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Technical Director
File Reference No. EITF – 12C
Financial Accounting Standards Board
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**Proposed Accounting Standards Update:
Business Combinations (Topic 805): Subsequent Accounting
for an Indemnification Asset Recognized at the Acquisition
Date as a Result of a Government Assisted Acquisition of a
Financial Institution**

We appreciate the opportunity to comment on the proposed Accounting Standards Update entitled *Business Combinations (Topic 805): Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution* (“the exposure draft”). BB&T Corporation and its subsidiaries offer full-service commercial and retail banking as well as additional financial services such as insurance, investments, retail brokerage, corporate finance, treasury services, international banking, leasing and trust.

As more fully described below, we support the Financial Accounting Standards Board (“FASB” or “the Board”) in their efforts to resolve the current diversity in practice related to the subsequent measurement of indemnification assets recognized as a result of government-assisted acquisition of a financial institution. In connection with BB&T’s acquisition of Colonial Bank in August 2009, we recognized an indemnification asset totaling approximately \$3.1 billion at the acquisition date, and have subsequently accounted for this asset in a manner consistent with the approach outlined in the exposure draft. We believe that this approach provides for an appropriate degree of symmetry between the accounting for the acquired loans and the related indemnification asset, while at the same time reflecting the contractual limitation associated with the underlying loss-sharing agreement.

We have provided additional feedback to the Board in the responses to certain questions posed in the exposure draft as follows:

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Question #1 - When a reporting entity recognizes an indemnification asset (in accordance with Subtopic 805-20) as a result of a government-assisted acquisition of a financial institution and subsequently a change occurs in the cash flows expected to be collected on the asset subject to indemnification, do you agree that (a) the reporting entity should be required to account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification and that (b) any amortization of changes in value should be limited to the contractual term of the indemnification agreement (that is, the lesser of the term of the indemnification agreement and the remaining term of the indemnified assets)? If not, please explain those aspects of the requirement that you disagree with and why.

As noted above, we agree with the Board's conclusion that reporting entities should be required to account for changes in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification and that such amortization should be limited to the contractual term of the indemnification agreement.

Question 2: Do you agree that the scope of this proposed Update should be limited to indemnification assets (in accordance with Subtopic 805-20) as a result of a government-assisted acquisition of a financial institution? If not, what other indemnification agreements have arisen in practice that the Task Force should consider for which there are concerns about the interpretations of the terms on the same basis and contractual limitations as referred to in paragraph 805-20-35-4?

We are not aware of examples of indemnification assets that have arisen in practice that require consideration by the Board. However, we believe the guidance reflected in the exposure draft should be applied to all indemnification assets and not just those related to government-assisted acquisitions of financial institutions.

Question 4: Do you agree that the proposed amendments should be applied prospectively to any new indemnification assets acquired and to changes in expected cash flows of existing indemnification assets occurring on or after the date of adoption? If not, please explain why.

In regards to existing indemnification assets, we believe that either of the following approaches would be appropriate:

- 1) Retrospective application – using the cash flow estimates that existed at each reporting date and recasting the amortization of the indemnification asset based upon these cash flow, or
- 2) Prospective application – where the remaining unamortized amount would be amortized over the life of the indemnification asset upon adoption

While we believe that retrospective application of changes to accounting guidance generally represents the preferable transitional approach from a consistency perspective,

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in this circumstance we believe that it would be appropriate for the Board to consider a prospective approach. We believe there would be minimal benefits associated with retrospective application – according to the Federal Deposit Insurance Corporation’s (“FDIC”) website; through December 31, 2011 the FDIC had entered into 281 loss sharing agreements, with \$135.5 billion of assets under loss share. As indicated by the table below, the pace of bank failures (and presumably the inception of new loss-sharing agreements) has slowed considerably:

Period	Number of bank failures
January 1 – May 8, 2012	23
Year ended December 31, 2011	92
Year ended December 31, 2010	157
Year ended December 31, 2009	140
Year ended December 31, 2008	25

Given the length of time that has elapsed since the peak of bank failure activity (and presumably the inception of loss sharing agreements), we do not believe that financial statement users would derive a significant benefit from a restatement of indemnification asset accounting to conform with the approach outlined in the exposure draft. Based on our experience, the investing community seeks to understand the accounting for acquired loans, especially impaired loans, and related indemnification assets so they can exclude the results and project a normal yield and activity once the acquisition accounting has run off. We believe that retrospective application has the potential to create confusion related to the accounting for assets covered by loss sharing agreements.

We encourage the Board to consider requiring a prospective application of its updated guidance related to indemnification asset accounting (i.e., apply the new guidance to indemnification assets acquired on or after the effective date of the new standard).

Notwithstanding this conclusion, to the extent that the Board moves forward with its proposed transition approach, we believe that additional implementation guidance related to the application of the proposed amendment should be provided. Specifically, this guidance should clarify how the proposed approach should be implemented:

- Should cumulative cash flow changes, including pre-adoption changes, be amortized over the life of the indemnification asset, once the cash flows are revised post-adoption?

OR

- Should post-adoption cash flow changes be amortized over the life of the indemnification asset, with pre-adoption changes continuing to be amortized over the expected life of the underlying loans?

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We do not support the latter interpretation as it is unnecessarily complicated and does not produce meaningful results.

Question 5: Do you agree that an entity should be permitted to early adopt the proposed amendments? If not, please explain why.

Yes.

Question 8: The proposed amendments would apply to public and nonpublic entities. Should any of the proposed amendments be different for nonpublic entities? If so, please identify those proposed amendments and describe how and why you think they should be different.

In order to ensure consistency between the financial statements of public and nonpublic entities, we are not proponents of separate authoritative guidance for nonpublic entities. Consistent with this view, we do not believe that the proposed amendments should be different for nonpublic entities.

We would be pleased to discuss our comments with the Board members or the FASB staff at your convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read "H. R. Sturkie, III", is written over a light gray rectangular background.

Henry R. Sturkie, III
Assistant Corporate Controller