

Summary Merger Analytics

BB&T Corporation proposed acquisition of Susquehanna Bancshares, Inc.

December 1, 2014



Performance Measurement



Strategic
Management



Profit & Process
Improvement



Board & Management Advisory
Services



Financial
Advisory

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BB&T / SUSQ Summary Merger Analytics

Key Takeaways from the Proposed Transaction

There are a number of important strategic and financial takeaways from the proposed BB&T / Susquehanna transaction. The following highlight the TKG's view on the most important observations.

- **Valuation drives consideration mix:** Reinforces BB&T's belief that BB&T trades on earnings multiples more so than book values. The mix lowers the bar (risk) for eps payback for BB&T (vs. all stock consideration mix). Also provides SUSQ shareholders with eps accretion.
- **Trade-offs exist between fair value adjustments:** The credit mark on the SUSQ portfolio is far greater than SUSQ 9/30/14 credit quality profile indicates. BB&T (and SUSQ shareholders) may get greater eps increase as credit discount is accreted. The high credit mark though increases BB&T's intangibles, which essentially "carries over" SUSQ's goodwill from previous transactions.
- **Acquisition premiums vary by market extension partner:** Highlights growth (or lack thereof) is a key factor in acquisition pricing. Sustainable growth in a franchise (S&T Bancorp, Inc. acquisition of Integrity Bancshares, Inc. for 256% price/book) perceivable as more valuable than slower-growth, cost-savings driven transactions (BB&T / SUSQ at less than book value).
- **Succession planning challenges remain for the industry:** Even in larger organizations that have deep management teams, turning the keys over to a partner is still a viable succession planning alternative.

BB&T / Susquehanna Summary Merger Analytics

Notes and Assumptions

Key Transaction Terms

- I Transaction value: \$2.448 billion
- II \$13.50 per share for Susquehanna Bancshares, Inc. common shareholders
- III \$4.05 per share in cash; .253 BB&T shares for each SUSQ share (70% common stock; 30% cash)
- IV No election by Susquehanna shareholders for consideration mix (each shareholder to receive 70% stock and 30% cash)

Deal Value Measures (for Susquehanna shareholders)

| | |
|---|--------|
| i Deal Price Premium (%) | 36.35 |
| ii Deal Price/LTM EPS (x) | 16.30 |
| iii Deal Price/Book Value (%) | 88.96 |
| iv Deal Price/Tangible Book Value (%) | 168.54 |
| v Deal Price/Deposits (%) | 18.01 |
| vi Franchise Tangible Premium/Core Deposits (%) | 8.64 |

Disclosures made by BB&T Corporation

- a \$13.50 per share offer price; 70% stock and 30% cash
 - Fixed exchange ratio of .253 shares of BB&T for each share of SUSQ plus \$4.05 in cash; exchange ratio based on BB&T avg. closing price for the prior 45 days ended 11/10/14; exchange ratio is fixed
- b Approximately \$160 million in pre-tax savings (when fully phased-in); 32% of SUSQ non-interest expense
 - Susquehanna Bank to be merged into Branch Banking & Trust Co.
- c Transaction expenses of \$250 million (pre-tax)
- d Credit mark of 4.5% on SUSQ loan portfolio
- e Susquehanna options, subject to adjustments, rolled forward
- f No disclosure of other fair value adjustments

Assumptions made by TKG for the purpose of modeling the transaction

- 1 BB&T Corporation & Susquehanna Bancshares, Inc. financial results are as of September 30, 2014 and income statement are for the quarter ended September 30, 2014 (annualized).
- 2 BB&T Corporation financial data restated for pending acquisition of Bank of Kentucky Financial Corp.
- 3 Includes credit marks of 4.50% or \$604.2 million. No fair value adjustment on loans is made for interest rates. SUSQ allowance is reversed.
- 4 Accretion of credit mark not included in calculation of net interest income for proforma BB&T.
- 5 Transaction expenses taken as current period expense and are treated as a direct reduction (after-tax) to proforma BB&T stockholders' equity. This is a non-GAAP approach. Total transaction expenses are estimated to be \$257.0 million.
- 6 Cost of cash assumed to be 2.00%, pre-tax.
- 7 Pre-tax cost savings of \$157.2 million assumed to be realized immediately though BB&T expects to realize the cost savings post-closing over an 18 month period.
- 8 Core deposit intangible assumed to be 1.00% of core deposits and is amortized over six years for book.
- 9 Did not include any fair value adjustments on other assets or on interest bearing liabilities. Borrowings are a plug for the model.
- 10 SUSQ existing trust preferreds are assumed to become obligations of BB&T though over the long-term we expect BB&T to redeem SUSQ's trust preferred securities.
- 11 Goodwill generated by the transaction is estimated at \$1.348 billion if fair value adjustments for other loan adjustments, asset adjustments and interest bearing liabilities are excluded. We expect other fair value adjustments may decrease the amount of goodwill though we expect substantial goodwill to remain.

Source: BBT 8-K 11/11/14; BBT 425 11/17/14; Transcript of 11/12/14 analyst and investor presentation; SUSQ Q3 '14 10-Q



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Summary Accretion (Dilution) Analysis

(dollars in thousands, except per share data)

Financial Data as of 09/30/2014

| | Notes | Impact on shareholders with transaction consideration mix | | | If consideration were 100% stock (Price of \$13.50 and exchange ratio of .3484) | |
|--|-------|---|--------------|---|--|---------|
| | | BB&T | SUSQ "As Is" | SUSQ w/ \$4.05 in cash treated as Return of Capital | BB&T | SUSQ |
| A Book Value Dilution Analysis | | | | | | |
| 1 | | \$30.16 | \$15.17 | \$11.12 | \$30.16 | \$15.17 |
| 2 | | \$30.44 | \$7.70 | \$7.70 | \$30.64 | \$10.67 |
| 3 | | 0.92 | (49.25) | (30.78) | 1.59 | (29.66) |
| B Tangible Book Value Dilution Analysis | | | | | | |
| 4 | | \$19.63 | \$8.01 | \$3.96 | \$19.63 | \$8.01 |
| 5 | | \$18.61 | \$4.71 | \$4.71 | \$19.10 | \$6.65 |
| 6 | | (5.21) | (41.21) | 18.92 | (2.74) | (16.93) |
| C Earnings Dilution Analysis | | | | | | |
| 7 | | \$2.92 | \$0.72 | Not applicable to earnings per share or cash dividends per share though the \$4.05 per share in cash to SUSQ shareholders could be considered either a return of capital or a special cash dividend | \$2.92 | \$0.72 |
| 8 | | \$2.90 | \$0.73 | | \$2.85 | \$0.99 |
| 9 | 4 | (0.64) | 1.92 | | (2.62) | 37.56 |
| 10 | | \$22,061 | | | \$92,574 | |
| 11 | | 4.49 | | | 18.84 | |
| 12 | | \$3.04 | \$0.77 | | \$2.98 | \$1.04 |
| 13 | 4 | 3.92 | 6.60 | | 1.83 | 43.85 |
| D Cash Dividends per Share | | | | | | |
| 14 | | \$0.96 | \$0.36 | | \$0.96 | \$0.36 |
| 15 | | \$0.96 | \$0.24 | | \$0.96 | \$0.33 |
| 16 | | 0.00 | (32.53) | | 0.00 | (7.09) |
| E Ownership Analysis | | | | | | |
| 17 | | 94.23 | | | 91.96 | |
| 18 | | | 5.77 | | | 8.04 |

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Summary Balance Sheet and Financial Condition Measures

| (dollars in thousands, except per share data) | | | Percent of | | Percent of | | |
|---|-------|----------------------|--------------|---------------------|-------------|----------------------|----------------------|
| Financial Data as of 09/30/2014 | Notes | BBT | Comb. (%) | SUSQ | Comb. (%) | Adjustments | Proforma |
| Balance Sheet: | | | | | | | |
| 1 Cash & Investments | a, 5 | \$41,943,018 | 92.95 | \$3,182,500 | 7.05 | (\$991,237) | \$44,134,282 |
| 2 Loans | 3 | 121,941,057 | 90.08 | 13,425,721 | 9.92 | (604,157) | 134,762,621 |
| 3 Less: Allowance | 3 | (1,504,000) | 91.66 | (136,870) | 8.34 | 136,870 | (1,504,000) |
| 4 Loans, net | | 120,437,057 | 90.06 | 13,288,851 | 9.94 | | 133,258,621 |
| 5 Total Intangibles | 8, 11 | 7,601,330 | 85.40 | 1,299,078 | 14.60 | 163,525 | 9,063,933 |
| 6 Other Assets | | 18,777,870 | 95.85 | 812,898 | 4.15 | 0 | 19,590,768 |
| 7 Total Assets | | \$188,759,275 | 91.04 | \$18,583,327 | 8.96 | (\$1,294,999) | \$206,047,603 |
| 8 Deposits | 9 | \$132,467,819 | 90.70 | \$13,588,524 | 9.30 | 0 | \$146,056,343 |
| 9 Borrowings | 9 | 25,758,557 | 93.95 | 1,658,095 | 6.05 | (89,946) | 27,326,706 |
| 10 Other Liabilities | | 6,147,148 | 93.33 | 439,389 | 6.67 | 0 | 6,586,537 |
| 11 Debt & Trust Preferred Securities | 10 | 0 | 0.00 | 146,059 | 100.00 | 0 | 146,059 |
| 12 Other Preferred Equity | | 2,603,000 | 100.00 | 0 | 0.00 | 0 | 2,603,000 |
| 13 Common Equity | a, 5 | 21,782,751 | 88.79 | 2,751,260 | 11.21 | (1,205,053) | 23,328,958 |
| 14 Total Equity | | 24,385,751 | 89.86 | 2,751,260 | 10.14 | (1,205,053) | 25,931,958 |
| 15 Total Liabilities and Equity | | \$188,759,275 | 91.04 | \$18,583,327 | 8.96 | (\$1,294,999) | \$206,047,603 |
| 17 NPAs/ Assets (%) | | 0.83 | | 0.87 | | | 0.76 |
| 18 Reserves/ NPAs (%) | | 96.10 | | 84.98 | | | 96.10 |
| 19 Loans/Deposits (%) | | 92.05 | | 98.80 | | | 92.27 |
| 20 Equity/Assets (%) | | 12.92 | | 14.80 | | | 12.59 |
| 21 Tangible Common Equity/Assets (%) | | 7.83 | | 8.40 | | | 7.24 |
| 22 Tier 1 Leverage Ratio (%) | | 9.63 | | 9.90 | | | 9.02 |
| 23 Tier 1 Risk-Based Ratio (%) | | 12.18 | | 12.07 | | | 11.39 |
| 24 Total Risk-Based Capital Ratio (%) | | 14.93 | | 13.27 | | | 14.02 |
| 25 Shares Outstanding | | 722,255,602 | | 181,310,000 | | | 766,468,465 |
| 26 Average Diluted Shares | | 731,954,164 | | 185,724,000 | | | 777,243,390 |
| 27 Number of Offices | | 1,874 | 88.44 | 245 | 11.56 | | 2,119 |

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Summary Income Statement and Financial Performance Measures

| (dollars in thousands, except per share data) | | | | | | | |
|---|-------|--------------|----------------------|-----------|----------------------|-----------|-------------|
| Financial Data as of 09/30/2014 | Notes | BBT | Percent of Comb. (%) | SUSQ | Percent of Comb. (%) | Adjust. | Proforma |
| Income Statement: | | | | | | | |
| 1 | | \$2,265,237 | 94.42 | \$133,872 | 5.58 | \$76,811 | \$2,475,921 |
| 2 | | 0 | NA | 0 | NA | | 0 |
| 3 | | 148,000 | 100.00 | 0 | 0.00 | 0 | 148,000 |
| 4 | 4 | 2,117,237 | 94.05 | 133,872 | 5.95 | 76,811 | 2,327,921 |
| 5 | 4, 6 | 5,446,064 | 90.89 | 545,860 | 9.11 | (19,825) | 5,972,099 |
| 6 | | 3,788,380 | 95.75 | 168,068 | 4.25 | | 3,956,448 |
| 7 | 7 | 6,237,652 | 92.70 | 491,244 | 7.30 | (137,996) | 6,590,900 |
| 8 | 8 | | | | | 19,202 | 19,202 |
| 9 | 6 | | | | | 19,825 | 19,825 |
| 10 | | 1.14 | | 0.73 | | | 1.22 |
| 11 | | 8.68 | | 4.89 | | | 9.55 |
| 12 | | 67.55 | | 68.81 | | | 66.38 |
| 13 | | 3.38 | | 3.40 | | | 3.40 |
| 14 | | 3.37 | | 2.67 | | | 3.27 |
| 15 | | 2.05 | | 0.91 | | | 1.96 |
| Market Pricing: | | | | | | | |
| 16 | | \$30.16 | | \$15.17 | | | \$30.44 |
| 17 | | 19.63 | | 8.01 | | | 18.61 |
| 18 | | 2.92 | | 0.72 | | | 2.90 |
| 19 | | 0.96 | | 0.36 | | | 0.96 |
| 20 | | 38.75 | | 9.90 | | | |
| 21 | | 128.48 | | 65.24 | | | |
| 22 | | 197.35 | | 123.60 | | | |
| 23 | | 13.26 | | 13.73 | | | |
| 24 | | 2.48 | | 3.64 | | | |