filed with the Securities and Exchange Commission.

DESCRIPTION OF BUSINESS

REGISTRANT

BB&T Financial Corporation (BB&T) is a bank holding company organized under the laws of the state of North Carolina. The principal assets of BB&T are all of the outstanding shares of common stock of Branch Banking and Trust Company; BB&T Financial Corporation of South Carolina, which in turn owns all of the outstanding shares of Branch Banking and Trust Company of South Carolina; and four North Carolina savings institutions. BB&T also has interest-bearing bank balances with, and loans and advances to, its subsidiaries. The principal sources of revenue of BB&T are interest income, dividends and management fees received from its subsidiaries. At December 31, 1993, BB&T had consolidated assets of $9.17 billion and BB&T and its subsidiaries had 4,437 employees.

BRANCH BANKING AND TRUST COMPANY (BB&T-N.C.)

BB&T-N.C. is chartered under the laws of the state of North Carolina to engage in the general banking business. BB&T-N.C. is also authorized to operate trust, insurance and travel departments and is a registered dealer in municipal securities. BB&T-N.C. had $7.79 billion in assets at December 31, 1993, and was the fourth largest bank in North Carolina. On December 31, 1993, BB&T-N.C. had 3,882 employees of whom 1,495 were officers, and operated 215 branches in 118 cities in North Carolina. BB&T-N.C. provides a full range of commercial banking, consumer banking, trust and insurance services, primarily through its extensive branch network. BB&T-N.C.'s wholly-owned subsidiary, BB&T Investment Services, Inc., is licensed as a general broker/dealer of securities and at December 31, 1993 had 23 employees. Currently BB&T Investment Services, Inc., is engaged in retailing of mutual funds, U.S. Government securities, municipal securities, fixed and variable insurance annuity products and unit investment trusts.

BRANCH BANKING AND TRUST COMPANY OF SOUTH CAROLINA (BB&T-S.C.)

BB&T-S.C. is chartered under the laws of the state of South Carolina to engage in the general banking business and is authorized to operate a trust department. BB&T-S.C. had $489 million in assets at December 31, 1993, and was among the ten largest banks in South Carolina. On December 31, 1993, BB&T-S.C. had 190 employees of whom 70 were officers, and operated 19 offices in five counties in the Piedmont region of South Carolina. BB&T-S.C. provides a full range of commercial banking, consumer banking, trust and investment services through its branch network.

NORTH CAROLINA SAVINGS INSTITUTIONS

BB&T had four wholly-owned savings institutions in North Carolina at December 31, 1993: Citizens Savings Bank, SSB, Inc., Newton with $254 million in assets; Mutual Savings Bank of Rockingham County, SSB, Reidsville, with $87 million in assets; Old Stone Bank of North Carolina, High Point, with $558 million in assets; and Citizens Savings Bank, SSB, Mooresville, with $64 million in assets. The savings banks are engaged primarily in the business of attracting deposits from the public and originating residential mortgage, commercial and consumer loans. At December 31, the four savings banks had 342 employees of whom 95 were officers, and operated 30 offices in 20 cities in North Carolina.

ACQUISITIONS

During the past four years BB&T consummated the acquisitions of 14 savings institutions. On December 31, 1993, BB&T had pending agreements to acquire two additional savings institutions in North Carolina. Also in 1993, BB&T announced an agreement to acquire L.S.B. Bancshares, Inc. of South Carolina. For additional information on acquisition activities, see Management's Discussion and Analysis and Footnotes 2 and 3 of the Consolidated Financial Statements. Ten of the acquired savings institutions were merged into BB&T-N.C. subsequent to their acquisitions, and the four remaining savings institutions have been or will be merged into BB&T-N.C. in 1994. Acquisitions are expected to be fewer in coming years because of changing regulatory and economic conditions.

COMPETITION

Commercial banking in the Carolinas is highly competitive. Both states permit branch banking, which is widely practiced. Several large interstate bank holding companies are headquartered in North Carolina and own subsidiary banks in the Carolinas with substantially greater resources than BB&T and its subsidiaries. The competition includes both major banks and smaller independent banks, as well as other financial institutions, such as savings and loan associations, credit unions and securities firms. In the case of larger corporate accounts, BB&T's subsidiaries must compete with services offered by major banking companies from throughout the country.

REGULATION

As a bank holding company, BB&T is subject to supervision, examination and regulation by the Board of Governors of the Federal Reserve System and the North Carolina Banking Commission. Both BB&T-N.C. and BB&T-S.C. are subject to supervision and examination by the Federal Deposit Insurance Corporation and their respective state banking commissions. BB&T as a savings and loan holding company is subject to regulation and examination by the Office of Thrift Supervision. Citizens Savings Bank, SSB, Inc. of Newton, Mutual Savings Bank of Rockingham County, SSB of Reidsville and Citizens Savings Bank, SSB of Mooresville are subject to supervision and regulation by the Federal Deposit Insurance Corporation and the Savings Institutions Division of the North Carolina Department of Commerce. Old Stone Bank of North Carolina is subject to supervision and regulation by the FDIC and the Office of Thrift Supervision.

PROPERTIES

The main banking and executive offices of BB&T and BB&T-N.C. are located in a modern building located in Wilson, North Carolina. BB&T-N.C. operates 215 banking locations, the majority of which are leased premises. BB&T-S.C. operates from its main offices in Greenville, South Carolina; and has 18 full service offices and one drive-in facility in Greenville and surrounding localities. The four savings institutions operate from 30 branches in North Carolina. Approximately one-half of the offices of BB&T-S.C. and the savings institutions are leased and one-half are owned.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is intended to assist readers in understanding BB&T's results of operations and changes in financial position for the past three years. This review should be read in conjunction with the consolidated financial statements, and accompanying footnotes beginning on page 24 of this annual report and the supplemental financial data contained in tables 1 to 19 found on pages 13 to 23 of this annual report.

During the period 1990-93, BB&T consummated the acquisitions of 14 thrift institutions with total assets of approximately $3.1 billion. BB&T currently has pending the acquisitions of two additional thrift institutions, as well as L.S.B. Bancshares, Inc., of South Carolina, a multi-bank holding company. The assets of these three institutions totalled approximately $1.2 billion at the end of 1993.

Ten of the completed acquisitions were accounted for using the purchase method of accounting. The other four acquisitions were accounted for using the pooling-of-interests method of accounting, and all financial data has been restated to include the results of the pooled companies. Period to period comparisons of financial positions and results of operations (and the components thereof) are not necessarily indicative of the results that might have been obtained had all acquisitions been consummated at the beginning of the reporting periods. Selected pro forma financial data is contained in Footnote 2 of the consolidated financial statements.

SUMMMARY OF RESULTS OF OPERATIONS

BB&T reported record earnings for the eleventh consecutive year in 1993. Net income totalled $98.2 million in 1993, an increase of $21.8 million or 28.4% over 1992. Net income for 1992 was $76.5 million and was $11.8 million or 18.2% over the earnings of $64.7 million recorded in 1991. The five-year compound annual growth rate of net income has been 18.6%.

Primary net income per share rose 17.0% from 1992 to $3.10 in 1993, and fully diluted net earnings per share grew 20.1% to $3.05. Primary net income per share was $2.65 in 1992 and $2.50 in 1991, while fully diluted per share earnings for those two years were $2.54 and $2.38, respectively. The following highlights underscore the key elements of performance for 1993.

* Average earning assets increased 13.3% for 1993 and 12.9% for 1992. Taxable equivalent net interest income rose $37.0 million or 12.1% in 1993. This followed an increase in taxable equivalent net interest income of $48.3 million or 18.8% in 1992.

* The provision for loan losses was reduced by $12.9 million or 42.5% in 1993, following a reduction of $8.3 million or 21.3% in 1992. The provision totalled $17.5 million in 1993, less than half the record high provision of $38.7 million recorded two years earlier. BB&T recorded the large provision in 1991 because of unusually high levels of both nonperforming assets and actual loan losses. Improved asset quality has allowed BB&T to reduce its provision for loan losses during the past two years.

* Noninterest income for 1993 increased $22.1 million or 24.7% to a total of $111.7 million. This followed an increase of $3.8 million or 4.4% in 1992. Noninterest income included gains on sales of securities of $1.4 million in 1993, $6.0 million in 1992 and $10.8 million in 1991.

* Noninterest expense totalled $276.7 million in 1993. This represented an increase of $44.0 million or 18.9% from the $232.7 million in 1992, which was an increase of 18.2% over 1991.

* The effective tax rate was 32.7% in 1993, 34.0% in 1992 and 28.3% in 1991.

The return on average assets for 1993 was 1.23%, compared with 1.09% in 1992 and 1.04% in 1991. The returns on average shareholders' equity for each of the last three years were 14.27%, 13.34% and 13.74%, respectively.

At the end of 1993, the ratio of equity to assets was 8.11%, compared with 8.33% a year earlier and 7.80% at the end of 1991. The risk-adjusted total capital ratio was 13.61% at the end of the year, compared with 15.27% twelve months earlier. The equity and capital ratios of BB&T declined marginally in 1993 because of the acquisition of Old Stone Bank of North Carolina (total assets of approximately $537 million) in a cash purchase. Table 2 provides highlights of key profitability measures for each of the past five years.

NET INTEREST INCOME

Net interest income represents the principal source of earnings for BB&T. Net interest income equals the amount by which interest income exceeds interest expense. For 1993 net interest income represented 74.6% of net revenues (net interest income plus noninterest income), compared with 76.4% in 1992 and 73.7% in 1991. This ratio was unusually low in 1991 because of gains on sales of securities included in noninterest income, and, more importantly, was substantially lower in 1993 because of substantial increases in noninterest revenues from BB&T's mortgage banking, insurance agency, trust and investment sales activities.

The taxable equivalent net yield on average earning assets is a primary measure used in evaluating the effectiveness of the management of earning assets and funding liabilities. The net yield on average earning assets was 4.55% in 1993, 4.60% in 1992 and 4.38% in 1991. BB&T has generated higher net interest margins during the past four years, representing a reversal of declining margins through much of the 1980s. However, margins are expected to stabilize or decline in coming quarters.

Several factors have contributed to the improved net interest margins in recent years. A slower rate of growth in earning assets, particularly loans (excluding the effect of acquisitions), has enabled BB&T to improve the rate structure of its funding liabilities. Also, as interest rates have declined in recent years, market factors have resulted in increased spreads between the rates earned on earning assets and rates paid for interest-bearing liabilities. This has been particularly beneficial to BB&T as rates paid for deposits and other funds used to finance investments in fixed rate mortgages acquired with the thrifts have been declining. The refinancing boom in home mortgage lending eliminated much of this advantage by the end of 1993.

Another factor in the improved net interest margins has been the benefits realized from hedging instruments, particularly interest rate swaps, used as tools in managing net interest income and margins. BB&T realized benefits of $17.6 million in 1993 and $18.2 million in 1992 from its hedges. Finally, growth in noninterest-bearing deposits and increased levels of shareholders' equity have provided additional funding with no related interest cost. This has resulted in greater amounts of net interest income and improved margins. Average noninterest-bearing deposits increased by approximately $100 million in each of the past two years, while average shareholders' equity increased $102 million in 1992 and $115 million in 1993.

PROVISION FOR LOAN LOSSES

An annual provision for loan losses is charged against earnings in order to maintain the allowance for loan losses at a level considered adequate by management to absorb existing and potential losses in the loan portfolio. As a result of improved asset quality, the provision recorded by BB&T in 1993 was $17.5 million, compared with $30.4 million in 1992 and $38.7 million in 1991. The greater provision recorded in 1991 reflected increased levels of net charge-offs and nonperforming assets resulting from a persistent economic slowdown and a deterioration in real estate markets and values during the period 1990-91. For a more detailed discussion of loan credit qualities, see "RISK MANAGEMENT", particularly the section "Nonperforming Loans and Allowance for Loan Losses".

NONINTEREST INCOME

Noninterest income for BB&T primarily consists of service charges on deposit accounts, trust revenues, mortgage origination and servicing revenues, insurance commissions, gains and losses on investment securities sales, and other commissions and fees derived from various banking and bank-related activities. Noninterest income for 1993 totalled $111.7 million, compared with $89.6 million in 1992 and $85.8 million in 1991. Over the past five years, noninterest income has grown at a compound annual rate of 21.9%. Excluding gains and losses on securities transactions, the five-year compound annual rate of increase was 23.1%.

Service charges on deposit accounts have historically represented the largest single source of noninterest income. This continued to be the case in 1993, as such revenues totalled $36.4 million, an increase from $30.4 million in 1992 and $27.3 million in 1991. Deposit services are repriced annually to reflect current costs and competitive factors. The ability to generate significant additional amounts of noninterest revenues will be increasingly important in the future. Excluding service charges on deposit accounts, BB&T will focus on four primary areas for growth--mortgage banking, trust operations, insurance agency, and investment sales and brokerage activities. BB&T is making significant investments in each of these areas to assure future success.

Mortgage banking income (which includes servicing fees and profits from the origination and sale of loans) increased $6.5 million or 58.9% to a 1993 total of $17.7 million. Mortgage banking income totalled $11.1 million in 1992 and $11.0 million in 1991. Home mortgage interest rates declined substantially in both 1992 and 1993. As a result, there was a heavy volume of prepayments by homeowners in both of those years and the simultaneous originations of replacement mortgage loans. BB&T realized gains from the origination and sale of mortgages totalling approximately $14.8 million in 1993, an increase of $6.1 million or 69.8%

over 1992. This followed an increase of $5.7 million in 1992. The increased gains from mortgage originations and sales were partially offset by a write-off of approximately $5.0 million in excess servicing receivable in 1993, resulting from accelerated prepayments. BB&T originated approximately $1.5 billion in home mortgage loans in 1993 and $1.1 billion in 1992. At the end of 1993 BB&T was servicing mortgage loans with principal balances of approximately $3.9 billion.

General insurance commissions increased approximately $4.0 million or 60.0% in 1993 to a total of $10.7 million. Insurance commissions totalled $6.7 million in 1992 and $6.2 million in 1991. BB&T's insurance agencies have become an increasingly important source of noninterest revenue, and this trend is expected to accelerate in the future. BB&T has expanded its network of insurance agencies through acquisitions in recent years, and acquired four agencies in 1993 and two in 1992.

The offering of trust services has been a traditional service of many banks. BB&T has had a trust department for over 80 years. Trust revenues from corporate and personal trust services totalled $11.0 million in 1993. This was an increase of $1.6 million or 16.8% over the revenues of $9.5 million in 1992, which in turn was an increase of $1.2 million or 15.0% over the $8.2 million earned in 1991. Managed assets totalled $2.1 billion at the end of 1993. BB&T is placing an emphasis on its corporate trust activities, particularly the management of employee benefit plans. In 1992 the trust division established its own family of proprietary mutual funds. BB&T now manages six mutual funds, which will provide investment alternatives both for its trust clients and for other customers of BB&T.

As a state bank, BB&T has been a registered dealer in securities for many years. Historically, BB&T served a passive role, with activities limited to the sale of securities of the U.S. Treasury, U.S. government agencies and state and municipal governments to customers. In the mid 1980s BB&T added its first salesperson devoted exclusively to the sale of securities. Still, its only role was to provide a service to customers as requested. In 1993 BB&T Investment Services, Inc. was incorporated as a subsidiary of BB&T-N.C. BB&T began to take a more active role in selling various securities to its customers, with an emphasis being placed on the sale of fixed rate debt securities and shares of BB&T's proprietary mutual funds. At the end of 1993 the broker/dealer subsidiary had 23 employees. Investment sales commissions totalled $1.5 million in 1993, compared with only $579,000 in 1992.

Finally, noninterest income included approximately $4.5 million in negative goodwill amortization in 1993, $4.0 million in 1992 and $1.5 million in 1991. Negative goodwill (excess of net assets acquired over cost) totalling approximately $52 million was recorded in the purchase acquisitions of thrift institutions in the years 1991-93.

NONINTEREST EXPENSE

Noninterest expense for 1993 increased $44.0 million or 18.9% to a total of $276.7 million. This followed an increase of 18.2% in 1992. The acquisitions of six savings associations in 1993, one in 1992 and three in 1991 were accounted for as purchases, and, accordingly, prior period history was not restated. The growth in expenses for 1993 and 1992 includes the incremental cost of operations related to these acquisitions and the cost of standardizing their operating systems and procedures to those of BB&T.

Salaries and wages increased 17.9% in 1993 and 16.0% in 1992 which includes approximately 5% annual merit pay increases in each year and the compensation of additional employees who joined BB&T with the consummation of the aforementioned thrift acquisitions. The financial performance of 1993 and 1992 also resulted in increased amounts of incentive compensation. Other personnel expense increased 26.6% from $19.8 million in 1992 to $25.0 million in 1993. Other personnel expense increased 17.1% in 1992. Categories contributing to the increases in other personnel expense include the cost of providing employee health

insurance, pension plan expense and additional social security taxes created by higher levels of employee salaries and wages. Also, in 1993 BB&T adopted the provisions of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". BB&T has historically provided hospitalization insurance coverage to its retirees. BB&T incurred an increase in expense of approximately $1.2 million in adopting the provisions of Statement No. 106. In order to manage the cost of providing postretirement benefits, BB&T changed its policy to provide a fixed benefit for employees who retire subsequent to 1992. For those employees who retired prior to 1993, BB&T will continue to provide the full hospitalization insurance benefit for life.

BB&T has made a major commitment to employee training and education in recent years. As a result of this emphasis, the total cost of training increased approximately $658,000 to a total of $2.7 million for 1993, in part due to training provided employees of acquired savings institutions. This followed an increase of $545,000 in 1992.

Premiums paid to the FDIC for deposit insurance increased $1.7 million or 14.0% to a total of $14.0 million for 1993. For 1992 the increase was $1.7 million or 15.6%. Deposit insurance premiums were increased dramatically in the years 1989-91, as the FDIC looked to premiums received from healthy banks to cover the costs of actual or pending failures of unhealthy institutions. The rate increased from an annual rate of $.12 per $100 of deposits in 1990 to $.23 per $100 of deposits for the period beginning July 1, 1991. BB&T has not experienced any additional rate increases since that date, and does not anticipate increases in its deposit insurance premium rates for 1994.

Net occupancy expense totalled $21.5 million in 1993. This represented an increase of $3.0 million or 16.1% over the expense of $18.5 million in 1992, which in turn was 10.1% greater than the expense of $16.8 million in 1991. During 1993, BB&T added 65 new offices (including 63 through acquisitions), closed 11 offices and relocated three. Each of the new offices involved a relocation and/or consolidation of existing offices. During 1993 BB&T increased the number of locations from 210 to 264.

Furniture and equipment expense totalled $24.5 million in 1993, compared with $18.9 million in 1992 and $16.3 million in 1991. Much of the increase in furniture and equipment expense provided improved technological capabilities. During the year, loan platform automation for the retail lending function was completed and advances were made in implementing platform automation for the commercial lending function. A new mainframe was added, 720 personal computers were added (most of which are terminals to the mainframe), and 50 automated teller machines were purchased.

Total capital expenditures totalled approximately $40 million in 1993. Capital expenditures for 1994 are planned at $50 million, including $22 million for furniture and equipment and $28 million for facilities. The plan includes a continuation of the expansion and replacement of terminals with microcomputers, and the addition of 33 automated teller machines and replacement of 29 automated teller machines.

INCOME TAXES

The combined incremental federal and state statutory tax rate for BB&T, after giving effect to the 1% increase in the federal tax rate to 35% in 1993, was 40.14%. Because of its investments in tax exempt loans and investment securities, the effective tax rate for BB&T was 32.7% in 1993, 34.0% in 1992 and 28.3% in 1991. The effective rate was higher in 1992 because of a change in the tax status of a merged thrift institution prior to acquisition by BB&T and the resultant recording of a tax liability of approximately $3.8 million due to the recapture of its statutory bad debt reserve.

BB&T adopted the provisions of Financial Accounting Standards Board Statement

Number 109, "Accounting for Income Taxes" in 1993. The adoption of the provisions of this statement resulted in BB&T

changing from the deferral method of accounting for income taxes to the asset and liability method. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of pretax income at enacted tax rates expected to be in effect when such amounts are realized or settled. The change in accounting method had no material impact on either the financial position or reported results of operations for BB&T. Also, the increase in the federal tax rate from 34% to 35% had no material impact on the results of operations of BB&T.

FINANCIAL POSITION

Average assets totalled approximately $8.0 billion in 1993, an increase of approximately 13.7% over the average of $7.0 billion in 1992. Average assets grew 13.0% in 1992 and 10.7% in 1991. At the end of 1993 assets totalled approximately $9.2 billion. Excluding the effects of thrift acquisitions, average assets have increased at an average rate of approximately 5% over the past three years.

The five-year compound rate of growth in average assets was 10.2%. Over the same five-year period, the compound annual growth rates based on average balances have been 10.4% for earning assets, 9.9% for loans, 12.6% for investment securities and 9.4% for deposits. All growth rates have been enhanced by the effects of acquisitions accounted for as purchases.

Loans totalled approximately $6.3 billion at the end of 1993. This represented an increase of approximately $1.4 billion in 1993, following increases of approximately $287 million in 1992 and $837 million in 1991. The six thrifts acquired in 1993 and accounted for as purchases had approximately $860 million of loans at the respective dates of acquisition, while the thrift added in 1992 had approximately $80 million in loans at acquisition. Thus, the internally generated loan growth was only $500 million in 1993 and $207 million in 1992. While the economy has expanded at a moderate rate over the past two years, loan demand has not been as strong as might be historically expected in a growing economy. The long-range objective of BB&T is to maintain a rate of internal growth which approximates that of its markets in the Carolinas. BB&T believes that this will result in a rate of increase which will be sustainable and profitable.

Investment securities increased 19.5% to a total of $2.2 billion at the end of 1993. This followed an increase of 7.7% in 1992. BB&T historically has maintained an investment portfolio of 21-25% of total assets. At the end of 1993, investment securities represented 24.0% of assets. BB&T expects the investment portfolio to continue to represent 21-25% of total assets over the long-term.

Average deposits increased 8.1% in 1993, following an increase of approximately 9.0% in 1992. Interest-bearing deposits increased approximately $357 million in 1993, while noninterest-bearing deposits rose approximately $108 million. BB&T has experienced a renewed growth in noninterest-bearing deposits over the past two years following several years of little or no growth. Substantially all of the growth in interest-bearing deposits was in lower cost core deposits. The acquired thrifts accounted for as purchases had approximately $1.8 billion in deposits (principally interest-checking, savings and retail certificates of deposits) at the respective dates of acquisitions. The slower overall growth rate experienced in recent years has been an enabling factor to improving the funding mix and, thereby, net interest margins and income.

Shareholders' equity grew 22.6% in 1993 and 13.8% in 1992. Through stock offerings undertaken to acquire mutual thrift institutions, BB&T generated $27.3 million in equity in 1993, $9.7 million in 1992 and $50.2 million in 1991. Additionally equity has come from the retention of earnings and from new shares of stock issued under employee benefit and stock option plans and the dividend reinvestment plan. Also, BB&T issued common stock with a value of approximately $22.8 million in consummating the acquisition of a savings bank in 1993 and added approximately $33.3 million through the conversion of convertible debentures to common stock. In recent years the return on average equity has been in the 13-14% range and the dividend payout ratio has been 31-

33%. Thus, the retention of earnings has resulted in an annual contribution of approximately 10% to the growth in equity.

BB&T has traditionally been considered to be strongly capitalized. The ratio of shareholders' equity to year-end assets was 8.11% at the end of 1993, compared with 8.33% a year earlier. While management views the equity-to-assets ratio as the principal indicator of capital strength, additional measures are used by regulators. Bank holding companies, and their subsidiaries, are subject to risk-based capital measures. The risk-based capital ratios measure the relationship of capital to a combination of balance sheet and off-balance sheet credit risk. The values of both balance sheet and off-balance sheet items are adjusted to reflect credit risk.

Tier 1 capital is required to be at least 4% of risk-weighted assets, and the total capital must be at least 8% of risk-weighted assets. The Tier 1 capital ratio for BB&T at the end of 1993 was 11.85%, and the total capital ratio was 13.61%. At the end of 1992, those ratios were 12.48% and 15.27%, respectively. BB&T leveraged its equity and capital in 1993 through the acquisition of Old Stone Bank of North Carolina in a cash transaction. BB&T added approximately $537 million in assets through the acquisition of Old Stone, which was acquired for a cash price of $58.25 million.

RISK MANAGEMENT

The business of banking is basically one of managing risks. In managing the portfolios of assets and liabilities, the primary objective is to manage the inherent credit risk and interest rate risk, in a context which also provides ongoing profitability and meets customer needs. Prudent balance sheet management also requires the maintenance of liquidity and a strong capital position.

CREDIT RISK MANAGEMENT

A key component of balance sheet management is the management of credit risk. In recent years, this represented a particular risk for lenders, requiring a most concerted effort to minimize loss exposure. Credit risk is inherent in the portfolios of both investment securities and loans. However, the majority of credit risk at BB&T is in the loan portfolio.

The Loan Policy Committee, which establishes loan policy and reviews and approves larger credits, provides overall direction to the administration of BB&T's loan portfolios. The Loan Administration Division is responsible for the ongoing loan operations and oversees larger credits and problem credits.

The loan review process is intended to ensure that sound and consistent credit decisions are made. The loan function is administered by personnel who have depth of experience and are provided with continuous training. Over the years the methods for analyzing business financial performance and the ability to repay loans has been refined. A detailed financial analysis is prepared prior to the funding of larger business credits, and the analyses are updated on a regular basis.

A key element in minimizing the risk of loss in a business loan portfolio is the diversification of such risk. While the legal lending limit of the North Carolina chartered bank is in excess of $100 million, BB&T operates with in-house limits of $37.5 million or less. Additional lower limits are established based on risk grades, the business or industry of the borrower, type of collateral (non-real estate versus real estate) and other considerations, including the ability of the borrower to meet obligations with funds generated from normal operations. Currently, no borrower has loans and/or commitments equal to the in-house limit. Although the ability of the borrower to repay is the critical element in any lending decision, substantially all loans at BB&T, other than those of the very highest quality, are, in BB&T's view, well collateralized. Independent appraisals are required for properties securing loans in excess of $100,000.

A vast majority of loans made by BB&T-N.C. and BB&T-S.C. are to businesses with operations headquartered in the two Carolinas; however, a limited number of loans have been made to businesses which are domiciled in other states but have North Carolina operations. BB&T has not provided credit for highly leveraged transactions, the energy sector or loans to lesser developed countries and has not been a purchaser of loan participations and does not have a high concentration of loans in any industry.

NONPERFORMING LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are placed on nonaccrual status when collection of interest and principal is doubtful. There are three negative implications for earnings when a loan is placed in nonaccrual status. All interest accrued but

unpaid at the date the loan goes on nonaccrual status is either deducted from interest income or written off as a loss. Secondly, future accruals of interest are not made until it becomes certain that both loan principal and interest can be paid. Finally, there may be actual losses which necessitate additional provisions for loan losses charged against earnings.

BB&T experienced increases in both nonperforming assets and actual losses in 1991 and 1990. Accordingly, the provisions and allowances for loan losses were increased in those years. BB&T intensified its loan review processes in order to minimize credit problems in that difficult environment, and there were considerable improvements in both nonperforming assets and actual losses in 1993 and 1992.

For BB&T, nonperforming loans totalled $30.6 million on December 31, 1993, compared with $27.8 million at the end of 1992 and $57.2 million at the end of 1991. Nonperforming loans equaled .49% of loans at the end of 1993, down from .56% a year earlier and 1.23% at the end of 1991. Net charge-offs were .23% of average loans outstanding in 1993, compared with .45% in 1992 and .60% in 1991. For the same three years, the provisions charged against earnings as a percent of average loans outstanding were .32%, .63% and .92%, respectively. In 1993 and 1992, both the amount of actual charge-offs and the provision for loan losses declined significantly from 1991 levels, which were the highest in the history of BB&T.

BB&T maintains a watch list for credits with balances of $100,000 or greater and which are categorized in the highest risk grades. The amount of loans on the watch list totalled $94.9 million, 1.50% of loans outstanding at December 31, 1993, and $165.7 million, 3.35% of loans outstanding, a year earlier. The $94.9 million includes $20.7 million in nonaccruing status and $74.2 million which are currently performing, but in the opinion of management, represent other potential problem loans.

As a result of increased provisions for loan losses in recent years, the allowance for loan losses increased to $88.2 million or 1.40% of loans outstanding at the end of 1993. At the end of 1992 the allowance for loan losses was $73.1 million or 1.48% of outstanding loans. The allowance for loan losses was 2.88 times nonperforming loans at the end of 1993, up from 2.63 times nonperforming loans as of December 31, 1992, 1.11 times nonperforming loans as of December 31, 1991 and 1.15 times at the end of 1990. The allowance plus equity was 19.46 times nonperforming assets at the end of 1993, compared with 13.88 a year earlier.

Management continually reviews the loan portfolio for signs of deterioration. In making their evaluation of the portfolio, factors considered include the individual strength of borrowers, the strength of the individual industries, the value and marketability of collateral, specific market strengths and weaknesses, and general economic conditions. Management believes that the allowance for loan losses at December 31, 1993 is adequate to cover potential loan losses inherent in the loan portfolio.

INTEREST RATE RISK MANAGEMENT

The primary assets of banks are portfolios of investment securities and loans, while liabilities are primarily composed of interest-bearing deposits and borrowed funds. Assets and liabilities have varying maturities from one day to several years and the associated interest rates may be fixed or variable. The objective in managing maturities and rates is to optimize net interest income to the extent possible, while minimizing the risk associated with significant, often unforeseen shifts in interest rates.

Sensitivity to interest rate changes is one of the manageable risks assumed by banks. When assets and liabilities reprice at different intervals, earnings become sensitive to changes in market interest rates. BB&T uses financial hedging instruments to help manage interest rate risk and reduce its exposure to sharp changes in market rates of interest. Interest rate swap agreements provide a hedge against the adverse effects of changing interest rates and, thereby, contribute to the stabilization of net interest income. This risk management strategy contributed $17.6 million to pre-tax earnings in 1993 and $18.2 million in 1992.

LIQUIDITY

For BB&T the principal source of asset liquidity is marketable investment securities, particularly those maturing within one year. The objective in the management of the investment securities portfolio is to maximize yields within a framework which emphasizes shorter maturities and a managed assets/liabilities interest rate sensitivity position. Such a strategy minimizes the possibility of earnings losses associated with sharp swings in market rates of interest.

Through a strategy of securitizing internally originated residential mortgage loans, the average maturity in the investment portfolio was lengthened in 1989-1991. The securitized mortgages were sold in the latter part of 1991 and early 1992 in anticipation of large scale refinancing, which, in fact, did occur in 1992-93. The average maturities of the portfolios at the end of both 1993 and 1992 were approximately one and one-half years. At the end of 1993, approximately 34% of the portfolio matured within one year and approximately 92% matured within a five-year period.

The portfolio includes investments in obligations of the U.S. Treasury, and Government agency obligations, mortgage-backed securities and higher grade municipal securities. In addition to the liquidity provided by normal maturities, liquidity is also provided by the marketability of securities available for sale, which had a market value of approximately $736 million at the end of 1993.

Asset liquidity is also provided by scheduling maturities within the loan portfolio, although the probability of conversion is not so certain as with investment securities. At the end of 1993 approximately 69% or $4.4 billion of loans would mature or reprice within a one-year period.

Liquidity is provided by sizable core deposits and other sources of funds generated from the normal customer base. Liquidity is also provided by the capacity to borrow additional funds when the need arises. BB&T has a strong credit rating. In 1993 BB&T-N.C. had federal funds lines with many major banks totalling approximately $1 billion and BB&T issues commercial paper under a master agreement backed by bank lines of credit in the amount of $55 million.

The retention of earnings also is a major source of liquidity. For the years 1993-1991, funds provided from operations were $123.2 million, $109.0 million and $91.8 million, respectively.

STOCK PERFORMANCE

BB&T common stock is traded over-the-counter and quoted on the National Association of Securities Dealers Automated Quotations System (Nasdaq) National Market System under the symbol BBTF. At the end of 1993, BB&T had approximately 19,121 shareholders and 32,476,387 shares outstanding. Approximately 75% of the outstanding shares were owned by individual investors.

OTHER ACCOUNTING AND REGULATORY MATTERS

The FASB has issued Statement No. 112, "Employers' Accounting for Postemployment Benefits", which requires accrual of a liability for all types of benefits paid to former or inactive employees after employment but before retirement. The periodic effect on net income, if any, will not be material for BB&T. Adoption of the Statement is required for fiscal years beginning after December 15, 1993.

The FASB has issued Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities", that requires a change in the method of accounting and reporting for debt and equity securities. Securities that are held to maturity would be classified as such and reported at amortized cost. Securities for current resale would be classified as trading securities and reported at fair value, with unrealized gains and losses included in current earnings. Securities that are to be held for indefinite periods would be classified as securities available for sale and reported at fair value, with unrealized gains and losses excluded from current earnings and reported as a separate component of shareholders' equity. It is to be adopted for fiscal years beginning after December 15, 1993. Adoption of the provisions of this Statement will have no material impact on the financial position or results of operations of BB&T.

The FASB also has issued Statement No. 114, "Accounting by Creditors for Impairment of a Loan", which proposes that creditors value all loans for which it is probable that the creditor will be unable to collect all amounts due according to the terms of the loan agreement based on the discounted expected future cash flows. This discounting would be at the loan's effective interest rate. This Statement would apply for fiscal years beginning after December 15, 1994. Adoption of the provisions of this Statement is not expected to have a material impact on either the financial position or results of operations of BB&T.

TABLE 1

SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

	Year Ended December 31, 1993	1992	1991	1990	1989	Five-Year Compound Growth Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
SUMMARY OF OPERATIONS (thousands)						
Interest income, taxable equivalent	$573,134	560,220	580,162	567,908	570,238	4.1%
Interest expense	230,408	254,472	322,723	343,385	365,638	(3.8)
Net interest income, taxable equivalent	342,726	305,748	257,439	224,523	204,600	12.6
Taxable equivalent adjustment	14,183	16,329	17,431	18,518	21,087	(7.1)
Net interest income	328,543	289,419	240,008	206,005	183,513	14.2
Provision for loan losses	17,500	30,447	38,709	19,597	12,878	6.4
Net interest income after provision for loan losses	311,043	258,972	201,299	186,408	170,635	14.8
Noninterest income	111,709	89,585	85,789	64,020	57,377	21.9
Noninterest expense	276,678	232,656	196,836	173,567	163,984	13.5
Income before income taxes	146,074	115,901	90,252	76,861	64,028	23.6
Income taxes	47,838	39,419	25,533	20,063	15,192	40.2
Net income	$ 98,236	76,482	64,719	56,798	48,836	18.6
PER SHARE DATA						
Net income:						
Primary	$ 3.10	2.65	2.50	2.36	2.09	9.3%
Fully diluted	3.05	2.54	2.38	2.26	2.00	9.8
Cash dividends	1.02	.91	.85	.81	.74	8.1
Market price:						
High	35.88	32.25	23.63	20.38	24.50	14.5
Low	29.13	21.88	14.50	14.50	16.38	15.4
Close	33.25	31.88	22.00	15.88	20.00	14.4
Book value	22.89	21.05	19.16	17.50	16.38	8.6
SELECTED AVERAGE BALANCES (millions)						
Assets	$ 8,013	7,047	6,239	5,634	5,527	10.2%
Earning assets	7,526	6,642	5,881	5,262	5,173	10.4
Securities	1,955	1,784	1,573	1,299	1,259	12.6
Loans	5,536	4,835	4,226	3,850	3,822	9.9
Deposits	6,215	5,749	5,273	4,606	4,395	9.4
Interest-bearing liabilities	6,512	5,771	5,194	4,695	4,630	9.8
Shareholders' equity	688	573	471	395	353	16.5
SELECTED YEAR END BALANCES (millions)						
Assets	$ 9,173	7,280	6,830	5,686	5,721	11.7%
Earning assets	8,596	6,817	6,390	5,302	5,194	11.8
Securities	2,201	1,842	1,710	1,348	1,219	13.8
Loans	6,306	4,947	4,660	3,823	3,868	11.1
Deposits	6,995	5,842	5,719	4,872	4,706	10.1

Interest-bearing liabilities	7,543	5,880	5,590	4,646	4,705	11.8
Shareholders' equity	744	606	533	417	370	17.3
NONFINANCIAL						
Number of shareholders	19,121	17,630	16,402	14,764	13,463	
Number of employees	4,437	3,715	3,515	3,303	3,310	
Number of banking offices	264	230	241	221	220	
Number of cities	138	123	124	118	117	

</TABLE>

TABLE 2

PROFITABILITY

<TABLE>

<CAPTION>

<S>	1993	1992	1991	1990	1989
Return on average assets	1.23%	1.09	1.04	1.01	.88
Return on average equity	14.27	13.34	13.74	14.38	13.83
Net interest margin	4.55	4.60	4.38	4.27	3.96
Yield to break even(/1/)	2.42	2.61	2.55	2.45	2.31

</TABLE>

(/1/Noninterest)expense plus provision for loan losses less noninterest income, divided by average earning assets.

TABLE 3

NET INTEREST INCOME AND VOLUME/RATE VARIANCE--TAXABLE EQUIVALENT BASIS

<TABLE>

<CAPTION>

	1993-1992			1992-1991		
(thousands)	Income/ Expense Variance	Volume Variance	Rate Variance	Income/ Expense Variance	Volume Variance	Rate Variance
INTEREST INCOME						
Loans	$24,999	58,263	(33,264)	(13,681)	58,169	(71,850)
Securities:						
U.S. Government and other	(7,485)	13,793	(21,278)	5,765	20,187	(14,422)
State and municipal	(4,695)	(3,532)	(1,163)	(7,378)	(6,166)	(1,212)
Total securities	(12,180)	10,261	(22,441)	(1,613)	14,021	(15,634)
Interest-bearing bank balances	243	566	(323)	(3,042)	(1,995)	(1,047)
Federal funds sold	(148)	(137)	(11)	(1,606)	(1,026)	(580)
Total interest income	12,914	68,953	(56,039)	(19,942)	69,169	(89,111)
INTEREST EXPENSE						
Interest-bearing deposits:						
Savings	2,824	5,263	(2,439)	(935)	3,705	(4,640)
Interest checking	(493)	4,087	(4,580)	(3,987)	4,335	(8,322)
Money rate savings	(6,640)	(1,062)	(5,578)	(11,090)	3,597	(14,687)
Certificates of deposit and other time deposits	(29,583)	2,119	(31,702)	(51,234)	5,880	(57,114)
Total interest-bearing deposits	(33,892)	10,407	(44,299)	(67,246)	17,517	(84,763)
Short-term borrowed funds	7,497	9,077	(1,580)	(572)	7,793	(8,365)
Long-term debt	2,331	4,794	(2,463)	(433)	900	(1,333)

Total Interest Expense	(24,064)	24,278	(48,342)	(68,251)	26,210	(94,461)
NET INTEREST INCOME	$36,978	44,675	(7,697)	48,309	42,959	5,350

</TABLE>

The change in interest due to both rate and volume has been allocated proportionately to volume variance and rate variance based on the relationship of the absolute dollar change in each.

TABLE 4

OPERATING EFFICIENCY

<TABLE>

<CAPTION>

<S>	1993 <C>	1992 <C>	1991 <C>	1990 <C>	1989 <C>
Percent of average assets:					
Noninterest income	1.39%	1.27	1.37	1.14	1.04
Noninterest expense	3.45	3.30	3.15	3.08	2.97
Personnel expense	1.68	1.60	1.55	1.53	1.49
Occupany and equipment expense	.57	.53	.53	.54	.50
Other operating expense	1.20	1.18	1.07	1.01	.98
Net noninterest expense (noninterest expense less noninterest income)	2.06	2.03	1.78	1.94	1.93
Net revenues (net interest income plus noninterest income) times noninterest expense	1.59X	1.63	1.66	1.56	1.47
Assets per employee (millions)	$2.00	1.99	1.89	1.78	1.74

</TABLE>

TABLE 5

INCOME TAXES

<TABLE>

<CAPTION>

(thousands) <S>	1993 <C>	1992 <C>	1991 <C>	1990 <C>	1989 <C>
Tax expense at 35% in 1993, and 34% in 1992-1989	$51,126	39,406	30,686	26,133	21,770
Increase (decrease) in taxes resulting from:					
State income taxes, net of federal tax benefit	2,361	2,373	1,561	859	--
Tax-exempt interest income, net of disallowed interest expense	(3,679)	(4,802)	(6,602)	(7,557)	(8,420)
Other items, net	(1,970)	2,442	(112)	628	1,842
Income tax expense	$47,838	39,419	25,533	20,063	15,192
Effective tax rate	32.7%	34.0	28.3	26.1	23.7
Tax-exempt interest income as a percent of pretax income	7.9	13.6	24.8	33.7	44.8

</TABLE>

TABLE 6

SECURITIES--CREDIT QUALITY

<TABLE>

<CAPTION>

	Percent of Portfolio	
Type of Security <S>	1993 <C>	1992 <C>
U.S. Government Securities	86.25%	81.68
U.S. Agency Obligations:		

Mortgage-backed Securities	4.01	2.46
Other	3.51	7.82
State, County and Municipal Securities:		
AAA	2.05	3.20
AA	.38	.53
A-1	1.25	1.37
A	1.92	2.10
BAA-1	.02	.04
BAA	--	.01
Nonrated	.01	.33
Other	.60	.46
	100.00%	100.00

</TABLE>

TABLE 7

AVERAGE BALANCE SHEETS

<TABLE>

<CAPTION>

(thousands)	1993 AVERAGE BALANCE	1993 INCOME/ EXPENSE	1993 AVERAGE YIELD/ RATE	1992 Average Balance	1992 Income/ Expense	1992 Average Yield/ Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Loans (1)(2)(3)	$5,535,830	447,736	8.09%	$4,834,835	422,737	8.74%
Securities (3)(4):						
U. S. Government and other	1,831,452	111,050	6.06	1,627,455	118,535	7.28
State and municipal	123,622	13,191	10.67	156,128	17,886	11.46
Total securities	1,955,074	124,241	6.35	1,783,583	136,421	7.65
Interest-bearing bank balances	31,864	1,048	3.29	16,551	805	4.86
Federal funds sold	3,298	109	3.31	7,416	257	3.47
Total interest-earning assets	7,526,066	573,134	7.62	6,642,385	560,220	8.43
Allowance for loan losses	(83,155)			(71,218)		
Cash and due from banks, noninterest-bearing	265,851			232,840		
Bank premises and equipment	107,526			81,966		
Other assets	196,523			160,594		
Total assets	$8,012,811			$7,046,567		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing deposits:						
Savings	$ 557,020	15,622	2.80%	$ 378,980	12,798	3.38%
Interest checking	818,831	16,957	2.07	645,980	17,450	2.70
Money rate savings	743,605	18,033	2.43	778,444	24,673	3.17
Certificates of deposit and other time deposits	3,398,733	145,386	4.28	3,357,598	174,969	5.21
Total interest-bearing deposits	5,518,189	195,998	3.55	5,161,002	229,890	4.45
Short-term borrowed funds	790,281	23,588	2.98	490,050	16,091	3.28
Long-term debt	203,323	10,822	5.32	120,338	8,491	7.06
Total interest-						

bearing liabilities	6,511,793	230,408	3.54	5,771,390	254,472	4.41
Demand deposits, non-interest-bearing	696,806			588,385		
Other liabilities	115,773			113,343		
Shareholders' equity	688,439			573,449		
Total liabilities and shareholders' equity	$8,012,811			$7,046,567		
Interest income and rate earned		$573,134	7.62%		$560,220	8.43%
Interest expense and rate paid		230,408	3.54		254,472	4.41
Interest rate spread			4.08			4.02
NET INTEREST INCOME AND NET YIELD ON AVERAGE EARNING ASSETS		$342,726	4.55%		$305,748	4.60%

</TABLE>

(1) Nonaccrual loans are included in average balances for yield computations.
(2) Loan income includes fees of $9,606, $7,273, $3,876, $3,333, and $3,503 for the years of 1993-1989, respectively.
(3) Yields related to loans and securities exempt from both federal and state income taxes, federal income taxes only, or state income taxes only are stated on a taxable equivalent basis assuming tax rates of 40.14%, 36.90% or 7.91%, respectively, for 1993, and 39.27%, 35.89% or 7.98%, respectively for 1992, and 39.32%, 35.91% or 8.06%, respectively for 1991, and 38.62%, 35.65% or 7%, respectively, for the years of 1990 and 1989.
(4) Includes both securities held to maturity and securities available for sale.

<TABLE>
<CAPTION>

1991			1990			1989		
Average Balance	Income/ Expense	Average Yield/ Rate	Average Balance	Income/ Expense	Average Yield/ Rate	Average Balance	Income/ Expense	Average Yield/ Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$4,226,343	436,418	10.33%	$3,849,636	433,691	11.27%	$3,821,851	444,127	11.62%
1,363,884	112,770	8.27	1,074,819	97,100	9.03	1,033,571	90,428	8.75
209,487	25,264	12.06	223,786	27,505	12.29	225,485	27,347	12.13
1,573,371	138,034	8.77	1,298,605	124,605	9.60	1,259,056	117,775	9.35
51,051	3,847	7.54	110,778	9,359	8.45	86,504	7,908	9.14
30,692	1,863	6.07	3,470	253	7.29	5,228	428	8.19
5,881,457	580,162	9.86	5,262,489	567,908	10.79	5,172,639	570,238	11.02
(55,537)			(41,996)			(38,521)		
212,245			233,325			220,535		
69,847			67,571			63,651		
131,466			112,884			109,050		
$6,239,478			$5,634,273			$5,527,354		
$ 287,457	13,733	4.78%	$ 254,929	13,013	5.10%	$ 254,215	13,047	5.13%
523,105	21,437	4.10	472,284	21,995	4.66	403,119	19,304	4.79
701,328	35,763	5.10	620,166	39,228	6.33	585,941	37,652	6.43
3,270,484	226,203	6.92	2,780,625	223,393	8.03	2,673,798	230,747	8.63
4,782,374	297,136	6.21	4,128,004	297,629	7.21	3,917,073	300,750	7.68
302,721	16,663	5.50	454,224	35,522	7.82	597,096	54,034	9.05
108,670	8,924	8.21	112,716	10,234	9.08	115,855	10,854	9.37

5,193,765	322,723	6.21	4,694,944	343,385	7.31	4,630,024	365,638	7.90
490,744			477,822			477,664		
83,869			66,637			66,494		
471,100			394,870			353,172		
$6,239,478			$5,634,273			$5,527,354		
	$580,162	9.86%		$567,908	10.79%		$570,238	11.02%
	322,723	6.21		343,385	7.31		365,638	7.90
		3.65			3.48			3.12
	$257,439	4.38%		$224,523	4.27%		$204,600	3.96%

</TABLE>

TABLE 8

TYPES OF LOANS--REGULATORY CLASSIFICATION

<TABLE>
<CAPTION>

	December 31,									
	1993		1992		1991		1990		1989	
(thousands)	AMOUNT	% OF TOTAL	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial and industrial	$1,007,281	16.0%	910,006	18.4	864,280	18.5	890,622	23.3	890,905	23.0
Real estate--construction	423,601	6.7	364,024	7.4	380,619	8.2	367,402	9.6	440,992	11.4
Real estate--mortgage (1)	4,216,650	66.8	3,196,618	64.5	2,924,694	62.7	2,081,493	54.4	2,022,337	52.2
Installment and other loans to individuals	663,278	10.5	481,659	9.7	494,905	10.6	487,363	12.7	518,391	13.4
	$6,310,810	100.0%	4,952,307	100.0	4,664,498	100.0	3,826,880	100.0	3,872,625	100.0

</TABLE>

(1) Includes residential mortgage loans of $3.0 billion in 1993 and $2.1 billion in 1992.

TABLE 9

REAL ESTATE LOANS--RISK CATEGORIES

<TABLE>
<CAPTION>

					Nonperforming Loans	
1993 (thousands)	Permanent	Construction	Acquisition and Development	Total	Amount	% of Loan Type
<S>	<C>	<C>	<C>	<C>	<C>	<C>
COMMERCIAL-NONOWNER OCCUPIED:						
Multi-family	$288,221	20,486	10,245	318,952	2,147	.67%
Hotels/motels	87,019	6,529	--	93,548	1,347	1.44
Shopping centers/malls	74,470	2,891	16,390	93,751	--	--
Office buildings	84,816	6,499	6,440	97,755	267	.27
Warehouse/distribution/light industrial	50,332	4,081	10,811	65,224	467	.72
Acquisition only	--	--	46,643	46,643	3,050	6.54
Total commercial-nonowner occupied	584,858	40,486	90,529	715,873	7,278	1.02
RESIDENTIAL-CONSTRUCTION, ACQUISITION, AND DEVELOPMENT	--	110,971	210,608	321,579	2,021	.63
Total real estate	$584,858	151,457	301,137	1,037,452	9,299	.90%

TOTAL LOANS				$6,310,810	30,631	.49%
TOTAL REAL ESTATE/TOTAL LOANS				16.44%	30.36	

</TABLE> continued

<CAPTION>
1992

<S>	<C>	<C>	<C>	<C>	<C>	<C>
COMMERCIAL-NONOWNER OCCUPIED:						
Multi-family	$119,207	18,132	9,974	147,313	622	.42%
Hotels/motels	80,713	5,727	--	86,440	--	--
Shopping centers/malls	49,861	17,642	12,139	79,642	100	.13
Office buildings	85,612	10,255	11,536	107,403	--	--
Warehouse/distribution/light industrial	44,140	7,083	17,209	68,432	914	1.34
Acquisition only	--	--	44,208	44,208	3,120	7.06
Total commercial-nonowner occupied	379,533	58,839	95,066	533,438	4,756	.89
RESIDENTIAL-CONSTRUCTION, ACQUISITION, AND DEVELOPMENT	--	150,403	175,872	326,275	3,860	1.18
Total real estate	$379,533	209,242	270,938	859,713	8,616	1.00%
TOTAL LOANS				$4,952,307	27,822	.56%
TOTAL REAL ESTATE/TOTAL LOANS				17.36%	30.97	

</TABLE>

TABLE 10

NONPERFORMING ASSETS AND PAST DUE LOANS
<TABLE>
<CAPTION>

(thousands)	December 31, 1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Nonaccrual loans	$29,328	26,877	55,123	34,939	13,857
Restructured loans	1,303	945	2,078	3,028	3,128
Foreclosed property	12,105	21,140	25,532	10,995	6,030
Total nonperforming assets	$42,736	48,962	82,733	48,962	23,015
Total nonperforming assets to:					
Loans and foreclosed property	.68%	.99	1.77	1.28	.59
Total assets	.47	.67	1.21	.86	.40
Accruing loans past due 90 days	$18,940	13,676	15,903	10,107	13,829

</TABLE>

TABLE 11

ANALYSIS OF ALLOWANCE FOR LOAN LOSSES
<TABLE>
<CAPTION>

(thousands)	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
LOANS OUTSTANDING AT END OF PERIOD	$6,306,443	4,946,608	4,659,721	3,823,352	3,868,251
AVERAGE LOANS OUTSTANDING	5,535,830	4,834,835	4,226,343	3,849,636	3,821,851
ALLOWANCE FOR LOAN LOSSES					
Balance, beginning of period	$ 73,085	63,486	43,816	38,416	35,830
Provision for loan losses	17,500	30,447	38,709	19,597	12,878
Allowances of purchased					

companies	10,560	825	6,313	--	(933)
	101,145	94,758	88,838	58,013	47,775
Loans charged off:					
Business	11,352	16,853	16,856	9,373	6,305
Consumer	6,392	7,836	9,955	6,912	5,626
Mortgage	846	861	831	320	309
Total loans charged off	18,590	25,550	27,642	16,605	12,240
Recovery of loans previously charged off:					
Business	3,880	2,492	1,172	1,405	1,910
Consumer	1,759	1,308	1,103	973	921
Mortgage	41	77	15	30	50
Total recoveries	5,680	3,877	2,290	2,408	2,881
Net loans charged off	12,910	21,673	25,352	14,197	9,359
Balance, end of period	$ 88,235	73,085	63,486	43,816	38,416
Net charge-offs to average loans outstaning	.23%	.45	.60	.37	.24
Allowance for loan losses to loans outstanding	1.40	1.48	1.36	1.15	.99
Allowance for loan losses to net charge-offs	6.83X	3.37	2.50	3.09	4.10
Allowance for loan losses to nonperforming loans	2.88	2.63	1.11	1.15	2.26
Allowance for loan losses plus equity to nonperforming assets	19.46	13.88	7.21	9.41	17.75
Earnings coverage of net charge-offs (1)	12.56	6.48	4.66	6.76	8.19

</TABLE>

(1) Net income before taxes, securities gains or losses, and the provision for loan losses divided by net charge-offs.

TABLE 12

ALLOCATION OF ALLOWANCE FOR LOAN LOSSES

<TABLE>

<CAPTION>

	December 31,				
(thousands)	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Commercial and industrial	$22,059	17,606	12,387	9,383	9,980
Real estate--construction	8,824	7,309	7,588	5,102	3,323
Real estate--mortgage	35,293	30,163	24,700	14,654	13,415
Installment and other loans to individuals	13,235	10,964	12,619	9,412	8,002
Unassigned portion of reserve	8,824	7,043	6,192	5,265	3,696
	$88,235	73,085	63,486	43,816	38,416

</TABLE>

TABLE 13

INTEREST SENSITIVITY ANALYSIS

<TABLE>

<CAPTION>

	As of December 31, 1993 Interest Sensitive						
(thousands)	1-30 Days	31-60 Days	61-90 Days	91-180 Days	181-365 Days	Total Sensitive	Noninterest Sensitive (1)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
EARNING ASSETS							
Loans	$3,281,076	314,687	99,760	232,718	424,890	4,353,131	1,953,312
Securities	97,738	48,234	22,076	140,465	480,503	789,016	1,411,797
Short-term investments	89,113	--	--	--	--	89,113	100
Interest rate swaps	(250,000)	(110,000)	(100,000)	(100,000)	--	(560,000)	560,000
Total earning assets	$3,217,927	252,921	21,836	273,183	905,393	4,671,260	3,925,209
INTEREST-BEARING LIABILITIES							
Time deposits of $100,000 or more	$ 231,804	131,318	107,722	153,054	118,262	742,160	153,208
All other deposits	1,853,217	216,725	215,239	551,372	476,415	3,312,968	2,004,008
Short-term borrowed funds	984,325	--	--	--	--	984,325	--
Long-term debt	2,500	50,000	3,333	3,333	9,666	68,832	277,904
Certificate of deposit swaps	--	(100,000)	--	(200,000)	--	(300,000)	300,000
Total interest-bearing liabilities	$3,071,846	298,043	326,294	507,759	604,343	4,808,285	2,735,120
Interest sensitivity gap per period	$ 146,081	(45,122)	(304,458)	(234,576)	301,050	(137,025)	1,190,089
Cumulative interest sensitivity gap	146,081	100,959	(203,499)	(438,075)	(137,025)	--	--
Cumulative ratio of interest-sensitive assets to interest-sensitive liabilities	1.05x	1.03	.94	.90	.97		

</TABLE>

(1) Assets and liabilities which are not sensitive to interest changes in a twelve month period because of maturities or fixed interest rates.

TABLE 14

SECURITIES--MATURITY/YIELD SCHEDULE

<TABLE>

<CAPTION>

	As of December 31, 1993		
(thousands)	Book Value	Approximate Market Value	Taxable Equivalent Yield(1)
<S>	<C>	<C>	<C>
U.S. Treasury-held to maturity:			
Within 1 year	$ 441,527	443,925	4.91%
1 through 5 years	825,341	825,042	4.54
Total	1,266,868	1,268,967	4.67
U.S. Government agencies and corporations-held to maturity:			
Within 1 year	18,450	18,766	6.64
1 through 5 years	44,528	44,955	5.33
6 to 10 years	8,225	8,335	6.13
Over 10 years	502	498	6.09
Total	71,705	72,554	5.76
State and municipal-held to maturity:			
Within 1 year	37,152	37,433	11.30
1 through 5 years	29,818	31,868	10.08
6 to 10 years	51,318	56,271	9.79
Over 10 years	5,709	6,509	10.71

Total	123,997	132,081	10.35
Other securities-held to maturity	13,157	20,117	N/A
Total-held to maturity	$1,475,727	1,493,719	5.20
U.S. Treasury-available for sale:			
Within 1 year	$ 247,249	250,810	6.72
1 through 5 years	383,988	386,038	4.96
Total	631,237	636,848	5.65
U.S. Government agencies and corporations-available for sale:			
1 through 5 years	4,000	4,005	3.96
Over 10 years	1,582	1,582	4.13
Total	5,582	5,587	4.01
Mortgage-backed securities-available for sale	88,267	93,604	6.96
Total-available for sale	$ 725,086	736,039	5.80
Total securities	$2,200,813	2,229,758	5.40%

</TABLE>

(1) Yields related to securities exempt from both federal and state income taxes, federal income taxes only, or state income taxes only are stated on a taxable equivalent basis assuming tax rates of 40.14%, 36.90% or 7.91%, respectively.

TABLE 15

MATURITY SCHEDULE OF SELECTED LOANS

<TABLE>

<CAPTION>

As of December 31, 1993

(thousands)	Within One Year	One Through Five Years	Over Five Years	Total
<S>	<C>	<C>	<C>	<C>
Commercial and industrial:				
Fixed interest rates	$ 87,823	54,221	44,689	186,733
Floating interest rates	820,384	139	25	820,548
Total	908,207	54,360	44,714	1,007,281
Real estate--construction:				
Fixed interest rates	16,462	20,000	2,206	38,668
Floating interest rates	384,933	--	--	384,933
Total	401,395	20,000	2,206	423,601
	$1,309,602	74,360	46,920	1,430,882

</TABLE>

TABLE 16

LIQUIDITY

<TABLE>

<CAPTION>

	1993	1992	1991	1990	1989

Average loans to:					
Average deposits	89.07%	84.09	80.15	83.58	86.96
Average deposits and short-term borrowed funds	79.02	77.49	75.80	76.08	76.56

TABLE 17

CAPITAL ADEQUACY

	1993	1992	1991	1990	1989
Average equity to average assets	8.59%	8.14	7.55	7.01	6.39
Equity to assets at year-end	8.11	8.33	7.80	7.33	6.47
Risk-based capital ratios:					
Tier 1 capital	11.85	12.48	11.38	10.08	N/A
Total capital	13.61	15.27	14.45	13.20	N/A
Leverage ratio	8.08	8.20	7.79	7.23	N/A

TABLE 18

STOCK PERFORMANCE

	1993	1992	1991	1990	1989
Dividend payout percentage	34.0%	32.7	32.8	31.1	31.6
Dividend yield (based on average high/low price for the year)	3.1	3.4	4.5	4.6	3.6
Price/earnings ratio (based on year-end stock price and fully diluted earnings per share)	10.9X	12.6	9.2	7.0	10.0
Price/book ratio (end of year)	1.5	1.5	1.1	.9	1.2

TABLE 19

QUARTERLY FINANCIAL SUMMARY (UNAUDITED)

	1993				1992			
	FOURTH QUARTER	THIRD QUARTER	SECOND QUARTER	FIRST QUARTER	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
SUMMARY OF OPERATIONS (thousands)								
Interest income, taxable equivalent	$150,411	146,391	141,878	134,454	$137,119	136,357	143,035	143,709
Interest expense	60,286	58,248	56,800	55,074	57,841	60,409	65,190	71,032
Net interest income, taxable equivalent	90,125	88,143	85,078	79,380	79,278	75,948	77,845	72,677
Taxable equivalent adjustment	3,606	3,519	3,637	3,421	3,954	3,912	4,402	4,061
Net interest income	86,519	84,624	81,441	75,959	75,324	72,036	73,443	68,616
Provision for loan losses	3,893	4,003	4,301	5,303	6,760	7,253	7,711	8,723
Net interest income after provision for loan losses	82,626	80,621	77,140	70,656	68,564	64,783	65,732	59,893
Noninterest income	31,105	28,478	26,470	25,656	20,767	23,559	21,388	23,871
Noninterest expense	75,111	71,405	67,574	62,588	62,997	57,772	56,476	55,411
Income before income taxes	38,620	37,694	36,036	33,724	26,334	30,570	30,644	28,353

Income taxes	13,171	12,466	11,329	10,872	11,736	9,490	9,465	8,728
Net income	$ 25,449	25,228	24,707	22,852	$ 14,598	21,080	21,179	19,625
PER SHARE DATA								
Net income:								
Primary	$ .78	.77	.78	.76	$ .50	.72	.74	.70
Fully diluted	.78	.77	.77	.73	.48	.69	.71	.66
Cash dividends	.27	.25	.25	.25	.25	.22	.22	.22
Market price:								
High	35.88	34.63	35.88	35.38	32.25	29.88	30.13	27.75
Low	29.13	32.25	30.25	31.00	28.75	27.38	25.50	21.88
Close	33.25	33.88	34.38	33.88	31.88	29.13	28.25	27.75
Book value	22.89	22.48	22.12	21.82	21.05	20.81	20.29	19.66
SELECTED AVERAGE BALANCES (millions)								
Assets	$ 8,733	8,224	7,800	7,276	$ 7,338	7,014	6,930	6,901
Securities	2,165	1,997	1,905	1,749	1,910	1,746	1,736	1,742
Loans	5,994	5,693	5,392	5,052	4,974	4,848	4,783	4,732
Earning assets	8,207	7,737	7,326	6,823	6,916	6,615	6,545	6,491
Deposits	6,556	6,255	6,171	5,870	5,771	5,795	5,727	5,703
Interest-bearing liabilities	7,099	6,680	6,325	5,928	5,976	5,712	5,699	5,696
Shareholders' equity	731	712	682	628	603	589	561	541
FINANCIAL RATIOS								
Return on average assets	1.16%	1.22	1.27	1.27	.79%	1.20	1.23	1.14
Return on average equity	13.81	14.06	14.54	14.75	9.63	14.24	15.19	14.60
Average equity to average assets	8.37	8.65	8.74	8.63	8.22	8.40	8.09	7.83
Risk-based capital ratios:								
Tier 1 capital	11.85	12.81	12.96	12.72	12.48	12.32	12.20	11.52
Total capital	13.61	14.79	14.95	15.44	15.27	15.32	15.24	14.56
Average loans to:								
Average deposits	91.43	91.03	87.37	86.06	86.19	83.66	83.52	82.97
Average deposits and short-term borrowed funds	79.47	79.37	78.19	78.98	76.55	78.31	77.89	77.25
Net interest margin	4.36	4.52	4.66	4.72	4.56	4.57	4.78	4.50
Average earning assets to interest-bearing liabilities	1.16X	1.16	1.16	1.15	1.16x	1.16	1.15	1.14

</TABLE>

CONSOLIDATED BALANCE SHEETS
BB&T FINANCIAL CORPORATION AND SUBSIDIARIES

<TABLE>
<CAPTION>

<S> ($ in thousands, except per share)	December 31, <C> 1993	<C> 1992
ASSETS		
Cash and due from banks, noninterest-bearing	$ 318,922	291,365
Interest-bearing bank balances	79,663	27,705
Federal funds sold	9,550	600
Securities-available for sale (market value of $736,039 in 1993, and $464,482 in 1992)	725,086	456,113
Securities-held to maturity (market value of $1,493,719 in 1993, and $1,408,876 in 1992)	1,475,727	1,385,984
Loans	6,306,443	4,946,608
Less allowance for loan losses	88,235	73,085

Net loans	6,218,208	4,873,523
Bank premises and equipment	132,794	90,375
Accrued interest receivable	58,504	53,347
Other assets	154,663	101,270
Total assets	$9,173,117	7,280,282
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$ 782,777	695,446
Interest-bearing	6,212,344	5,146,391
Total deposits	6,995,121	5,841,837
Short-term borrowed funds	984,325	610,183
Long-term debt	346,736	123,442
Other liabilities	103,423	98,439
Total liabilities	8,429,605	6,673,901
Shareholders' equity:		
Preferred stock $2.50 par value, 4,000,000 shares authorized; none issued		
Common stock $2.50 par value, 50,000,000 shares authorized; shares issued of 32,476,387 in 1993 and 28,809,891 in 1992	81,191	72,025
Paid-in capital	266,822	198,038
Retained earnings	401,953	339,256
Less loan to employee stock ownership plan	4,419	2,938
Less unvested restricted stock	2,035	--
Total shareholders' equity	743,512	606,381
Total liabilities and shareholders' equity	$9,173,117	7,280,282

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
BB&T FINANCIAL CORPORATION AND SUBSIDIARIES

<TABLE>
<CAPTION>

($ in thousands, except per share)	Year Ended December 31, 1993	1992	1991
<S>	<C>	<C>	<C>
INTEREST INCOME			
Interest on loans	$ 445,659	419,876	432,441
Interest and dividends on securities:			
Taxable	103,884	111,622	108,519
Tax exempt	8,251	11,331	16,060
Interest on short-term investments	1,157	1,062	5,710
Total interest income	558,951	543,891	562,730
INTEREST EXPENSE			
Interest on deposits	195,998	229,890	297,135
Interest on short-term borrowed funds	23,588	16,091	16,663
Interest on long-term debt	10,822	8,491	8,924
Total interest expense	230,408	254,472	322,722
NET INTEREST INCOME	328,543	289,419	240,008
Provision for loan losses	17,500	30,447	38,709
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	311,043	258,972	201,299
NONINTEREST INCOME			
Service charges on deposit accounts	36,394	30,425	27,325

Other service charges, commissions and fees	15,853	13,418	11,262
Mortgage banking income	17,658	11,116	10,983
Gains on sales of securities	1,378	6,012	10,759
Trust income	11,045	9,454	8,224
Insurance commissions	10,647	6,653	6,163
Other operating income	18,734	12,507	11,073
Total noninterest income	111,709	89,585	85,789
NONINTEREST EXPENSE			
Salaries and wages	109,232	92,665	79,913
Other personnel expense	25,020	19,761	16,878
Net occupancy expense	21,474	18,494	16,793
Furniture and equipment expense	24,508	18,884	16,273
Deposit insurance premiums	14,017	12,296	10,633
Other operating expense	82,427	70,556	56,346
Total noninterest expense	276,678	232,656	196,836
INCOME BEFORE INCOME TAXES	146,074	115,901	90,252
Income taxes	47,838	39,419	25,533
NET INCOME	$ 98,236	76,482	64,719
NET INCOME PER SHARE			
Primary	$ 3.10	2.65	2.50
Fully diluted	3.05	2.54	2.38
AVERAGE NUMBER OF SHARES AND EQUIVALENT SHARES			
Primary	31,724,098	28,848,657	25,932,026
Fully diluted	32,292,555	30,885,333	27,927,549

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
BB&T FINANCIAL CORPORATION AND SUBSIDIARIES

<TABLE>

<CAPTION>

($ in thousands, except per share)	Common Shares Outstanding	Common Stock	Paid-In Capital	Retained Earnings	Loan to Employee Stock Ownership Plan	Unvested Restricted Stock	Total Shareholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, DECEMBER 31, 1990 AS ORIGINALLY REPORTED	21,328,169	$53,320	102,496	217,690	--	--	$373,506
Equity at December 31, 1990 of pooled companies acquired in 1993	2,493,225	6,234	10,553	26,485	--	--	43,272
BALANCE AT DECEMBER 31, 1990, RESTATED	23,821,394	59,554	113,049	244,175	--	--	416,778
Net income, 1991	--	--	--	64,719	--	--	64,719
Cash dividends paid ($.85 per share)	--	--	--	(20,021)	--	--	(20,021)
Options exercised by employees of pooled companies prior to merger	7,757	19	11	--	--	--	30
Cash dividends paid by pooled companies prior to merger	--	--	--	(1,175)	--	--	(1,175)
Redemption of common stock by pooled company prior to merger	(46,293)	(116)	(440)	--	--	--	(556)
Common stock issued:							
Dividend reinvestment plan	238,885	597	4,114	--	--	--	4,711

Employee benefit and stock option plans	326,586	817	5,292	--	--	--	6,109
Acquisitions	813,275	2,033	10,352	--	--	--	12,385
Offerings	2,528,441	6,321	43,896	--	--	--	50,217
Employee stock ownership plan	150,613	377	2,664	--	--	--	3,041
Conversion of debentures	1,689	4	27	--	--	--	31
Loan to employee stock ownership plan	--	--	--	22	(2,841)	--	(2,819)
Redemption of common stock	(40,000)	(100)	(730)	--	--	--	(830)
BALANCE, DECEMBER 31, 1991	27,802,347	69,506	178,235	287,720	(2,841)	--	532,620
Net income, 1992	--	--	--	76,482	--	--	76,482
Cash dividends paid ($.91 per share)	--	--	--	(23,595)	--	--	(23,595)
Options exercised by employees of pooled companies prior to merger	43,287	108	243	--	--	--	351
Cash dividends paid by pooled companies prior to merger	--	--	--	(1,402)	--	--	(1,402)
Common stock issued:							
Dividend reinvestment plan	250,866	627	6,206	--	--	--	6,833
Employee benefit and stock option plans	507,211	1,268	10,904	--	--	--	12,172
Acquisitions	34,297	86	(364)	--	--	--	(278)
Offerings	382,395	956	8,709	--	--	--	9,665
Conversion of debentures	19,488	49	297	--	--	--	346
Loan to employee stock ownership plan	--	--	--	51	(97)	--	(46)
Redemption of common stock	(230,000)	(575)	(6,192)	--	--	--	(6,767)
BALANCE, DECEMBER 31, 1992	28,809,891	72,025	198,038	339,256	(2,938)	--	606,381
Net income, 1993	--	--	--	98,236	--	--	98,236
Cash dividends paid ($1.02 per share)	--	--	--	(31,227)	--	--	(31,227)
Options exercised by employees of pooled companies prior to merger	78,513	196	547	--	--	--	743
Cash dividends paid by pooled companies prior to merger	--	--	--	(2,204)	--	--	(2,204)
Common stock issued:							
Dividend reinvestment plan	263,090	658	7,631	--	--	--	8,289
Employee benefit and stock option plans	563,273	1,408	14,426	--	--	--	15,834
Acquisitions	829,344	2,073	20,707	--	--	--	22,780
Offerings	940,192	2,351	24,912	--	--	--	27,263
Conversion of debentures	1,916,084	4,790	28,521	--	--	--	33,311
Loan to employee stock ownership plan	--	--	--	--	(1,481)	--	(1,481)
Unvested restricted stock	--	--	--	--	--	(2,035)	(2,035)
Redemption of common stock	(924,000)	(2,310)	(27,960)	--	--	--	(30,270)
Equity adjustment of merged company for the quarter ended December 31, 1993	--	--	--	(2,108)	--	--	(2,108)
BALANCE, DECEMBER 31, 1993	32,476,387	$81,191	266,822	401,953	(4,419)	(2,035)	$743,512

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
BB&T FINANCIAL CORPORATION AND SUBSIDIARIES

(thousands)	Year Ended December 31, 1993	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received	$ 561,079	554,143	561,520
Noninterest income received	106,891	81,516	71,810
Interest paid	(234,399)	(260,765)	(329,794)
Noninterest expense paid	(254,401)	(215,207)	(181,109)
Income taxes paid	(55,985)	(50,647)	(30,646)
Net cash provided by operating activities	123,185	109,040	91,781
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of securities--available for sale	164,639	--	--
Proceeds from sales of securities--held to maturity	--	579,416	677,198
Proceeds from maturities or calls of securities	828,610	645,797	445,550
Purchase of securities	(1,157,684)	(1,327,138)	(1,388,880)
Net increase in loans	(519,068)	(250,272)	(277,867)
Proceeds from sales of premises and equipment	3,140	1,663	477
Purchases of property and equipment	(59,159)	(29,459)	(15,523)
Proceeds from sales of foreclosed properties	24,174	24,198	12,224
Cash of companies acquired, net	39,013	2,377	62,857
Purchase of officers' life insurance policies	(30,000)	--	--
Other	(13,179)	(7,548)	(2,037)
Net cash used in investing activities	(719,514)	(360,966)	(486,001)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in demand deposits, interest checking and savings accounts	259,095	390,585	37,430
Net increase (decrease) in certificates of deposit and other time deposits	(149,595)	(360,345)	121,453
Net increase in short-term borrowed funds	369,835	258,749	114,249
Increase in long-term debt	219,934	5,367	11,870
Proceeds from issuance of common stock	47,522	25,819	60,846
Redemption of common stock	(30,270)	(6,767)	(1,386)
Dividends paid	(33,432)	(24,998)	(21,195)
Cash flow of merged company for the quarter ended December 31, 1993	1,705	--	--
Net cash provided by financing activities	684,794	288,410	323,267
Net increase (decrease) in cash and cash equivalents	88,465	36,484	(70,953)
Cash and cash equivalents on January 1	319,670	283,186	354,139
Cash and cash equivalents on December 31	$ 408,135	319,670	283,186
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net income	$ 98,236	76,482	64,719
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	14,904	10,893	9,291
Provision for loan losses	17,500	30,447	38,709
Deferred income tax benefits	(6,402)	(1,705)	(5,255)
Net amortization and accretion	7,595	9,115	5,816
Gains on sales of securities	(1,378)	(6,012)	(10,759)
Decrease in taxes payable	(1,433)	(9,527)	(1,065)
Increase in interest receivable	737	7,961	5,251
Decrease in interest payable	(4,190)	(6,632)	(7,533)

Other		(2,384)	(1,982)	(7,393)
Net cash provided by operating activities	$	123,185	109,040	91,781
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Securitization of mortgage loans	$	--	8,775	11,300
Common stock issued:				
Employee benefit plans		2,263	2,260	--
Conversion of debentures		33,311	346	31
Purchased company		22,298	--	12,606
Employee stock ownership plan		2,314	644	3,041
Loan to employee stock ownership plan		(2,314)	(664)	(3,041)
Loans transferred to foreclosed properties		12,577	23,740	22,630

</TABLE>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BB&T FINANCIAL CORPORATION AND SUBSIDIARIES

AT OR FOR THE YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

($ IN THOUSANDS, EXCEPT PER SHARE)

NOTE 1. ACCOUNTING POLICIES

CONSOLIDATION: The accompanying consolidated financial statements include the accounts of BB&T Financial Corporation ("BB&T") and its wholly-owned subsidiaries, Branch Banking and Trust Company ("BB&T-N.C."); BB&T Financial Corporation of South Carolina and its wholly-owned subsidiary, Branch Banking and Trust Company of South Carolina ("BB&T-S.C."); and four savings institutions. All significant intercompany balances and transactions have been eliminated in consolidation.

Prior years consolidated financial statements have been restated to include the accounts of companies acquired and accounted for as poolings-of-interests. Certain amounts for prior years have been reclassified to conform with statement presentations for 1993. These reclassifications had no impact on either the financial position or results of operations previously reported.

STATEMENTS OF CASH FLOWS: For purposes of reporting cash flows, cash and cash equivalents include cash on hand, interest-bearing and noninterest-bearing amounts due from banks, and federal funds sold.

SECURITIES: Debt securities acquired with both the intent and ability to hold to maturity are classified as investment securities. Investment securities are carried at cost less amortization of premiums plus accretion of discounts. Securities, which may be used to meet liquidity needs arising from unanticipated deposit and loan fluctuations, changes in regulatory capital and investment requirements, or unforeseen changes in market conditions, including interest rates, market values or inflation rates, are classified as available for sale. Securities available for sale are carried at the lower of cost or market. The cost of securities sold is determined by the identified certificate method.

LOANS HELD FOR SALE: Residential mortgage loans held for sale are carried at the lower of cost or market.

BANK PREMISES AND EQUIPMENT: Bank premises, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using primarily the straight-line method. Buildings and equipment are depreciated over their estimated useful lives. Leasehold improvements are amortized over the shorter of the terms of the respective leases or the estimated useful lives of the improvements.

FORECLOSED PROPERTY: Foreclosed property consists of real estate and other assets acquired through customers' loan defaults. Foreclosed property is carried at the lower of fair value, less the estimated cost to sell, or cost.

Routine maintenance costs, declines in market value and net losses on disposal are included in other operating expense.

PROVISION FOR LOAN LOSSES: The annual provision for loan losses charged against earnings is based on management's continuing review and evaluation of a number of factors, including overall portfolio quality and size, loan loss experience, potential losses on known problem loans, as well as prevailing and anticipated economic conditions. While management uses the best information available in establishing the allowance for losses, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluations or if required by regulators.

FINANCIAL INSTRUMENTS--OFF-BALANCE SHEET: BB&T enters into interest rate swap, floor and cap agreements to manage the overall interest rate risk exposure of identified assets and liabilities. Income or expense associated with interest rate swap, floor or cap agreements is recognized as a component of net interest income based upon anticipated settlement payments.

INCOME TAXES: Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes" ("SFAS 109") was effective for years beginning after December 15, 1992. BB&T adopted SFAS 109 as of January 1, 1993 with no impact on the financial statements. Under the asset and liability method of SFAS 109, deferred income taxes are recognized for the future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Prior to 1993, BB&T used the deferral method of accounting for income taxes.

INCOME AND EXPENSE: BB&T and its subsidiaries utilize the accrual method of accounting. Fees and costs associated with originating loans are deferred and recognized as an adjustment of yield over the lives of the loans. Loans generally earn interest on the level yield method based on the daily outstanding balance. The accrual of interest is discontinued when, in the opinion of management, the collection of all or a portion of interest becomes doubtful.

INCOME PER SHARE: Primary net income per common share is based upon the weighted average number of shares of common stock outstanding and common stock equivalents of dilutive stock options. Fully diluted net income per common share reflects the maximum dilutive effect of common stock issuable upon conversion of convertible debt and exercise of stock options.

EXCESS OF COST OVER NET ASSETS ACQUIRED AND EXCESS OF NET ASSETS ACQUIRED OVER COST: The excess of cost over net assets acquired (goodwill) and the excess of net assets acquired over cost (negative goodwill) of purchased companies is amortized on the straight-line method over the estimated periods to be benefited, normally ten years.

NOTE 2. MERGERS

During the years ended December 31, 1993, 1992 and 1991, BB&T was a party to several business combinations.

On February 24, 1993, BB&T completed the acquisition of First Fincorp, Inc. (Fincorp), and its wholly-owned subsidiary, First Financial Savings Bank, Inc. of Kinston, North Carolina. The merger was consummated through the issuance of 673,148 shares of BB&T common stock for all of the outstanding common stock of Fincorp for a total purchase price of $22,300, which was approximately the same as the fair value of the net assets acquired. The merger was accounted for as a purchase, and, accordingly, the results of Fincorp are included in the consolidated financial statements since the date of acquisition. At the date of acquisition, Fincorp had assets of approximately $322,000.

On February 25, 1993, BB&T completed the acquisition of Security Financial Holding Company, (Security), and its wholly-owned subsidiary, Security Federal Savings Bank of Durham, North Carolina. The merger was consummated through the issuance of 1,408,178 shares of BB&T common stock for all of the outstanding common stock of Security. The merger was accounted for as a pooling-of-interests, and, accordingly, the consolidated financial statements include the results of Security for all periods presented. At the date of acquisition, Security had assets of approximately $316,000.

On May 18, 1993, BB&T completed the acquisitions of Carolina Savings Bank (Carolina) of Wilmington, North Carolina and Edenton Savings and Loan Association (Edenton) of Edenton, North Carolina. The transactions involved simultaneous conversions from mutual to stock associations and acquisition by BB&T. BB&T sold 507,182 shares of its common stock to eligible members of the institutions, natural persons in the communities in which they operated and the public. The net proceeds of approximately $15,300 were used to purchase all of the stock of Carolina and Edenton. Negative goodwill of approximately $5,700 resulted from the transactions. The mergers were accounted for as purchases, and, accordingly, the results of Carolina and

Edenton are included in the consolidated financial statements since the date of acquisitions. At the date of acquisitions, Carolina and Edenton had assets of approximately $142,000 and $40,000, respectively.

On October 25, 1993, BB&T completed the acquisition of Citizens Savings Bank, SSB, Inc., (Citizens of Newton) of Newton, North Carolina. The merger was consummated through the issuance of 1,168,311 shares of BB&T common stock for all of the outstanding common stock of Citizens of Newton. The merger was accounted for as a pooling-of-interests, and, accordingly, the consolidated financial statements include the results of Citizens of Newton for all periods presented. At the date of acquisition, Citizens of Newton had assets of approximately $263,000.

On October 29, 1993, BB&T completed the acquisition of Mutual Savings Bank of Rockingham County, SSB (Mutual) of Reidsville, North Carolina. The transaction involved simultaneous conversion from a mutual to a stock association and acquisition by BB&T. BB&T sold 216,539 shares of its common stock to eligible members of the institution and natural persons in the community in which they operated. The net proceeds of approximately $6,200 were used to purchase all of the stock of Mutual. Negative goodwill of approximately $2,900 resulted from the transaction. The merger was accounted for as a purchase, and, accordingly, the results of Mutual are included in the consolidated financial statements since the date of acquisition. At the date of acquisition, Mutual had assets of approximately $87,000.

On November 24, 1993, BB&T completed the acquisition of Old Stone Bank of North Carolina (Old Stone) of High Point, North Carolina. The merger was consummated for a cash payment of $58,250 for all of the outstanding common stock of Old Stone. Goodwill of approximately $27,700 resulted from the transaction. The merger was accounted for as a purchase, and, accordingly, the results of Old Stone are included in the consolidated financial statements since the date of acquisition. At the date of acquisition, Old Stone had assets of approximately $537,000.

On December 23, 1993, BB&T completed the acquisition of Citizens Savings Bank, SSB (Citizens Savings) of Mooresville, North Carolina. The transaction involved a simultaneous conversion from a mutual to a stock association and acquisition by BB&T. BB&T sold 216,471 shares of its common stock to eligible members of the institution and natural persons in the community in which they operated. The net proceeds of approximately $5,800 were used to purchase all of the stock of Citizens Savings. Negative goodwill of approximately $1,900 resulted from the transaction. The merger was accounted for as a purchase, and, accordingly, the results of Citizens Savings are included in the consolidated financial statements since the date of acquisition. At the date of acquisition, Citizens Savings had assets of approximately $63,000.

During 1992, BB&T acquired one savings institution through the issuance of 382,395 shares of its common stock. Assets of approximately $107,000 were acquired and the merger was accounted for as a purchase. Negative goodwill of approximately $6,600 resulted from the transaction. During 1991, BB&T acquired three savings institutions through the issuance of 3,343,800 shares of its common stock and cash payment of $13,800. Assets acquired in such acquisitions totalled approximately $798,000 and all were accounted for as purchases. Negative goodwill of approximately $33,400 resulted from these acquisitions. The results of the companies acquired in 1992 and 1991 are included in the consolidated financial statements since the respective dates of acquisition.

During 1993, 1992 and 1991, BB&T acquired several small insurance agencies. BB&T issued 156,196 shares in 1993 to acquire four agencies, 34,297 shares in 1992 to acquire two agencies and 19,121 shares in 1991 to acquire one agency. All of the acquisitions were accounted for as poolings-of-interests. In the aggregate they were not material, and, accordingly, prior period financial statements have not been restated.

The following presents on a pro forma basis the contributions of BB&T, Security and Citizens of Newton to the restated and reported results of BB&T and certain financial data pertaining to BB&T and the acquisition of the savings institution acquired in 1992 as if it had been acquired at the beginning of each of the years 1992 and 1991, and the acquisitions of the six savings institutions acquired in 1993 as if each had been acquired at the beginning of each of the years 1993 and 1992. The unaudited pro forma summary does

not necessarily reflect the results of operations as they would have been if the acquisitions had been consummated at the beginning of the periods presented.

<TABLE>
<CAPTION>

	Contributions of			
1993	BB&T	Security and Citizens of Newton	BB&T As Reported	Fully Pro Forma Combined
<S>	<C>	<C>	<C>	<C>
Total revenue.....................			$670,660	726,500
Net interest income...............			328,543	351,520
Net income........................			98,236	100,551
Net income per share:				
Primary..........................			3.10	3.10
Fully diluted....................			3.05	3.06
1992				
Total revenue.....................	$580,613	52,863	633,476	746,809
Net interest income...............	268,355	21,064	289,419	331,617
Net income........................	76,076	406	76,482	86,389
Net income per share:				
Primary..........................	2.89		2.65	2.84
Fully diluted....................	2.75		2.54	2.72
1991				
Total revenue.....................	$593,779	54,740	648,519	701,223
Net interest income...............	222,163	17,845	240,008	256,888
Net income........................	60,172	4,547	64,719	72,288
Net income per share:				
Primary..........................	2.57		2.50	2.57
Fully diluted....................	2.44		2.38	2.47

</TABLE>

NOTE 3. PENDING ACQUISITIONS

At December 31, 1993, BB&T had pending agreements to acquire Home Savings Bank of Albemarle, SSB, (Home), Albemarle, North Carolina with assets of approximately $157,000 and Asheville Savings Bank, SSB, (Asheville), Asheville, North Carolina with assets of approximately $321,000. Home and Asheville are both mutual savings banks, and their acquisitions require their conversions from mutual to stock corporations with simultaneous acquisition by BB&T. BB&T will sell shares of its $2.50 par value common stock in offerings in order to effect the acquisitions. The total estimated value of Home and Asheville and the market value of the stock to be offered by BB&T are both approximately $54,000. It is anticipated that the acquisitions of Home and Asheville will be accounted for using the purchase method of accounting.

At December 31, 1993, BB&T had an agreement to effect a merger with L.S.B. Bancshares, Inc. of South Carolina, (L.S.B.), Lexington, South Carolina with assets of approximately $700,000. The acquisition of LSB will be accounted for as a pooling-of-interests and approximately 4,000,000 shares of BB&T common stock will be issued for all of the outstanding stock of L.S.B.

NOTE 4. SECURITIES

Investment securities at December 31, 1993, 1992, and 1991 were:

1993--HELD TO MATURITY	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Market Value
U.S. Treasury	$1,266,868	4,175	2,076	1,268,967
U.S. Government agencies and corporations	71,705	862	13	72,554
State and municipal	123,997	8,192	108	132,081
Other securities	13,157	6,961	1	20,117
	$1,475,727	20,190	2,198	1,493,719
1993--AVAILABLE FOR SALE				
U.S. Treasury	$ 631,237	5,832	221	636,848
U.S. Government agencies and corporations	5,582	5	--	5,587
Mortgage-backed securities of U.S. Government agencies	88,267	5,361	24	93,604
	$ 725,086	11,198	245	736,039
1992--HELD TO MATURITY				
U.S. Treasury	$1,048,577	10,364	581	1,058,360
U.S. Government agencies and corporations	144,118	2,888	171	146,835
Mortgage-backed securities of U.S. Government agencies	45,348	2,345	--	47,693
State and municipal	139,514	7,571	80	147,005
Other securities	8,427	572	16	8,983
	$1,385,984	23,740	848	1,408,876
1992--AVAILABLE FOR SALE				
U.S. Treasury	$ 456,113	8,441	72	464,482
	$ 456,113	8,441	72	464,482
1991--HELD TO MATURITY				
U.S. Treasury	$ 934,382	26,853	32	961,203
U.S. Government agencies and corporations	138,733	4,368	--	143,101
Mortgage-backed securities of U.S. Government agencies	408,217	14,784	104	422,897
State and municipal	187,575	8,615	21	196,169
Other securities	41,352	1,548	11	42,889
	$1,710,259	56,168	168	1,766,259

The aggregate value of securities at December 31, 1993 by contractual maturity were:

	Book Value	Approximate Market Value
Due in one year or less	$ 744,378	750,934

Due after one year through five years	1,287,675	1,291,908
Due after five years through ten years	59,543	64,606
Due after ten years	20,950	28,706
Mortgage-backed securities	88,267	93,604
	$2,200,813	2,229,758

</TABLE>

Securities with aggregate par values of $775,955, $399,672 and $323,460 at December 31, 1993, 1992 and 1991, respectively, were pledged as collateral to secure public deposits and for other purposes.

In 1993 gross gains of $1,411 and gross losses of $33 were realized on securities available for sale transactions. Gross gains of $8,400 and gross losses of $2,388 were realized on securities transactions in 1992. Gross gains of $11,116 and gross losses of $357 were realized on securities transactions in 1991.

BB&T will adopt the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", as of January 1, 1994. It is anticipated that the implementation of the provisions of this statement will have no material impact on either the results of operations or financial condition of BB&T.

NOTE 5. LOANS

At December 31, 1993 and 1992, loans consisted of the following:

<TABLE>
<CAPTION>

<S>	1993 <C>	1992 <C>
Commercial and industrial	$1,007,281	910,006
Real estate--construction	423,601	364,024
Real estate--mortgage	4,216,650	3,196,618
Installment and other loans to individuals	663,278	481,659
	6,310,810	4,952,307
Less:		
Deferred fees and costs	3,363	3,816
Unearned interest	1,004	1,883
	$6,306,443	4,946,608
Included in the above:		
Nonaccrual loans	$ 29,328	26,877
Restructured loans	1,303	945

</TABLE>

Loans classified as "real estate--mortgage" include loans secured by residential properties of $3,031,282 in 1993 and $2,056,209 in 1992, including $352,213 and $237,835 held for sale in 1993 and 1992, respectively. The market values of the loans held for sale were $352,213 and $238,207 at December 31, 1993 and 1992, respectively.

Interest income that would have been recorded on nonaccrual and restructured loans for the years ended December 31, 1993, 1992 and 1991 had they performed in accordance with the original terms throughout each of the periods amounted to approximately $1,588, $1,983 and $5,404, respectively. Interest income on such loans included in the results of operations for each of the years amounted to approximately $645, $745 and $1,518, respectively.

The Banks make loans to executive officers and directors of BB&T and the Banks and to their associates. Such loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal risk of collectibility. The aggregate dollar amount of these loans was $83,468 and $67,824 at December 31, 1993 and 1992, respectively. During 1993, $37,518 of new loans were made and repayments totalled $21,874.

NOTE 6. ALLOWANCE FOR LOAN LOSSES

A summary of transactions affecting the allowance for loan losses follows:

	1993	1992	1991
Balance at beginning of year	$ 73,085	63,486	43,816
Provision for loan losses	17,500	30,447	38,709
Allowances of purchased companies	10,560	825	6,313
Total	101,145	94,758	88,838
Deduct:			
Loans charged-off	18,590	25,550	27,642
Less recoveries	5,680	3,877	2,290
Net loans charged-off	12,910	21,673	25,352
Balance at end of year	$ 88,235	73,085	63,486

NOTE 7. BANK PREMISES AND EQUIPMENT

Following is a summary of bank premises and equipment at December 31, 1993 and 1992:

1993	COST	Accumulated Depreciation	Net Book Value
Land	$ 17,873	--	17,873
Buildings	74,474	28,561	45,913
Leasehold improvements	23,326	7,210	16,116
Equipment	109,720	56,828	52,892
	$225,393	92,599	132,794

1992	COST	Accumulated Depreciation	Net Book Value
Land	$ 13,201	--	13,201
Buildings	46,618	19,521	27,097
Leasehold improvements	16,196	5,534	10,662
Equipment	84,002	44,587	39,415
	$160,017	69,642	90,375

Estimated useful lives of depreciable assets used for calculating depreciation and amortization are: buildings, 40 years; leasehold improvements, 10-40 years; and equipment, 3-10 years.

NOTE 8. SHORT-TERM BORROWED FUNDS

At December 31, 1993 and 1992, short-term borrowed funds consisted of the following:

<TABLE>
<CAPTION>

	1993	1992
Federal funds purchased and securities sold under agreements to repurchase	$848,710	499,078
Advances from Federal Home Loan Bank of Atlanta	2,500	500
Master notes	133,115	110,605
	$984,325	610,183

Master notes are commercial paper issued by BB&T under a master agreement with a term not to exceed 270 days. Borrowings under the agreement generally mature on a daily basis.

On December 31, 1993, BB&T had $55,000 of unused bank lines of credit. Annual commitment fees of approximately 3/16 of 1% of these lines are paid by BB&T to unaffiliated banks.

The following table presents certain information for each major category of short-term borrowings:

	Federal Funds Purchased and Securities Sold Under Agreements to Repurchase		
	1993	1992	1991
Amount outstanding December 31	$848,710	499,078	221,367
Average outstanding balance	638,718	326,365	139,681
Maximum amount outstanding at end of any month during the year	980,414	622,766	260,624
Approximate weighted average interest rate:			
During the year	3.0%	3.2	5.9
End of year	3.0	2.9	4.0

	Master Notes		
	1993	1992	1991
Amount outstanding December 31	$133,115	110,605	129,567
Average outstanding balance	150,079	155,877	163,040
Maximum amount outstanding at end of any month during the year	163,216	159,728	185,660
Approximate weighted average interest rate:			
During the year	2.8%	3.3	5.4
End of year	2.7	2.7	3.7

NOTE 9. LONG-TERM DEBT

At December 31, 1993 and 1992, long-term debt consisted of the following:

	1993	1992
Floating rate subordinated notes due 1997	$ 50,000	50,000
8 3/4% convertible subordinated debentures due 2005	--	34,025
Advances from Federal Home Loan Bank of Atlanta	62,167	36,500
Medium-term bank notes	231,868	--
Other	2,701	2,917

	$346,736 123,442

On April 15, 1993, BB&T called for redemption all of its outstanding 8 3/4% convertible subordinated debentures due March 15, 2005. The redemption date was May 17, 1993 and the debentures were converted into 1,916,084 shares of common stock.

The interest rate on the floating rate subordinated notes is adjusted quarterly to 1/4% above the London interbank offered quotations. At December 31, 1993, the interest rate was 5.25%. The notes are redeemable, at par plus accrued interest, at the option of BB&T, in whole or in part.

In the third quarter of 1993, BB&T-N.C. put in place a program which will allow it to issue $500,000 of medium-term notes as needed to meet ongoing funding and operational needs. At December 31, 1993, BB&T had outstanding $231,868 of the notes with a weighted average interest rate of 4.76% and maturing in 1996.

Advances from the Federal Home Loan Bank of Atlanta are collateralized by Treasury securities and real estate loans. The advances have remaining maturities of up to eight years and have fixed interest rates varying from 5.52% to 8.95%. The principal maturities of the advances for each of the five years subsequent to December 31, 1993 are $3,000 in 1994, $24,667 in 1995, $13,000 in 1996, $14,500 in 1997 and $2,000 in 1998.

NOTE 10. EMPLOYEE BENEFIT PLANS

The Banks sponsor a noncontributory defined benefit pension plan covering substantially all of their employees. The benefits are based on years of service, age at retirement and the employee's compensation during the last five years of employment. Contributions to the plan are based upon the Frozen Initial Liability actuarial funding method and comply with the funding requirements of the Employee Retirement Income Security Act.

The following table sets forth the funded status of the pension plan and amounts recognized in BB&T's consolidated financial statements at December 31, 1993, 1992 and 1991:

	1993	1992	1991
ACTUARIAL PRESENT VALUE OF THE BENEFIT OBLIGATION			
Accumulated benefit obligation:			
Vested benefits	$ 36,749	28,651	23,553
Nonvested benefits	2,067	1,593	1,188
	$ 38,816	30,244	24,741
Projected benefit obligation for services rendered to date	$(64,033)	(49,739)	(38,795)
Plan assets at fair value, primarily listed stocks and U.S. Government securities	53,208	48,636	40,206
Excess (deficit) of plan assets over the projected benefit obligation	(10,825)	(1,103)	1,411
Unrecognized net loss from past experience different from that assumed and effects of changes in assumption	12,032	3,978	3,061
Unrecognized prior service cost	1,890	2,038	709
Unrecognized net asset being amortized over 17.6 years	(6,869)	(7,587)	(8,304)
Accrued pension cost included in other liabilities	$ (3,772)	(2,674)	(3,123)
COMPONENTS OF NET PERIODIC PENSION EXPENSE			
Service cost--benefits earned during the period	$ 3,407	3,189	2,543

Interest cost on projected benefit obligation	3,946	3,561	2,740
Actual return on plan assets	(4,331)	(4,150)	(7,143)
Net amortization and deferral	(688)	(388)	3,629
Net periodic pension expense included in employee benefits	$ 2,334	2,212	1,769

</TABLE>

Plan assets included 100,000 shares of BB&T's common stock at December 31, 1993, 1992 and 1991. The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7% and 5.5%, respectively for 1993 and 8% and 6%, respectively for 1992 and 1991. The expected long-term rate of return on pension plan assets was 9% for each of the years reported.

Effective January 1, 1993, BB&T adopted Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"), which requires the accrual of nonpension benefits over the employees' active service period, defined as the date of employment up to the date of the employees' eligibility for such benefits. Prior to 1993, BB&T provided health care benefits to retirees and expensed those costs as incurred. Retiree health care costs totalling approximately $430 were paid during 1992. Effective January 1, 1993, BB&T revised the retiree health care plan to provide

a flexible benefit amount which retirees can use to purchase health care and life insurance benefits. BB&T has elected to amortize the accumulated postretirement benefit obligation of approximately $11,744 over a period of 21 years as a component of the postretirement benefit cost. The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 7%. The assumed initial rate of increase in medical costs was 15%, declining to 6%, with a general inflation rate of 4%. A 1% increase in assumed health cost would have no effect on the service and interest cost, but would increase the accumulated postretirement benefit obligation by 3%.

The following table sets forth the components of the retiree benefit plan and the amount recognized in BB&T's consolidated financial statements at December 31, 1993.

<TABLE>
<CAPTION>

<S>	<C> 1993
NET PERIODIC POSTRETIREMENT BENEFIT COST	
Service cost	$ 191
Interest cost	915
Amortization of transition obligation	559
Total Expense	$ 1,665
RECONCILIATION OF FUNDED STATUS	
Accumulated postretirement benefit obligation:	
Retirees and beneficiaries eligible for benefits	$ 7,080
Active employees fully eligible for benefits	4,491
Active employees, not fully eligible for benefits	2,323
Total	13,894
Funded status	$(13,894)
Unrecognized transition obligation	11,185
Unrecognized net loss	1,478
Balance sheet (liability)	$ (1,231)

</TABLE>

The Savings and Thrift Plan permits eligible employees to make contributions up to 16% of base compensation, with the Banks' matching contributions up to four percent of the employee's base compensation.

Amounts expensed for employee benefit plans were as follows:

	1993	1992	1991
Pension	$2,334	2,212	1,769
Retiree benefits other than pensions	1,665	430	350
Savings and thrift	2,791	2,288	1,876
	$6,790	4,930	3,995

NOTE 11. INCOME TAXES

Effective January 1, 1993, BB&T adopted Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("SFAS 109"). BB&T applied the provisions of SFAS 109 prospectively and did not restate previously reported results of operations. For years prior to 1993, BB&T used the deferral method of accounting for income taxes. The cumulative effect of the change in the method of accounting for income taxes had no impact on either the financial position or results of operations for BB&T.

The components of income tax expense (benefit), were as follows:

	1993	1992	1991
Currently payable:			
Federal	$49,345	37,400	27,533
State	4,895	3,724	3,255
	54,240	41,124	30,788
Deferred:			
Federal	(5,140)	(1,576)	(4,365)
State	(1,262)	(129)	(890)
	(6,402)	(1,705)	(5,255)
	$47,838	39,419	25,533

The sources of timing differences resulting in deferred income taxes and the tax effect of each were as follows:

	1992	1991
Provision for loan losses	$(2,310)	(5,016)
Federal Home Loan Bank dividends	(1,034)	51
Accrual of deferred income taxes on taxable bad debt reserves	3,800	--
Other	(2,161)	(290)
	$(1,705)	(5,255)

Total income tax expense was less than the amount computed by applying the federal income tax rate of 35% in 1993 and 34% in 1992 and 1991 to income before income taxes. The reasons for the difference were as follows:

	1993	1992	1991
Tax expense at statutory rate	$51,126	39,406	30,686
Increase (decrease) resulting from:			

State income taxes, net of federal tax benefit	2,361	2,373	1,561
Tax-exempt interest income, net of disallowed interest expense	(3,679)	(4,802)	(6,602)
Other items, net	(1,970)	2,442	(112)
Income taxes	$47,838	39,419	25,533

</TABLE>

The tax effects of cumulative temporary differences that resulted in a net deferred tax asset of $18,405 at December 31, 1993 are presented below:

<TABLE>

<S>	<C>
Deferred tax assets:	
Bad debt provision	$ 14,343
Pension expense	1,938
Deferred directors' compensation	1,538
Net deferred loan fees	1,652
Other	4,486
Total gross deferred assets	23,957
Deferred tax liabilities:	
Depreciation	(1,607)
Federal Home Loan Bank dividends	(1,043)
Other	(2,902)
Total gross deferred liabilities	(5,552)
Net deferred tax asset	$ 18,405

</TABLE>

A valuation allowance is not considered necessary because of prior years' taxable income available for carryback and the probability of future taxable earnings.

NOTE 12. COMMON STOCK

Pursuant to provisions of the Long Term Incentive Plan, options to purchase up to 1,000,000 shares of BB&T's common stock may be granted to key personnel. The current plan is a successor to the plans of 1983 and 1988. As of December 31, 1993, 483,791 shares have been issued for options granted and exercised under the plans. In August 1991, BB&T adopted the Special Purpose Option and Restricted Stock Plan. Pursuant to the provisions of the plan, up to 1,000,000 shares of BB&T's common stock may be granted to selected employees and directors of thrifts acquired through purchase conversions. As of December 31, 1993, 38,518 shares have been issued for options granted and exercised under this Plan. Under all option plans, the option price is the fair market value of the stock at the date of grant. Options normally vest over a five-year period, beginning one year from the date granted. All options expire not more than 10 years from the date of the grant, if not previously exercised.

Activity in the stock option plans for the past three years was as follows:

<TABLE>
<CAPTION>

Shares Under Option

	1993 Range of Exercise Prices		Year Ended December 31,		
	High	Low	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of year	$26.88	13.75	1,331,112	1,166,062	815,308
Add (deduct):					
Granted	34.63	30.63	329,639	265,290	507,257
Options of acquired					

companies	16.30	8.53	52,949	--	--
Cancelled or expired	33.25	17.00	(14,842)	(7,905)	(69,531)
Exercised	26.88	8.53	(112,621)	(92,335)	(86,972)
Outstanding at end of year	34.63	8.53	1,586,237	1,331,112	1,166,062
Average price per share:					
Exercised during year			$ 15.94	17.12	17.49
Outstanding at end of year			22.41	19.77	17.43
Options exercisable			676,844	423,953	247,883

</TABLE>

The Special Purpose Option and Restricted Stock Plan also provides for shares of BB&T's common stock to be awarded to selected employees and directors of thrifts acquired through purchase conversions. The awarded shares are subject to the terms, conditions and restrictions of the Plan, which prohibit the sale or assignment of the shares during the restricted period. In the event, the Grantee's employment with BB&T terminates, other than by death, disability or retirement, prior to the lapse of the restriction period, such awarded shares shall be forfeited by the Grantee. During 1991 through 1993, 173,938 shares of BB&T's common stock were awarded to employees of acquired companies.

BB&T also has a Non-Employee Directors Stock Option Plan. Pursuant to the provisions of the Plan, Directors of BB&T Financial Corporation may elect to receive stock options in lieu of cash for annual retainers. Options to purchase up to 250,000 shares of BB&T's common stock may be granted under this Plan. Six months after each election date, options are granted at an exercise price of 75% of the fair market value of a share on the date of grant. An option may be exercised six months from the date of grant. Each option share expires ten years from its date of grant. At December 31, 1993, options have been granted for 32,211 shares under this Plan and 217,789 shares were reserved for future use.

BB&T has reserved shares of its common stock for issuance under the Dividend Reinvestment and Shareholder Savings Service. As of December 31, 1993, 11,836 shares of BB&T's common stock were reserved and unissued under the Plan. During the years 1993, 1992 and 1991, respectively, 263,090, 250,866 and 238,885 shares were issued through the dividend reinvestment program.

BB&T has reserved shares of its common stock to be issued under the Savings and Thrift Plan. During the years 1993, 1992 and 1991, respectively, 375,583, 303,088 and 232,306 shares were issued under this Plan. As of December 31, 1993, 183,760 shares of BB&T's common stock were reserved and unissued for use under the Savings and Thrift Plan.

In August, 1991, BB&T established an Employee Stock Ownership Plan (ESOP). The ESOP borrowed $3,041 in 1991, $664 in 1992 and $2,314 in 1993 from BB&T to purchase 150,613, 26,000 and 79,285 shares, respectively of BB&T common stock for the benefit of employees of acquired thrifts. The loans were guaranteed by BB&T-N.C. Eligible employees of the thrifts acquired through purchase conversions, are allocated shares based upon years of service and level of compensation. Shares vest equally over a period of five years. Dividends on shares held in the ESOP are paid to participants.

NOTE 13. REGULATORY RESTRICTIONS

Subject to restrictions imposed by state laws and federal regulations, the Boards of Directors of the subsidiary Banks and savings Banks may declare dividends from their retained earnings up to $396,834 at December 31, 1993. The subsidiaries are prohibited by law from paying dividends from their capital stock and paid-in capital accounts which totalled $417,059 at December 31, 1993, and are required by regulatory authorities to maintain minimum capital levels.

The subsidiary Banks and savings Banks are required to maintain reserve balances with the Federal Reserve Bank. The amounts of these reserve balances at December 31, 1993 totalled $93,434.

NOTE 14. COMMITMENTS AND CONTINGENCIES

The Banks have entered into leases for bank premises and equipment which are accounted for as operating leases. Leases for equipment generally have 1 to 5 year terms. Leases for real property vary in terms from 3 to 25 years with additional options for renewal of the leases generally from 5 to 20 years. Real estate taxes, insurance and maintenance expenses are obligations of the Banks. The Banks expect to renew leases or replace leases as they expire with leases on other property.

A summary of rent expense charged to operations follows:

	Leases: Equipment	Leases: Bank Premises	Less Operating Subleases	Net Rent Expense
1993	$4,739	10,277	1,073	13,943
1992	4,093	9,239	1,046	12,286
1991	4,519	8,501	387	12,633

A summary of noncancellable lease commitments for equipment and banking facilities follows:

	Leases	Subleases	Net Lease Commitment
1994	$10,949	314	10,635
1995	10,213	260	9,953
1996	8,914	173	8,741
1997	8,532	107	8,425
1998	7,711	100	7,611
Thereafter	49,296	242	49,054
	$95,615	1,196	94,419

In the normal course of business, commitments are outstanding that are not reflected in the financial statements. A summary of these commitments at December 31, 1993 and 1992 follows:

	1993	1992
Commitments to extend credit:		
Credit card and other consumer lines	$ 520,565	488,456
Commercial and industrial	1,286,591	898,766
Standby letters of credit	117,023	107,479
Commercial and similar letters of credit	10,891	8,451
Interest rate contracts:		
Forward commitments to sell loans	185,000	--
Swaps	1,410,000	1,025,000

BB&T's exposure to credit loss is represented by the contractual amount of the commitments to extend credit, standby letters of credit and commercial letters of credit. The notional amounts of interest rate swap and option agreements express only the extent of involvement of BB&T and, amounts subject to risk (cash flows from gains at settlement) are significantly smaller than the notional or contractual values.

BB&T makes contractual commitments to extend credit so long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. In making the commitments, BB&T applies the same credit standards used in the lending process, and periodically reassesses the customers' creditworthiness through ongoing credit reviews. The majority of the outstanding lines of credit have stated interest rates that are directly related to the prime rate of interest.

BB&T provides standby letters of credit and guarantees, which are issued on behalf of customers in connection with contracts between the customers and third parties. The majority of the standby letters of credit consist of performance assurances made on behalf of customers who have a contractual commitment to produce or deliver goods or services. The business ventures for which these credits are employed vary widely and frequently require long periods of time for completion. BB&T applies the same credit standards used in the lending process, and, once issued, the commitment is irrevocable and remains valid until its expiration. Credit risk arises from the obligation of BB&T to make payment in the event of the customers' contractual default.

BB&T issues commercial letters of credit to facilitate foreign and domestic trade transactions. The instruments are short-term commitments to pay a third party beneficiary under certain contractual conditions for the shipment of goods. The contracts are subject to the same credit standards used in the lending process and are generally collateralized by the merchandise being shipped.

BB&T extends credit to customers through its subsidiary Banks in North and South Carolina. A vast majority of loans are to businesses with operations headquartered in the two Carolinas, although a limited number of loans have been made to businesses which are domiciled in other states but have operations in the Carolinas. The loan portfolios are well diversified within industry segments and secured loans are well collateralized.

BB&T also utilizes interest rate contracts, primarily swaps and collars, in the management of the interest rate sensitivity of BB&T's net interest income. Interest rate contracts generally have terms of one year or longer. The risks associated with such contracts are exposure to movements in interest rates and the ability of counterparties to meet the terms of the contracts. Credit risk exposure is managed through BB&T's standard credit approval and review process.

Various legal proceedings against BB&T and its subsidiaries have arisen from time to time in the normal course of business. Management believes liabilities arising from these proceedings, if any, will have no material adverse effect on the financial position of BB&T or its subsidiaries.

NOTE 15. PARENT COMPANY FINANCIAL INFORMATION

BB&T's (parent company only) condensed balance sheets as of December 31, 1993 and 1992, and the related condensed statements of income and cash flows for each of the years in the three-year period ended December 31, 1993, were as follows:

CONDENSED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31, 1993	December 31, 1992
Assets		
Cash and interest-bearing deposits	$136,217	128,751
8 3/4% subordinated capital note receivable from BB&T-N.C.	--	33,128
11% note receivable from BB&T-N.C.	30,000	30,000
Investment in bank and savings bank subsidiaries at underlying book value	814,078	603,548
Other assets	7,617	7,262
Total assets	$987,912	802,689
Liabilities and Shareholders' Equity		

Master notes	$133,115	110,605
Advance from bank subsidiary	58,250	--
Long-term debt	50,000	84,025
Other liabilities	3,035	1,678
Shareholders' equity	743,512	606,381
Total liabilities and shareholders' equity	$987,912	802,689

</TABLE>

CONDENSED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	Year Ended December 31, 1993	1992	1991
<S>	<C>	<C>	<C>
Income			
Dividends from bank and savings bank subsidiaries	$33,029	25,025	24,471
Interest and other income from bank and savings bank subsidiaries	10,245	14,008	17,688
Other	41	(415)	--
Total income	43,315	38,618	42,159
Expenses			
Interest on master notes	4,174	5,144	8,791
Interest on long-term debt	3,505	5,921	7,062
Other	3,447	2,356	2,335
Total expenses	11,126	13,421	18,188
Income before income taxes and equity in undistributed income of bank and savings bank subsidiaries	32,189	25,197	23,971
Income tax (credit) on parent company only income	(387)	(132)	(384)
Income before equity in undistributed income of bank and savings bank subsidiaries	32,576	25,329	24,355
Equity in undistributed income of bank and savings bank subsidiaries	65,660	51,153	40,364
Net income	$98,236	76,482	64,719

</TABLE>

CONDENSED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year Ended December 31, 1993	1992	1991
<S>	<C>	<C>	<C>
Cash Flows from Operating Activities:			
Income from bank and savings bank subsidiaries:			
Interest	$ 8,360	11,550	16,219
Dividends	33,029	25,025	24,371
Management fees	2,004	2,004	2,004
Interest paid	(7,712)	(11,076)	(15,867)
Other expense	(3,151)	(980)	(1,679)
Net cash provided by operating activities	32,530	26,523	25,048
Cash Flows from Investing Activities:			
Sales of securities	180	223	2,007
Purchase of securities	(1,761)	(800)	--
Investments in joint ventures and partnerships	134	167	(542)
Cash payment for purchased companies	(58,250)	--	(13,422)

Cash payment for stock acquired through purchase conversions	(28,818)	(9,690)	(41,864)
Capital investment in bank subsidiary	--	--	(12,000)
Other	(3,513)	(1,308)	(3,467)
Net cash used in investing activities	(92,028)	(11,408)	(69,288)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term borrowed funds	22,510	(18,962)	(5,737)
Advances from bank subsidiary	58,250	--	--
Proceeds from issuance of common stock	48,354	25,468	61,017
Redemption of common stock	(30,270)	(6,767)	(830)
Dividends paid	(33,431)	(24,997)	(21,196)
Other	1,551	1,441	(3,002)
Net cash provided (used) by financing activities	66,964	(23,817)	30,252
Net increase (decrease) in cash and cash equivalents	7,466	(8,702)	(13,988)
Cash and cash equivalents on January 1	128,751	137,453	151,441
Cash and cash equivalents on December 31	$136,217	128,751	137,453
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Common stock issued:			
Employee benefit plans	$ 2,263	2,260	--
Conversion of debentures	33,311	346	31
Purchased company	22,298	--	12,606
Employee stock ownership plan	2,314	664	2,841
Loan to employee stock ownership plan	(2,314)	(664)	(2,841)

</TABLE>

16. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement Number 107 of the Financial Accounting Standard Board requires all entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized in the statement of financial position, for which it is practicable to estimate fair value. The fair value estimates are made at a discreet point and time based on relevant market information and information about the financial instruments. Because no market exists for a significant portion of BB&T's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions,

risk characteristics of various financial instruments, and such other factors. These estimates are subjective in nature and involve uncertainties in matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The estimated fair values of BB&T'S financial instruments follow, together with descriptions of methods and assumptions used to estimate the fair value of each class of financial instrument for which it is practical to estimate such value.

The carrying amount of cash and short-term investments is a reasonable estimate of fair value. The fair values of such instruments at December 31, 1993, and 1992 were $408,135 and $319,670, respectively.

For investment securities and securities available for sale, fair values are based on quoted market prices or dealer quotes. At December 31, 1993 and 1992 the fair values of investment securities were $736,039 and $464,482, respectively, and the fair values of investments available for sale were $1,493,719 and $1,408,876, respectively.

For floating rate loans, credit card receivables, home equity lines and other consumer lines of credit, the carrying amount less an estimate of credit losses inherent in the portfolio is a reasonable estimate of fair value. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans of similar maturities would be made to borrowers with similar credit ratings, reduced by an estimate of credit losses inherent in the portfolio. Fair value does not include the value of customer relationships or unused consumer lines of credits. The estimated fair values of loans at December 31, 1993 and 1992 were $6,370,161 and $4,926,680, respectively.

For demand deposits, savings accounts and certain money market deposits payable on demand the carrying amounts are the fair values. The fair values of fixed-maturity certificates of deposit and individual retirement accounts are estimated using the rates currently offered for deposits of similar remaining maturities. For variable rate individual retirement accounts, the carrying amount is a reasonable estimate of fair value. The fair values of deposit liabilities at December 31, 1993 and 1992 are estimated to be $7,018,303 and $5,859,384, respectively.

The carrying amount of short-term borrowed funds, including federal funds purchased, securities sold under agreements to repurchase and master notes, is a reasonable estimate of fair value. The fair values of short-term borrowed funds at December 31, 1993 and 1992 were $984,325 and $610,183, respectively.

Long-term debt included convertible subordinated debentures, floating rate subordinated notes, advances from the Federal Home Loan Bank and medium-term bank notes. The convertible subordinated debentures were callable at 102.65 at December 31, 1992, which was considered a reasonable estimate of fair value. The convertible subordinated debentures were redeemed in 1993. The floating rate subordinated notes reprice quarterly and the carrying amount is a reasonable estimate of fair value. The fair values of the advances from the Federal Home Loan Bank are based on the discounted value of contractual cash flows, using the rates currently offered for borrowings of similar remaining maturities. The fair values of the medium-term bank notes are based on the market price of the notes on December 31, 1993. The fair values of long-term debt at December 31, 1993 and 1992 were $349,437 and $124,902, respectively.

The fair value of interest rate contracts (used for hedging purposes) is the estimated amount that BB&T would receive or pay to terminate the contract agreements at the reported date, taking into account current interest rates and the current credit-worthiness of the contract counterparties. The fair values of interest rate contract agreements at December 31, 1993 and 1992 are estimated to be $16,383 and $20,263, respectively.

The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. The fair values of letters of credit at December 31, 1993 and 1992 are estimated to be $1,919 and $1,710, respectively.

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS AND SHAREHOLDERS
BB&T FINANCIAL CORPORATION

We have audited the accompanying consolidated balance sheets of BB&T Financial Corporation and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1993. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BB&T Financial Corporation and subsidiaries at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1993, in conformity with generally accepted accounting principles.

(ART)

Raleigh, North Carolina
January 19, 1994

STATEMENT OF MANAGEMENT RESPONSIBILITY

Management of BB&T Financial Corporation is responsible for the content of the financial information contained herein. In order to meet this responsibility, the financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances to reflect, in all material respects, substance of events and transactions that should be included.

The accounting systems, which record, summarize and report financial data, and related internal accounting controls of BB&T Financial Corporation and its subsidiaries are designed to provide reasonable assurance that the financial records are reliable for preparing financial statements and maintaining accountability for assets, including safeguarding assets against loss from unauthorized use or disposition. The system of internal controls is augmented by written policies, internal audits and staff training programs.

The Audit Committee of BB&T Financial Corporation, composed solely of outside directors, reviews the internal audit function and meets periodically with representatives of KPMG Peat Marwick, certified public accountants, whose selection to express an independent professional opinion as to the fairness of the presentation of BB&T Financial Corporation's financial statements has been ratified by the shareholders.

/s/ John A. Allison	/s/ Scott E. Reed
John A. Allison Chairman of the Board and Chief Executive Officer BB&T Financial Corporation	Scott E. Reed Senior Executive Vice President and Treasurer BB&T Financial Corporation

January 19, 1994

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) 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 Financial Corporation (Registrant)
March 17, 1994	/s/ John A. Allison John A. Allison, Chairman of the Board of Directors and Principal Executive Officer
March 17, 1994	/s/ Scott E. Reed Scott E. Reed, Treasurer and Principal Financial and Accounting Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURES	TITLE	DATE
/s/ John A. Allison JOHN A. ALLISON	Chairman of the Board and Chief Executive Officer	February 23, 1994

/s/ Scott E. Reed SCOTT E. REED	Treasurer and Principal Financial Accounting Officer	February 23, 1994
/s/ Joseph B. Alala, Jr. JOSEPH B. ALALA, JR.	Director	February 23, 1994
/s/ Watson Barnes W. WATSON BARNES	Director	February 23, 1994
/s/ Paul B. Barringer PAUL B. BARRINGER	Director	February 23, 1994

SIGNATURES	TITLE	DATE
/s/ Robert L. Brady ROBERT L. BRADY	Director	February 23, 1994
/s/ W.G. Clark III W. G. CLARK III	Director	February 23, 1994
/s/ Jesse W. Corbett, Jr. JESSE W. CORBETT, JR.	Director	February 23, 1994
W. R. CUTHBERTSON, JR.	Director	February 23, 1994
/s/ Fred H. Deaton, Jr. FRED H. DEATON, JR.	Director	February 23, 1994
/s/ Joe L. Dudley, Sr. JOE L. DUDLEY, SR.	Director	February 23, 1994
/s/ Tom D. Efird TOM D. EFIRD	Director	February 23, 1994
/s/ O. William Fenn, Jr. O. WILLIAM FENN, JR.	Director	February 23, 1994
/s/ James E. Heins JAMES E. HEINS	Director	February 23, 1994
/s/ Raymond A. Jones, Jr. RAYMOND A. JONES, JR.	Director	February 23, 1994
/s/ Kelly S. King KELLY S. KING	Director	February 23, 1994
/s/ David R. LaFar III DAVID R. LAFAR III	Director	February 23, 1994

SIGNATURES	TITLE	DATE
/s/ J. Ernest Lathem, M.D. J. ERNEST LATHEM, M.D.	Director	February 23, 1994
	Director	February 23,

- - - ------------------------------------ 1994

JAMES H. MAYNARD

Director February 23, 1994

- - - ------------------------------------

A. WINNIETT PETERS

/s/ Richard L. Player, Jr. Director February 23, 1994

- - - ------------------------------------

RICHARD L. PLAYER, JR.

Director February 23, 1994

- - - ------------------------------------

S. B. TANNER III

/s/ Larry J. Waggoner Director February 23, 1994

- - - ------------------------------------

LARRY J. WAGGONER

/s/ Henry G. Williamson, Jr. Director February 23, 1994

- - - ------------------------------------

HENRY G. WILLIAMSON, JR.

/s/ William B. Young, M.D. Director February 23, 1994

- - - ------------------------------------

WILLIAM B. YOUNG, M.D.

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit No.	Description of Exhibit	Reference
<C>	<S>	<C>
(2)(a)	Agreement and Plan of Reorganization dated May 27, 1993 by and between Home Savings Bank of Albemarle, SSB and Registrant	Exhibit (2)(b)/1/
(2)(b)	Agreement and Plan of Reorganization dated June 22, 1993 by and between Asheville Savings Bank, SSB and Registrant	Exhibit (2)(c)/1/
(2)(c)	Agreement and Plan of Reorganization and Plan of Merger, attached as Annex A dated December 7, 1993 by and between LSB Bancshares, Inc. and Registrant	Filed Herewith
(3)(a)	Copy of Articles of Incorporation of Registrant and amendments	Exhibit (19)(/2/)
(3)(b)	Copy of the Bylaws of the Registrant, as amended	Exhibit (19)(/3/)
(4)(a)	Definitive Form of Certificate for common stock, $2.50 par value, of Registrant	Exhibit "B"/4/
(4)(b)	Definitive Form of Floating Rate Subordinated Notes due 1997, issued by Registrant	Exhibit (4)(b)/5/
(4)(c)	Indenture dated as of December 1, 1985, between Registrant and Bankers Trust Company, Trustee, pursuant to which Registrant's Floating Rate Subordinated Notes due 1997 are issued and held	Exhibit (4)(c)/5/
(10)(a)	Form of Branch Banking and Trust Company Long Term Incentive Plan	Exhibit (19)/6/
(10)(b)	Form of Branch Banking and Trust Company Executive Incentive Compensation Plan	Exhibit (10)(b)/7/
(10)(c)	Form of BB&T Financial Corporation Non-Employee Director Stock Option Plan	Exhibit (10)(c)/8/
(11)	Statement re Computation of Per Share Earnings	Filed Herewith
(22)	Subsidiaries of Registrant	Filed Herewith

</TABLE>

- - - --------

(1) Incorporated by reference to the identified exhibit under Registrant's Form 10-Q, File No. 0-7871, filed August 13, 1993.
(2) Incorporated by reference to the identified exhibit under Registrant's Form 10-Q, File No. 0-7871, filed August 14, 1989.
(3) Incorporated by reference to the identified exhibit under Registrant's Form 10-Q, File No. 0-7871, filed August 3, 1987.

(4) Incorporated by reference to the identified exhibit under Registrant's Form 10-Q, File No. 2-50199, filed October 14, 1979.
(5) Incorporated by reference to the identified exhibit under Registrant's Registration Statement on Form S-3, No. 33-1965, filed December 5, 1985.
(6) Incorporated by reference to the identified exhibit under Registrant's Form 10-Q, File No. 0-7871, filed May 14, 1991.
(7) Incorporated by reference to the identified exhibit under Registrant's Form 10-K, File No. 0-7871, filed February 22, 1985.
(8) Incorporated by reference to the identified exhibit under Registrant's Form 10-K, File No. 0-7871, filed March 16, 1992.

Exhibit 2(c)

AGREEMENT AND PLAN OF REORGANIZATION

AGREEMENT AND PLAN OF REORGANIZATION ("Reorganization Agreement" or "Agreement"), dated as of December 7, 1993, between L.S.B. BANCSHARES, INC. OF SOUTH CAROLINA ("LSB"), a South Carolina corporation having its home office at 309 Columbia Avenue, P.O. Box 8, Lexington, South Carolina 29071, and BB&T FINANCIAL CORPORATION ("BB&T"), a North Carolina corporation having its home office at 223 West Nash Street, Wilson, North Carolina 27893.

W I T N E S S E T H

WHEREAS, the parties hereto desire that LSB shall be merged with and into BB&T Financial Corporation of South Carolina ("BB&T-SC"), a South Carolina corporation which is a wholly owned subsidiary of BB&T (said transaction being hereinafter referred to as the "Merger") pursuant to a plan of merger in the form attached hereto as Annex A ("Plan of Merger");

WHEREAS, the parties hereto desire that The Lexington State Bank ("Lexington") and The Community Bank of South Carolina ("Community"), each wholly owned South Carolina chartered bank subsidiaries of LSB, shall be merged ("Bank Mergers") with and into Branch Banking and Trust Company of South Carolina, BB&T-SC's wholly owned South Carolina chartered bank subsidiary ("Branch Bank-SC") pursuant to one or more Plans of Merger, in form or forms to be specified by BB&T and agreeable to LSB ("Bank Merger Agreement"); and

WHEREAS, the parties desire to provide for certain undertakings, conditions, representations, warranties and covenants in connection with the transactions contemplated hereby;

NOW, THEREFORE, in consideration of the premises and of the mutual representations, warranties, covenants and agreements herein contained and intending to be legally bound hereby, the parties hereto do hereby agree as follows:

ARTICLE I
DEFINITIONS

"Bank Holding Company Act" shall mean the Bank Holding Company Act of 1956, as amended.

"BB&T Common Stock" shall mean the shares of common stock, par value $2.50 per share, of BB&T.

"BB&T Average Closing Price" shall mean the average per share closing price of BB&T Common Stock as reported on the Nasdaq/National Market System for the ten consecutive trading days ending on the tenth business day prior to the Closing Date.

"BB&T Subsidiary" shall mean each of BB&T-SC, Branch Bank-SC and Branch Banking and Trust Company, a North Carolina chartered bank subsidiary of BB&T.

"Closing Date" shall mean the date specified pursuant to Section 4.11 hereof as the date on which the parties hereto shall close the transactions contemplated herein.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commission" shall mean the Securities and Exchange Commission.

"CRA" shall mean the Community Reinvestment Act of 1977, as amended.

"Effective Date" shall mean the date specified pursuant to Section 4.11 hereof as the effective date of the Merger.

"Environmental Claim" means any written notice from any governmental authority or third party alleging potential liability (including, without limitation, potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries or penalties) arising out of, based upon, or resulting from the presence, or release into the environment, of any Materials of Environmental Concern.

"Environmental Laws" means all applicable federal, state and local laws and regulations, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, that relate to pollution or protection of human health or the environment.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"FDIA" shall mean the Federal Deposit Insurance Act, as amended.

"FDIC" shall mean the Federal Deposit Insurance Corporation.

"Federal Reserve Board" shall mean the Board of Governors of the Federal Reserve System.

"Financial Statements" shall mean (a) with respect to BB&T, (i) the consolidated balance sheets (including related notes and schedules, if any) of BB&T as of December 31, 1992 and 1991 and the related consolidated statements of income, shareholders' equity and cash flows (including related notes and schedules, if any) for each of the three years ended December 31, 1992, 1991 and 1990 as filed by BB&T in Securities Documents and (ii) the consolidated balance sheets of BB&T (including related notes and schedules, if any) and related statements of income, shareholders' equity and cash flows (including related notes and schedules, if any) included in Securities Documents filed by BB&T with respect to periods ended subsequent to December 31, 1992, and (b) with respect to LSB, (i) the consolidated balance sheets (including related notes and schedules, if any) of LSB as of December 31, 1992 and 1991 and the related consolidated statements of income, changes in shareholders' equity and cash flows (including related notes and schedules, if any) for each of the three years ended December 31, 1992, 1991 and 1990 as filed by LSB in Securities Documents and (ii) the consolidated balance sheets of LSB (including related notes and schedules, if any) and related statements of income, changes in shareholders' equity and cash flows (including related notes and schedules, if any) included in Securities Documents filed by LSB with respect to periods ended subsequent to December 31, 1992.

"LSB Subsidiaries" shall mean Lexington, Community and any other corporation, bank, savings association, partnership, Joint Venture, or other organization more than 10% of the stock or ownership interest of which is owned, directly or indirectly, by LSB, as Previously Disclosed.

"Joint Venture" shall mean any joint venture, partnership or similar arrangement in which LSB or any LSB Subsidiary is a member, party to or partner (whether general or limited), as Previously Disclosed.

"Material Adverse Effect" shall mean a material adverse effect on the financial condition, results of operations, business or prospects of LSB, Lexington and Community, taken as a whole.

"Materials of Environmental Concern" means pollutants, contaminants, wastes, toxic substances, petroleum and petroleum products and any other materials regulated under Environmental Laws.

"Option Agreement" shall mean the Option Agreement dated as of even date herewith between LSB and BB&T, which shall be executed immediately following execution of this Reorganization Agreement.

"Previously Disclosed" shall mean disclosed in (i) a Securities Document delivered by one party to the other on or prior to the execution of this Reorganization Agreement or (ii) a letter from the party delivered and dated not later than December 14, 1993 making such disclosure specifically referring to this Agreement and delivered to the other party, provided that such letter is not materially inconsistent with a draft of such letter delivered to the other party and dated on or prior to the date of this Agreement. Any matter included, whether aggregated or not, in Financial Statements shall be deemed to be Previously Disclosed.

"Proxy Statement" shall mean the proxy statement together with any supplements thereto sent to shareholders of LSB to solicit their votes in connection with this Agreement and the Plan of Merger.

"Registration Statement" shall mean the registration statement with respect to the BB&T Common Stock to be issued in the Merger as declared effective by the Commission under the Securities Act.

"Rights" shall mean warrants, options, rights, convertible securities and other arrangements or commitments which obligate an entity to issue or dispose of any of its capital stock or other ownership interests, and stock appreciation rights, performance units and similar stock-based rights whether or not they obligate the issuer thereof to issue stock or other securities or to pay cash.

"SCBCA" shall mean the South Carolina Business Corporation Act, as amended.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Securities Documents" shall mean all reports, proxy statements, registration statements and all similar documents filed, or required to be filed, pursuant to the Securities Laws.

"Securities Laws" shall mean the Securities Act; the Exchange Act; the Investment Company Act of 1940, as amended; the Investment Advisers Act of 1940, as amended; the Trust Indenture Act of 1939, as amended; and the rules and regulations of the Commission promulgated thereunder.

"State Board" shall mean the South Carolina State Board of Financial Institutions.

"TILA" shall mean the Truth in Lending Act, as amended.

Other terms used herein are defined in the preamble and elsewhere in this Agreement.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF LSB

LSB represents and warrants to BB&T as follows:

2.1 Capital Structure

The authorized capital stock of LSB consists of 5,000,000 shares of common stock, par value $2.50 per share ("LSB Common Stock"). As of the date hereof, there were 2,688,028 shares of LSB Common Stock issued and outstanding and 1,390,838 shares of LSB Common Stock reserved for issuance in connection with the pending acquisition of The Dorn Banking Company, LSB Dividend

Reinvestment Plan and the Option Agreement. All outstanding shares of LSB Common Stock have been duly issued and are validly outstanding, fully paid and nonassessable. No other classes of capital stock of LSB are authorized. There are no Rights authorized, issued or outstanding with respect to the capital stock of LSB. Shareholders of LSB do not have preemptive rights.

2.2 Organization, Standing and Authority

LSB is a corporation duly organized, validly existing and in good standing under the laws of the State of South Carolina with full corporate power and authority to carry on its business as now conducted and does not do business in any other states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires qualification to do business. LSB is registered as a bank holding company with the Federal Reserve Board under the Bank Holding Company Act.

2.3 Ownership of LSB Subsidiaries

LSB does not own, directly or indirectly, any outstanding capital stock or other voting securities or ownership interests of any corporation, bank, savings association, partnership, Joint Venture, or other organization, except for the LSB Subsidiaries. The outstanding shares of capital stock or other ownership interests of the LSB Subsidiaries are validly issued and outstanding, fully paid and nonassessable and all such shares are directly or indirectly owned by LSB free and clear of all liens, claims and encumbrances or preemptive rights of any person. No Rights are authorized, issued or outstanding with respect to the capital stock or other ownership interests of any LSB Subsidiaries and there are no agreements, understandings or commitments relating to the right of LSB to vote or to dispose of said shares or other ownership interests. None of the shares of capital stock of any LSB Subsidiary has been issued in violation of the preemptive rights of any person.

2.4 Organization, Standing and Authority of the LSB Subsidiaries

Each of the LSB Subsidiaries is a corporation or partnership duly organized, validly existing and in good standing under the laws of South Carolina. Lexington and Community each are duly organized South Carolina chartered banks. Each of the LSB Subsidiaries: (i) has full corporate power and authority to carry on its business as now conducted; (ii) is duly qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires such qualification, except where failure to so qualify would not have a Material Adverse Effect; and (iii) is not engaged in any activities that have not been Previously Disclosed.

2.5 Authorized and Effective Agreement

a. LSB has all requisite corporate power and authority to enter into and (subject to receipt of all necessary governmental approvals and the receipt of approval of shareholders of LSB of the Plan of Merger) to perform all of its obligations under this

Reorganization Agreement, the Plan of Merger, the Bank Merger Agreement and the Option Agreement. The execution and delivery of this Reorganization Agreement, the Plan of Merger, the Bank Merger Agreement and the Option Agreement and consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action in respect thereof on the part of LSB, and in the case of the Bank Merger Agreement, Lexington and Community, except, in the case of this Reorganization Agreement and the Plan of Merger, the approval of LSB shareholders pursuant to and to the extent required by applicable law. This Reorganization Agreement, the Plan of Merger and the Option Agreement constitute legal, valid and binding obligations of LSB, each of which is enforceable against LSB in accordance with its respective terms, in each such case subject to (i) bankruptcy, fraudulent transfer, insolvency, moratorium, reorganization, conservatorship, receivership, or other similar laws from time to time in effect relating to or affecting the enforcement of rights of creditors of FDIC-insured institutions or the enforcement of creditors' rights generally, (ii) laws relating to the safety and soundness of depository institutions and their holding companies, and (iii) general principles of equity, and except that the availability of equitable remedies or injunctive relief is within the discretion of the appropriate court.

b. Neither the execution and delivery of this

Reorganization Agreement, the Plan of Merger and the Option Agreement in the case of LSB, or the Bank Merger Agreement in the case of Lexington and Community, nor consummation of the transactions contemplated hereby or thereby, nor compliance by LSB or Lexington or Community with any of the provisions hereof or thereof shall (i) conflict with or result in a breach of any provision of the articles of incorporation, charter or by-laws of LSB or any LSB Subsidiary, (ii) constitute or result in a breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation of any lien, charge or encumbrance upon any material property or asset of LSB or any LSB Subsidiary pursuant to, any note, bond, mortgage, indenture, license, agreement or other instrument or obligation, which breach, default, right, lien, charge, or encumbrance would have a Material Adverse Effect, or, (iii) subject to receipt of all required governmental approvals, violate any order, writ, injunction, decree, statute, rule or regulation applicable to LSB or any LSB Subsidiary.

2.6 Securities Documents and Reports

LSB has timely filed all Securities Documents required by the Securities Laws since December 31, 1987, and such Securities Documents complied in all material respects with the Securities Laws as in effect at the times of such filings. LSB and the LSB Subsidiaries have in all material respects timely filed all reports required to be filed with the Federal Reserve Board, the FDIC and the State Board and such reports complied in all material respects with applicable law and regulations as in effect at the times of such filings.

2.7 Financial Statements; Minute Books

The Financial Statements of LSB fairly present or will fairly present, as the case may be, the consolidated financial position of LSB and the LSB Subsidiaries as of the dates indicated and the consolidated results of operations, changes in shareholders' equity and statements of cash flows for the periods then ended (subject, in the case of unaudited interim statements, to normal year-end audit adjustments that are not material in amount or effect) in conformity with generally accepted accounting principles applicable to financial institutions applied on a consistent basis (except as stated therein). The minute books of LSB and the LSB Subsidiaries contain legally sufficient records of all meetings and other corporate actions of its shareholders and Board of Directors (including committees of its Board of Directors).

2.8 Material Adverse Change

LSB has not, on a consolidated basis, suffered any material adverse change in its business, financial condition, results of operations or prospects since December 31, 1992.

2.9 Absence of Undisclosed Liabilities

Neither LSB nor any LSB Subsidiary has any liability (contingent or otherwise) that is material to LSB on a consolidated basis or that, when combined with all similar liabilities, would be material to LSB on a consolidated basis, except as has been Previously Disclosed and except for liabilities made in the ordinary course of its business consistent with past practices since the date of LSB's most recent Financial Statements.

2.10 Properties

a. LSB and the LSB Subsidiaries have good and marketable title free and clear of all liens, encumbrances, charges, defaults or equitable interests to all of the properties and assets, real and personal, reflected on the consolidated balance sheet included in the Financial Statements of LSB as of December 31, 1992 or acquired after such date, except (i) liens for current taxes not yet due and payable, (ii) pledges to secure deposits and other liens incurred in the ordinary course of banking business, (iii) such imperfections of title, easements and encumbrances, if any, as are not material in character, amount or extent, (iv) dispositions and encumbrances for adequate consideration in the ordinary course of business, or (v) as Previously Disclosed.

b. All material leases pursuant to which LSB or any LSB Subsidiary, as lessee, leases real or personal property, are, with respect to LSB or the LSB Subsidiary, valid and enforceable in accordance with their respective terms, in each such case subject to (i) bankruptcy, fraudulent transfer, insolvency, moratorium, reorganization, conservatorship, receivership, or other similar laws from time to time in effect relating to or affecting the enforcement of rights of creditors of FDIC-insured institutions or the enforcement of creditors' rights generally, (ii) laws relating to the safety and soundness of depository institutions and their holding companies, and (iii) general principles of equity, and except that the availability of equitable remedies or injunctive relief is within the discretion of the appropriate court.

2.11 Environmental Matters

a. LSB and the LSB Subsidiaries are in substantial compliance with all Environmental Laws. Neither LSB nor any LSB Subsidiary has received any communication alleging that LSB or any LSB Subsidiary is not in such compliance and, to the best knowledge of LSB, there are no present circumstances that would prevent or interfere with the continuation of such compliance.

b. LSB has not received notice of any pending, and is not aware of any threatened, legal, administrative, arbitral or other proceedings, asserting Environmental Claims or other claims, causes of action or governmental investigations of any nature, seeking to impose, or that could result in the imposition, on LSB or any LSB Subsidiary of any liability arising under any Environmental Laws upon (i) LSB or any LSB Subsidiary, (ii) any person or entity whose liability for any Environmental Claim LSB or any LSB Subsidiary has or may have retained either contractually or by operation of law, (iii) any real or personal property owned or leased by LSB or any LSB Subsidiary, or any real or personal property which LSB or any LSB Subsidiary has been, or is, judged to have managed or to have supervised or to have participated in the management of, or (iv) any real or personal property in which LSB or any LSB Subsidiary holds a security interest securing a loan recorded on the books of LSB or any LSB Subsidiary. Neither LSB nor any LSB Subsidiary is subject to any agreement, order, judgment, decree or memorandum by or with any court, governmental authority, regulatory agency or third party imposing any such liability.

c. With respect to all real and personal property owned or leased by LSB or any LSB Subsidiary, or all real and personal property which LSB or any LSB Subsidiary has been, or is, judged to have managed or to have supervised or to have participated in the management of, LSB has provided BB&T with access to copies of any environmental audits, analyses and surveys that have been prepared relating to such properties (a list of all of which has been Previously Disclosed). To the best of LSB's knowledge, LSB and the LSB Subsidiaries are in compliance in all material respects with all recommendations contained in any such environmental audits, analyses and surveys.

d. There are no past or present actions, activities, circumstances, conditions, events or incidents that could reasonably form the basis of any Environmental Claim or other claim or action or governmental investigation that could result in the imposition of any liability arising under any Environmental Laws against LSB or any LSB Subsidiary or against any person or entity whose liability for any Environmental Claim LSB or any LSB Subsidiary has or may have retained or assumed either contractually or by operation of law.

2.12 Allowance for Loan Losses

The allowance for loan losses reflected on the consolidated balance sheets included in the Financial Statements of LSB is or will be adequate in the opinion of LSB's management in all material respects as of their respective dates under the requirements of generally accepted accounting principles applicable to banks and bank holding companies to provide for reasonably anticipated losses on outstanding loans net of recoveries.

2.13 Tax Matters

a. LSB and the LSB Subsidiaries, and each of their predecessors, have timely filed (or requests for extensions have been timely filed and any such extensions have been granted and have not expired) all federal, state and material local (and, if applicable, foreign) tax returns required by applicable law to be filed by them (including, without limitation, estimated tax returns, income tax returns, information returns, and withholding and employment tax returns) and have paid, or where payment is not required to have been made, have set up an adequate reserve or accrual for the payment of, all taxes required to be paid in respect of the periods covered by such returns and, as of the

Effective Date, will have paid, or where payment is not required to have been made, will have set up an adequate reserve or accrual for the payment of, all taxes for any subsequent periods ending on or prior to the Effective Date. Neither LSB nor any of the LSB Subsidiaries will have any material liability for any such taxes in excess of the amounts so paid or reserves or accruals so established.

b. All federal, state and local (and, if applicable, foreign) tax returns filed by LSB and the LSB Subsidiaries are complete and accurate in all material respects. Neither LSB nor any of the LSB Subsidiaries is delinquent in the payment of any material tax, assessment or governmental charge. No deficiencies for any tax, assessment or governmental charge have been proposed, asserted or assessed (tentatively or otherwise) against LSB or any LSB Subsidiary which have not been settled and paid. There are currently no agreements in effect with respect to LSB or any LSB Subsidiary to extend the period of limitations for the assessment or collection of any tax. No audit examination or deficiency or refund litigation with respect to such returns are pending.

2.14 Employee Benefit Plans

a. LSB has Previously Disclosed true and complete copies of all stock option, employee stock purchase and stock bonus plans, qualified pension or profit-sharing plans, deferred compensation, bonus or group insurance contracts and any other incentive, welfare or employee benefit plans or agreements

maintained for the benefit of employees or former employees of LSB or any LSB Subsidiary together with (i) the most recent actuarial and financial reports prepared with respect to any qualified plans, (ii) the most recent annual reports filed with any government agency, and (iii) all rulings and determination letters and any open requests for rulings or letters that pertain to any qualified plan.

b. Neither LSB nor any other LSB Subsidiary (or any pension plan maintained by any of them) has incurred any material liability to the Pension Benefit Guaranty Corporation or the Internal Revenue Service with respect to any pension plan qualified under Section 401 of the Code except liabilities to the Pension Benefit Guaranty Corporation pursuant to Section 4007 of ERISA, all of which have been fully paid. No reportable event under Section 4043(b) of ERISA has occurred with respect to any such pension plan.

c. Neither LSB nor any LSB Subsidiary participates in, or has incurred any liability under Section 4201 of ERISA for a complete or partial withdrawal from, a multiemployer plan (as such term is defined in ERISA).

d. A favorable determination letter has been issued by the Internal Revenue Service with respect to each "employee pension plan" (as defined in Section 3(2) of ERISA) of LSB or any LSB Subsidiary to the effect that such plan is qualified under Section 401 of the Code and tax exempt under Section 501 of the Code. No such letter has been revoked or, to LSB's knowledge, threatened to be revoked and LSB does not know of any ground on which such revocation may be based. Neither LSB nor any LSB Subsidiary has a material liability under any such plan that is not reflected on the consolidated balance sheet included in the Financial Statements of LSB as of December 31, 1992.

e. Except as Previously Disclosed, no prohibited transaction (which shall mean any transaction prohibited by Section 406 of ERISA and not exempt under Section 408 of ERISA or Section 4975 of the Code) has occurred with respect to any employee benefit plan maintained by LSB or any LSB Subsidiary (i) which would result in the imposition, directly or indirectly, of a material excise tax under Section 4975 of the Code, or (ii) the correction of which would have a Material Adverse Effect.

2.15 Certain Contracts

a. Except as Previously Disclosed, neither LSB nor any LSB Subsidiary is a party to, is bound or affected by, or receives benefits under (i) any material agreement, arrangement or commitment whether or not made in the ordinary course of business (other than loans or loan commitments or certificates of deposit made in the ordinary course of banking business by Lexington or Community), or any agreement materially restricting its business activities, including, without limitation, agreements or memoranda of understanding with regulatory authorities, (ii) any agreement, indenture or other instrument relating to the borrowing of money by LSB or any LSB Subsidiary or the guarantee by LSB or any LSB

Subsidiary of any such obligation, which cannot be terminated within less than 30 days after the Closing Date by LSB or the LSB Subsidiaries (without payment of any penalty or cost by LSB or an LSB Subsidiary), (iii) any agreement, arrangement or commitment relating to the employment of a consultant or the employment, election or retention in office of any present or former director or officer, which cannot be terminated within less than 30 days after the Closing Date by LSB or the LSB Subsidiaries (without payment of any penalty or cost by LSB or an LSB Subsidiary), or (iv) any contract, agreement or understanding with a labor union, in each case whether written or oral.

b. Neither LSB nor any LSB Subsidiary is in default, which default would have a material adverse effect on LSB on a consolidated basis or the transactions contemplated herein, under any material agreement, commitment, arrangement, lease, insurance policy, or other instrument whether entered into in the ordinary course of business or otherwise and whether written or oral, and there has not occurred any event that, with the lapse of time or giving of notice or both, would constitute such a default.

2.16 Legal Proceedings; Regulatory Approvals

Except as Previously Disclosed, at the date hereof, there are no actions, suits, claims, governmental investigations or proceedings instituted, pending or, to the best knowledge of LSB, threatened (or unasserted but considered by LSB to be probable of assertion and which, if asserted, would have at least a reasonable probability of an unfavorable outcome) against LSB or any LSB Subsidiary or against any asset, interest, or right of LSB or any LSB Subsidiary, or against any officer, director or employee of any of them

that in any such case, if decided adversely, might have a Material Adverse Effect (or, in the case of threatened actions, suits, claims, governmental investigations or proceedings, is likely, in the reasonable judgment of LSB's Chief Executive Officer, after due inquiry of such other persons as may be necessary to make such a judgment, to have a Material Adverse Effect). Except as Previously Disclosed, there are no actions, suits or proceedings instituted, pending or, to the knowledge of LSB and each of the directors and executive officers of LSB and each LSB Subsidiary, threatened (or unasserted but considered probable of assertion and which if asserted would have at least a reasonable probability of an unfavorable outcome) against any present or former director or officer of LSB or any LSB Subsidiary that might give rise to a claim for indemnification as contemplated by Section 4.13(a) hereof, and to the best of the knowledge of LSB and each of its directors and executive officers and each of the directors and executive officers of each LSB Subsidiary, there is no reasonable basis for any such action, suit or proceeding. To the knowledge of LSB, there are no actual or threatened actions, suits or proceedings which present a claim to restrain or prohibit the transactions contemplated herein, in the Plan of Merger, the Option Agreement, or the Bank Merger Agreement. No fact or condition (including but not limited to compliance with the CRA) relating to LSB or any LSB Subsidiary known to LSB exists that would prevent LSB or BB&T from obtaining all of the federal and state regulatory approvals contemplated herein.

2.17 Compliance with Laws

Except as Previously Disclosed, each of LSB and the LSB Subsidiaries is in compliance in all material respects with all statutes and regulations (including, but not limited to, the CRA and regulations promulgated thereunder, the TILA and regulations promulgated thereunder and other consumer banking laws) applicable and material to the conduct of its business (except for any violations not material to the business, operations or financial condition of LSB and the LSB Subsidiaries on a consolidated basis), and neither LSB nor any LSB Subsidiary has received notification that has not elapsed, been withdrawn or abandoned by any agency or department of federal, state or local government (i) asserting a violation or possible violation of any such statute or regulation and which violation would have a Material Adverse Effect on a consolidated basis, (ii) threatening to revoke any license, franchise, permit or government authorization, or (iii) restricting or in any way limiting its operations. Neither LSB nor any LSB Subsidiary is subject to any regulatory or supervisory cease and desist order, agreement, directive, memorandum of understanding or commitment, and none of them has received any communication requesting that they enter into any of the foregoing. Without limiting the generality of the foregoing, each LSB Subsidiary has timely filed all currency transaction reports required to be filed and taken all other actions required under the Currency and Foreign Transactions Reporting Act, as amended, codified at 31 U.S.C. (S) 5301 et seq., and its implementing regulations.

2.18 Brokers and Finders

Neither LSB nor any LSB Subsidiary nor any of their respective officers, directors or employees has employed any broker, finder or financial advisor or incurred any liability of LSB or the LSB Subsidiaries for any fees or commissions in connection with the transactions contemplated herein, in the Plan of Merger or in the Option Agreement (except for fees to accountants and lawyers and The Carson Medlin Company).

2.19 Insurance

LSB and the LSB Subsidiaries each currently maintain insurance in the amounts and for the coverages Previously Disclosed. Except as Previously Disclosed, neither LSB nor any LSB Subsidiary has received any notice of a premium increase or cancellation or a failure to renew with respect to any insurance policy or bond, and within the last three years, neither LSB nor any LSB Subsidiary has been refused any insurance coverage sought or applied for, and neither LSB nor any LSB Subsidiary has any reason to believe that existing insurance coverage cannot be renewed as and when the same shall expire, upon terms and conditions as favorable as those presently in effect, other than possible increases in premiums or unavailability of coverage that do not result from any extraordinary loss experience on the part of LSB or any LSB Subsidiary.

2.20 Repurchase Agreements

Except as Previously Disclosed, or where no Material Adverse Effect would result: (i) with respect to all agreements currently outstanding pursuant to which LSB or any LSB Subsidiary has purchased securities subject to an agreement to resell, LSB and the LSB Subsidiary have a valid, perfected first lien or security interest in the securities or other collateral

securing such agreement, and the value of such collateral equals or exceeds the amount of the debt secured thereby; and (ii) with respect to all agreements currently outstanding pursuant to which LSB or any LSB Subsidiary has sold securities subject to an agreement to repurchase, LSB and the LSB Subsidiary have not pledged collateral materially in excess of the amount of the debt secured thereby. Neither LSB nor any LSB Subsidiary has pledged collateral materially in excess of the amount required under any interest rate swap or other similar agreement currently outstanding.

2.21 Deposit Accounts of Lexington and Community

The deposit accounts of Lexington and Community are insured by the Bank Insurance Fund of the FDIC to the maximum extent permitted by federal law, and Lexington and Community have paid all premiums and assessments and filed all reports required to have been paid or filed under the FDIA.

2.22 Loans

a. With respect to each loan on the books and records of LSB or any LSB Subsidiary, including unfunded portions of outstanding lines of credit and loan commitments: (i) such loan is a valid loan; (ii) its principal balance as shown on the books and records of LSB or any LSB Subsidiary is true and correct as of the last date shown thereon; (iii) all purported signatures on and executions of any document in connection with such loan are genuine; (iv) all related documentation has been signed or executed by all necessary parties; (v) LSB and the LSB Subsidiaries have custody of all documents or microfilm records thereof related to such loan (as such documents relate to the matters described in clauses (i)-(iv) and (vi)-(vii) hereof); (vi) to the extent secured, such loan has been secured by valid liens and security interests which have been perfected; and (vii) such loan is the legal, valid and binding obligation of the obligor named therein, subject to bankruptcy, insolvency, fraudulent conveyance and other laws of general applicability relating to or affecting creditors' rights and to general equity principles. All loans on the books and records of LSB or any LSB Subsidiary have been originated and administered in accordance with the terms of the underlying notes related thereto. Neither the terms of such loans, nor

any of the loan documentation, nor the manner in which such loans have been administered and serviced, violates any federal, state or local law, rule, regulation or ordinance applicable thereto, including, without limitation, Regulation O of the Federal Reserve Board, 12 C.F.R. (S) 563.43, the TILA, Regulation Z of the Federal Reserve Board, the Equal Credit Opportunity Act, as amended, and state laws, rules and regulations relating to consumer protection, installment sales and usury. Notwithstanding anything else contained in this Section 2.22(a), the representations and warranties contained in this Section shall be considered to have been made only to the extent that nonconformance with such representation or warranty as to any loan or group of loans would (i) after giving effect to LSB's reserve for loan losses, have a Material Adverse Effect, or (ii) except to the extent Previously Disclosed, cause BB&T reasonably to conclude that the loan documentation and records maintained by LSB and the LSB Subsidiaries are not maintained in accordance with BB&T's lending procedures and requirements.

b. LSB has Previously Disclosed all investments and loans, including loan guarantees, to which LSB or any LSB Subsidiary is a party with any director, executive, officer or 5% shareholder of LSB or any person, corporation, or enterprise controlling, controlled by or under common control with any of the foregoing.

2.23 Certain Information

When the Proxy Statement is mailed, and at the time of the meeting of shareholders of LSB to vote upon the Plan of Merger, the Proxy Statement and all amendments or supplements thereto, with respect to all information set forth therein furnished by LSB relating to LSB and the LSB Subsidiaries, (i) shall comply in all material respects with the applicable provisions of the Securities Laws, and (ii) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

2.24 Effect of Representations and Warranties

The representations and warranties contained in this Article II are made for the purpose of assigning to LSB the economic risk of the material falsity or inaccuracy of those representations and warranties, or nonconformance of the facts related thereto. Any

non-material falsity, nonconformity or inaccuracy in any representation or warranty (except for those expressed as being within the actual knowledge of LSB or any LSB Subsidiaries or an officer thereof where such representation or warranty is made falsely) shall not form the basis for any claim by BB&T against LSB, any LSB Subsidiary, or any of their respective officers, directors or agents, that LSB, any LSB Subsidiary, or such officers, directors or agents, have made a willful, reckless or negligent misrepresentation or otherwise engaged in deceitful conduct. Nothing in this Section shall otherwise limit the right of BB&T to terminate this Agreement in accordance with Section 6.1 or take such other actions as are permitted by this Agreement.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF BB&T

BB&T represents and warrants to LSB as follows:

3.1 Capital Structure of BB&T and BB&T-SC

The authorized capital stock of BB&T consists of (i) 4,000,000 shares of preferred stock, par value $2.50 per share, and (ii) 50,000,000 shares of BB&T Common Stock, of which 32,246,028 shares are issued and outstanding. All outstanding shares of BB&T Common Stock have been duly issued and are validly outstanding, fully paid and nonassessable. As of the date of this Agreement, BB&T has reserved 3,367,843 shares of BB&T Common Stock for issuance under its benefit plans, convertible securities and Dividend Reinvestment Plan. Except as set forth herein, there are no Rights authorized, issued or outstanding with respect to the capital stock of BB&T. None of the shares of capital stock of BB&T has been issued in violation of the preemptive rights of any person.

The authorized capital stock of BB&T-SC consists of 20,000,000 shares of common stock, of which 1,427,188 shares are issued and outstanding, and all of such shares are owned by BB&T. All outstanding shares of BB&T-SC Common Stock have been duly issued and are validly outstanding, fully paid and nonassessable. There are no Rights authorized, issued or outstanding with respect to the capital stock of BB&T-SC. None of the shares of capital stock of BB&T-SC has been issued in violation of the preemptive rights of any person.

3.2 Organization, Standing and Authority of BB&T

BB&T is a corporation duly organized, validly existing and in good standing under the laws of the state of North Carolina, with full corporate power and authority to carry on its business as now conducted and is duly qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires such qualification and where failure to so qualify would have a material adverse effect on the financial condition, results of operation, or business of BB&T on a consolidated basis. BB&T is registered as a bank holding company under the Bank Holding Company Act.

3.3 Authorized and Effective Agreement

a. BB&T has all requisite corporate power and authority to enter into and perform all of its obligations under this Reorganization Agreement and the Option Agreement. The execution and delivery of this Reorganization Agreement and the Option Agreement and consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action in respect thereof on the part of BB&T. This Reorganization Agreement and the Option Agreement constitute legal, valid and binding obligations of BB&T, in each such case enforceable against it in accordance with their respective terms subject to (i) bankruptcy, insolvency, moratorium, reorganization, conservatorship, receivership or other similar laws in effect from time to time relating to or affecting the enforcement of the rights of creditors of FDIC-insured institutions or the enforcement of creditors' rights generally, (ii) laws relating to the safety and soundness of depository institutions and their holding companies, and (iii) general principles of equity, and except that the availability of remedies or injunctive relief is within the discretion of the appropriate court.

b. Neither the execution and delivery of this Reorganization Agreement nor the Option Agreement, in the case of BB&T, nor the Plan of Merger in the case of BB&T and BB&T-SC, nor the Bank Merger Agreement in the case of Branch Bank-SC, nor consummation of the transactions contemplated hereby or thereby, nor compliance by BB&T, BB&T-SC and Branch Bank-SC with any of the provisions hereof or thereof shall (i) conflict with or result in a breach of any provision of the articles of incorporation or by-laws of BB&T or any BB&T Subsidiary, (ii) constitute or result in a breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation of any lien, charge or encumbrance upon any property or asset of BB&T or any BB&T Subsidiary pursuant to any note, bond, mortgage, indenture, license, agreement or other instrument or obligation which would have a material adverse effect on the business, operations or financial conditions of BB&T and the BB&T Subsidiaries taken as a whole, or (iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to BB&T or any BB&T Subsidiary.

3.4 Organization, Standing and Authority of BB&T Subsidiaries

Each BB&T Subsidiary is a duly organized corporation, validly existing and in good standing under applicable laws. Each BB&T Subsidiary (i) has full power and authority to carry on its business as now conducted and (ii) is duly qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires such qualification and where failure to so qualify would have a material adverse effect on the financial condition, results of operations, business or prospects of BB&T on a consolidated basis. BB&T-SC is registered as a bank holding company under the Bank Holding Company Act.

3.5 Securities Documents

BB&T has timely filed all Securities Documents required by the Securities Laws since December 31, 1987 and such Securities Documents complied in all material respects with the Securities Laws as in effect at the times of such filings.

3.6 Financial Statements

The Financial Statements of BB&T fairly present or will fairly present, as the case may be, the consolidated financial position of BB&T and the BB&T Subsidiaries as of the dates indicated and the consolidated results of operations, changes in shareholders' equity and changes in cash flows for the periods then ended in conformity with generally accepted accounting principles applicable to financial institutions applied on a consistent basis.

3.7 Material Adverse Change

BB&T has not, on a consolidated basis, suffered any material adverse change in its business, financial condition, results of operations or prospects since December 31, 1992.

3.8 Legal Proceedings; Regulatory Approvals

At the date hereof, there are no actions, suits, claims, governmental investigations or proceedings instituted, pending or, to the best knowledge of BB&T, threatened against BB&T or any BB&T Subsidiary or against any asset, interest or right of BB&T or any BB&T Subsidiary, or against any officer, director or employee of any of them that, if decided adversely, might have a material adverse effect on the financial condition, results of operations, business or prospects of BB&T on a consolidated basis. To the knowledge of BB&T, there are no actual or threatened actions, suits or proceedings which present a claim to restrain or prohibit the transactions contemplated herein or in the Plan of Merger. No fact or condition (including but not limited to CRA compliance) relating to BB&T or any BB&T Subsidiary known to BB&T exists that would prevent BB&T from obtaining all of the federal and state regulatory approvals contemplated herein.

3.9 Ownership of BB&T Subsidiaries

The outstanding shares of capital stock or other ownership interests of the BB&T Subsidiaries are validly issued and outstanding, fully paid and nonassessable, and all such shares are directly or indirectly owned by BB&T free and clear of all liens, claims and encumbrances or preemptive rights of any person. No Rights are authorized, issued or outstanding with respect to the capital stock or other ownership interests of any BB&T Subsidiary and there are no agreements, understandings or commitments relating to the right of BB&T to vote or to dispose of said shares or other ownership interests.

3.10 Absence of Undisclosed Liabilities

Neither BB&T nor any BB&T Subsidiary has any liability (contingent or otherwise) that is material to

BB&T on a consolidated basis or that, when combined with all similar liabilities, would be material to BB&T on a consolidated basis, except as disclosed in the Financial Statements of BB&T and except for liabilities made in the ordinary course of its business consistent with past practices since the date of BB&T's most recent Financial Statements.

3.11 Allowance for Loan Losses

The allowance for loan losses reflected on the consolidated balance sheets included in the Financial Statements of BB&T is or will be in the opinion of BB&T's management adequate in all material respects as of their respective dates under the requirements of generally accepted accounting principles applicable to banks and bank holding companies to provide for reasonably anticipated losses on outstanding loans net of recoveries.

3.12 Tax Matters

a. BB&T and the BB&T Subsidiaries, and each of their predecessors, have timely filed all federal, state and local (and, if applicable, foreign) tax returns required by applicable law to be filed by them (including, without limitation, estimated tax returns, income tax returns, information returns, and withholding and employment tax returns) and have paid, or where payment is not required to have been made, are contesting payment thereof in good faith, or have set up an adequate reserve or accrual for the payment of, all taxes required to be paid in respect of the periods covered by such returns and, as of the Effective Date, will have paid, or where payment is not required to have been made, will have set up an adequate reserve or accrual for the payment of, all taxes for any subsequent periods ending on or prior to the Effective Date which are not being contested in good faith. Neither BB&T nor any of the BB&T Subsidiaries will to BB&T's knowledge have any material liability for any such taxes in excess of the amounts so paid or reserves or accruals so established.

b. All federal, state and local (and, if applicable, foreign) tax returns filed by BB&T and the BB&T Subsidiaries are complete and accurate in all material respects. Neither BB&T nor any of the BB&T Subsidiaries is delinquent in the payment of any tax, assessment or governmental charge, and none of them has requested any extension of time within which to file any tax returns in respect of any fiscal year or portion thereof which have not since been filed. No deficiencies for any tax, assessment or governmental charge have been proposed, asserted or assessed (tentatively or otherwise) against BB&T or any BB&T Subsidiary which have not been settled and paid. There

currently are no agreements in effect with respect to BB&T or any BB&T Subsidiary to extend the period of limitations for the assessment or collection of any tax.

3.13 Compliance with Laws

Each of BB&T and the BB&T Subsidiaries is in material compliance with all statutes and regulations (including, but not limited to, CRA and regulations promulgated thereunder, TILA and regulations promulgated thereunder and other consumer banking laws) applicable and material to the conduct of its business (except for any violations not material to the business, operations or financial condition of BB&T and its subsidiaries taken as a whole), and neither BB&T nor any BB&T Subsidiary has received notification that has not elapsed, been withdrawn or abandoned from any agency or department of federal, state or local government (i) asserting a violation or possible violation of any such statute or regulation, and which violations would have a material adverse effect on the business, operations or financial condition of BB&T and the BB&T Subsidiaries taken as a whole, (ii) threatening to revoke any license, franchise, permit or government authorization, or (iii) restricting or in any way limiting its operations. Neither BB&T nor any BB&T Subsidiary is subject to any regulatory or supervisory cease and desist order, agreement, directive, memorandum of understanding or commitment, and none of them has received any communication requesting that they enter into any of the foregoing. Without limiting the generality of the foregoing, each BB&T Subsidiary has timely filed all currency transaction reports required to be filed and taken all other actions required under the Currency and Foreign Transactions Reporting Act as amended, codified at 31 U.S.C. (S) 5301 et seq., and its implementing regulations.

3.14 Certain Information

When the Proxy Statement is mailed, and at all times subsequent to such mailing up to and including the time of the meeting of shareholders of LSB to vote on the Merger, the Proxy Statement and all amendments or supplements thereto, with respect to all information set forth therein furnished by BB&T relating to BB&T, including pro forma information insofar as it relates to BB&T and entities other than LSB and the LSB Subsidiaries, (i) shall comply in all material respects with the applicable provisions of the Securities Laws, and (ii) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

3.15 Employee Benefit Plans

a. BB&T has Previously Disclosed a list of and provided LSB with access to true and complete copies of all stock option, employee stock purchase and stock bonus plans, qualified pension or profit-sharing plans, deferred compensation, bonus or group insurance contracts and any other incentive, welfare or employee benefit plans or agreements maintained for the benefit of employees or former employees of BB&T or any BB&T Subsidiary together with (i) the most recent actuarial and financial reports prepared with respect to any qualified plans, (ii) the most recent annual reports filed with any government agency, and (iii) all rulings and determination letters and any open requests for rulings or letters that pertain to any qualified plan.

b. Neither BB&T nor any other BB&T Subsidiary (or any pension plan maintained by any of them) has incurred any material liability to the Pension Benefit Guaranty Corporation or the Internal Revenue Service with respect to any pension plan qualified under Section 401 of the Code except liabilities to the Pension Benefit Guaranty Corporation pursuant to Section 4007 of ERISA, all of which have been fully paid. No reportable event under Section 4043(b) of ERISA has occurred with respect to any such pension plan.

c. Neither BB&T nor any BB&T Subsidiary participates in, or has incurred any liability under Section 4201 of ERISA for a complete or partial withdrawal from, a multiemployer plan (as such term is defined in ERISA).

d. Except as Previously Disclosed, a favorable determination letter has been issued by the Internal Revenue Service with respect to each "employee pension plan" (as defined in Section 3(2) of ERISA) of BB&T or any BB&T Subsidiary to the effect that such plan is qualified under Section 401 of the Code and tax exempt under Section 501 of the Code. No such letter has been revoked or, to BB&T's knowledge, threatened to be revoked and BB&T does not know of any ground on which such revocation may be based. Neither BB&T nor any BB&T Subsidiary has a material liability under any such plan that is not reflected on the consolidated balance sheet

included in the Financial Statements of BB&T as of December 31, 1992.

e. No prohibited transaction (which shall mean any transaction prohibited by Section 406 of ERISA and not exempt under Section 408 of ERISA or Section 4975 of the Code) has occurred with respect to any employee benefit plan maintained by BB&T or any BB&T Subsidiary (i) which would result in the imposition, directly or indirectly, of a material excise tax under Section 4975 of the Code, or (ii) the correction of which would have a material adverse effect on the business, operations or financial condition of BB&T and the BB&T Subsidiaries taken as a whole.

ARTICLE IV
COVENANTS

4.1 Shareholders' Meeting

LSB shall submit this Reorganization Agreement and the Plan of Merger to its shareholders for approval at a special meeting to be held as soon as practicable, and the Board of Directors of LSB shall recommend that the shareholders vote for such approval.

4.2 Proxy Statement; Registration Statement

BB&T and LSB shall cooperate in the timely preparation and filing of the Registration Statement with the Commission and BB&T shall use its best efforts to cause such Registration Statement to be declared effective under the Securities Act, which Registration Statement, at the time it becomes effective, and on the Effective Date, shall in all material respects conform to the requirements of the Securities Act and the general rules and regulations of the Commission under the Securities Act. The Registration Statement shall include the form of Proxy Statement for the meeting of LSB's shareholders to be held for the purpose of having such shareholders vote upon approval of this Reorganization Agreement and the Plan of Merger. LSB shall cause the Proxy Statement to be mailed to its shareholders. LSB will furnish to BB&T the information required to be included in the Registration Statement with respect to its business and affairs before it is filed with the Commission and again before any amendments are filed, and shall have the right to review and consult with BB&T on the form of, and any characterizations of such information included in, the Registration Statement prior to the filing with the

Commission. BB&T shall take all actions required to register or obtain exemptions from such registration for the BB&T Common Stock to be issued in connection with the transactions contemplated by this Agreement and the Plan of Merger under applicable state "Blue Sky" securities laws, as appropriate.

4.3 Bank Merger Agreement; Applications

a. LSB shall cause Lexington and Community to execute and deliver the Bank Merger Agreement as soon as practicable following BB&T's request therefor and BB&T shall cause Branch Bank-SC to execute and deliver the Bank Merger Agreement at substantially the same time.

b. LSB further agrees to approve, execute and deliver, and to cause appropriate LSB Subsidiaries to approve, execute and deliver, any amendment to this Agreement, the Plan of Merger and the Bank Merger Agreement and any additional plans and agreements requested by BB&T to modify the structure of, or to substitute parties to, the transactions contemplated hereby, provided that such modifications do not adversely affect the economic benefits of such transactions or otherwise abrogate the covenants and other agreements contained in this Agreement.

c. As promptly as practicable after the date hereof, BB&T and LSB shall submit applications for prior approval of the transactions contemplated herein to the Federal Reserve Board, the FDIC and the State Board, and/or any other federal, state or local government agency, department or body the approval of which is required for consummation of the Merger, the Bank Mergers and the other transactions contemplated hereby and thereby. BB&T shall permit LSB to review in advance all such applications and will consult with LSB on all characterizations of the information relating to LSB or the LSB Subsidiaries; provided, however, that any such advance review by LSB shall be reasonably prompt. BB&T promptly shall furnish LSB with copies after filing of applications with these or any other regulatory agencies filed by BB&T or any BB&T Subsidiary. LSB and BB&T each represent and warrant to the other that all information concerning it and its directors, officers and shareholders and concerning its subsidiaries included (or submitted for inclusion) in any such application shall be true, correct and complete in all material respects as of the date presented.

4.4 Best Efforts

BB&T and LSB shall each use its best efforts in good faith, and each of them shall cause its subsidiaries to use their best efforts in good faith, to (i) furnish such information as may be required in connection with and otherwise cooperate in the preparation and filing of the documents referred to in Sections 4.2 and 4.3 above or elsewhere herein, and (ii) take or cause to be taken all action necessary or desirable on its part so as to permit consummation of the Merger and the Bank Mergers, at the earliest possible date, including, without limitation, (a) obtaining the consent or approval of each individual, partnership, corporation, association or other business or professional entity whose consent or approval is required for consummation of the transactions contemplated hereby, provided that neither LSB nor any LSB Subsidiary shall agree to make any payments or modifications to agreements in connection therewith without the prior written consent of BB&T, and (b) requesting the delivery of appropriate opinions, consents and letters from its counsel and independent auditors. Neither BB&T nor LSB shall take, or cause or to the best of its ability permit to be taken, any action that would substantially delay or impair the prospects of completing the Merger pursuant to this Agreement and the Plan of Merger, or the Bank Mergers, provided that nothing herein contained shall preclude BB&T from exercising its rights under the Option Agreement.

4.5 Certain Accounting Matters

a. LSB and BB&T shall consult and cooperate with each other concerning such accounting and financial matters as may be necessary or appropriate to facilitate the Merger and the Bank Mergers (taking into account BB&T's policies, practices and procedures), including without limitation issues arising in connection with record keeping, loan classification, valuation adjustments, levels of loan loss reserves and other accounting practices.

b. LSB shall between the date hereof and the Closing Date maintain (i) the ratio of total loan loss reserves to non-performing assets at not less than 1.00; and (ii) its total loan loss reserves at not less than 1.25% of total loans.

c. LSB agrees, subject to its Board of Directors' fiduciary duties and the limitations of

federal and state law, to increase its dividend to an amount consistent with the amount requested by BB&T and the limitation contained in Section 4.8(b).

4.6 Investigation and Confidentiality

LSB will keep BB&T advised of all material developments relevant to its business and to consummation of the Merger and the Bank Mergers, and BB&T will advise LSB of any material adverse change in its financial condition or operations and all material developments that are likely adversely to affect consummation of the Merger or the Bank Mergers. BB&T and LSB each may make or cause to be made such investigation of the financial and legal condition of the other as such party reasonably deems necessary or advisable in connection with the transactions contemplated herein, provided, however, that such investigation shall be reasonably related to such transactions and shall not interfere unnecessarily with normal operations. BB&T and LSB agree to furnish the other and the other's advisors with such financial data and other information with respect to its business and properties as such other party shall from time to time reasonably request. No investigation pursuant to this Section 4.6 shall affect or be deemed to modify any representation or warranty made by, or the conditions to the obligations hereunder of, either party hereto. Each party hereto shall, and shall cause each of its directors, officers, attorneys and advisors to, maintain the confidentiality of all information obtained in such investigation which is not otherwise publicly disclosed by the other party, said undertaking with respect to confidentiality to survive any termination of this Agreement pursuant to Section 6.1 hereof. In the event of the termination of this Agreement, each party shall return to the furnishing party or, at the request of the furnishing party, destroy and certify the destruction of all confidential information previously furnished in connection with the transactions contemplated by this Agreement.

4.7 Press Releases

BB&T and LSB shall agree with each other as to the form and substance of any press release related to this Reorganization Agreement and the Plan of Merger or the transactions contemplated hereby and thereby, and consult with each other as to the form and substance of other public disclosures related thereto, provided, however, that nothing contained herein shall prohibit either party, following notification to the other party, from making any disclosure which its counsel deems necessary.

4.8 Forbearances of LSB

Except with the prior written consent of BB&T, which consent shall not be withheld on an arbitrary basis or on a basis inconsistent with BB&T's interests as an acquiror of LSB, between the date hereof and the Effective Date, LSB shall not, and shall cause each LSB Subsidiary not to:

(a) carry on its business other than in the usual, regular and ordinary course in substantially the same manner as heretofore conducted, or establish or acquire any new subsidiary or cause or permit any subsidiary to engage in any new activity or expand any existing activities;

(b) declare, set aside, make or pay any dividend or other distribution in respect of its capital stock that would cause the business combination contemplated hereby not to be accounted for as a pooling of interests, as determined by BB&T;

(c) issue any shares of its capital stock other than pursuant to the Option Agreement or the merger of Lexington with The Dorn Banking Company or the LSB Dividend Reinvestment Plan;

(d) issue, grant or authorize any Rights other than pursuant to the Option Agreement or effect any recapitalization, reclassification, stock dividend, stock split or like change in capitalization;

(e) amend its articles of incorporation or by-laws; impose, or suffer the imposition, on any share of stock held by LSB in any LSB Subsidiary of any material lien, charge or encumbrance or permit any such lien to exist; or waive or release any material right or cancel or compromise any material debt or claim other than in the ordinary course of business;

(f) other than completion of the merger with The Dorn Banking Company, merge with any other corporation or bank or permit any other corporation, savings institution or bank to merge into it or consolidate with any other corporation, savings institution or bank; acquire control over any other firm, bank, corporation, savings institution or organization; or liquidate, sell or otherwise dispose of any assets or acquire any assets, other than in the ordinary course of its business;

(g) fail to comply in any material respect with any laws, regulations, ordinances or governmental actions applicable to it and to the conduct of its business except where LSB or any LSB Subsidiary is in good faith contesting the validity of any of the foregoing; or where the failure to so comply will not have a Material Adverse Effect;

(h) increase the rate of compensation of any of its directors, officers or employees, or pay or agree to pay any bonus to, or provide any other employee benefit or incentive to, any of its directors, officers or employees, except in a manner and amount consistent with past practice;

(i) enter into or substantially modify

(except as may be required by applicable law) any pension, retirement, stock option, stock purchase, stock appreciation right, savings, profit sharing, deferred compensation, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement related thereto, in respect of any of its directors, officers or other employees; provided, however, that this subparagraph shall not prevent renewals of any of the foregoing consistent with past practice;

(j) solicit or encourage inquiries or proposals with respect to, furnish any information relating to, or participate in any negotiations or discussions concerning, any acquisition or purchase of all or a substantial portion of the assets of, or a substantial equity interest in, LSB or any LSB Subsidiary or any business combination with LSB or any LSB Subsidiary other than as contemplated by this Agreement; or authorize any officer, director, agent or affiliate of it to do any of the above; or fail to notify BB&T immediately if any such inquiries or proposals are received by, any such information is required from, or any such negotiations or discussions are sought to be initiated with, LSB or any LSB Subsidiary;

(k) enter into (i) any material agreement, arrangement or commitment not made in the ordinary course of business, including, without limitation, agreements or memoranda of understanding with regulatory authorities, (ii) any agreement, indenture or other instrument not made in the ordinary course of business relating to the borrowing of money by LSB or any LSB Subsidiary or guarantee by LSB or any LSB Subsidiary of any such obligation, (iii) any agreement, arrangement or commitment not cancellable by LSB without penalty or cost within 30 days after the Effective Date relating to the employment or severance of a consultant or the employment, severance, election or retention in office of any present or former director, officer or employee (this clause shall not apply to the normal election of directors by shareholders and the election of officers by directors not pursuant to a specific agreement, arrangement or commitment not Previously Disclosed); or (iv) any contract, agreement or understanding with a labor union;

(l) change its lending, investment or asset liability management policies in any material respect except as may be required by applicable law, regulation, or directives, and except that after approval of the Plan of Merger by its shareholders LSB shall, and shall cause the LSB Subsidiaries to, cooperate in good faith with BB&T to adopt policies, practices and procedures consistent with those utilized by BB&T, effective on or before the Closing Date;

(m) change its methods of accounting in effect at December 31, 1992, except as required by changes in generally accepted accounting principles concurred in by its independent certified public accountants, or change any of its methods of reporting income and deductions for federal income tax purposes from those employed in the preparation of its federal income tax returns for the year ended December 31, 1992, except as required by changes in law or regulation; or

(n) agree to do any of the foregoing.

4.9 Plan of Merger; Reservation of Shares

a. On the Effective Date, the Merger shall be effected in accordance with the Plan of Merger attached hereto as Annex A. In this connection, BB&T undertakes and agrees (i) to adopt and to cause BB&T-SC to adopt the Plan of Merger; (ii) to vote the shares of BB&T-SC Common Stock for approval of the Plan of Merger; and (iii) to pay or cause to be paid when due the number of shares of BB&T Common Stock to be distributed pursuant to Article V of the Plan of Merger and any cash required to be paid for fractional shares pursuant to Article V, Paragraph 9 of the Plan of Merger.

b. BB&T shall reserve for issuance such number of shares of BB&T Common Stock as shall be necessary to pay the consideration to be distributed to LSB's stockholders as contemplated in Article V, Paragraph 1 of the Plan of Merger. If at any time the aggregate number of shares of BB&T Common Stock remaining unissued (or in treasury) shall not be sufficient to effect the Merger, BB&T shall take all appropriate action to increase the amount of the authorized BB&T Common Stock.

4.10 Certain Agreements

BB&T shall enter into employment agreements with those LSB Employees as have been Previously Disclosed on the terms Previously Disclosed.

4.11 Closing; Articles of Merger

The transactions contemplated by this Agreement, the Plan of Merger and the Bank Merger Agreement shall be consummated at one or more closings to be held at the executive offices of BB&T, or such other place as shall be agreed to by BB&T and LSB, on the first business day following satisfaction of the conditions to consummation of the Merger and the Bank Mergers set forth in Article V hereof, such later date within 30 days thereafter as may be specified by BB&T, or such later date as the parties may otherwise agree. The Merger shall become effective upon the Effective Date, which shall be the time and date specified in the Articles of Merger evidencing the Merger, as filed with the Secretary of State of South Carolina. The Bank Mergers may be consummated as of the Effective Date or such later date as BB&T shall specify.

4.12 Affiliates

LSB and BB&T shall cooperate and use their best efforts to identify those persons who may be deemed to be "affiliates" of LSB within the meaning of Rule 145 promulgated by the Commission under the Securities Act. LSB shall use its best efforts to cause each person so identified to deliver to BB&T at least 30 days prior to the Effective Date a written agreement providing that such person will not dispose of BB&T Common Stock received in the Merger except in compliance with the Securities Act and the rules and regulations promulgated thereunder.

4.13 Indemnification and Insurance.

a. Prior to the Effective Date, each director of LSB, Lexington and Community and each officer of LSB, Lexington and Community who is currently entitled to indemnification pursuant to South Carolina Law shall be indemnified in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, arising out of or in connection with this Agreement, the Option Agreement or any of the transactions contemplated hereby or thereby, by BB&T to the fullest extent permitted by law in effect at the time the act was committed against (a) reasonable expenses, including attorney's fees, actually and necessarily incurred by him or her in connection therewith, and (b) reasonable payments made by him in satisfaction of any judgment, money decree, fine, penalty or settlement for which he may have become liable in any such action, suit or proceeding; provided, however, that BB&T will not indemnify any person against liability or litigation expense such person may incur on account of activities which were at the time taken known or believed by such person to be clearly in conflict with the best interest of LSB or BB&T or, with respect to any criminal action or proceeding, activities which the indemnitee had reasonable cause to believe were unlawful. To the fullest extent permitted by law, for all sums for which there is a right of indemnification, BB&T shall pay said sums from time to time in advance of the final disposition of the action, suit or proceedings; provided, however, that the payment of expenses incurred by a director or officer in his capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer) in advance of the final disposition of a proceeding shall be made only upon delivery to BB&T of an undertaking, by or on behalf of such director or officer, to repay all amounts so

advanced if it shall ultimately be determined that the director or officer is not entitled to be indemnified under this Section or otherwise. BB&T agrees to take all actions as may be necessary and appropriate to authorize BB&T to pay the indemnification required by this Section, including without limitation, to the extent needed, making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him and given notice to, and obtaining approval by, the shareholders of BB&T to the extent required by law.

b. Following the Effective Date, each director of LSB, Lexington and Community and each officer of LSB, Lexington and Community who is currently entitled to indemnification pursuant to South Carolina law shall be indemnified, in accordance with BB&T-SC's by-law provisions, to the maximum extent permitted under South Carolina and federal law, if applicable.

c. BB&T agrees to purchase and to keep in force directors' and officers' liability insurance to provide coverage for actions or omissions by directors and officers of LSB, Lexington and Community for claims made for the period commencing with and after the Effective Date; provided, however, that such insurance will be provided only if, and to the extent that, any similarly situated officer or director of BB&T is insured from time to time.

4.14 Employees and Employee Benefit Plans

a. (i) Upon the Effective Date, each person who is an employee of LSB or the LSB Subsidiaries as of such Effective Date (individually an "Employee") shall automatically become an employee of the Surviving Corporation (as defined in the Plan of Merger) or Branch Bank-SC, as the case may be, upon substantially the same terms and conditions of employment, including compensation and benefits, and comparable responsibilities that each Employee had on the day before the Effective Date.

(ii) Each such Employee shall remain an Employee for a period of at least two years following the Effective Date, subject to satisfactory performance of duties.

(iii) Notwithstanding Section 4.14(ii), whether before or after the two year period described in such section, no Employee shall be terminated or have his or her salary reduced involuntarily as a result of

the Merger. This Section 4.14(a)(iii) is not intended to confer, and should not be construed to confer, any right upon or contract in favor of any Employee of the Surviving Corporation.

(iv) Notwithstanding Sections 4.14(a)(i)-(iii), nothing contained herein shall restrict the ability of the Surviving Corporation or Branch Bank-SC to dismiss any Employee, if such dismissal is for "Just Cause." For purposes of this provision, termination for "Just Cause" shall include personal dishonesty or willful violation of any federal, state or local law, rule or regulation (other than traffic violations or similar offenses) or a final cease and desist order, conviction of a felony or of a misdemeanor involving moral turpitude, unethical business practices in connection with the Surviving Corporation's business, misappropriation of the Surviving Corporation's assets, incompetence, or intentional failure to perform stated duties. In addition to the foregoing, if any Employee is terminated within the two-year period for any reason and at any time, such termination shall be effected only if such termination shall have been approved in writing by any two of Raymond S. Caughman, Robert N. Hubbs and David S. Hipp, or, if less than two of them are at the time employed by Branch Bank-SC, any two members of the Board of Directors of Branch Bank-SC who were, on the Effective Date, directors of LSB.

b. Each Employee shall be eligible to receive group hospitalization, medical, life, disability and other benefits comparable to those provided to the present employees of BB&T without the imposition of any waiting period or limitation on pre-existing conditions; provided, however, such benefits shall not in the aggregate to all Employees as a group be less in amount or value than those presently provided by LSB and the LSB Subsidiaries; and provided, further, that any Employee who is, on the Effective Date, entitled to 5 weeks of paid vacation per year shall continue to be entitled to 5 weeks paid vacation per year for the duration of the Employee's employment with BB&T and the BB&T Subsidiaries.

c. Following the Bank Mergers, LSB shall cause Lexington's pension plan and 401(k) plan to be merged with the 401(k) plans maintained by BB&T and the BB&T Subsidiaries or be terminated. The parties shall reach agreement as to the appropriate method of accomplishing this result (either termination or merger) as soon as practicable. If the LSB Plan is terminated, the rights

and interests of the employees of LSB and the LSB Subsidiaries in such plans shall become fully vested, with each participating Employee having the right or option either to receive the benefits to which they are entitled as a result of the termination of the Plan or to have such benefits "rolled" into the 401(k) Plan maintained by BB&T and the BB&T Subsidiaries for the benefit of their employees, and on the same basis and applying the same eligibility standards as would apply to employees of BB&T and the BB&T subsidiaries. Following the Bank Mergers, the Employees of LSB and the

LSB Subsidiaries shall be entitled to participate, to the same extent and on the same terms as the employees of BB&T, in any retirement, pension or similar plans in effect for the benefit of the employees of BB&T (other than any employee stock ownership plan established for the benefit of certain of BB&T's employees) which when considered as a whole for all Employees considered as a group shall be no less favorable in the aggregate than the benefits currently provided to the Employees of LSB, Lexington and Community.

d. For purposes of participating in all plans and benefits of BB&T, such Employees shall receive credit for their period of service to LSB and the LSB Subsidiaries for participation and vesting purposes only.

e. Nothing in this Agreement shall detract from any rights of any Employee under any Previously Disclosed written employment agreement, except as may otherwise be agreed to by any Employee.

f. To the extent that this Section 4.14 contemplates or requires the taking of action or forbearance by any subsidiary of BB&T, BB&T shall cause such subsidiary to take such action or to so forbear.

4.15 Forbearances of BB&T

Except with the prior written consent of LSB, which consent shall not be arbitrarily or unreasonably withheld, between the date hereof and the Effective Date, neither BB&T nor any BB&T Subsidiary shall:

a. exercise the Option Agreement other than in accordance with its terms, or dispose of the shares of LSB Common Stock issuable upon exercise of the option rights conferred thereby other than as permitted or contemplated by the terms thereof;

b. enter into a merger or other business combination transaction with any other corporation or person in which BB&T would not be the surviving or continuing entity after the consummation thereof;

c. sell or lease all or substantially all of the assets and business of BB&T; or

d. declare an extraordinary or special dividend or distribution on its common stock in an amount equal to more than 10% of BB&T's stockholders' equity as reflected on the Financial Statements of BB&T as of the three months ended prior to such payment.

4.16 Membership on the Board of Directors

a. Upon consummation of the Merger, BB&T shall cause each of the members of the Board of Directors of LSB to become members of the Board of Directors of Branch Bank-SC and shall use its best efforts to cause such members to remain members of such board until they reach age 70, subject to the fiduciary duties of the members of the Board of Directors of Branch Bank-SC. Further, BB&T shall cause (i) each such member's compensation to be the greater of (a) $8,400 per year (plus $100 for each special meeting not held on the day of a regular board meeting), plus reasonable travel expenses, or (b) the compensation paid to the members of the Branch Bank-SC Board of Directors as of the Effective Date; and (ii) all benefits as have been Previously Disclosed which are presently provided to or made available to such members to be continued.

b. Upon consummation of the Merger, BB&T shall cause two members of the board of directors of LSB designated by the board of directors of LSB (the "LSB Designees") to become members of the Board of Directors of BB&T. Thereafter, for a period of at least five years, subject to the fiduciary duties of the members of the Board of Directors of BB&T, BB&T agrees to recommend to the Nominating Committee of the BB&T Board of Directors the nomination of the LSB Designees for reelection and inclusion as part of the slate of directors recommended by the Nominating Committee for the Board of Directors of BB&T. In the event that either or both of the LSB Designees is unable or unwilling to serve as a director during such five-year period, BB&T shall substitute, to the extent practicable and consistent with the limitations described in this subparagraph, a person or persons who as of the date hereof are members of the Board of Directors of LSB. BB&T further agrees that after such five year period, subject to the fiduciary duties of the members of the BB&T Board of Directors, BB&T will continue to use its best efforts to recommend to the Nominating Committee of the BB&T Board of Directors the nomination to the BB&T Board of Directors of at least one person who resides in the current LSB market area.

4.17 Community Benefits

a. BB&T will maintain an operations center in Lexington for at least two years after the Effective Date. BB&T will also consider locating facilities and expanding employment opportunities in LSB's current market area when doing so would not impose an economic burden on BB&T or be inconsistent with BB&T's business plans.

b. BB&T will make, or cause to be made, charitable and civic contributions, consistent with its philosophy in making charitable or civic contributions, in the communities served by the LSB Subsidiaries in amounts of not less than $1 million between the date hereof and December 31, 1996. Larger contributions may be made in the form of five-year pledges. BB&T will consult with the persons who are directors of LSB on the Effective Date to determine which organizations will receive such contributions.

4.18 Dissenters' Rights

LSB shall give BB&T prompt notice of any purported exercise of dissenters' rights and BB&T shall have the right to participate in all negotiations and proceedings with respect to any such demands. LSB shall not, without the prior written consent of BB&T, voluntarily make any payment with respect to, or settle or offer or agree to settle, any such demand for payment.

ARTICLE V
CONDITIONS PRECEDENT

5.1 Conditions Precedent -- BB&T and LSB

The respective obligations of BB&T and LSB to effect the transactions contemplated by this Agreement shall be subject to satisfaction or waiver of the following conditions at or prior to the Effective Date:

(a) All corporate action necessary to authorize the execution, delivery and performance of this Reorganization Agreement, the Plan of Merger, the Option Agreement and the Bank Merger Agreement and consummation of the transactions contemplated hereby and thereby shall have been duly and validly taken, including without limitation the approval of the shareholders of

LSB;

(b) The Registration Statement (including any post-effective amendments thereto) shall be effective under the Securities Act, and BB&T and LSB shall have received all state securities or "Blue Sky" permits or other authorizations, or confirmations as to the availability of an exemption from registration requirements as may be necessary and no proceedings shall be pending or to the knowledge of BB&T threatened by the Commission or any state "Blue Sky" securities administration to suspend the effectiveness of such Registration Statement; and the BB&T Common Stock to be issued as contemplated in the Plan of Merger shall have either been registered or be subject to exemption from registration under applicable state securities laws;

(c) Neither BB&T, any BB&T Subsidiary, LSB nor any LSB Subsidiary shall be subject to any order, decree or injunction of a court or agency of competent jurisdiction which enjoins or prohibits consummation of the transactions contemplated by this Reorganization Agreement; and

(d) LSB and BB&T shall have received an opinion of BB&T's counsel or tax advisor in form and substance satisfactory to LSB and BB&T substantially to the effect that the Merger and the Bank Mergers will constitute one or more reorganizations under Section 368 of the Code and that the shareholders of LSB will not recognize any gain or loss to the extent that such shareholders exchange shares of LSB Common Stock for shares of BB&T Common Stock.

5.2 Conditions Precedent -- LSB

The obligations of LSB to effect the transactions contemplated by this Agreement shall be subject to satisfaction of the following additional conditions at or prior to the Effective Date unless waived by LSB pursuant to Section 6.4 hereof:

(a) The representations and warranties of BB&T set forth in Article III hereof shall be true and correct in all material respects as of the date of this Agreement and as of the Effective Date as though made on and as of the

Effective Date (or on the date when made in the case of any representation and warranty which specifically relates to an earlier date), except as otherwise contemplated by this Reorganization Agreement or consented to in writing by LSB (which consent may not be unreasonably withheld);

(b) BB&T shall have in all material respects performed all material obligations and complied with all material covenants required by this Agreement;

(c) BB&T shall have delivered to LSB a certificate, dated the Effective Date and signed by its Chairman or President, to the effect that the conditions set forth in Sections 5.1(a), 5.1(b), 5.1(e), 5.2(a), 5.2(c) and 5.2(f), to the extent applicable to BB&T, have been satisfied and that there are no actions, suits, claims, governmental investigations or procedures instituted, pending or, to the best of his knowledge, threatened that reasonably may be expected to have a material adverse effect on BB&T or that present a claim to restrain or prohibit the transactions contemplated herein or in the Plan of Merger or in the Bank Merger Agreement;

(d) LSB shall have received such opinions of the General Counsel to BB&T as to matters of North Carolina, and other counsel as to matters of federal law, as it shall reasonably request;

(e) All approvals of the transactions contemplated herein from the Federal Reserve Board, the FDIC, the State Board and any other state or federal government agency, department or body, the approval of which is required for the consummation of the Merger (but not the Bank Mergers), shall have been received and all waiting periods with respect to such approvals shall have expired; and

(f) LSB shall not have reasonably determined in good faith that there has been a material adverse change in the condition, operations or prospects of BB&T since December 31, 1992.

5.3 Conditions Precedent -- BB&T

The obligations of BB&T to effect the transactions contemplated by this Agreement shall be subject to satisfaction of the following additional conditions at or prior to the Effective Date, unless waived by BB&T pursuant to Section 6.4 hereof:

(a) The representations and warranties of LSB set forth in Article II hereof shall be true and correct in all material respects as of the date of this Agreement and as of the Effective Date as though made on and as of the Effective Date (or on the date when made in the case of any representation and warranty which specifically relates to an earlier date), except as otherwise contemplated by this Agreement or consented to in writing by BB&T (which consent may not be unreasonably withheld);

(b) The parties hereto shall have received all regulatory approvals required in connection with the transactions contemplated by this Reorganization Agreement, all notice periods and waiting periods required after the granting of any such approvals shall have passed, and all such approvals shall be in effect; provided, however, that no such approval shall have imposed any condition or requirement which, in the reasonable opinion of the Board of Directors of BB&T, would so materially adversely affect the business or economic benefits of the transactions contemplated by this Agreement as to render consummation of such transactions inadvisable or unduly burdensome;

(c) LSB shall have in all material respects performed all material obligations and complied with all material covenants required by this Agreement;

(d) LSB shall have delivered to BB&T a certificate, dated the Effective Date and signed by its Chairman or President, to the effect that the conditions set forth in Sections 5.1(a), 5.1(b), 5.3(a), 5.3(b) and 5.3(c), to the extent applicable to LSB, have been satisfied and that there are no actions, suits, claims, governmental investigations or procedures instituted, pending or, to the best of his knowledge, threatened that reasonably may be expected to have a Material Adverse Effect on LSB or that present a claim to restrain or prohibit the transactions contemplated herein or in the Plan of Merger;

(e) BB&T shall have received such opinions of counsel as it shall reasonably request;

(f) BB&T shall not have reasonably determined in good faith that there has been a material adverse change in the condition, operations or prospects of LSB, Lexington or Community since December 31, 1992;

(g) BB&T shall have received the written agreements from affiliates as specified in Section 4.12 hereof;

(h) BB&T shall have determined that the transactions contemplated herein qualify for accounting treatment as a pooling of interests; and

(i) Dissenters' rights pursuant to Section 33-13-210 of the SCBCA with respect to the Merger shall not have been exercised by the holders of more than 10% of the outstanding LSB common stock.

ARTICLE VI
TERMINATION, WAIVER AND AMENDMENT

6.1 Termination

This Agreement may be terminated:

(a) at any time on or prior to the Effective Date, by the mutual consent in writing of the parties hereto;

(b) at any time on or prior to the Effective Date, by BB&T in writing if LSB has, or by LSB in writing if BB&T has, in any material respect, breached (i) any covenant or undertaking contained herein, in the Plan of Merger, in the Option Agreement or the Bank Merger Agreement, or (ii) any representation or warranty contained herein, which breach has been materially adverse, and, in the case of (i) or (ii), if such breach

has not been cured by the earlier of 30 days after the date on which written notice of such breach is given to the party committing such breach or the Effective Date;

(c) on the Effective Date, by either party hereto in writing, if any of the conditions precedent to the obligations of such party to consummate the transactions contemplated hereby have not been satisfied or fulfilled;

(d) at any time, by either party hereto in writing, if any of the applications for prior approval referred to in Section 4.3 hereof are denied, and the time period for appeals and requests for reconsideration has run;

(e) at any time, by either party hereto in writing, if the shareholders of LSB do not approve the transactions contemplated herein;

(f) by either party hereto in writing, if the Effective Date has not occurred by the close of business on January 31, 1995;

(g) at any time, by either party hereto in writing if the BB&T Average Closing Price is less than $26.00 or higher than $36.00;

(h) at any time prior to April 30, 1994, by BB&T in writing, if BB&T determines in its sole good faith judgment that the financial condition, business or prospects of LSB are materially adversely different from what was reasonably expected by BB&T after the performance of its due diligence prior to the execution of this Agreement; provided that BB&T shall inform LSB upon such termination as to the reasons for BB&T's determination; and, provided further, that this Section 6.1(h) shall not limit in any way the due diligence investigation of LSB which BB&T may perform or otherwise affect any other rights which BB&T has after the date hereof and after April 30, 1994, under the terms of this Agreement; and

(i) at any time prior to April 30, 1994, by

LSB in writing, if LSB determines in its sole good faith judgment that the financial condition, business or prospects of BB&T (as such condition, business or prospects may affect the market price of BB&T Common Stock) are materially different

from what was reasonably expected by LSB after the performance of its due diligence prior to the execution of this Agreement; provided that LSB shall inform BB&T upon such determination as to the reasons for LSB's determination; and provided, further, that this Section 6.1(i) shall not limit in any way the due diligence investigation of BB&T which LSB may perform or otherwise affect any other rights which LSB has after the date hereof and after April 30, 1994, under the terms of this Agreement; and

(j) at any time, by either party hereto in writing, if such party determines in good faith that any condition precedent to such party's obligations to consummate the Merger and/or the Bank Mergers is or would be impossible to satisfy, provided that the terminating party has given the other party notice with respect thereto at least ten days prior to such termination and has given the other party a reasonable opportunity to discuss the matter with a view to achieving a mutually acceptable resolution.

6.2 Effect of Termination

In the event this Agreement or the Plan of Merger is terminated pursuant to Section 6.1 hereof, both this Agreement and the Plan of Merger shall become void and have no effect, except that (i) the provisions hereof relating to confidentiality and expenses set forth in Sections 4.6 and 7.1, respectively, shall survive any such termination and (ii) a termination pursuant to Section 6.1(b) hereof shall not relieve the breaching party from liability for an uncured breach of the covenant or agreement giving rise to such termination.

6.3 Survival of Representations, Warranties and Covenants

All representations, warranties and covenants in this Agreement or the Plan of Merger or in any instrument delivered pursuant hereto or thereto shall expire on, and be terminated and extinguished at, the

Effective Date other than covenants that by their terms are to be performed after the Effective Date, provided that no such representations, warranties or covenants shall be deemed to be terminated or extinguished so as to deprive BB&T or LSB (or any director, officer or controlling person thereof) of any defense at law or in equity which otherwise would be available against the claims of any person, including, without limitation, any

shareholder or former shareholder of either BB&T or LSB, the aforesaid representations, warranties and covenants being material inducements to consummation by BB&T and LSB of the transactions contemplated herein.

6.4 Waiver

Except with respect to any required regulatory approval, each party hereto by written instrument signed by an executive officer of such party, may at any time (whether before or after approval of the Agreement and the Plan of Merger by the shareholders of LSB) extend the time for the performance of any of the obligations or other acts of the other party hereto and may waive (i) any inaccuracies of the other party in the representations or warranties contained in this Agreement, the Plan of Merger or any document delivered pursuant hereto or thereto, (ii) compliance with any of the covenants, undertakings or agreements of the other party, or satisfaction of any of the conditions precedent to its obligations, contained herein or in the Plan of Merger, or (iii) the performance by the other party of any of its obligations set out herein or therein; provided that no such waiver or amendment or supplement pursuant to Section 6.5 hereof executed after approval of this Agreement and the Plan of Merger by the shareholders of LSB shall reduce either the number of shares of BB&T Common Stock into which each share of LSB Common Stock shall be converted in the Merger or the payment terms for fractional interests.

6.5 Amendment or Supplement

This Agreement and the Plan of Merger may be amended or supplemented at any time by mutual agreement of BB&T and LSB subject to the proviso to Section 6.4 hereof. Any such amendment or supplement must be in writing and approved by their respective boards of directors.

ARTICLE VII
MISCELLANEOUS

7.1 Expenses

Each party hereto shall bear and pay all costs and expenses incurred by it in connection with the transactions contemplated by this Reorganization Agreement, including fees and expenses of its own financial consultants, accountants and counsel, except that BB&T and LSB shall each bear and pay 50 percent for the cost of printing the Proxy Statement. Notwithstanding the foregoing, BB&T shall reimburse LSB for all reasonable out-of-pocket expenses incurred by LSB in connection with the transactions contemplated by this Agreement if this Agreement is terminated; provided, however, that BB&T's obligation to reimburse LSB for such expenses shall not apply if LSB materially breaches any provision of this Agreement, the Plan of Merger, the Bank Merger Agreement or the Option Agreement.

7.2 Entire Agreement

This Agreement, the Plan of Merger, the Option Agreement and the Bank Merger Agreement contain the entire agreement between the parties with respect to the transactions contemplated hereunder and thereunder and supersedes all prior arrangements or understandings with respect thereto, written or oral, other than documents referred to herein or therein. The terms and conditions of this Agreement, the Plan of Merger, the Option Agreement and the Bank Merger Agreement shall inure to the benefit of and be binding upon the parties hereto and thereto and their respective successors. Nothing in this Agreement, the Plan of Merger, the Option Agreement and the Bank Merger Agreement, expressed or implied, is intended to confer upon any party, other than the parties hereto and thereto, and their respective successors, any rights, remedies, obligations or liabilities other than as set forth in Sections 4.10, 4.13, 4.14 and 4.16 hereof.

7.3 No Assignment

Neither of the parties hereto may assign any of its rights or obligations under this Reorganization Agreement to any other person.

7.4 Notices

All notices or other communications which are required or permitted hereunder shall be in writing and sufficient if delivered personally or sent by overnight express or by registered or certified mail, postage prepaid, addressed as follows:

If to LSB:

L.S.B. Bancshares, Inc. of South Carolina
309 Columbia Avenue
P.O. Box 8
Lexington, South Carolina 29071
Attention: Raymond S. Caughman

With a required copy to:

Sinkler & Boyd, P.A.
Suite 1200, The Palmetto Center
1426 Main Street
Columbia, South Carolina 29201
Attention: George S. King, Jr.

If to BB&T:

BB&T Financial Corporation
223 West Nash Street
Wilson, North Carolina 27893
Attention: John A. Allison IV

With a required copy to:

Arnold & Porter
1200 New Hampshire Avenue, N.W.
Washington, D.C. 20036
Attention: L. Stevenson Parker

7.5 Captions

The captions contained in this Reorganization Agreement are for reference purposes only and are not part of this Agreement.

7.6 Counterparts

This Reorganization Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

7.7 Governing Law

This Reorganization Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina applicable to agreements made and entirely to be performed within such jurisdiction except to the extent federal law may be applicable.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Reorganization Agreement to be executed in counterparts by their duly authorized officers and their corporate seal to be hereunto affixed and attested by their officers thereunto duly authorized, all as of the day and year first above written.

Attest	BB&T FINANCIAL CORPORATION
	By
(SEAL)	
Attest	L.S.B. BANCSHARES, INC. OF SOUTH CAROLINA
	By
(SEAL)	

ANNEX A

PLAN OF MERGER OF
L.S.B. BANCSHARES, INC. OF SOUTH
CAROLINA WITH AND INTO BB&T FINANCIAL
CORPORATION OF SOUTH CAROLINA

PLAN OF MERGER ("Plan of Merger") dated as of

December 7, 1993, by and between L.S.B. BANCSHARES, INC. OF SOUTH CAROLINA ("LSB"), a South Carolina corporation having its principal office at 309 Columbia Avenue, P.O. Box 8, Lexington, South Carolina 29071 and BB&T FINANCIAL CORPORATION OF SOUTH CAROLINA ("BB&T-SC"), a South Carolina corporation having its principal office at 416 East North Street, Greenville, South Carolina, and joined in by BB&T FINANCIAL CORPORATION ("BB&T"), a North Carolina corporation having its principal office at 223 West Nash Street, Wilson, North Carolina 27893.

W I T N E S S E T H

WHEREAS, LSB is a bank holding company incorporated under the laws of South Carolina, the authorized capital stock of which consists of 5,000,000 shares of common stock, par value $2.50 per share ("LSB Common Stock") of which, at the date hereof, 2,688,028 shares are issued and outstanding; and

WHEREAS, BB&T-SC is a bank holding company incorporated under the laws of South Carolina, the authorized capital stock of which consists of 20,000,000 shares of common stock, par value $2.50 per share, 1,427,188 of which are issued and outstanding at the date hereof; and

WHEREAS, BB&T is a bank holding company incorporated under the laws of North Carolina, the authorized capital stock of which consists of 50,000,000 shares of common stock, par value $2.50 per share ("BB&T Common Stock"), __________ of which are issued and outstanding at the date hereof, and 4,000,000 shares of preferred stock, par value $2.50 per share, none of which are issued or outstanding; and

WHEREAS, the respective Boards of Directors of LSB, BB&T-SC and BB&T deem the merger of LSB with and into BB&T-SC, under and pursuant to the terms and conditions herein set forth or referred to, desirable and in the best interests of the respective corporations and their respective shareholders, and the respective Boards of Directors of LSB, BB&T-SC and BB&T have adopted resolutions approving this Plan of Merger and, in the case of BB&T and LSB, an Agreement and Plan of Reorganization dated as of December 7, 1993 ("Reorganization Agreement"); and

WHEREAS, the Board of Directors of LSB has directed that this Plan of Merger and the Reorganization Agreement be submitted to its shareholders for approval;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, the parties hereto do hereby agree that the Plan of Merger shall be as follows:

ARTICLE I
MERGER AND NAME OF SURVIVING CORPORATION

Subject to the terms and conditions of this Plan of Merger, on the Effective Date (as hereinafter defined), LSB shall be merged with and into BB&T-SC pursuant to the provisions of, and with the effect provided in, Chapter 11 of the South Carolina Business Corporation Act ("SCBCA") (said transaction being hereinafter referred to as the "Merger"). On the Effective Date, the separate existence of LSB shall cease and BB&T-SC, as the surviving corporation, shall continue unaffected and unimpaired by the Merger (BB&T-SC as existing on and after the Effective Date being hereinafter sometimes referred to as the "Surviving Corporation"). The name of the Surviving Corporation shall remain "BB&T Financial Corporation of South Carolina."

ARTICLE II
ARTICLES OF INCORPORATION AND BY-LAWS

The Articles of Incorporation and the By-laws of BB&T-SC in effect immediately prior to the Effective Date shall be the Articles of Incorporation and the By-laws of the Surviving Corporation, in each case until amended in accordance with applicable law.

ARTICLE III
BOARD OF DIRECTORS

On the Effective Date, the Board of Directors of the Surviving Corporation shall consist of those persons

serving as directors of BB&T-SC immediately prior to the Effective Date.

ARTICLE IV
CAPITAL

Each share of capital stock of BB&T-SC issued and outstanding immediately prior to the Effective Date shall, on the Effective Date, continue to be issued and outstanding, and shall be an identical outstanding share of the Surviving Corporation.

ARTICLE V
CONVERSION AND EXCHANGE OF LSB COMMON STOCK;
FRACTIONAL SHARE INTERESTS

On the Effective Date, except as provided in paragraphs 5, 8, 9 and 11 of this Article, each share of LSB Common Stock outstanding immediately prior to the Effective Date shall by virtue of the Merger be converted into and exchanged for the following number of shares of BB&T Common Stock (the "Exchange Ratio"):

(a) in the event that the BB&T Average Closing Price is equal to or less than $30.50 per share, that number (rounded to the nearest ten-thousandth) equal to the Adjustment Factor divided by $30.50;

(b) in the event that the BB&T Average Closing Price is greater than $30.50 and equal to or less than $36.00, that number (rounded to the nearest ten-thousandth) equal to the Adjustment Factor divided by the BB&T Average Closing Price; and

(c) in the event that the BB&T Average Closing Price is greater than $36.00, that number (rounded to the nearest ten-thousandth) equal to the Adjustment Factor divided by 36.00.

In the event that BB&T shall have a record date between December 7, 1993 and the Effective Date for a special distribution to stockholders, a stock split, stock dividend or similar change in capitalization, an equitable and appropriate adjustment shall be made to Paragraph 1(a) and 1(c) hereof to reflect the effect of such distribution or change.

The "BB&T Average Closing Price," as used herein, shall refer to the average of the reported closing price of BB&T Common Stock on the

Nasdaq/National Market System on the ten trading days ("Computation Days") ending on the tenth business day prior to the Effective Date.

The "Adjustment Factor," as used herein, shall refer to that number equal to 2.25 times the LSB Book Value Per Share.

The "LSB Book Value Per Share," as used herein, shall mean LSB's book value per share as of the last day of the calendar month immediately preceding the Effective Date, as determined by Donald G. Jones & Company, P.A., less any gain attributable to such book value between September 30, 1993 and the Closing Date as a result of any extraordinary gain (including, but not limited to, a sale of securities or other assets not in the ordinary course of business) recognized by LSB or The Dorn Banking Company.

On the Effective Date, all shares of LSB Common Stock owned beneficially by LSB or any subsidiary of LSB other than in a fiduciary capacity or in connection with a debt previously contracted and all shares of LSB Common Stock owned by BB&T or owned beneficially by any subsidiary of BB&T other than in a fiduciary capacity or in connection with a debt previously contracted shall be cancelled and no cash, stock or other property shall be delivered in exchange therefor.

On and after the Effective Date, each holder of a certificate or certificates theretofore representing outstanding shares of LSB Common Stock (any such certificate being hereinafter referred to as a "Certificate") may surrender the same to BB&T or its agent for cancellation and each such holder shall be entitled upon such surrender to receive in exchange therefor certificate(s) representing the number of whole shares of BB&T Common Stock to which such holder is entitled as provided herein and a check in an amount equal to the amount of cash, without interest, to which such holder is entitled for any fraction of share under paragraph 9 of this Article. Until so surrendered, each Certificate shall be deemed for all purposes to evidence ownership of the number of shares of BB&T Common Stock into which the shares represented by such Certificates have been changed or converted as aforesaid. No dividend or other distribution payable with respect to

the shares of BB&T Common Stock shall be paid to an entitled former shareholder of LSB until such shareholder surrenders his Certificate or Certificates representing LSB Common Stock for exchange as provided in this paragraph 6. Certificates surrendered for exchange by any person constituting an "affiliate" of LSB for purposes of Rule 145(c) under the Securities Act of 1933, as amended, shall not be exchanged for certificates representing whole shares of BB&T Common Stock until BB&T has received from such person the written agreement contemplated by Section 4.12 of the Reorganization Agreement.

Upon the Effective Date, the stock transfer books of LSB shall be closed and no transfer of LSB Common Stock by such holder shall thereafter be made or recognized.

In the event that prior to the Effective Date the outstanding shares of LSB Common Stock shall have been increased (other than upon consummation of the merger with The Dorn Banking Company or sales through the LSB Dividend Reinvestment Plan), decreased, or changed into or exchanged for a different number or kind of shares or securities by reorganization, recapitalization, reclassification, stock dividend, stock split, or other like change in capitalization, all without BB&T receiving consideration therefor, then an appropriate and proportionate adjustment shall be made in the number and kind of shares of BB&T Common Stock to be thereafter delivered pursuant to this Plan of Merger and the Reorganization Agreement.

Notwithstanding any other provision hereof, each holder of shares of LSB Common Stock who would otherwise have been entitled to receive a fraction of a share of BB&T Common Stock shall receive, in lieu thereof, cash in an amount equal to such fractional part of a share of BB&T Common Stock multiplied by the BB&T Average Closing Price. No such holder shall be entitled to dividends, voting rights or any other shareholder right in respect of any fractional share. All fractional share interests of each holder shall be aggregated, and no such holder shall receive a cash payment equal to, or greater than, the BB&T Average Closing Price.

Promptly after the Effective Date, shares of LSB Common Stock held by holders who did not vote in favor of the Merger and who otherwise perfect dissenters' rights under Section 33-13-210 and 33-13-230 of the SCBCA shall not be converted into or become shares of BB&T Common Stock, but such shares of LSB Common Stock shall represent only the right to receive the "fair value" of such shares as provided in Section 33-13-250 of the SCBCA. If any such holder shall have failed to perfect or shall have effectively withdrawn or lost such dissenters' rights, such shares of LSB Common Stock shall thereupon be deemed to have been converted and become the applicable number of shares of BB&T Common Stock as of the Effective Date without any interest thereon.

Any other provision in this Plan of Merger or the Reorganization Agreement notwithstanding, no party hereto or agent thereof shall be liable to a holder of LSB Common Stock for any amount paid or property delivered in good faith to a public official pursuant to any applicable abandoned property, escheat, or similar law.

ARTICLE VI
EFFECTIVE DATE OF THE MERGER

Articles of Merger evidencing the transactions contemplated herein shall be delivered for filing to the Secretary of State of South Carolina. The Merger shall be effective at the time and on the date specified in such Articles of Merger (such date and time being herein referred to as the "Effective Date").

ARTICLE VII
FURTHER ASSURANCES

If at any time the Surviving Corporation shall consider or be advised that any further assignments, conveyances or assurances are necessary or desirable to vest, perfect or confirm in the Surviving Corporation title to any property or rights of LSB, or otherwise carry out the provisions hereof, the proper officers and directors of LSB, as of the Effective Date, and thereafter the officers of the Surviving Corporation, acting on behalf of LSB, shall execute and deliver any and all property or assignments, conveyances and assurances, and do all things necessary or desirable to vest, perfect or confirm title to such property or rights in the Surviving Corporation and otherwise carry out the provisions hereof.

ARTICLE VIII
CONDITIONS PRECEDENT

The obligations of BB&T, BB&T-SC and LSB to effect the Merger as herein provided shall be subject to satisfaction, unless duly waived, of the conditions set forth in the Reorganization Agreement.

ARTICLE IX
ABANDONMENT AND TERMINATION

Anything contained in this Plan of Merger to the contrary notwithstanding, and notwithstanding adoption hereof by the shareholders of LSB, this Plan of Merger may be terminated and the Merger abandoned as provided in the Reorganization Agreement.

ARTICLE X
MISCELLANEOUS

1. This Plan of Merger may be amended or supplemented at any time by mutual agreement of BB&T, BB&T-SC and LSB. Any such amendment or supplement must be in writing and approved by their respective Boards of Directors and shall be subject to the proviso in Section 6.5 of the Reorganization Agreement.

2. Any notice or other communication required or permitted under this Plan of Merger shall be given, and shall be effective, in accordance with the provisions of the Reorganization Agreement.

3. The headings of the several Articles herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Plan of Merger.

4. This Plan of Merger shall be governed by and construed in accordance with the laws of the State of South Carolina applicable to agreements made and entirely to be performed in such jurisdiction, except to the extent federal law may be applicable.

EXHIBIT (11)

BB&T FINANCIAL CORPORATION AND SUBSIDIARIES
COMPUTATION OF PER SHARE EARNINGS

(thousands, except per share data)	December 31, 1993	December 31, 1992
Primary		
Net income	$ 98,236	$ 76,482
Shares		
Weighted average number of common shares outstanding	31,190,355	28,445,692
Add shares assuming exercise of options reduced by the number of shares which could have been purchased with the proceeds from exercise of such options	533,743	402,965
Primary weighted average number of common shares and equivalent shares	31,724,098	28,848,657
Primary income per common share and equivalent shares	$ 3.10	$ 2.65
Assuming full dilution		
Net income	$ 98,236	$ 76,482
Add after tax interest expense and amortization of issue cost applicable to convertible debentures	380	1,851
Net income adjusted	$ 98,616	$ 78,333
Shares		
Weighted average number of common shares outstanding	31,190,355	28,445,692
Add shares assuming exercise of options reduced by the number of shares which could have been purchased with the proceeds from exercise of such options	543,544	516,589
Add shares assuming conversion of convertible debentures	558,656	1,923,052
Fully diluted weighted average number of shares and equivalent shares	32,292,555	30,885,333
Fully diluted income per share	$ 3.05	$ 2.54

EXHIBIT (22)

BB&T FINANCIAL CORPORATION
SUBSIDIARIES OF THE REGISTRANT

Branch Banking and Trust Company (a state bank organized under the laws of North Carolina).

BB&T Financial Corporation of South Carolina (a bank holding company organized under the laws of South Carolina).

Branch Banking and Trust Company of South Carolina (a state bank organized under the laws of South Carolina), wholly-owned subsidiary of BB&T Financial Corporation of South Carolina.

Citizens Savings Bank, SSB, Inc. (a savings bank organized under the laws of North Carolina).

Mutual Savings Bank of Rockingham County (a savings bank organized under the laws of North Carolina).

Old Stone Bank of North Carolina (a savings bank organized under the laws of North Carolina).

Citizens Savings Bank, SSB (a savings bank organized under the laws of North Carolina).