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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

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WASH. D.C. SECTION

SEC FILE NUMBER
8- 46134

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2002 AND ENDING December 31, 2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BB&T Investment Services, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

200 South College Street, 8th Floor

(No. and Street)

Charlotte

North Carolina

28202

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Debbie Taylor

(704) 954-1168

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers LLP

(Name - if individual, state last, first, middle name)

100 North Tryon Street, Suite 5400

Charlotte

North Carolina

28202

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

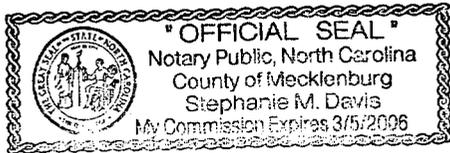
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MAR 18 2003
THOMSON FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

BB
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OATH OR AFFIRMATION

I, Debbie Taylor, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BB&T Investment Services, Inc., as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Stephanie M. Davis
Notary Public

Debbie Taylor
Signature
Senior Vice President
Title

This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of ~~Changes in Financial Condition~~ Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

BB&T Investment Services, Inc.

(A wholly-owned subsidiary of Branch Banking & Trust Company)

**Financial Statements and Supplemental
Information Pursuant to SEC Rule 17a-5
December 31, 2002**

BB&T Investment Services, Inc.
(A wholly-owned subsidiary of Branch Banking & Trust Company)
Financial Statements and Supplemental Information
December 31, 2002

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AND SUPPLEMENTAL INFORMATION**

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Report of Independent Accountants

To the Board of Directors and Shareholder of
BB&T Investment Services, Inc.

In our opinion, the accompanying statement of financial condition and the related statements of income, of changes in shareholder's equity and of cash flows present fairly, in all material respects, the financial position of BB&T Investment Services, Inc. (the "Company"), a wholly-owned subsidiary of Branch Banking & Trust Company, at December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers 

February 27, 2003

BB&T Investment Services, Inc.
(A wholly-owned subsidiary of Branch Banking & Trust Company)
Statement of Financial Condition
December 31, 2002

Assets

Cash and cash equivalents	\$ 2,189,977
Securities owned, at fair value	50,962,993
Receivable from clearing broker	295,992
Commissions and fee receivable	1,639,614
Furniture, equipment and software at cost, less accumulated depreciation of \$1,341,628	1,285,900
Other assets	<u>94,266</u>
Total assets	<u>\$ 56,468,742</u>

Liabilities and Shareholder's Equity

Accounts payable and other accrued liabilities	\$ 886,619
Compensation payable	577,961
Payable to Parent	9,904
Income taxes payable to Parent	<u>1,415,252</u>
Total liabilities	<u>2,889,736</u>
Paid-in-capital	2,763,207
Retained earnings	<u>50,815,799</u>
Total shareholder's equity	<u>53,579,006</u>
Total liabilities and shareholder's equity	<u>\$ 56,468,742</u>

The accompanying notes are an integral part of these financial statements.

BB&T Investment Services, Inc.
(A wholly-owned subsidiary of Branch Banking & Trust Company)
Statement of Income
December 31, 2002

Revenues	
Securities commissions	\$ 9,007,980
Annuity commissions	39,587,073
Fee income	2,626,431
Interest income	804,452
Other income	<u>279,643</u>
Total revenues	<u>52,305,579</u>
Operating expenses	
Employee compensation and benefits:	
Commissions and incentive	13,842,984
Administrative	10,902,232
Clearance and service contract costs	1,326,088
Administrative fees paid to Parent	3,854,940
Occupancy and equipment	1,446,494
Professional services	1,004,629
Travel	846,303
Communications	287,000
Other general operating and administrative	<u>1,168,647</u>
Total operating expenses	<u>34,679,317</u>
Income before income taxes	17,626,262
Income tax expense	<u>6,833,000</u>
Net income	<u>\$ 10,793,262</u>

The accompanying notes are an integral part of these financial statements.

BB&T Investment Services, Inc.
(A wholly-owned subsidiary of Branch Banking & Trust Company)
Statement of Changes in Shareholder's Equity
December 31, 2002

	Paid-in-Capital	Retained Earnings	Total
January 1, 2002 (Note 1)	\$ 2,763,207	\$ 40,022,537	\$ 42,785,744
Net income	-	10,793,262	10,793,262
December 31, 2002	<u>\$ 2,763,207</u>	<u>\$ 50,815,799</u>	<u>\$ 53,579,006</u>

The accompanying notes are an integral part of these financial statements.

BB&T Investment Services, Inc.
(A wholly-owned subsidiary of Branch Banking & Trust Company)
Statement of Cash Flows
December 31, 2002

Cash flows from operating activities:	
Net income	\$ 10,793,262
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	442,260
Accretion of investments	(758,577)
Net (increase) decrease in operating assets:	
Receivable from clearing broker	88,556
Commission and fee receivable	(265,106)
Other assets	47,400
Net increase (decrease) in operating liabilities:	
Accounts payable and other accrued liabilities	558,995
Compensation payable	(361,846)
Payable to Parent	6,953
Income taxes payable to Parent	580,806
	<u>11,132,703</u>
Cash flows from investing activities:	
Purchases of furniture, equipment and software	(437,968)
Purchase of securities	(178,723,933)
Proceeds from maturities of securities owned	<u>164,500,000</u>
	<u>(14,661,901)</u>
Net decrease in cash and cash equivalents	(3,529,198)
Cash and cash equivalents at beginning of year	<u>5,719,175</u>
Cash and cash equivalents at end of year	<u>\$ 2,189,977</u>
Supplemental cash flow information:	
Cash paid for income taxes	<u>\$ 6,252,194</u>

The accompanying notes are an integral part of these financial statements.

BB&T Investment Services, Inc.
(A wholly-owned subsidiary of Branch Banking & Trust Company)
Notes to Financial Statements
December 31, 2002

1. Organization and Basis of Presentation

BB&T Investment Services, Inc. (the "Company") is a wholly-owned subsidiary of Branch Banking & Trust Company (the "Parent"), which is a wholly-owned subsidiary of BB&T Corporation (the "Corporation"). The Company is incorporated in the state of North Carolina and is a broker-dealer registered with the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. The Company clears customer transactions with a clearing broker on a fully disclosed basis. The Company provides discount brokerage services, mutual funds, government and municipal bonds and fixed and variable rate insurance annuity products to customers located primarily in the Southeast region of the United States. The Company is also registered as an investment adviser with the State of North Carolina.

On March 8, 2002, the Corporation acquired MidAmerica Bancorp. MidAmerica Investment Services, Inc., a wholly-owned subsidiary of MidAmerica Bancorp, provided investment advice to clients through third-party service providers. Effective September 2002, MidAmerica Investment Services, Inc. was merged into the Company. This transaction was accounted for in a manner similar to a pooling of interests; under this method, recorded assets, liabilities and shareholder's equity have been combined as of January 1, 2002 and reflected at their historical amounts. MidAmerica Investment Services, Inc. had \$841,413 in total assets, which was comprised solely of cash, and in shareholder's equity, on January 1, 2002.

2. Summary of Significant Accounting Policies

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Securities Transactions

Customers' transactions, including related commission income, expense and clearing costs, are recorded on a trade date basis.

Annuity and Fee Income

Annuity income is recognized as earned and represents commissions received on sales of annuity products. Fee income is recognized as earned and represents fees received pursuant to mutual fund shareholder administration and servicing distribution plans.

Interest Income

Interest income is recorded on the accrual basis.

BB&T Investment Services, Inc.
(A wholly-owned subsidiary of Branch Banking & Trust Company)
Notes to Financial Statements
December 31, 2002

Cash and Cash Equivalents

The Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents including investments in certain money market mutual funds of affiliated entities.

Securities Owned

Securities owned represent U.S. Treasury obligations held by the Company with its clearing broker. These transactions are recorded on a trade date basis and are carried at fair value.

Furniture, Equipment and Software

Furniture, equipment and software are stated at cost less accumulated depreciation. Assets are depreciated using the straight-line method over their estimated useful lives, which are generally two to ten years.

Income Taxes

There are two components of the income tax provision, current and deferred. The current income tax provision approximates taxes to be paid or refunded for the applicable period. Balance sheet amounts of deferred taxes are recognized on the temporary differences between the basis of assets and liabilities as measured by tax laws and their basis as reported in the financial statements under accounting principles generally accepted in the United States of America. Deferred tax expense or benefit is then recognized for the change in deferred tax liabilities or assets between periods. The recognition of deferred tax assets is based on management's belief that it is more likely than not that the tax benefit associated with certain temporary differences will be realized.

The Company's operating results are included in the consolidated federal income tax return of the Corporation. The method of allocating federal income tax expense is determined under a tax allocation agreement between the Company and the Corporation. This allocation agreement specifies that income tax expense will be computed for all subsidiaries on a separate company method, taking into account tax planning strategies and the tax position of the consolidated group.

Recently Issued Accounting Pronouncements

Financial Accounting Standards Board ("FASB") Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees," ("FIN 45") was issued in November 2002. FIN 45 requires that a liability be recognized at the inception of certain guarantees for the fair value of the obligation, including the ongoing obligation to stand ready to perform over the term of the guarantee. This new accounting is effective for certain guarantees issued or modified after December 31, 2002. In addition, FIN 45 requires certain additional disclosures that are primarily located in Note 5. The Company does not expect the adoption of FIN 45 to have a material impact on its financial condition or results of operations.

3. Securities Owned

The Company invests its excess cash in U.S. Treasury obligations. At December 31, 2002, the Company held one U.S. Treasury bill, which matures at March 2003.

BB&T Investment Services, Inc.
(A wholly-owned subsidiary of Branch Banking & Trust Company)
Notes to Financial Statements
December 31, 2002

4. Furniture, Equipment and Software

Major classification of these assets at December 31, 2002 are summarized as follows:

	Estimated Useful Life	
Furniture	10 years	\$ 446,910
Equipment	2 - 5 years	2,033,584
Capitalized software	2 - 5 years	<u>147,034</u>
		2,627,528
Accumulated depreciation		<u>(1,341,628)</u>
		<u>\$ 1,285,900</u>

5. Receivable from Clearing Broker

Amounts receivable from the clearing broker of \$295,992 primarily represent amounts due for commissions earned on customer transactions, net of clearance and service contract costs. These amounts arise through normal business operations and are current in nature.

The Company has entered into an agreement with a U.S. broker-dealer whereby the broker acts as the Company's U.S. clearing broker. The clearing broker executes the Company's customer transactions, extends margin credit to the Company's customers secured by the customers' securities, clears transactions and acts as custodian. The Company earns commissions as an introducing broker for the transactions of the customers. The clearing broker pays the Company a fee earned on customer margin balances, and charges the Company for brokerage, clearance, exchange fees and other service contract costs. The Company uses the clearing broker's systems to support daily operations.

As discussed in Note 11, the clearing broker has the right to charge the Company for customer failure; furthermore, such right has no maximum amount and applies to all trades executed on the Company's behalf. The Company believes there is no maximum amount assignable to this right over the term of the guarantee. At December 31, 2002, the Company has determined that no liability is required with regard to this right. During 2002, payments made to the clearing broker related to this right were not significant. The Company monitors margin levels on a daily basis for compliance with regulatory and internal guidelines. Outstanding margin balances held by the clearing broker related to the Company's customers were approximately \$5,545,989 at December 31, 2002.

BB&T Investment Services, Inc.
(A wholly-owned subsidiary of Branch Banking & Trust Company)
Notes to Financial Statements
December 31, 2002

6. Commissions and Fee Receivable

The Company executes a substantial amount of its customer transactions directly with various mutual fund and annuity companies. As agent, and pursuant to selling and distribution arrangements, the Company receives commission and fee income directly from the respective mutual fund or annuity companies.

7. Related Party Transactions

In the ordinary course of business, the Company deals with the Parent and other affiliated companies. These transactions arise in the normal course of business and are summarized below. Receivables from and payables to affiliates represent amounts due from and to affiliate companies which are expected to be settled in the normal course of business.

Cash and Cash Equivalents

The Company had \$1,687,584 of cash on deposit with the Parent at December 31, 2002, which is non-interest bearing. The Company had \$502,393 in an affiliated money market mutual fund.

Payable to Parent

The Company had a \$13,515 and \$23,419 intercompany receivable and payable, respectively, to the Parent at December 31, 2002, which is presented as a net payable to Parent in the statement of financial condition.

Parent Services

The Parent provided certain management, operational, finance and other support services to the Company, which totaled \$3,854,940 for the year ended December 31, 2002 and is included in the statement of income as administrative fees paid to Parent. The Parent also allocates certain costs to the Company, such as rent and certain banking infrastructure costs based on usage. Costs allocated to the Company during the year were approximately \$359,000 and \$146,000, respectively, and are included in occupancy and equipment in the statement of income.

The Company's directors and some of its officers and employees also serve as officers and employees of the Parent and its affiliates.

Revenue

The Company receives shareholder servicing, distribution and sales commissions from the third-party distributor to the BB&T funds (the "Funds"). The Funds are sponsored and advised by an affiliate of the Company. The Company generated approximately \$1,545,000 and \$438,000 in commission and fee income during the year on customer activity executed direct with the Funds.

Expense

Scott and Stringfellow (S&S), an affiliated registered broker dealer, served as the Company's clearing broker through November 2002. The Company paid approximately \$1,300,000 to S&S for its services during the year.

BB&T Investment Services, Inc.
(A wholly-owned subsidiary of Branch Banking & Trust Company)
Notes to Financial Statements
December 31, 2002

8. Income Taxes

Current federal income tax expense is determined as if the Company filed a separate tax return and the amount so determined is payable to or receivable from the Parent. Current federal taxes payable to the Parent of \$1,415,252 is included in the accompanying statement of financial condition at December 31, 2002. Deferred income tax expense is determined by the change in the deferred tax asset or liability between periods. The deferred tax asset or liability balance at the end of any period is determined by the tax effect of the Company's cumulative temporary differences to the extent recognized by the Parent. There was no deferred tax asset or liability at December 31, 2002.

Income tax expense differs from the amount of income tax determined by applying the federal statutory rate of 35% to pretax income primarily as a result of state income taxes and non-deductible expenses.

9. Employee Benefit Plans and Compensation Payable

The Corporation has established certain qualified retirement and defined contribution plans covering full-time, salaried employees and certain part-time employees. Expenses under these plans are accrued each year. The costs are charged to current operations and, for defined benefit plans, consist of several components of net pension cost based on various actuarial assumptions regarding future expectations under the plans. The Company was allocated a net pension cost of \$701,689 for the year ended December 31, 2002. The Company's employees are eligible to participate in a contributory profit sharing and 401(k) plan sponsored by the Corporation. The Corporation allocated \$766,143 in expense to the Company as its matching contribution for the plan during the year.

In addition to providing retirement benefits, the Corporation provides health care and life insurance benefits for active and retired employees. Substantially all of the Corporation's employees may become eligible for postretirement benefits if they reach early retirement age while employed by the Corporation and they have the required number of years of service. Under the Corporation's current plan, eligible retirees are entitled to a fixed dollar amount based on years of service. Additionally, certain current retirees are eligible for different benefits attributable to prior plans. The Company had approximately 269 covered employees at December 31, 2002. The Corporation allocated \$993,768 for health care and life insurance benefits to the Company for the year ended December 31, 2002.

Certain employees of the Company participate in the Corporation's stock based compensation plans, which provide for the issuance of the Corporation's stock-related awards, such as stock options and restricted stock awards. There were no compensation costs charged to the Company related to restricted stock awards during the year ended December 31, 2002. Disclosures required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", are included in the December 31, 2002 Form 10-K of the Corporation.

BB&T Investment Services, Inc.
(A wholly-owned subsidiary of Branch Banking & Trust Company)
Notes to Financial Statements
December 31, 2002

10. Fair Value of Financial Instruments

The Company's financial instruments are short-term financial instruments with carrying amounts, which approximate fair value. These financial instruments generally expose the Company to limited credit risk.

11. Commitments and Contingencies

The Company is a defendant in a pending legal matter. Management believes, based upon the advice of counsel, that the actions and liability of loss, if any, resulting from the final outcome of these proceedings, will not have a material effect on the Company in the aggregate.

In the normal course of business, securities transactions of brokerage customers of the Company are introduced and cleared through a clearing broker on a fully disclosed basis. Pursuant to an agreement between the Company and the clearing broker, the clearing broker has the right to charge the Company for unsecured losses that result from a customer's failure to complete such transactions. Additionally, the Company indemnifies the clearing broker for losses on margin accounts of the Company's customers held by the clearing broker.

12. Concentration of Risk

In the normal course of business, the Company's customer and clearing activities involve the execution, settlement, and financing of various customer securities transactions that settle in accordance with industry practice, which for most securities, is currently three business days after trade date. These activities may expose the Company to off-balance sheet credit and market risk in the event the customer or other broker is unable to fulfill its contractual obligations and the Company is required to purchase or sell the financial instrument underlying the contract at a loss. The risk of default depends on the credit worthiness of the customer or issuer of the instrument held as collateral.

13. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the aggregate indebtedness method of computing net capital permitted by the rule, which requires that the Company maintain minimum net capital at a ratio of aggregate indebtedness to net capital not to exceed 15 to 1, as defined. Business restrictions may be imposed if net capital falls below the minimum requirement. Net capital changes on a daily basis. On December 31, 2002, the Company's net capital under the rule was \$50,925,939, which was \$50,675,939 in excess of the minimum required net capital of \$250,000.

BB&T Investment Services, Inc.
Computation of Net Capital Pursuant to Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2002

Computation of net capital:

Total shareholder's equity	\$ 53,579,006
Less - Deductions and/or charges:	
Non allowable assets:	
Commission and fee receivable	1,261,473
Furniture and equipment	1,285,900
Other assets	94,266
Additional charges for customers' and non-customers' security accounts	
Customer unsecured balances	<u>1,380</u>
Net capital before haircuts on securities positions	50,935,987
Haircuts on securities	
Money market funds	<u>10,048</u>
Net capital	<u>\$ 50,925,939</u>

Total Aggregate Indebtedness from Statement of Financial Condition\$ 2,889,736**Computation of Basic Net Capital Requirement**

1. Minimum net capital required (6 2/3 percent of aggregate indebtedness)	<u>\$ 192,649</u>
2. Minimum net capital of broker-dealer	<u>\$ 250,000</u>
Net capital requirement (greater of 1. or 2.)	<u>\$ 250,000</u>
Excess net capital (net capital less net capital requirement)	<u>\$ 50,675,939</u>
Aggregate indebtedness to net capital	<u>.06 to 1</u>

There are no material differences between the Company's computation and Part II of Form X-17A-5 filed by the Company, as of December 31, 2002, on January 23, 2003.

**BB&T Investment Services, Inc.
Computation for Determination of Reserve
Requirements and Information Relating to
Possession or Control Requirements
Under Rule 15c3-3 of the Securities and
Exchange Commission
December 31, 2002**

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(ii) of that Rule.

**Report of Independent Accountants on Internal Control
Required By SEC Rule 17a-5**

To the Board of Directors and Shareholder
of BB&T Investment Services, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of BB&T Investment Services, Inc. (the "Company") for the year ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures, that we considered relevant to the objectives stated in Rule 17a-5(g) in the following:

1. Making the periodic computations of aggregate debits and net capital under Rule 17a-3(a)(11); and
2. Determining compliance with the exemptive provision of Rule 15c3-3.

Because the Company does not carry securities accounts for customers or perform custodial functions relating to customers' securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13;
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System; and
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

**To the Board of Directors and Shareholder of
BB&T Investment Services, Inc.**

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The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraphs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control and of the practices and procedures referred to in the preceding paragraphs, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraphs.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002 to meet the SEC's objectives.

To the Board of Directors and Shareholder of
BB&T Investment Services, Inc.

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This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Richard A. Cooper

February 27, 2003