

REFINITIV

## DELTA REPORT

### 10-Q

AUB PR A - ATLANTIC UNION BANKSHARES

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 1642

■ CHANGES	527
■ DELETIONS	525
■ ADDITIONS	590

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended ~~June~~ September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-39325

ATLANTIC UNION BANKSHARES CORPORATION

(Exact name of registrant as specified in its charter)

Virginia

54-1598552

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

~~1051 East Cary Street~~ 4300 Cox Road

Suite 1200

~~Richmond~~ Glen Allen, Virginia ~~23219~~ 23060

(Address of principal executive offices) (Zip Code)

(804) 633-5031

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading symbol(s)

Name of each exchange on which registered

Common Stock, par value \$1.33 per share

AUB

The New York Stock Exchange

Depository Shares, Each Representing a 1/400th Interest in a  
Share of 6.875% Perpetual Non-Cumulative Preferred Stock,

Series A

AUB.PRA

The New York Stock Exchange

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  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares of common stock outstanding as of **July 28, 2023** **October 26, 2023** was **75,004,706** **75,016,179**.

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#### **Glossary of Acronyms and Defined Terms**

*In this Form 10-Q, unless the context suggests otherwise, the terms "we", "us", and "our" refer to Atlantic Union Bankshares Corporation and its direct and indirect subsidiaries, including Atlantic Union Bank.*

2022 Form 10-K	– Annual Report on Form 10-K for the year ended December 31, 2022
ACL	– Allowance for credit losses
AFS	– Available for sale
<b>ALCO</b>	– <b>Asset liability management committee</b>
ALLL	– Allowance for loan and lease losses, a component of ACL
American National	– American National Bankshares Inc.
AOCI	– Accumulated other comprehensive income (loss)
ASC	– Accounting Standards Codification
ASU	– Accounting Standards Update
AUB	– Atlantic Union Bankshares Corporation
the Bank	– Atlantic Union Bank
BOLI	– Bank-owned life insurance
bps	– Basis points
BTFP	– Bank Term Funding Program
CECL	– Current expected credit losses
CFPB	– Consumer Financial Protection Bureau

CME SOFR	– Chicago Mercantile Exchange Secured Overnight Financing Rate
the Company	– Atlantic Union Bankshares Corporation and its subsidiaries
depositary shares	– Depository shares, each representing a 1/400th ownership interest in a share of the Company's Series A preferred stock, with a liquidation preference of \$10,000 per share of Series A preferred stock (equivalent to \$25 per depositary share)
DHFB	– Dixon, Hubbard, Feinour & Brown, Inc.
EPS	– Earnings per common share
Exchange Act	– Securities Exchange Act of 1934, as amended
FASB	– Financial Accounting Standards Board
FDIC	– Federal Deposit Insurance Corporation
Federal Reserve	– Board of Governors of the Federal Reserve System
FRB	– Federal Reserve Bank of Richmond
FHLB	– Federal Home Loan Bank of Atlanta
FHLMC	– Federal Home Loan Mortgage Corporation
FNB	– FNB Corporation
FNMA	– Federal National Mortgage Association
FOMC	– Federal Open Market Committee
FTE FRB	– Fully taxable equivalent Federal Reserve Bank of Richmond
FR Y9-C	– Consolidated financial statements for a U.S. bank holding company, a savings and loan holding company, a U.S. intermediate holding company, and a securities holding company
FTE	– Fully taxable equivalent
GAAP	– Accounting principles generally accepted in the United States
GNMA	– Government National Mortgage Association
HTM	– Held to maturity
ICE	– Intercontinental Exchange Data Services
LHFI	– Loans held for investment
LHFS	– Loans held for sale
LIBOR	– London Interbank Offered Rate
MBS	– Mortgage-Backed Securities
merger agreement	– Agreement and Plan of Merger dated July 24, 2023 by and between Atlantic Union Bankshares Corporation and American National Bankshares Inc.

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merger	– Proposed merger of American National Bankshares Inc. with and into Atlantic Union Bankshares Corporation
	– pursuant to the merger agreement

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MFC	– Middleburg Financial Corporation
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NPA	– Nonperforming assets
NYSE	– New York Stock Exchange
OCI	– Other comprehensive (loss) income
PD/LGD	– Probability of default/loss given default
ROU asset	– Right of Use Asset
RPAs	– Risk Participation Agreements
SEC	– Securities and Exchange Commission
Series A preferred stock	– 6.875% Perpetual Non-Cumulative Preferred Stock, Series A, par value \$10.00 per share
SOFR	– Secured Overnight Financing Rate
TLM	– Troubled loan modification
TDR	– Troubled debt restructuring
VFG	– Virginia Financial Group, Inc.

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**PART I – FINANCIAL INFORMATION**

**ITEM 1 – FINANCIAL STATEMENTS**

**ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**AS OF JUNE SEPTEMBER 30, 2023 AND DECEMBER 31, 2022**

*(Dollars in thousands, except share data)*

	June 30, 2023 (unaudited)	December 31, 2022 (audited)	September 30, 2023 (unaudited)	December 31, 2022 (audited)
<b>ASSETS</b>				
<b>Cash and cash equivalents:</b>				
Cash and due from banks	\$ 199,778	\$ 216,384	\$ 233,526	\$ 216,384
Interest-bearing deposits in other banks	227,015	102,107	159,718	102,107
Federal funds sold	1,474	1,457	5,701	1,457
<b>Total cash and cash equivalents</b>	<b>428,267</b>	<b>319,948</b>	<b>398,945</b>	<b>319,948</b>
<b>Securities available for sale, at fair value</b>	<b>2,182,448</b>	<b>2,741,816</b>	<b>2,084,928</b>	<b>2,741,816</b>
<b>Securities held to maturity, at carrying value</b>	<b>849,610</b>	<b>847,732</b>	<b>843,269</b>	<b>847,732</b>
<b>Restricted stock, at cost</b>	<b>111,178</b>	<b>120,213</b>	<b>104,785</b>	<b>120,213</b>
<b>Loans held for sale</b>	<b>10,327</b>	<b>3,936</b>	<b>6,608</b>	<b>3,936</b>
<b>Loans held for investment, net of deferred fees and costs</b>	<b>15,066,930</b>	<b>14,449,142</b>	<b>15,283,620</b>	<b>14,449,142</b>
<b>Less: allowance for loan and lease losses</b>	<b>120,683</b>	<b>110,768</b>	<b>125,627</b>	<b>110,768</b>
<b>Total loans held for investment, net</b>	<b>14,946,247</b>	<b>14,338,374</b>	<b>15,157,993</b>	<b>14,338,374</b>
<b>Premises and equipment, net</b>	<b>114,786</b>	<b>118,243</b>	<b>94,510</b>	<b>118,243</b>
<b>Goodwill</b>	<b>925,211</b>	<b>925,211</b>	<b>925,211</b>	<b>925,211</b>
<b>Amortizable intangibles, net</b>	<b>23,469</b>	<b>26,761</b>	<b>21,277</b>	<b>26,761</b>
<b>Bank owned life insurance</b>	<b>446,441</b>	<b>440,656</b>	<b>449,452</b>	<b>440,656</b>
<b>Other assets</b>	<b>564,348</b>	<b>578,248</b>	<b>649,258</b>	<b>578,248</b>
<b>Total assets</b>	<b>\$ 20,602,332</b>	<b>\$ 20,461,138</b>	<b>\$ 20,736,236</b>	<b>\$ 20,461,138</b>
<b>LIABILITIES</b>				
<b>Noninterest-bearing demand deposits</b>	<b>\$ 4,310,306</b>	<b>\$ 4,883,239</b>	<b>\$ 4,144,949</b>	<b>\$ 4,883,239</b>

Interest-bearing deposits	12,101,681	11,048,438	12,641,556	11,048,438
Total deposits	16,411,987	15,931,677	16,786,505	15,931,677
Securities sold under agreements to repurchase	130,461	142,837	134,936	142,837
Other short-term borrowings	799,400	1,176,000	495,000	1,176,000
Long-term borrowings	390,440	389,863	390,733	389,863
Other liabilities	445,574	448,024	540,261	448,024
Total liabilities	18,177,862	18,088,401	18,347,435	18,088,401
Commitments and contingencies (Note 7)				
<b>STOCKHOLDERS' EQUITY</b>				
Preferred stock, \$10.00 par value	173	173	173	173
Common stock, \$1.33 par value	99,088	98,873	99,120	98,873
Additional paid-in capital	1,776,494	1,772,440	1,779,281	1,772,440
Retained earnings	959,582	919,537	988,133	919,537
Accumulated other comprehensive loss	(410,867)	(418,286)	(477,906)	(418,286)
Total stockholders' equity	2,424,470	2,372,737	2,388,801	2,372,737
Total liabilities and stockholders' equity	\$ 20,602,332	\$ 20,461,138	\$ 20,736,236	\$ 20,461,138
Common shares outstanding	74,998,075	74,712,622	74,997,132	74,712,622
Common shares authorized	200,000,000	200,000,000	200,000,000	200,000,000
Preferred shares outstanding	17,250	17,250	17,250	17,250
Preferred shares authorized	500,000	500,000	500,000	500,000

See accompanying notes to consolidated financial statements.

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**ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**  
**THREE AND SIX NINE MONTHS ENDED JUNE SEPTEMBER 30, 2023 AND 2022**  
(Dollars in thousands, except share and per share data)

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	Interest and dividend income:							
Interest and fees on loans	\$ 205,172	\$ 123,266	\$ 395,165	\$ 237,466	\$ 221,380	\$ 144,673	\$ 616,544	\$ 382,139
Interest on deposits in other banks	1,014	157	2,507	288	1,309	941	3,815	1,229
Interest and dividends on securities:								
Taxable	15,565	14,695	32,317	28,361	16,055	14,750	48,373	43,110
Nontaxable	8,496	10,637	17,804	21,097	8,415	10,792	26,220	31,889
Total interest and dividend income	230,247	148,755	447,793	287,212	247,159	171,156	694,952	458,367
Interest expense:								
Interest on deposits	65,267	6,097	117,100	10,580	83,590	15,386	200,690	25,966
Interest on short-term borrowings	8,044	555	15,607	576	6,499	1,229	22,106	1,805
Interest on long-term borrowings	4,852	3,336	9,558	6,358	5,129	3,826	14,687	10,183

<b>Total interest expense</b>	<b>78,163</b>	9,988	<b>142,265</b>	17,514	<b>95,218</b>	20,441	<b>237,483</b>	37,954
<b>Net interest income</b>	<b>152,084</b>	138,767	<b>305,528</b>	269,698	<b>151,941</b>	150,715	<b>457,469</b>	420,413
<b>Provision for credit losses</b>	<b>6,069</b>	3,559	<b>17,920</b>	6,359	<b>4,991</b>	6,412	<b>22,911</b>	12,771
<b>Net interest income after provision for credit losses</b>	<b>146,015</b>	135,208	<b>287,608</b>	263,339	<b>146,950</b>	144,303	<b>434,558</b>	407,642
<b>Noninterest income:</b>								
Service charges on deposit accounts	<b>8,118</b>	8,040	<b>16,020</b>	15,637	<b>8,557</b>	6,784	<b>24,577</b>	22,421
Other service charges, commissions and fees	<b>1,693</b>	1,709	<b>3,439</b>	3,364	<b>2,632</b>	1,770	<b>6,071</b>	5,134
Interchange fees	<b>2,459</b>	2,268	<b>4,784</b>	4,078	<b>2,314</b>	2,461	<b>7,098</b>	6,539
Fiduciary and asset management fees	<b>4,359</b>	6,939	<b>8,620</b>	14,194	<b>4,549</b>	4,134	<b>13,169</b>	18,329
Mortgage banking income	<b>449</b>	2,200	<b>1,303</b>	5,317	<b>666</b>	1,390	<b>1,969</b>	6,707
<b>Gain (loss) on sale of securities</b>	<b>2</b>	(2)	<b>(13,398)</b>	(2)				
Loss on sale of securities					<b>(27,594)</b>	—	<b>(40,992)</b>	(2)
Bank owned life insurance income	<b>2,870</b>	2,716	<b>5,698</b>	5,413	<b>2,973</b>	3,445	<b>8,671</b>	8,858
Loan-related interest rate swap fees	<b>2,316</b>	2,600	<b>3,755</b>	6,460	<b>2,695</b>	2,050	<b>6,450</b>	8,510
Other operating income	<b>1,931</b>	11,816	<b>3,603</b>	13,978	<b>30,302</b>	3,550	<b>33,905</b>	17,527
<b>Total noninterest income</b>	<b>24,197</b>	38,286	<b>33,824</b>	68,439	<b>27,094</b>	25,584	<b>60,918</b>	94,023
<b>Noninterest expenses:</b>								
Salaries and benefits	<b>62,019</b>	55,305	<b>122,547</b>	113,603	<b>57,449</b>	56,600	<b>179,996</b>	170,203
Occupancy expenses	<b>6,094</b>	6,395	<b>12,450</b>	13,278	<b>6,053</b>	6,408	<b>18,503</b>	19,685
Furniture and equipment expenses	<b>3,565</b>	3,590	<b>7,317</b>	7,187	<b>3,449</b>	3,673	<b>10,765</b>	10,860
Technology and data processing	<b>8,566</b>	7,862	<b>16,708</b>	15,658	<b>7,923</b>	8,273	<b>24,631</b>	23,930
Professional services	<b>4,433</b>	4,680	<b>7,847</b>	8,770	<b>3,291</b>	3,504	<b>11,138</b>	12,274
Marketing and advertising expense	<b>2,817</b>	2,502	<b>5,168</b>	4,665	<b>2,219</b>	2,343	<b>7,387</b>	7,008
FDIC assessment premiums and other insurance	<b>4,074</b>	2,765	<b>7,973</b>	5,250	<b>4,258</b>	3,094	<b>12,231</b>	8,344
Franchise and other taxes	<b>4,499</b>	4,500	<b>8,997</b>	8,999	<b>4,510</b>	4,507	<b>13,508</b>	13,506
Loan-related expenses	<b>1,619</b>	1,867	<b>3,171</b>	3,643	<b>1,388</b>	1,575	<b>4,560</b>	5,218
Amortization of intangible assets	<b>2,216</b>	2,915	<b>4,494</b>	5,954	<b>2,193</b>	2,480	<b>6,687</b>	8,434
Other expenses	<b>5,759</b>	6,387	<b>17,262</b>	17,082	<b>15,775</b>	7,466	<b>33,036</b>	24,550
<b>Total noninterest expenses</b>	<b>105,661</b>	98,768	<b>213,934</b>	204,089	<b>108,508</b>	99,923	<b>322,442</b>	304,012
Income before income taxes	<b>64,551</b>	74,726	<b>107,498</b>	127,689	<b>65,536</b>	69,964	<b>173,034</b>	197,653
Income tax expense	<b>9,310</b>	12,500	<b>16,604</b>	21,773	<b>11,519</b>	11,894	<b>28,123</b>	33,667
<b>Net income</b>	<b>55,241</b>	62,226	<b>90,894</b>	105,916	<b>54,017</b>	58,070	<b>144,911</b>	163,986
Dividends on preferred stock	<b>2,967</b>	2,967	<b>5,934</b>	5,934	<b>2,967</b>	2,967	<b>8,901</b>	8,901
<b>Net income available to common shareholders</b>	<b>\$ 52,274</b>	\$ 59,259	<b>\$ 84,960</b>	\$ 99,982	<b>\$ 51,050</b>	\$ 55,103	<b>\$ 136,010</b>	\$ 155,085
Basic earnings per common share	<b>\$ 0.70</b>	\$ 0.79	<b>\$ 1.13</b>	\$ 1.33	<b>\$ 0.68</b>	\$ 0.74	<b>\$ 1.81</b>	\$ 2.07
Diluted earnings per common share	<b>\$ 0.70</b>	\$ 0.79	<b>\$ 1.13</b>	\$ 1.33	<b>\$ 0.68</b>	\$ 0.74	<b>\$ 1.81</b>	\$ 2.07
Dividends declared per common share	<b>\$ 0.30</b>	\$ 0.28	<b>\$ 0.60</b>	\$ 0.56	<b>\$ 0.30</b>	\$ 0.30	<b>\$ 0.90</b>	\$ 0.86
Basic weighted average number of common shares outstanding	<b>74,995,450</b>	74,847,899	<b>74,914,247</b>	75,194,347	<b>74,999,128</b>	74,703,699	<b>74,942,851</b>	75,029,000
Diluted weighted average number of common shares outstanding	<b>74,995,557</b>	74,849,871	<b>74,915,977</b>	75,201,326	<b>74,999,128</b>	74,705,054	<b>74,943,999</b>	75,034,084

See accompanying notes to consolidated financial statements.

ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (LOSS) (UNAUDITED)  
 THREE AND SIX NINE MONTHS ENDED JUNE SEPTEMBER 30, 2023 AND 2022  
 (Dollars in thousands)

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Net income</b>	\$ 55,241	\$ 62,226	\$ 90,894	\$ 105,916	\$ 54,017	\$ 58,070	\$ 144,911	\$ 163,986
Other comprehensive (loss) income:								
<b>Cash flow hedges:</b>								
Change in fair value of cash flow hedges (net of tax, \$4,340 and \$3,076 for the three months and \$694 and \$9,273 for the six months ended June 30, 2023 and 2022, respectively)	(16,325)	(11,572)	(2,611)	(34,885)				
Change in fair value of cash flow hedges (net of tax, \$2,547 and \$6,417 for the three months and \$3,241 and \$15,691 for the nine months ended September 30, 2023 and 2022, respectively)					(9,581)	(24,142)	(12,192)	(59,027)
<b>AFS securities:</b>								
Unrealized holding losses arising during period (net of tax, \$8,651 and \$30,137 for the three months and \$126 and \$79,837 for the six months ended June 30, 2023 and 2022, respectively)	(32,544)	(113,374)	(476)	(300,341)				
Reclassification adjustment for (gains) losses included in net income (net of tax, \$0 and \$0 for the three months and \$2,814 and \$0 for the six months ended June 30, 2023 and 2022, respectively) (1)	(2)	1	10,584	1				
Unrealized holding losses arising during period (net of tax, \$21,051 and \$32,388 for the three months and \$21,178 and \$112,226 for the nine months ended September 30, 2023 and 2022, respectively)					(79,193)	(121,841)	(79,669)	(422,183)
Reclassification adjustment for losses included in net income (net of tax, \$5,795 and \$0 for the three months and \$8,609 and \$0 for the nine months ended September 30, 2023 and 2022, respectively) (1)					21,799	—	32,383	2
<b>HTM securities:</b>								
Reclassification adjustment for accretion of unrealized gain on AFS securities transferred to HTM (net of tax, \$1 and \$1 for the three months and \$2 and \$3 for six months ended June 30, 2023 and 2022, respectively) (2)	(2)	(5)	(5)	(10)				
Reclassification adjustment for accretion of unrealized gain on AFS securities transferred to HTM (net of tax) (2)					(2)	(4)	(7)	(14)

<b>Bank owned life insurance:</b>						
Unrealized holding gains arising during the period	—	—	10	—	—	10
Reclassification adjustment for losses included in net income (3)	(61)	150	(83)	317		
Reclassification adjustment for (gains) losses included in net income (3)					(62)	151
<b>Other comprehensive (loss) income:</b>	<b>(48,934)</b>	<b>(124,800)</b>	<b>7,419</b>	<b>(334,918)</b>	<b>(67,039)</b>	<b>(145,836)</b>
<b>Comprehensive income (loss)</b>	<b>\$ 6,307</b>	<b>\$ (62,574)</b>	<b>\$ 98,313</b>	<b>\$ (229,002)</b>	<b>\$ (67,039)</b>	<b>\$ (59,620)</b>
<b>Comprehensive (loss) income</b>					<b>\$ (13,022)</b>	<b>\$ (87,766)</b>
						<b>\$ 85,291</b>
						<b>\$ (316,768)</b>

(1) The gross amounts reclassified into earnings are reported as "Other operating income" on the Company's Consolidated Statements of Income with the corresponding income tax effect being reflected as a component of income tax expense.

(2) The gross amounts reclassified into earnings are reported within interest income on the Company's Consolidated Statements of Income with the corresponding income tax effect being reflected as a component of income tax expense.

(3) Reclassifications in earnings are reported in "Salaries and benefits" expense on the Company's Consolidated Statements of Income.

See accompanying notes to consolidated financial statements.

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**ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)**  
**SIX NINE MONTHS ENDED JUNE SEPTEMBER 30, 2023 AND 2022**  
(Dollars in thousands, except share and per share amounts)

	Accumulated					
	Common		Additional		Other	
	Stock	Preferred	Paid-In	Retained	Comprehensive	Total
<b>Balance - December 31, 2022</b>	\$ 98,873	\$ 173	\$ 1,772,440	\$ 919,537	\$ (418,286)	\$ 2,372,737
Net Income				35,653		35,653
Other comprehensive income (net of taxes of \$14,983)					56,353	56,353
Dividends on common stock (\$0.30 per share)				(22,417)		(22,417)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (149,684 shares)	199			(1,654)		(1,455)
Stock-based compensation expense			2,332			2,332
<b>Balance - March 31, 2023</b>	<b>\$ 99,072</b>	<b>\$ 173</b>	<b>\$ 1,773,118</b>	<b>\$ 929,806</b>	<b>\$ (361,933)</b>	<b>\$ 2,440,236</b>
Net Income				55,241		55,241
Other comprehensive loss (net of taxes of \$12,992)					(48,934)	(48,934)
Dividends on common stock (\$0.30 per share)				(22,498)		(22,498)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)

Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (11,822 shares)	16	89	105
Stock-based compensation expense		3,287	3,287
<b>Balance - June 30, 2023</b>	<b>\$ 99,088</b>	<b>\$ 173</b>	<b>\$ 1,776,494</b>
			<b>\$ 959,582</b>
<b>Accumulated</b>			
			<b>Additional</b>
			<b>Common</b>
			<b>Preferred</b>
			<b>Paid-In</b>
			<b>Retained</b>
			<b>Comprehensive</b>
			<b>Stock</b>
			<b>Stock</b>
			<b>Capital</b>
			<b>Earnings</b>
			<b>Income (Loss)</b>
			<b>Total</b>
<b>Balance - December 31, 2022</b>	<b>\$ 98,873</b>	<b>\$ 173</b>	<b>\$ 1,772,440</b>
			<b>\$ 919,537</b>
			<b>\$ (418,286)</b>
			<b>\$ 2,372,737</b>
Net Income			35,653
Other comprehensive income (net of taxes of \$14,983)			56,353
Dividends on common stock (\$0.30 per share)			(22,417)
Dividends on preferred stock (\$171.88 per share)			(2,967)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (149,684 shares)	199	(1,654)	(1,455)
Stock-based compensation expense		2,332	2,332
<b>Balance - March 31, 2023</b>	<b>\$ 99,072</b>	<b>\$ 173</b>	<b>\$ 1,773,118</b>
			<b>\$ 929,806</b>
			<b>\$ (361,933)</b>
			<b>\$ 2,440,236</b>
Net Income			55,241
Other comprehensive loss (net of taxes of \$12,992)			(48,934)
Dividends on common stock (\$0.30 per share)			(22,498)
Dividends on preferred stock (\$171.88 per share)			(2,967)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (11,822 shares)	16	89	105
Stock-based compensation expense		3,287	3,287
<b>Balance - June 30, 2023</b>	<b>\$ 99,088</b>	<b>\$ 173</b>	<b>\$ 1,776,494</b>
			<b>\$ 959,582</b>
			<b>\$ (410,867)</b>
			<b>\$ 2,424,470</b>
Net Income			54,017
Other comprehensive loss (net of taxes of \$17,804)			(67,039)
Dividends on common stock (\$0.30 per share)			(22,499)
Dividends on preferred stock (\$171.88 per share)			(2,967)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (24,477 shares)	32	59	91
Stock-based compensation expense		2,728	2,728
<b>Balance - September 30, 2023</b>	<b>\$ 99,120</b>	<b>\$ 173</b>	<b>\$ 1,779,281</b>
			<b>\$ 988,133</b>
			<b>\$ (477,906)</b>
			<b>\$ 2,388,801</b>

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**ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)**  
**NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**  
*(Dollars in thousands, except share and per share amounts)*

<b>Balance - December 31, 2021</b>	\$ 100,101	\$ 173	\$ 1,807,368	\$ 783,794	\$ 18,635	\$ 2,710,071
Net Income				43,690		43,690
Other comprehensive loss (net of taxes of \$49,701)					(210,118)	(210,118)
Dividends on common stock (\$0.28 per share)				(21,163)		(21,163)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)
Stock purchased under stock repurchase plan (629,691 shares)	(837)		(24,181)			(25,018)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (291,723 shares)	387		1,044			1,431
Stock-based compensation expense			2,409			2,409
<b>Balance - March 31, 2022</b>	<b>\$ 99,651</b>	<b>\$ 173</b>	<b>\$ 1,786,640</b>	<b>\$ 803,354</b>	<b>\$ (191,483)</b>	<b>\$ 2,498,335</b>
Net Income				62,226		62,226
Other comprehensive loss (net of taxes of \$33,214)					(124,800)	(124,800)
Dividends on common stock (\$0.28 per share)				(20,912)		(20,912)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)
Stock purchased under stock repurchase plan (649,208 shares)	(863)		(22,350)			(23,213)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (25,955 shares)	34		(154)			(120)
Stock-based compensation expense			2,927			2,927
<b>Balance - June 30, 2022</b>	<b>\$ 98,822</b>	<b>\$ 173</b>	<b>\$ 1,767,063</b>	<b>\$ 841,701</b>	<b>\$ (316,283)</b>	<b>\$ 2,391,476</b>
Accumulated						
Additional						
Common Preferred Paid-In Retained Comprehensive						
Stock Stock Capital Earnings Income (Loss) Total						
<b>Balance - December 31, 2021</b>	<b>\$ 100,101</b>	<b>\$ 173</b>	<b>\$ 1,807,368</b>	<b>\$ 783,794</b>	<b>\$ 18,635</b>	<b>\$ 2,710,071</b>
Net Income				43,690		43,690
Other comprehensive loss (net of taxes of \$49,701)					(210,118)	(210,118)
Dividends on common stock (\$0.28 per share)				(21,163)		(21,163)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)
Stock purchased under stock repurchase plan (629,691 shares)	(837)		(24,181)			(25,018)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (291,723 shares)	387		1,044			1,431
Stock-based compensation expense			2,409			2,409
<b>Balance - March 31, 2022</b>	<b>\$ 99,651</b>	<b>\$ 173</b>	<b>\$ 1,786,640</b>	<b>\$ 803,354</b>	<b>\$ (191,483)</b>	<b>\$ 2,498,335</b>
Net Income				62,226		62,226
Other comprehensive loss (net of taxes of \$33,214)					(124,800)	(124,800)
Dividends on common stock (\$0.28 per share)				(20,912)		(20,912)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)
Stock purchased under stock repurchase plan (649,208 shares)	(863)		(22,350)			(23,213)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (25,955 shares)	34		(154)			(120)
Stock-based compensation expense			2,927			2,927
<b>Balance - June 30, 2022</b>	<b>\$ 98,822</b>	<b>\$ 173</b>	<b>\$ 1,767,063</b>	<b>\$ 841,701</b>	<b>\$ (316,283)</b>	<b>\$ 2,391,476</b>
Net Income				58,070		58,070
Other comprehensive loss (net of taxes of \$38,806)					(145,836)	(145,836)
Dividends on common stock (\$0.30 per share)				(22,411)		(22,411)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (17,048 shares)	23		66			89
Stock-based compensation expense			2,729			2,729

Balance - September 30, 2022	\$ 98,845	\$ 173	\$ 1,769,858	\$ 874,393	\$ (462,119)	\$ 2,281,150
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See accompanying notes to consolidated financial statements.

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**ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

**SIX NINE MONTHS ENDED JUNE SEPTEMBER 30, 2023 AND 2022**

(Dollars in thousands)

	<b>2023</b>	<b>2022</b>
<b>Operating activities:</b>		
Net income	\$ 90,894	\$ 105,916
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	6,696	7,119
Written down of ROU assets, foreclosed properties and equipment	1,342	4,570
Amortization, net	12,718	16,093
Amortization related to acquisitions, net	2,548	1,014
Provision for credit losses	17,920	6,359
Losses on securities transactions	13,398	2
Gain on sale of DHFB	—	(9,082)
BOLI income	(5,698)	(5,413)
Originations and purchases of LHFS	(73,849)	(191,470)
Proceeds from sales of LHFS	66,781	196,381
Gains on sales of foreclosed properties and former bank premises, net	(595)	(631)
Stock-based compensation expenses	5,619	5,336
Issuance of common stock for services	374	409
Net (increase) decrease in other assets	(2,041)	25,875
Net (decrease) increase in other liabilities	(6,188)	36,751
<b>Net cash provided by operating activities</b>	<b>129,919</b>	<b>199,229</b>
<b>Investing activities:</b>		
Purchases of AFS securities, restricted stock, and other investments	(125,356)	(88,244)
Purchases of HTM securities	(13,826)	(158,445)
Proceeds from sales of AFS securities and restricted stock	600,101	12,469
Proceeds from maturities, calls and paydowns of AFS securities	88,625	207,279
Proceeds from maturities, calls and paydowns of HTM securities	10,092	3,400
Net increase in LHF	(621,913)	(452,948)
Net increase in premises and equipment	(3,226)	(1,931)
Proceeds from BOLI settlements	353	2,068
Proceeds from sales of foreclosed properties and former bank premises	4,810	3,001
<b>Net cash used in investing activities</b>	<b>(60,340)</b>	<b>(473,351)</b>
<b>Financing activities:</b>		
Net (decrease) increase in noninterest-bearing deposits	(572,933)	154,214
Net increase (decrease) in interest-bearing deposits	1,053,222	(636,667)
Net (decrease) increase in short-term borrowings	(388,976)	290,788

Cash dividends paid - common stock	(44,915)	(42,075)
Cash dividends paid - preferred stock	(5,934)	(5,934)
Repurchase of common stock	—	(48,231)
Issuance of common stock	474	3,813
Vesting of restricted stock, net of shares held for taxes	(2,198)	(2,911)
<b>Net cash provided by (used in) financing activities</b>	<b>38,740</b>	<b>(287,003)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>108,319</b>	<b>(561,125)</b>
<b>Cash, cash equivalents and restricted cash at beginning of the period</b>	<b>319,948</b>	<b>802,501</b>
<b>Cash, cash equivalents and restricted cash at end of the period</b>	<b>\$ 428,267</b>	<b>\$ 241,376</b>
	<b>2023</b>	<b>2022</b>
<b>Operating activities:</b>		
Net income	\$ 144,911	\$ 163,986
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	9,897	10,652
Writedown of ROU assets, foreclosed properties and equipment	1,929	4,768
Amortization, net	18,215	23,838
Amortization related to acquisitions, net	3,530	2,271
Provision for credit losses	22,911	12,771
Losses on securities transactions	40,992	2
Gain on sale of DHFB	—	(9,082)
BOLI income	(8,671)	(8,858)
Originations and purchases of LHFS	(109,934)	(263,162)
Proceeds from sales of LHFS	107,264	270,853
Gains on sales of foreclosed properties and former bank premises, net	(798)	(507)
Gain on sale-leaseback transaction	(27,700)	—
Stock-based compensation expenses	8,347	8,065
Issuance of common stock for services	561	611
Net increase in other assets	(74,154)	(6,491)
Net increase in other liabilities	78,276	117,188
<b>Net cash provided by operating activities</b>	<b>215,576</b>	<b>326,905</b>
<b>Investing activities:</b>		
Purchases of AFS securities, restricted stock, and other investments	(425,431)	(97,518)
Purchases of HTM securities	(13,826)	(225,026)
Proceeds from sales of AFS securities and restricted stock	856,881	29,719
Proceeds from maturities, calls and paydowns of AFS securities	133,947	281,542
Proceeds from maturities, calls and paydowns of HTM securities	15,453	8,223
Net increase in LHF	(839,536)	(717,591)
Net purchases in premises and equipment	(3,835)	(3,054)
Proceeds from BOLI settlements	353	2,876
Proceeds from sale-leaseback transaction	45,805	—
Proceeds from sales of foreclosed properties and former bank premises	5,846	5,965
<b>Net cash used in investing activities</b>	<b>(224,343)</b>	<b>(714,864)</b>
<b>Financing activities:</b>		
Net (decrease) increase in noninterest-bearing deposits	(738,290)	83,614
Net increase (decrease) in interest-bearing deposits	1,593,090	(148,497)
Net (decrease) increase in short-term borrowings	(688,901)	162,112
Cash dividends paid - common stock	(67,414)	(64,486)
Cash dividends paid - preferred stock	(8,901)	(8,901)
Repurchase of common stock	—	(48,231)
Issuance of common stock	563	3,849
Vesting of restricted stock, net of shares held for taxes	(2,383)	(3,060)
<b>Net cash provided by (used in) financing activities</b>	<b>87,764</b>	<b>(23,600)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>78,997</b>	<b>(411,559)</b>

Cash, cash equivalents and restricted cash at beginning of the period	319,948	802,501
Cash, cash equivalents and restricted cash at end of the period	<u>\$ 398,945</u>	<u>\$ 390,942</u>

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**ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**SIX NINE MONTHS ENDED JUNE SEPTEMBER 30, 2023 AND 2022**  
(Dollars in thousands)

	2023	2022	2023	2022
<b>Supplemental Disclosure of Cash Flow Information</b>				
Cash payments for:				
Interest	\$ 135,422	\$ 16,511	\$224,809	\$34,099
Income taxes	853	935	15,501	1,224
<b>Supplemental schedule of noncash investing and financing activities</b>				
Transfer from LHFS to LHFI	645	—	—	—
Transfers from loans to foreclosed properties	—	382	—	404

See accompanying notes to consolidated financial statements.

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**ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Unaudited)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***The Company***

Headquartered in Richmond, Virginia, Atlantic Union Bankshares Corporation (NYSE: AUB) is the holding company for Atlantic Union Bank. Atlantic Union Bank had 109 branches and **approximately 125 123** ATMs located throughout Virginia and in portions of Maryland and North Carolina as of **June 30, 2023** **September 30, 2023**. Certain non-bank financial services affiliates of Atlantic Union Bank include: Atlantic Union Equipment Finance, Inc., which provides equipment financing; Atlantic Union Financial Consultants, LLC, which provides brokerage services; and Union Insurance Group, LLC, which offers various lines of insurance products.

The unaudited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and follow general practice within the banking industry. Accordingly, the unaudited consolidated financial statements do not include all the information and footnotes required by GAAP for complete financial statements; however, in the opinion of management all adjustments necessary for a fair presentation of the results of the interim periods presented have been made. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other period.

The unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's 2022 Form 10-K. Certain prior period amounts have been reclassified to conform to current period presentation.

***Adoption of New Accounting Standards***

In March 2022, the FASB issued ASU No. 2022-01 *Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method* to allow nonpayable financial assets to be included in a closed portfolio hedge using the portfolio layer method and to allow multiple hedged layers to be designated for a single closed portfolio of financial assets or one or more beneficial interests secured by a portfolio of financial instruments. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted ASU No. 2022-01 effective January 1, 2023 and concluded that it did not have significant impact on its consolidated financial statements.

In March 2022, the FASB issued ASU No. 2022-02 *Financial Instruments- Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. This ASU eliminates the accounting guidance for TDRs by creditors and instead requires that an entity evaluate whether a loan modification represents a new loan or a continuation of an existing loan, consistent with the accounting for other loan modifications. The amendment also introduces new disclosure requirements for modifications to loans made to a borrower experiencing financial difficulty in the form of principal forgiveness, interest rate reductions, term extensions, or other-than-insignificant payment delays. The Company refers to these modifications to borrowers experiencing financial difficulty as Troubled Loan Modifications, or TLMs. In addition, the amendments require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted the amendments of ASU 2022-02 effective January 1, 2023 on a prospective basis. See below in Note 1 "Summary of Significant Accounting Policies" within this Item 1 of this Quarterly Report for discussion of the Company's accounting policy for Loan Modifications and Note 3 "Loans and Allowance for Loan and Lease Losses" within this Item 1 of this Quarterly Report for more information.

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In March 2020, the FASB issued ASC 848, *Reference Rate Reform*. This guidance provides temporary, optional guidance to ease the potential burden in accounting for reference rate reform associated with the LIBOR transition. LIBOR and other interbank offered rates are widely used benchmark or reference rates that have been used in the valuation of loans, derivatives, and other financial contracts. ASC 848 provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. ASC 848 is intended to help stakeholders during the global market-wide reference rate transition period. The LIBOR cessation date for U.S. dollar settings was June 30, 2023. The amendments are effective as of March 12, 2020 through December 31, 2024 and can be adopted at an instrument level. The Company has elected the practical expedients provided in ASC 848 related to (1) accounting for contract modifications on its loans and securities tied to LIBOR and (2) asserting probability of the hedged item occurring, regardless of any expected modification in terms related to reference rate

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reform for the newly executed cash flow hedges. This amendment did not have a significant impact on the Company's consolidated financial statements.

#### ***Loan Modifications***

The Company evaluates all loan modifications according to the accounting guidance for loan refinancing and restructuring to determine whether the modification should be accounted for as a new loan or a continuation of the existing loan. If the modification meets the criteria to be accounted for as a new loan, any deferred fees and costs remaining prior to the modification are recognized in income and any new deferred fees and costs are recorded on the loan as part of the modification. If the modification does not meet the criteria to be accounted for as a new loan, any new deferred fees and costs resulting from the modification are added to the existing amortized cost basis of the loan.

The Company adopted the accounting guidance in ASU No. 2022-02 on January 1, 2023 that eliminates the recognition and measurement of TDRs. Upon adoption of this guidance, the Company no longer applies its TDR accounting policy and instead accounts for modifications in accordance with its loan modifications policy stated in the preceding paragraph. For the Company's policy for accounting for TDRs prior to the adoption of ASU No. 2022-02, see Note 1 "Summary of Significant Accounting Policies" of the Company's 2022 Form 10-K.

Effective January 1, 2023, the Company refers to modifications to loans where the borrower is experiencing financial difficulty and the modification is in the form of principal forgiveness, interest rate reductions, term extensions, other-than-insignificant payment delays, or a combination of the above modifications, as troubled loan modifications, or TLMs. The Company accounts for TLMs consistently with its accounting policy for accounting for loan modifications. The ALLL on TLMs is measured using the same method as all other LHFI. Refer to Note 3 "Loans and Allowance for Loan and Lease Losses" within this Item 1 of this Quarterly Report for additional disclosures related to TLMs.

#### ***Accrued Interest Receivable***

The Company has elected to exclude accrued interest from the amortized cost basis in its determination of the ALLL, as well as the ACL reserve for securities. Accrued interest receivable totaled ~~\$62.9 million~~ \$68.5 million and \$58.9 million on LHFI, ~~\$8.5 million~~ \$6.7 million and \$8.6 million on HTM securities, and ~~\$9.9 million~~ \$9.0 million and \$14.2 million on AFS securities at ~~June 30, 2023~~ September 30, 2023 and December 31, 2022, respectively, and is included in "Other assets" on the Company's Consolidated Balance Sheets. The Company's policy is to write off accrued interest receivable through reversal of interest income when it becomes probable the Company will not be able to collect the accrued interest. For the quarters ended ~~June 30, 2023~~ September 30, 2023 and ~~June 30, 2022~~ September 30, 2022, accrued interest receivable write offs were not material to the Company's consolidated financial statements.

#### ***Allowance for Loan and Lease Losses***

The provision for loan losses is an amount sufficient to bring the ALLL to an estimated balance that management considers adequate to absorb expected losses in the loan portfolio over its expected contractual life.

The Company periodically reviews its internal policies and practices to enhance the process for estimating the ALLL. Effective September 30, 2023, the Company implemented certain changes to its ALLL estimation methodology, as described below. These changes did not have a significant impact on the overall ALLL estimate. For information regarding the Company's ALLL methodology before September 30, 2023, as well as the components of the ALLL methodology that did not change, see Note 1 "Summary of Significant Accounting Policies" in the "Notes to Consolidated Financial Statements" contained in Item 8 "Financial Statements and Supplementary Data" of the Company's 2022 Form 10-K.

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Effective September 30, 2023, the Company now uses a loan-level PD/LGD method for all loan portfolios, eliminating the use of vintage and loss rate methods used for the auto and third-party consumer lending portfolios. In addition, the Company now considers various national economic variables in developing the ALLL and no longer uses the Virginia unemployment rate as its most significant economic variable. The national unemployment rate is used for all cohort models, regardless of portfolio type, and a second economic variable, such as national gross domestic product, national CRE pricing index, national home price index, and national retail sales, is used for each model depending on the portfolio type. The ALLL quantitative

estimate is sensitive to changes in the economic variable forecasts during the two-year reasonable and supportable period. In determining forecasted expected losses, the Company uses Moody's economic variable forecasts and applies probability weights to the related economic scenarios.

The estimated loan losses that are forecasted using the methodology described above are then adjusted for changes in qualitative factors not inherently considered in the quantitative analysis. The qualitative factors include, among others, industry concentrations of the loan portfolio, expected changes to the economic forecasts, model imprecision, factors related to credit administration.

Because current economic conditions and forecasts can change and future events are inherently difficult to predict, the anticipated amount of estimated credit losses on loans, and therefore the appropriateness of the ALLL, could change significantly. It is difficult to estimate how potential changes in any one economic factor or input might affect the overall allowance because a wide variety of factors and inputs are considered in estimating the allowance and changes in those factors and inputs considered may not occur at the same rate and may not be consistent across all loan types. Additionally, changes in factors and inputs may be directionally inconsistent, such that improvement in one factor may offset deterioration in others.

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### **2. SECURITIES**

#### Available for Sale

The Company's AFS investment portfolio is generally highly-rated or agency backed. All AFS securities were current with no securities past due or on non-accrual as of **June 30, 2023** **September 30, 2023** and December 31, 2022.

The amortized cost, gross unrealized gains and losses, and estimated fair values of AFS securities as of **June 30, 2023** **September 30, 2023** are summarized as follows (dollars in thousands):

	Amortized	Gross Unrealized		Estimated	Amortized	Gross Unrealized		Estimated
	Cost	Gains	(Losses)	Fair Value	Cost	Gains	(Losses)	Fair Value
<b><u>June 30, 2023</u></b>								
<b><u>September 30, 2023</u></b>								
U.S. government and agency securities	\$ 69,359	\$ —	\$ (8,012)	\$ 61,347	\$ 62,221	\$ —	\$ (383)	\$ 61,838
Obligations of states and political subdivisions	649,572	2	(136,548)	513,026	587,340	—	(169,880)	417,460
Corporate and other bonds (1)	169,995	—	(27,423)	142,572	267,816	—	(24,998)	242,818
Commercial MBS								
Agency	229,165	59	(43,030)	186,194	215,203	307	(50,289)	165,221
Non-agency	78,384	—	(2,623)	75,761	72,057	—	(2,575)	69,482
Total commercial MBS	307,549	59	(45,653)	261,955	287,260	307	(52,864)	234,703
Residential MBS								
Agency	1,363,949	4	(226,232)	1,137,721	1,319,987	1	(268,152)	1,051,836
Non-agency	70,427	—	(6,303)	64,124	81,677	—	(7,131)	74,546
Total residential MBS	1,434,376	4	(232,535)	1,201,845	1,401,664	1	(275,283)	1,126,382
Other securities	1,703	—	—	1,703	1,727	—	—	1,727
<b>Total AFS securities</b>	<b>\$ 2,632,554</b>	<b>\$ 65</b>	<b>\$ (450,172)</b>	<b>\$ 2,182,448</b>	<b>\$ 2,608,028</b>	<b>\$ 308</b>	<b>\$ (523,408)</b>	<b>\$ 2,084,928</b>

(1) Other bonds include asset-backed securities.

The amortized cost, gross unrealized gains and losses, and estimated fair values of AFS securities as of December 31, 2022 are summarized as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized		Estimated Fair Value
		Gains	(Losses)	
<b>December 31, 2022</b>				
U.S. government and agency securities	\$ 70,196	\$ —	\$ (8,253)	\$ 61,943
Obligations of states and political subdivisions	959,999	137	(152,701)	807,435
Corporate and other bonds (1)	243,979	—	(17,599)	226,380
Commercial MBS				
Agency	250,186	75	(39,268)	210,993
Non-agency	99,412	—	(4,244)	95,168
Total commercial MBS	349,598	75	(43,512)	306,161
Residential MBS				
Agency	1,510,110	81	(233,961)	1,276,230
Non-agency	68,815	—	(6,812)	62,003
Total residential MBS	1,578,925	81	(240,773)	1,338,233
Other securities	1,664	—	—	1,664
<b>Total AFS securities</b>	<b>\$ 3,204,361</b>	<b>\$ 293</b>	<b>\$ (462,838)</b>	<b>\$ 2,741,816</b>

(1) Other bonds include asset-backed securities.

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The following table shows the gross unrealized losses and fair value of the Company's AFS securities with unrealized losses. These are aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position (dollars in thousands).

	Less than 12 months		More than 12 months		Total		Less than 12 months		More than 12 months		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
	Value	Losses	Value(2)	Losses	Value	Losses	Value	Losses	Value(2)	Losses	Value	Losses
<b>June 30, 2023</b>												
<b>September 30, 2023</b>												
U.S. government and agency securities	\$ —	\$ —	\$ 61,311	\$ (8,012)	\$ 61,311	\$ (8,012)	\$ 59,568	\$ (349)	\$ 2,169	\$ (34)	\$ 61,737	\$ (383)
Obligations of states and political subdivisions	16,301	(399)	493,512	(136,149)	509,813	(136,548)	16,023	(3,567)	399,438	(166,313)	415,461	(169,880)
Corporate and other bonds(1)	17,735	(1,801)	122,437	(25,622)	140,172	(27,423)	100,231	(776)	142,587	(24,222)	242,818	(24,998)
Commercial MBS	36,548	(3,970)	145,684	(39,061)	182,232	(43,031)	15,074	(709)	135,725	(49,580)	150,799	(50,289)
Agency	—	—	75,760	(2,623)	75,760	(2,623)	—	—	69,482	(2,575)	69,482	(2,575)
Non-agency	36,548	(3,970)	221,444	(41,684)	257,992	(45,654)	15,074	(709)	205,207	(52,155)	220,281	(52,864)
Residential MBS	68,272	(3,433)	1,069,156	(222,799)	1,137,428	(226,232)	55,550	(461)	972,755	(267,691)	1,028,305	(268,152)

Non-agency	14,114	(104)	50,011	(6,199)	64,125	(6,303)	19,776	(90)	45,745	(7,041)	65,521	(7,131)
Total residential MBS	82,386	(3,537)	1,119,167	(228,998)	1,201,553	(232,535)	75,326	(551)	1,018,500	(274,732)	1,093,826	(275,283)
Total AFS securities	\$ 154,673	\$ (9,707)	\$ 2,017,871	\$ (440,465)	\$ 2,172,544	\$ (450,172)	\$ 266,222	\$ (5,952)	\$ 1,767,901	\$ (517,456)	\$ 2,034,123	\$ (523,408)

<u>December 31, 2022</u>													
U.S. government and agency securities	\$ 2,594	\$ (166)	\$ 59,269	\$ (8,087)	\$ 61,863	\$ (8,253)	\$ 2,594	\$ (166)	\$ 59,269	\$ (8,087)	\$ 61,863	\$ (8,253)	
Obligations of states and political subdivisions	588,668	(86,895)	187,375	(65,806)	776,043	(152,701)	588,668	(86,895)	187,375	(65,806)	776,043	(152,701)	
Corporate and other bonds <sup>(1)</sup>	206,861	(15,019)	17,121	(2,580)	223,982	(17,599)	206,861	(15,019)	17,121	(2,580)	223,982	(17,599)	
Commercial MBS													
Agency	73,362	(7,024)	127,193	(32,244)	200,555	(39,268)	73,362	(7,024)	127,193	(32,244)	200,555	(39,268)	
Non-agency	66,618	(2,231)	28,550	(2,013)	95,168	(4,244)	66,618	(2,231)	28,550	(2,013)	95,168	(4,244)	
Total commercial MBS	139,980	(9,255)	155,743	(34,257)	295,723	(43,512)	139,980	(9,255)	155,743	(34,257)	295,723	(43,512)	
Residential MBS													
Agency	328,590	(27,769)	929,581	(206,192)	1,258,171	(233,961)	328,590	(27,769)	929,581	(206,192)	1,258,171	(233,961)	
Non-agency	18,939	(1,288)	43,064	(5,524)	62,003	(6,812)	18,939	(1,288)	43,064	(5,524)	62,003	(6,812)	
Total residential MBS	347,529	(29,057)	972,645	(211,716)	1,320,174	(240,773)	347,529	(29,057)	972,645	(211,716)	1,320,174	(240,773)	
Total AFS securities	\$1,285,632	\$ (140,392)	\$ 1,392,153	\$ (322,446)	\$ 2,677,785	\$ (462,838)	\$ 1,285,632	\$ (140,392)	\$ 1,392,153	\$ (322,446)	\$ 2,677,785	\$ (462,838)	

(1) Other bonds include asset-backed securities.

(2) Comprised of 816,761 and 363 individual securities as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

The Company has evaluated AFS securities in an unrealized loss position for credit related impairment at June 30, 2023 September 30, 2023 and December 31, 2022 and concluded no impairment existed based on several factors which included: (1) the majority of these securities are of high credit quality, (2) unrealized losses are primarily the result of market volatility and increases in market interest rates, (3) the contractual terms of the investments do not permit the issuer(s) to settle the securities at a price less than the cost basis of each investment, (4) issuers continue to make timely principal and interest payments, and (5) the Company does not intend to sell any of the investments and the accounting standard of "more likely than not" has not been met for the Company to be required to sell any of the investments before recovery of its amortized cost basis.

Additionally, the majority of the Company's MBS are issued by FNMA, FHLMC, and GNMA and do not have credit risk given the implicit and explicit government guarantees associated with these agencies. In addition, the non-agency mortgage-backed and asset-backed securities generally received a 20% simplified supervisory formula approach rating.

The following table presents the amortized cost and estimated fair value of AFS securities as of June 30, 2023 September 30, 2023 and December 31, 2022, by contractual maturity (dollars in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	Amortized	Estimated	Amortized	Estimated	Amortized	Estimated	Amortized	Estimated
	Cost	Fair Value						
Due in one year or less	\$ 61,773	\$ 61,041	\$ 42,447	\$ 41,735	\$ 56,948	\$ 56,120	\$ 42,447	\$ 41,735
Due after one year through five years	121,001	109,793	158,063	152,523	138,070	135,530	158,063	152,523
Due after five years through ten years	211,096	179,272	343,303	312,935	262,259	236,096	343,303	312,935
Due after ten years	2,238,684	1,832,342	2,660,548	2,234,623	2,150,751	1,657,182	2,660,548	2,234,623
<b>Total AFS securities</b>	<b>\$ 2,632,554</b>	<b>\$ 2,182,448</b>	<b>\$ 3,204,361</b>	<b>\$ 2,741,816</b>	<b>\$ 2,608,028</b>	<b>\$ 2,084,928</b>	<b>\$ 3,204,361</b>	<b>\$ 2,741,816</b>

Refer to Note 7 "Commitments" "Commitments" and Contingencies" Contingencies" within this Item 1 of this Quarterly Report for information regarding the estimated fair value of AFS securities that were pledged to secure public deposits, repurchase agreements, and for other purposes as permitted or required by law as of June 30, 2023 September 30, 2023 and December 31, 2022.

Held to Maturity

The Company's HTM investment portfolio primarily consists of highly-rated municipal securities. The Company's HTM securities were all current, with no securities past due or on non-accrual at June 30, 2023 September 30, 2023 and December 31, 2022.

The Company reports HTM securities on the Company's Consolidated Balance Sheets at carrying value. Carrying value is amortized cost, which includes any unamortized unrealized gains and losses recognized in AOCI prior to reclassifying the securities from AFS securities to HTM securities.

The carrying value, gross unrealized gains and losses, and estimated fair values of HTM securities as of June 30, 2023 September 30, 2023 are summarized as follows (dollars in thousands):

	Carrying Value	Gross Unrealized		Estimated Fair Value	Carrying Value	Gross Unrealized		Estimated Fair Value
		Gains	(Losses)			Gains	(Losses)	
<b>June 30, 2023</b>								
U.S. government and agency securities	\$ 681	\$ —	\$ (55)	\$ 626				
<b>September 30, 2023</b>								
Obligations of states and political subdivisions	701,600	2,315	(30,794)	673,121	\$700,400	\$ 49	\$ (64,625)	\$635,824
Corporate and other bonds <sup>(1)</sup>	4,855	—	(130)	4,725	4,536	—	(170)	4,366
Commercial MBS								
Agency	27,649	—	(5,568)	22,081	27,568	—	(6,788)	20,780
Non-agency	26,370	—	(570)	25,800	24,930	—	(904)	24,026
Total commercial MBS	54,019	—	(6,138)	47,881	52,498	—	(7,692)	44,806
Residential MBS								
Agency	41,833	—	(6,151)	35,682	40,992	—	(7,865)	33,127
Non-agency	46,622	—	(860)	45,762	44,843	—	(920)	43,923
Total residential MBS	88,455	—	(7,011)	81,444	85,835	—	(8,785)	77,050
<b>Total HTM securities</b>	<b>\$ 849,610</b>	<b>\$ 2,315</b>	<b>\$ (44,128)</b>	<b>\$ 807,798</b>	<b>\$843,269</b>	<b>\$ 49</b>	<b>\$ (81,272)</b>	<b>\$762,046</b>

(1) Other bonds include asset-backed securities.

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The carrying value, gross unrealized gains and losses, and estimated fair values of HTM securities as of December 31, 2022 are summarized as follows (dollars in thousands):

	Carrying Value	Gross Unrealized		Estimated Fair Value
		Gains	(Losses)	
<b>December 31, 2022</b>				
U.S. government and agency securities	\$ 687	\$ —	\$ (56)	\$ 631
Obligations of states and political subdivisions	705,990	2,218	(35,957)	672,251
Corporate and other bonds <sup>(1)</sup>	5,159	—	(10)	5,149
Commercial MBS				
Agency	29,025	—	(4,873)	24,152
Non-agency	13,736	—	(126)	13,610
Total commercial MBS	42,761	—	(4,999)	37,762
Residential MBS				
Agency	42,699	—	(6,427)	36,272
Non-agency	50,436	—	(614)	49,822
Total residential MBS	93,135	—	(7,041)	86,094
Total HTM securities	<u>\$ 847,732</u>	<u>\$ 2,218</u>	<u>\$ (48,063)</u>	<u>\$ 801,887</u>

<sup>(1)</sup> Other bonds include asset-backed securities.

**Credit Quality Indicators & Allowance for Credit Losses**  HTM

For HTM securities, the Company evaluates the credit risk of its securities on at least a quarterly basis. The Company estimates expected credit losses on HTM debt securities on an individual basis based on the PD/LGD methodology primarily using security-level credit ratings. The Company's HTM securities ACL was insignificant at **June 30, 2023** **September 30, 2023** and December 31, 2022. The primary indicators of credit quality for the Company's HTM portfolio are security type and credit rating, which is influenced by a number of factors including obligor cash flow, geography, seniority, and others. The majority of the Company's HTM securities with credit risk are obligations of states and political subdivisions.

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The following table presents the amortized cost of HTM securities as of **June 30, 2023** **September 30, 2023** and December 31, 2022 by security type and credit rating (dollars in thousands):

	U.S. Obligations					U.S. Obligations				
	Government	of states	Corporate	Mortgage-	Total HTM	Government	of states	Corporate	Mortgage-	Total HTM
	and Agency	and political	and other	backed	securities	and Agency	and political	and other	bonds	securities
securities	subdivisions	bonds	securities	securities	securities	securities	subdivisions	bonds	securities	securities
<b>June 30, 2023</b>										
<b>September 30, 2023</b>										
<b>Credit Rating:</b>										
AAA/AA/A	\$ —	\$ 700,424	\$ —	\$ 10,095	\$ 710,519	\$ —	\$ 689,699	\$ —	\$ 9,471	\$ 699,170
BBB/BB/B	—	1,176	—	—	1,176	—	1,171	—	—	1,171

Not Rated - Agency(1)	681	—	—	69,482	70,163	—	—	—	68,561	68,561
Not Rated - Non-Agency(2)	—	—	4,855	62,897	67,752	—	—	—	60,301	74,367
Not Rated - Agency(1)	—	—	—	—	—	—	—	—	68,561	68,561
Not Rated - Non-Agency(2)	—	—	—	—	—	9,530	4,536	60,301	74,367	—
<b>Total</b>	<b>\$ 681</b>	<b>\$ 701,600</b>	<b>\$ 4,855</b>	<b>\$142,474</b>	<b>\$849,610</b>	<b>\$ —</b>	<b>\$ 700,400</b>	<b>\$ 4,536</b>	<b>\$138,333</b>	<b>\$843,269</b>
<b>December 31, 2022</b>										
Credit Rating:										
AAA/AA/A	\$ —	\$ 704,803	\$ —	\$ 2,702	\$707,505	\$ —	\$ 704,803	\$ —	\$ 2,702	\$707,505
BBB/BB/B	—	1,187	—	—	1,187	—	1,187	—	—	1,187
Not Rated - Agency(1)	687	—	—	71,725	72,412	—	—	—	71,725	72,412
Not Rated - Non-Agency(2)	—	—	5,159	61,469	66,628	—	—	5,159	61,469	66,628
Not Rated - Agency(1)	—	—	—	687	—	—	—	—	71,725	72,412
Not Rated - Non-Agency(2)	—	—	—	—	—	—	—	5,159	61,469	66,628
<b>Total</b>	<b>\$ 687</b>	<b>\$ 705,990</b>	<b>\$ 5,159</b>	<b>\$135,896</b>	<b>\$847,732</b>	<b>\$ 687</b>	<b>\$ 705,990</b>	<b>\$ 5,159</b>	<b>\$135,896</b>	<b>\$847,732</b>

(1) Generally considered not to have credit risk given the government guarantees associated with these agencies.

(2) Non-agency mortgage-backed and asset-backed securities have limited credit risk, supported by most receiving a 20% simplified supervisory formula approach rating.

The following table presents the amortized cost and estimated fair value of HTM securities as of **June 30, 2023** **September 30, 2023** and December 31, 2022, by contractual maturity (dollars in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	\$ 2,037	\$ 2,025	\$ 2,010	\$ 2,006	\$ 2,759	\$ 2,735	\$ 2,010	\$ 2,006
Due in one year or less	\$ 2,037	\$ 2,025	\$ 2,010	\$ 2,006	\$ 2,759	\$ 2,735	\$ 2,010	\$ 2,006
Due after one year through five years	35,942	35,830	35,044	35,014	36,604	36,272	35,044	35,014
Due after five years through ten years	35,796	35,281	19,941	20,239	43,652	41,057	19,941	20,239
Due after ten years	775,835	734,662	790,737	744,628	760,254	681,982	790,737	744,628
<b>Total HTM securities</b>	<b>\$ 849,610</b>	<b>\$ 807,798</b>	<b>\$ 847,732</b>	<b>\$ 801,887</b>	<b>\$843,269</b>	<b>\$762,046</b>	<b>\$847,732</b>	<b>\$801,887</b>

Refer to Note 7 "Commitments and Contingencies" within this Item 1 of this Quarterly Report for information regarding the estimated fair value of HTM securities that were pledged to secure public deposits as permitted or required by law as of **June 30, 2023** **September 30, 2023** and December 31, 2022.

#### Restricted Stock, at cost

Due to restrictions placed upon the Bank's common stock investment in the FRB and the FHLB, these securities have been classified as restricted equity securities and carried at cost. These restricted securities are not subject to the investment security classifications and are included as a separate line item on the Company's Consolidated Balance Sheets. At **June 30, 2023** **September 30, 2023** and December 31, 2022, restricted stock consists of FRB stock in the amount of \$67.0 million, respectively, and FHLB stock in the amount of **\$44.1 million** **\$37.8 million** and \$53.2 million, respectively.

#### Realized Gains and Losses

The following table presents the gross realized gains and losses on and the proceeds from the sale of securities during the three and **six** nine months ended **June 30, 2023** **September 30, 2023** and 2022 (dollars in thousands):

	Three Months Ended		Six Months Ended		Three Months Ended	Nine Months Ended
	June 30, 2023	June 30, 2023	June 30, 2023	September 30, 2023	September 30, 2023	
<b>Realized gains (losses)(1):</b>						
Gross realized gains	\$ 2		\$ 1,348	\$ 4		\$ 1,352
Gross realized losses	—		(14,746)	(27,598)		(42,344)
<b>Net realized gains (losses)</b>	<b>\$ 2</b>		<b>\$ (13,398)</b>			
<b>Net realized losses</b>				\$ (27,594)		\$ (40,992)
<b>Proceeds from sales of securities</b>	<b>\$ 41,635</b>		<b>\$ 600,101</b>	<b>\$ 256,780</b>		<b>\$ 856,881</b>
	Three Months Ended		Six Months Ended		Three Months Ended	Nine Months Ended
	June 30, 2022		June 30, 2022		September 30, 2022	September 30, 2022
<b>Realized losses(1):</b>						
Gross realized gains	\$ —		\$ —			
Gross realized losses	(2)		(2)	(2)		(2)
<b>Net realized losses</b>	<b>\$ (2)</b>		<b>\$ (2)</b>	<b>\$ (2)</b>		<b>\$ (2)</b>
<b>Proceeds from sales of securities</b>	<b>\$ 12,469</b>		<b>\$ 12,469</b>	<b>\$ 12,469</b>		<b>\$ 12,469</b>

(1) Includes gains (losses) on sales and calls of securities.

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### 3. LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES

The following tables exclude LHFS. The Company's LHFI are stated at their face amount, net of deferred fees and costs, and consisted of the following at **June 30, 2023** **September 30, 2023** and December 31, 2022 (dollars in thousands):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Construction and Land Development	\$ 1,231,720	\$ 1,101,260	\$ 1,132,940	\$ 1,101,260
Commercial Real Estate - Owner Occupied	1,952,189	1,982,608		
Commercial Real Estate - Non-Owner Occupied	4,113,318	3,996,130		
Commercial Real Estate – Owner Occupied			1,975,281	1,982,608
Commercial Real Estate – Non-Owner Occupied			4,148,218	3,996,130
Multifamily Real Estate	788,895	802,923	947,153	802,923
Commercial & Industrial	3,373,148	2,983,349	3,432,319	2,983,349
Residential 1-4 Family - Commercial	518,317	538,063		
Residential 1-4 Family - Consumer	1,017,698	940,275		
Residential 1-4 Family - Revolving	600,339	585,184		
Residential 1-4 Family – Commercial			517,034	538,063
Residential 1-4 Family – Consumer			1,057,294	940,275

Residential 1-4 Family – Revolving			599,282	585,184
Auto	585,756	592,976	534,361	592,976
Consumer	134,709	152,545	126,151	152,545
Other Commercial	750,841	773,829	813,587	773,829
Total LHFI, net of deferred fees and costs <sup>(1)</sup>	15,066,930	14,449,142	15,283,620	14,449,142
Allowance for loan and lease losses	(120,683)	(110,768)	(125,627)	(110,768)
Total LHFI, net	\$ 14,946,247	\$ 14,338,374	\$ 15,157,993	\$ 14,338,374

<sup>(1)</sup> Total loans included unamortized premiums and discounts, and unamortized deferred fees and costs totaling \$51.1 million and \$50.4 million as of **June 30, 2023** September 30, 2023 and December 31, 2022, respectively.

The following table shows the aging of the Company's LHFI portfolio, by class, at **June 30, 2023** September 30, 2023 (dollars in thousands):

		Greater than					
		30-59 Days		60-89 Days		90 Days and	
		Current	Past Due	Past Due	still Accruing	Nonaccrual	Total Loans
Construction and Land Development	\$ 1,231,117	\$ 295	\$ —	\$ 24	\$ 284	\$ 1,231,720	
Commercial Real Estate - Owner							
Occupied	1,945,136	602	10	2,463	3,978		1,952,189
Commercial Real Estate - Non-Owner							
Occupied	4,104,082	—	—	2,763	6,473		4,113,318
Multifamily Real Estate	788,895	—	—	—	—		788,895
Commercial & Industrial	3,368,946	254	400	810	2,738		3,373,148
Residential 1-4 Family - Commercial	514,515	1,076	189	693	1,844		518,317
Residential 1-4 Family - Consumer	1,001,632	1,504	2,813	1,716	10,033		1,017,698
Residential 1-4 Family - Revolving	592,776	1,729	1,114	1,259	3,461		600,339
Auto	581,781	2,877	564	243	291		585,756
Consumer	134,084	334	214	74	3		134,709
Other Commercial	750,752	23	—	66	—		750,841
Total LHFI, net of deferred fees and costs	\$ 15,013,716	\$ 8,694	\$ 5,304	\$ 10,111	\$ 29,105		\$ 15,066,930
% of total loans	99.64 %	0.06 %	0.04 %	0.07 %	0.19 %		100.00 %

		Greater than					
		30-59 Days		60-89 Days		90 Days and	
		Current	Past Due	Past Due	still Accruing	Nonaccrual	Total Loans
Construction and Land Development	\$ 1,132,174	\$ —	\$ 386	\$ 25	\$ 355	\$ 1,132,940	
Commercial Real Estate - Owner							
Occupied	1,963,601	3,501	1,902	2,395	3,882		1,975,281
Commercial Real Estate - Non-Owner							
Occupied	4,134,014	4,573	797	2,835	5,999		4,148,218
Multifamily Real Estate	947,003	—	150	—	—		947,153
Commercial & Industrial	3,425,646	3,049	576	792	2,256		3,432,319
Residential 1-4 Family - Commercial	513,573	744	67	817	1,833		517,034
Residential 1-4 Family - Consumer	1,040,519	1,000	1,775	3,632	10,368		1,057,294
Residential 1-4 Family - Revolving	591,748	2,326	602	1,034	3,572		599,282
Auto	530,729	2,703	339	229	361		534,361
Consumer	125,373	517	164	97	—		126,151
Other Commercial	810,027	3,545	—	15	—		813,587
Total LHFI, net of deferred fees and costs	\$ 15,214,407	\$ 21,958	\$ 6,758	\$ 11,871	\$ 28,626		\$ 15,283,620
% of total loans	99.55 %	0.14 %	0.04 %	0.08 %	0.19 %		100.00 %

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The following table shows the aging of the Company's LHFI portfolio, by class, at December 31, 2022 (dollars in thousands):

	Greater than						Greater than						
	30-59 Days		60-89 Days		90 Days and		30-59 Days		60-89 Days		90 Days and		
	Current	Past Due	Current	Past Due	still Accruing	Nonaccrual	Total Loans	Current	Past Due	Current	Past Due	still Accruing	Nonaccrual
Construction and Land Development	\$ 1,099,555	\$ 1,253	\$ 45	\$ 100	\$ 307	\$ 1,101,260		\$ 1,099,555	\$ 1,253	\$ 45	\$ 100	\$ 307	\$ 1,101,260
Commercial Real Estate - Owner Occupied	1,970,323	2,305	635	2,167	7,178	1,982,608							
Commercial Real Estate - Non-Owner Occupied	3,993,091	1,121	48	607	1,263	3,996,130							
Commercial Real Estate - Owner Occupied							1,970,323	2,305	635	2,167	7,178		
Commercial Real Estate - Non-Owner Occupied													
Multifamily Real Estate Commercial	801,694	1,229	—	—	—	802,923	801,694	1,229	—	—	—	—	—
Residential 1-4 Family - Commercial	2,980,008	824	174	459	1,884	2,983,349	2,980,008	824	174	459	1,884		
Residential 1-4 Family - Consumer	534,653	1,231	—	275	1,904	538,063							
Residential 1-4 Family - Revolving	919,833	5,951	1,690	1,955	10,846	940,275							
Revolving	577,993	1,843	511	1,384	3,453	585,184							

Residential											
1-4 Family –											
Commercial											
Residential											
1-4 Family –											
Consumer											
Residential											
1-4 Family –											
Revolving											
Auto	589,235	2,747	450	344	200	592,976	589,235	2,747	450	344	200
Consumer	151,958	351	125	108	3	152,545	151,958	351	125	108	3
Other											
Commercial	773,738	—	—	91	—	773,829	773,738	—	—	91	—
Total LHF1, net of deferred fees and costs	\$14,392,081	\$18,855	\$3,678	\$7,490	\$27,038	\$14,449,142	\$14,392,081	\$18,855	\$3,678	\$7,490	\$27,038
% of total loans	99.60 %	0.13 %	0.03 %	0.05 %	0.19 %	100.00 %	99.60 %	0.13 %	0.03 %	0.05 %	0.19 %

The following table shows the Company's amortized cost basis of loans on nonaccrual status, including those on nonaccrual status with no related ALLL, as of June 30, 2023 September 30, 2023 and December 31, 2022 (dollars in thousands):

		June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
		Nonaccrual		Nonaccrual		Nonaccrual		Nonaccrual	
		Nonaccrual	With No ALLL	Nonaccrual	With No ALLL	Nonaccrual	With No ALLL	Nonaccrual	With No ALLL
Construction and Land Development	\$ 284	\$ —	\$ 307	\$ —	\$ 355	\$ —	\$ 307	\$ —	
Commercial Real Estate - Owner Occupied	3,978	—	7,178	908					
Commercial Real Estate - Non-Owner Occupied	6,473	5,000	1,263	—					
Commercial Real Estate - Owner Occupied					3,882	—	7,178	908	
Commercial Real Estate - Non-Owner Occupied					5,999	4,935	1,263	—	
Commercial & Industrial	2,738	1	1,884	1	2,256	1	1,884	1	
Residential 1-4 Family - Commercial	1,844	—	1,904	—					
Residential 1-4 Family - Consumer	10,033	—	10,846	—					
Residential 1-4 Family - Revolving	3,461	—	3,453	—					
Residential 1-4 Family - Commercial					1,833	—	1,904	—	
Residential 1-4 Family - Consumer					10,368	—	10,846	—	
Residential 1-4 Family - Revolving					3,572	—	3,453	—	
Auto	291	—	200	—	361	—	200	—	
Consumer	3	—	3	—	—	—	3	—	
Other Commercial	—	—	—	—	—	—	—	—	
Total LHF1	\$ 29,105	\$ 5,001	\$ 27,038	\$ 909	\$ 28,626	\$ 4,936	\$ 27,038	\$ 909	

There was no interest income recognized on nonaccrual loans during the three and **six** nine months ended **June 30, 2023** **September 30, 2023** and 2022. See Note 1 "Summary of Significant Accounting Policies" in the "Notes to the Consolidated Financial Statements" contained in Item 8 "Financial Statements and Supplementary Data" in the Company's 2022 Form 10-K for additional information on the Company's policies for nonaccrual loans.

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**Troubled Loan Modifications**

The Company adopted ASU 2022-02 effective January 1, 2023 on a prospective basis. See Note 1 "Summary of Significant Accounting Policies" within this Item 1 of this Quarterly Report for information on the Company's accounting policy for loan modifications to borrowers experiencing financial difficulty and how the Company defines TLMs.

As of **June 30, 2023** **September 30, 2023**, the Company had TLMs with an amortized cost basis of **\$31.0 million** **\$29.4 million** with an estimated **\$1.8 million** of **\$155,000** in allowance for those loans. As of **June 30, 2023** **September 30, 2023**, there **were** **no** was **\$1.5 million** of unfunded commitments on loans modified and designated as TLMs since January 1, 2023.

The following tables present the amortized cost basis as of **June 30, 2023** **September 30, 2023** of TLMs modified during the three and **six** nine months ended **June 30, 2023** **September 30, 2023** since January 1, 2023 (dollars in thousands):

	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023		Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	% of Total		% of Total		% of Total		% of Total	
	Class of Financing		Class of Financing		Class of Financing		Class of Financing	
	Amortized Cost	Receivable	Amortized Cost	Receivable	Amortized Cost	Receivable	Amortized Cost	Receivable
<b>Term Extension</b>								
Commercial and Industrial	\$ 5,549	0.16 %	\$ 5,549	0.16 %	\$ 97	NM	\$ 2,008	0.06 %
Commercial Real Estate -								
Non-Owner Occupied	—	— %	19,001	0.46 %				
Residential 1-4 Family -								
Consumer	371	0.04 %	587	0.06 %				
Commercial Real Estate -								
Non-Owner Occupied					—	0.00 %	20,133	0.49 %
Commercial Real Estate -								
Owner Occupied					766	0.04 %	766	0.04 %
Residential 1-4 Family -								
Consumer					29	NM	603	0.06 %
<b>Total Term Extension</b>	<b>\$ 5,920</b>		<b>\$ 25,137</b>		<b>\$ 892</b>		<b>\$ 23,510</b>	
<b>Combination - Term Extension and Interest</b>								
<b>Rate Reduction</b>								
Residential 1-4 Family -								
Consumer	\$ 604	0.06 %	\$ 838	0.08 %				
Residential 1-4 Family -								
Revolving	15	NM	16	NM				

Residential 1-4 Family – Consumer		\$ 127	0.01 %	959	0.09 %
Residential 1-4 Family – Revolving		—	0.00 %	15	NM
<b>Total Combination - Term Extension and Interest Rate Reduction</b>	<b>\$ 619</b>	<b>\$ 854</b>	<b>\$ 127</b>	<b>\$ 974</b>	
<b>Principal Forgiveness</b>					
Commercial Real Estate – Non-Owner Occupied	5,000	0.12 %	5,000	0.12 %	
Commercial Real Estate – Non-Owner Occupied				0.00 %	4,935 0.12 %
<b>Total Principal Forgiveness</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ —</b>	<b>\$ 4,935</b>	
<b>Total</b>	<b>\$ 11,539</b>	<b>\$ 30,991</b>	<b>\$ 1,019</b>	<b>\$ 29,419</b>	

NM= Not Meaningful

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The following table describes the financial effects of TLMs on a weighted average basis for TLMs within that loan type for the three and **six** nine months ended **June 30, 2023** **September 30, 2023**:

#### Three Months Ended September 30, 2023

Term Extension	
Loan Type	Financial Effect
Commercial Real Estate – Owner Occupied	Added a weighted-average 0.2 years to the life of loans.

#### Three Nine Months Ended June 30, 2023 September 30, 2023

Term Extension	
Loan Type	Financial Effect
Commercial and Industrial	Added a weighted-average 0.2 years to the life of loans.
Commercial Real Estate – Owner Occupied	Added a weighted-average 0.2 years to the life of loans.
Commercial Real Estate – Non-Owner Occupied	Added a weighted-average 0.5 years to the life of loans.
Residential 1-4 Family – Consumer	Added a weighted-average 7.8 10.7 years to the life of loans.

#### Combination - Term Extension and Interest Rate Reduction

Loan Type	Financial Effect
Residential 1-4 Family – Consumer	Added a weighted-average 20.1 20.3 years to the life of loans and reduced the weighted average contractual interest rate from 8.4% 8.2% to 7.6%.
Residential 1-4 Family – Revolving	Added a weighted-average 19.1 years to the life of loans and reduced the weighted average contractual interest rate from 10.5% to 7.3%.

#### Principal Forgiveness

Loan Type	Financial Effect
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Commercial Real Estate - Non-Owner Occupied	Reduced the amortized cost basis of loans by \$3.5 million.
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**Six Months Ended June 30, 2023**

<b>Term Extension</b>	
<b>Loan Type</b>	<b>Financial Effect</b>
Commercial and Industrial	Added a weighted-average 0.2 years to the life of loans.
Commercial Real Estate - Non-Owner Occupied	Added a weighted-average 0.5 years to the life of loans.
Residential 1-4 Family - Consumer	Added a weighted-average 10.7 years to the life of loans.

**Combination - Term Extension and Interest Rate Reduction**

<b>Loan Type</b>	<b>Financial Effect</b>
Residential 1-4 Family - Consumer	Added a weighted-average 20.3 years to the life of loans and reduced the weighted average contractual interest rate from 8.2% to 7.6%.
Residential 1-4 Family - Revolving	Added a weighted-average 19.1 years to the life of loans and reduced the weighted average contractual interest rate from 10.5% to 7.3%.

**Principal Forgiveness**

<b>Loan Type</b>	<b>Financial Effect</b>
Commercial Real Estate - Non-Owner Occupied	Reduced the amortized cost basis of loans by \$3.5 million.

The Company considers a default of a TLM to occur when the borrower is 90 days past due following the modification or a foreclosure and repossession of the applicable collateral occurs. During the three and **six** nine months ended **June 30, 2023** **September 30, 2023**, the Company did not have any significant loans either individually or in the aggregate that went into default that have been modified and designated as TLMs.

The Company monitors the performance of TLMs in order to determine the effectiveness of the modifications. As of **June 30, 2023** **September 30, 2023**, no loans that have been modified and designated as TLMs are past due.

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**Allowance for Loan and Lease Losses**

ALLL on the loan portfolio is a material estimate for the Company. The Company estimates its ALLL on its loan portfolio on a quarterly basis. The Company models the ALLL using two primary segments, Commercial and Consumer. Each loan segment is further disaggregated into classes based on similar risk characteristics. The Company has identified the following classes within each loan segment:

- **Commercial:** Construction and Land Development, Commercial Real Estate – Owner Occupied, Commercial Real Estate – Non-Owner Occupied, Multifamily Real Estate, Commercial & Industrial, Residential 1-4 Family – Commercial, and Other Commercial
- **Consumer:** Residential 1-4 Family – Consumer, Residential 1-4 Family – Revolving, Auto, and Consumer

The following tables show the ALLL activity by loan segment for the three and **six** nine months ended **June 30, 2023** **September 30, 2023** and 2022 (dollars in thousands):

Three Months Ended June 30, 2023			Six Months Ended June 30, 2023			Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023			
Commercial	Consumer	Total	Commercial	Consumer	Total	Commercial	Consumer	Total	Commercial	Consumer	Total

<b>Balance at beginning</b>	<b>\$ 88,086</b>	<b>\$ 28,426</b>	<b>\$ 116,512</b>	<b>\$ 82,753</b>	<b>\$ 28,015</b>	<b>\$ 110,768</b>	<b>\$ 92,970</b>	<b>\$ 27,713</b>	<b>\$ 120,683</b>	<b>\$ 82,753</b>	<b>\$ 28,015</b>	<b>\$ 110,768</b>
Loans charged-off	(1,794)	(808)	(2,602)	(6,801)	(1,527)	(8,328)	(788)	(841)	(1,629)	(7,589)	(2,368)	(9,957)
Recoveries credited to allowance	518	517	1,035	1,033	1,169	2,202	878	457	1,335	1,911	1,626	3,537
Provision charged to operations	6,160	(422)	5,738	15,985	56	16,041	5,880	(642)	5,238	21,865	(586)	21,279
<b>Balance at end of period</b>	<b>\$ 92,970</b>	<b>\$ 27,713</b>	<b>\$ 120,683</b>	<b>\$ 92,970</b>	<b>\$ 27,713</b>	<b>\$ 120,683</b>	<b>\$ 98,940</b>	<b>\$ 26,687</b>	<b>\$ 125,627</b>	<b>\$ 98,940</b>	<b>\$ 26,687</b>	<b>\$ 125,627</b>

	Three Months Ended June 30, 2022			Six Months Ended June 30, 2022			Three Months Ended September 30, 2022			Nine Months Ended September 30, 2022		
	Commercial	Consumer	Total	Commercial	Consumer	Total	Commercial	Consumer	Total	Commercial	Consumer	Total
	Balance at beginning											
Loans charged-off	\$ 79,771	\$ 22,820	\$ 102,591	\$ 77,902	\$ 21,885	\$ 99,787	\$ 77,413	\$ 26,771	\$ 104,184	\$ 77,902	\$ 21,885	\$ 99,787
Recoveries credited to allowance	(1,007)	(950)	(1,957)	(1,766)	(1,700)	(3,466)	(1,086)	(715)	(1,801)	(2,852)	(2,415)	(5,267)
Provision charged to operations	392	626	1,018	1,118	1,413	2,531	605	609	1,214	1,723	2,022	3,745
<b>Balance at end of period</b>	<b>\$ 77,413</b>	<b>\$ 26,771</b>	<b>\$ 104,184</b>	<b>\$ 77,413</b>	<b>\$ 26,771</b>	<b>\$ 104,184</b>	<b>\$ 83,901</b>	<b>\$ 24,108</b>	<b>\$ 108,009</b>	<b>\$ 83,901</b>	<b>\$ 24,108</b>	<b>\$ 108,009</b>

The increase in net charge offs for the **six** nine months ended **June 30, 2023** September 30, 2023 compared to the **six** nine months ended **June 30, 2022** September 30, 2022 is primarily due to charge-offs associated with two commercial loans.

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#### Credit Quality Indicators

The Company's primary credit quality indicator for the Commercial segment is risk rating categories of Pass, Watch, Special Mention, Substandard, and Doubtful. The primary credit quality indicator for the Consumer segment is delinquency bands of Current, 30-59, 60-89, 90+, and Nonaccrual. See Note 3 "Loans and Allowance for Loan and Lease Losses" in the "Notes to the Consolidated Financial Statements" contained in Item 8 "Financial

Statements and Supplementary Data" in the Company's 2022 Form 10-K for additional information on the Company's policies and for further information on the Company's credit quality indicators.

#### Commercial Loans

The table below details the amortized cost and gross write-offs of the classes of loans within the Commercial segment by risk level and year of origination as of **June 30, 2023** **September 30, 2023** (dollars in thousands):

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<b>June 30, 2023</b>									
Term Loans Amortized Cost Basis by Origination Year									
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>Prior</b>	<b>Revolving</b>	<b>Loans</b>	<b>Total</b>
<b>Construction and Land Development</b>									
Pass	\$ 106,908	\$ 433,099	\$ 475,499	\$ 46,595	\$ 16,276	\$ 52,670	\$ 36,809	\$ 1,167,856	
Watch	107	3,369	16,679	—	—	1,170	—	—	21,325
Special Mention	—	—	4,583	31,266	—	1,109	—	—	36,958
Substandard	—	1,245	2,621	1,439	206	70	—	—	5,581
<b>Total Construction and Land Development</b>	<b>\$ 107,015</b>	<b>\$ 437,713</b>	<b>\$ 499,382</b>	<b>\$ 79,300</b>	<b>\$ 16,482</b>	<b>\$ 55,019</b>	<b>\$ 36,809</b>	<b>\$ 1,231,720</b>	
<b>Current period gross writeoff</b>	<b>\$ —</b>	<b>\$ (11)</b>	<b>\$ —</b>	<b>\$ (11)</b>					
<b>Commercial Real Estate - Owner Occupied</b>									
Pass	\$ 60,745	\$ 247,960	\$ 205,286	\$ 249,787	\$ 275,029	\$ 800,742	\$ 23,613	\$ 1,863,162	
Watch	—	1,041	615	2,848	3,681	32,050	850	41,085	
Special Mention	—	—	253	—	996	9,381	375	11,005	
Substandard	222	—	—	350	4,228	32,137	—	—	36,937
<b>Total Commercial Real Estate - Owner Occupied</b>	<b>\$ 60,967</b>	<b>\$ 249,001</b>	<b>\$ 206,154</b>	<b>\$ 252,985</b>	<b>\$ 283,934</b>	<b>\$ 874,310</b>	<b>\$ 24,838</b>	<b>\$ 1,952,189</b>	
<b>Current period gross writeoff</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>						
<b>Commercial Real Estate - Non-Owner Occupied</b>									
Pass	\$ 252,924	\$ 522,120	\$ 676,747	\$ 354,465	\$ 510,448	\$ 1,580,848	\$ 24,458	\$ 3,922,010	
Watch	—	—	—	793	6,400	74,289	4	81,486	
Special Mention	—	—	—	11,366	19,150	24,803	13,806	69,125	
Substandard	—	230	2,150	—	5,979	32,338	—	—	40,697
<b>Total Commercial Real Estate - Non-Owner Occupied</b>	<b>\$ 252,924</b>	<b>\$ 522,350</b>	<b>\$ 678,897</b>	<b>\$ 366,624</b>	<b>\$ 541,977</b>	<b>\$ 1,712,278</b>	<b>\$ 38,268</b>	<b>\$ 4,113,318</b>	
<b>Current period gross writeoff</b>	<b>\$ —</b>	<b>\$ (3,528)</b>	<b>\$ —</b>	<b>\$ (3,528)</b>					
<b>Commercial &amp; Industrial</b>									
Pass	\$ 496,434	\$ 807,294	\$ 501,433	\$ 222,963	\$ 139,938	\$ 169,546	\$ 900,004	\$ 3,237,612	
Watch	183	523	677	11,139	18,653	3,487	11,341	46,003	
Special Mention	1,921	9,632	202	6,285	997	655	44,863	64,555	
Substandard	—	130	467	117	5,999	4,495	13,770	24,978	

Total Commercial & Industrial	\$ 498,538	\$ 817,579	\$ 502,779	\$ 240,504	\$ 165,587	\$ 178,183	\$ 969,978	\$ 3,373,148
Current period gross writeoff	\$ —	\$ —	\$ (6)	\$ —	\$ —	\$ (1)	\$ (1,810)	\$ (1,817)
<b>Multifamily Real Estate</b>								
Pass	\$ 10,127	\$ 116,684	\$ 106,311	\$ 201,859	\$ 47,056	\$ 273,461	\$ 28,996	\$ 784,494
Watch	—	—	—	—	—	553	—	553
Special Mention	—	—	—	—	3,764	84	—	3,848
Total Multifamily Real Estate	\$ 10,127	\$ 116,684	\$ 106,311	\$ 201,859	\$ 50,820	\$ 274,098	\$ 28,996	\$ 788,895
Current period gross writeoff	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Residential 1-4 Family - Commercial</b>								
Pass	\$ 16,530	\$ 59,381	\$ 84,052	\$ 73,195	\$ 48,623	\$ 221,501	\$ 468	\$ 503,750
Watch	50	—	—	225	772	6,138	110	7,295
Special Mention	51	—	—	—	—	1,878	—	1,929
Substandard	—	—	622	184	606	3,678	253	5,343
Total Residential 1-4 Family - Commercial	\$ 16,631	\$ 59,381	\$ 84,674	\$ 73,604	\$ 50,001	\$ 233,195	\$ 831	\$ 518,317
Current period gross writeoff	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Other Commercial</b>								
Pass	\$ 43,892	\$ 189,107	\$ 183,890	\$ 132,481	\$ 118,008	\$ 66,432	\$ 7,947	\$ 741,757
Watch	100	4,717	—	—	8	4,193	—	9,018
Substandard	—	—	—	—	—	—	66	66
Total Other Commercial	\$ 43,992	\$ 193,824	\$ 183,890	\$ 132,481	\$ 118,016	\$ 70,625	\$ 8,013	\$ 750,841
Current period gross writeoff	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (1,445)	\$ —	\$ (1,445)
<b>Total Commercial</b>								
Pass	\$ 987,560	\$ 2,375,645	\$ 2,233,218	\$ 1,281,345	\$ 1,155,378	\$ 3,165,200	\$ 1,022,295	\$ 12,220,641
Watch	440	9,650	17,971	15,005	29,514	121,880	12,305	206,765
Special Mention	1,972	9,632	5,038	48,917	24,907	37,910	59,044	187,420
Substandard	222	1,605	5,860	2,090	17,018	72,718	14,089	113,602
Total Commercial	\$ 990,194	\$ 2,396,532	\$ 2,262,087	\$ 1,347,357	\$ 1,226,817	\$ 3,397,708	\$ 1,107,733	\$ 12,728,428
Total current period gross writeoff	\$ —	\$ —	\$ (6)	\$ —	\$ —	\$ (4,985)	\$ (1,810)	\$ (6,801)

September 30, 2023								
	Term Loans Amortized Cost Basis by Origination Year						Revolving	
	2023	2022	2021	2020	2019	Prior	Loans	Total
<b>Construction and Land Development</b>								
Pass	\$ 168,844	\$ 459,943	\$ 329,757	\$ 22,020	\$ 12,638	\$ 42,963	\$ 45,247	\$ 1,081,412
Watch	106	4,432	16,493	—	—	836	—	21,867
Special Mention	168	—	4,514	—	—	350	—	5,032
Substandard	23	1,244	1,824	21,208	205	125	—	24,629
Total Construction and Land Development	\$ 169,141	\$ 465,619	\$ 352,588	\$ 43,228	\$ 12,843	\$ 44,274	\$ 45,247	\$ 1,132,940
Current period gross writeoff	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (11)	\$ —	\$ (11)
<b>Commercial Real Estate – Owner Occupied</b>								
Pass	\$ 123,946	\$ 261,768	\$ 196,135	\$ 246,359	\$ 264,095	\$ 763,587	\$ 23,835	\$ 1,879,725
Watch	—	1,325	4,021	2,815	9,671	26,719	847	45,398
Special Mention	788	859	251	—	992	10,312	464	13,666
Substandard	370	—	—	337	4,196	31,589	—	36,492
Total Commercial Real Estate – Owner Occupied	\$ 125,104	\$ 263,952	\$ 200,407	\$ 249,511	\$ 278,954	\$ 832,207	\$ 25,146	\$ 1,975,281
Current period gross writeoff	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Commercial Real Estate – Non-Owner Occupied										
Pass	\$ 310,417	\$ 526,072	\$ 714,965	\$ 342,131	\$ 483,006	\$ 1,494,449	\$ 23,728	\$ 3,894,768		
Watch	—	—	1,691	7,754	27,825	76,136	4	113,410		
Special Mention	—	—	—	—	18,980	57,063	11,855	87,898		
Substandard	4,936	—	2,139	11,298	5,939	27,830	—	52,142		
Total Commercial Real Estate – Non-Owner Occupied	<u>\$ 315,353</u>	<u>\$ 526,072</u>	<u>\$ 718,795</u>	<u>\$ 361,183</u>	<u>\$ 535,750</u>	<u>\$ 1,655,478</u>	<u>\$ 35,587</u>	<u>\$ 4,148,218</u>		
Current period gross writeoff	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (3,528)	\$ —	\$ (3,528)		
Commercial & Industrial										
Pass	\$ 730,110	\$ 677,320	\$ 449,135	\$ 213,937	\$ 131,347	\$ 160,071	\$ 887,127	\$ 3,249,047		
Watch	596	23,517	186	1,346	18,017	4,814	25,128	73,604		
Special Mention	1,809	21,723	1,094	6,890	2,753	1,848	23,984	60,101		
Substandard	—	150	468	2,109	3,853	3,438	39,549	49,567		
Total Commercial & Industrial	<u>\$ 732,515</u>	<u>\$ 722,710</u>	<u>\$ 450,883</u>	<u>\$ 224,282</u>	<u>\$ 155,970</u>	<u>\$ 170,171</u>	<u>\$ 975,788</u>	<u>\$ 3,432,319</u>		
Current period gross writeoff	\$ —	\$ —	\$ (6)	\$ —	\$ —	\$ (18)	\$ (1,813)	\$ (1,837)		
Multifamily Real Estate										
Pass	\$ 14,082	\$ 117,935	\$ 244,089	\$ 223,382	\$ 46,431	\$ 254,568	\$ 28,521	\$ 929,008		
Watch	—	—	—	—	—	395	—	395		
Special Mention	—	—	—	250	3,734	232	—	4,216		
Substandard	—	—	—	13,534	—	—	—	13,534		
Total Multifamily Real Estate	<u>\$ 14,082</u>	<u>\$ 117,935</u>	<u>\$ 244,089</u>	<u>\$ 237,166</u>	<u>\$ 50,165</u>	<u>\$ 255,195</u>	<u>\$ 28,521</u>	<u>\$ 947,153</u>		
Current period gross writeoff	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		
Residential 1-4 Family – Commercial										
Pass	\$ 29,169	\$ 63,380	\$ 78,926	\$ 71,358	\$ 46,347	\$ 212,109	\$ 1,070	\$ 502,359		
Watch	49	390	586	223	765	6,124	109	8,246		
Special Mention	48	—	—	—	—	1,323	—	1,371		
Substandard	—	—	618	182	604	3,401	253	5,058		
Total Residential 1-4 Family – Commercial	<u>\$ 29,266</u>	<u>\$ 63,770</u>	<u>\$ 80,130</u>	<u>\$ 71,763</u>	<u>\$ 47,716</u>	<u>\$ 222,957</u>	<u>\$ 1,432</u>	<u>\$ 517,034</u>		
Current period gross writeoff	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		
Other Commercial										
Pass	\$ 235,254	\$ 126,200	\$ 149,863	\$ 84,078	\$ 123,799	\$ 65,234	\$ 24,947	\$ 809,375		
Watch	—	—	—	32	8	3,410	—	3,450		
Special Mention	98	—	—	—	—	649	—	747		
Substandard	—	—	—	—	—	—	15	15		
Total Other Commercial	<u>\$ 235,352</u>	<u>\$ 126,200</u>	<u>\$ 149,863</u>	<u>\$ 84,110</u>	<u>\$ 123,807</u>	<u>\$ 69,293</u>	<u>\$ 24,962</u>	<u>\$ 813,587</u>		
Current period gross writeoff	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (2,213)	\$ —	\$ (2,213)		
Total Commercial										
Pass	\$ 1,611,822	\$ 2,232,618	\$ 2,162,870	\$ 1,203,265	\$ 1,107,663	\$ 2,992,981	\$ 1,034,475	\$ 12,345,694		
Watch	751	29,664	22,977	12,170	56,286	118,434	26,088	266,370		
Special Mention	2,911	22,582	5,859	7,140	26,459	71,777	36,303	173,031		
Substandard	5,329	1,394	5,049	48,668	14,797	66,383	39,817	181,437		
Total Commercial	<u>\$ 1,620,813</u>	<u>\$ 2,286,258</u>	<u>\$ 2,196,755</u>	<u>\$ 1,271,243</u>	<u>\$ 1,205,205</u>	<u>\$ 3,249,575</u>	<u>\$ 1,136,683</u>	<u>\$ 12,966,532</u>		
Total current period gross writeoff	\$ —	\$ —	\$ (6)	\$ —	\$ —	\$ (5,770)	\$ (1,813)	\$ (7,589)		

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The table below details the amortized cost of the classes of loans within the Commercial segment by risk level and year of origination as of December 31, 2022 (dollars in thousands):

		December 31, 2022															
		Term Loans Amortized Cost Basis by Origination Year															
		Revolving						Term Loans Amortized Cost Basis by Origination Year									
		2022	2021	2020	2019	2018	Prior	Loans	Total	2022	2021	2020	2019	Revolving			
														Total			
Construction and Land Development																	
Pass		\$ 357,688	\$ 499,738	\$ 107,559	\$ 17,191	\$ 33,801	\$ 36,335	\$ 34,345	\$ 1,086,657	\$ 357,688	\$ 499,738	\$ 107,559	\$ 17,191	\$ 33,801	\$ 36,335	\$ 34,345	\$ 1,086,657
Watch		242	1,637	—	—	115	1,669	—	3,663	242	1,637	—	—	115	1,669	—	3,663
Special Mention		2,843	411	—	—	—	93	—	3,347	2,843	411	—	—	—	93	—	3,347
Substandard		1,254	3,148	40	211	1,345	1,595	—	7,593	1,254	3,148	40	211	1,345	1,595	—	7,593
Total																	
Construction and Land Development																	
Development		\$ 362,027	\$ 504,934	\$ 107,599	\$ 17,402	\$ 35,261	\$ 39,692	\$ 34,345	\$ 1,101,260	\$ 362,027	\$ 504,934	\$ 107,599	\$ 17,402	\$ 35,261	\$ 39,692	\$ 34,345	\$ 1,101,260
Commercial Real Estate - Owner																	
Occupied																	
Commercial Real Estate - Owner																	
Occupied																	
Pass		\$ 258,953	\$ 215,414	\$ 257,740	\$ 282,110	\$ 228,410	\$ 624,238	\$ 17,190	\$ 1,884,055	\$ 258,953	\$ 215,414	\$ 257,740	\$ 282,110	\$ 228,410	\$ 624,238	\$ 17,190	\$ 1,884,055
Watch		1,060	176	2,437	9,567	9,736	31,331	916	55,223	1,060	176	2,437	9,567	9,736	31,331	916	55,223
Special		—	256	—	93	1,332	18,766	132	20,579	—	256	—	93	1,332	18,766	132	20,579
Mention		—	2,565	474	4,728	1,591	12,979	414	22,751	—	2,565	474	4,728	1,591	12,979	414	22,751
Total																	
Commercial Real Estate - Owner																	
Occupied		\$ 260,013	\$ 218,411	\$ 260,651	\$ 296,498	\$ 241,069	\$ 687,314	\$ 18,652	\$ 1,982,608								
Total																	
Commercial Real Estate - Owner																	
Occupied																	
		\$ 260,013	\$ 218,411	\$ 260,651	\$ 296,498	\$ 241,069	\$ 687,314	\$ 18,652	\$ 1,982,608								

Commercial	Real
Estate	- Non-
Owner Occupied	
Commercial	Real
Estate	- Non-
Owner Occupied	
Pass	\$ 496,079 \$ 661,977 \$ 385,084 \$ 517,834 \$ 373,126 \$ 1,389,507 \$ 34,804 \$ 3,858,411 \$ 496,079 \$ 661,977 \$ 385,084 \$ 517,834 \$ 373,126 \$ 1,389,507 \$ 34,804 \$ 3,858,411
Watch	— 2,151 2,091 11,915 19,550 20,683 2 56,392 — 2,151 2,091 11,915 19,550 20,683 2 56,392
Special	
Mention	232 — — 25,578 702 7,381 — 33,893 232 — — 25,578 702 7,381 — 33,893
Substandard	— — 10,460 3,083 29,012 4,879 — 47,434 — — 10,460 3,083 29,012 4,879 — 47,434
Total	
Commercial	
Real Estate	-
Non-Owner	
Occupied	\$ 496,311 \$ 664,128 \$ 397,635 \$ 558,410 \$ 422,390 \$ 1,422,450 \$ 34,806 \$ 3,996,130
Total	
Commercial	
Real Estate	-
- Non-	
Owner	
Occupied	\$ 496,311 \$ 664,128 \$ 397,635 \$ 558,410 \$ 422,390 \$ 1,422,450 \$ 34,806 \$ 3,996,130
Commercial	&
Industrial	
Pass	\$ 849,547 \$ 536,982 \$ 262,093 \$ 182,263 \$ 67,648 \$ 120,326 \$ 846,059 \$ 2,864,918 \$ 849,547 \$ 536,982 \$ 262,093 \$ 182,263 \$ 67,648 \$ 120,326 \$ 846,059 \$ 2,864,918
Watch	1,399 1,305 18,682 5,039 12,843 1,984 41,836 83,088 1,399 1,305 18,682 5,039 12,843 1,984 41,836 83,088
Special	
Mention	— 222 393 2,145 354 1,773 12,380 17,267 — 222 393 2,145 354 1,773 12,380 17,267
Substandard	94 513 112 2,911 1,449 1,339 11,658 18,076 94 513 112 2,911 1,449 1,339 11,658 18,076
Total	
Commercial	
& Industrial	\$ 851,040 \$ 539,022 \$ 281,280 \$ 192,358 \$ 82,294 \$ 125,422 \$ 911,933 \$ 2,983,349 \$ 851,040 \$ 539,022 \$ 281,280 \$ 192,358 \$ 82,294 \$ 125,422 \$ 911,933 \$ 2,983,349
Multifamily	Real
Estate	
Pass	\$ 111,798 \$ 90,952 \$ 204,159 \$ 47,240 \$ 59,883 \$ 231,745 \$ 52,025 \$ 797,802 \$ 111,798 \$ 90,952 \$ 204,159 \$ 47,240 \$ 59,883 \$ 231,745 \$ 52,025 \$ 797,802
Watch	— — — 350 442 416 — 1,208 — — — 350 442 416 — 1,208
Special	
Mention	— — — 3,826 — 87 — 3,913 — — — 3,826 — 87 — 3,913
Total	
Multifamily	
Real Estate	\$ 111,798 \$ 90,952 \$ 204,159 \$ 51,416 \$ 60,325 \$ 232,248 \$ 52,025 \$ 802,923 \$ 111,798 \$ 90,952 \$ 204,159 \$ 51,416 \$ 60,325 \$ 232,248 \$ 52,025 \$ 802,923
Residential	1-4
Family	-
Commercial	
Residential	1-4
Family	-
Commercial	
Pass	\$ 58,534 \$ 86,881 \$ 77,110 \$ 50,721 \$ 38,090 \$ 199,783 \$ 803 \$ 511,922 \$ 58,534 \$ 86,881 \$ 77,110 \$ 50,721 \$ 38,090 \$ 199,783 \$ 803 \$ 511,922
Watch	500 — 539 852 1,532 5,378 113 8,914 500 — 539 852 1,532 5,378 113 8,914

Special																	
Mention	—	—	94	7,771	582	2,630	—	11,077	—	—	94	7,771	582	2,630	—	11,077	
Substandard	—	632	1,400	463	473	2,883	299	6,150	—	632	1,400	463	473	2,883	299	6,150	
Total																	
Residential																	
1-4 Family -																	
Commercial	\$ 59,034	\$ 87,513	\$ 79,143	\$ 59,807	\$ 40,677	\$ 210,674	\$ 1,215	\$ 538,063									
Total																	
Residential																	
1-4 Family -																	
Commercial	\$ 59,034	\$ 87,513	\$ 79,143	\$ 59,807	\$ 40,677	\$ 210,674	\$ 1,215	\$ 538,063									
Other Commercial																	
Pass	\$ 197,454	\$ 211,438	\$ 149,567	\$ 119,795	\$ 3,522	\$ 69,243	\$ 14,177	\$ 765,196	\$ 197,454	\$ 211,438	\$ 149,567	\$ 119,795	\$ 3,522	\$ 69,243	\$ 14,177	\$ 765,196	
Watch	5,095	—	—	12	—	3,435	—	8,542	5,095	—	—	12	—	3,435	—	8,542	
Substandard	—	—	—	—	—	—	91	91	—	—	—	—	—	—	—	91	91
Total Other																	
Commercial	\$ 202,549	\$ 211,438	\$ 149,567	\$ 119,807	\$ 3,522	\$ 72,678	\$ 14,268	\$ 773,829	\$ 202,549	\$ 211,438	\$ 149,567	\$ 119,807	\$ 3,522	\$ 72,678	\$ 14,268	\$ 773,829	
Total Commercial																	
Pass	\$2,330,053	\$2,303,382	\$1,443,312	\$1,217,154	\$804,480	\$2,671,177	\$ 999,403	\$11,768,961	\$2,330,053	\$2,303,382	\$1,443,312	\$1,217,154	\$804,480	\$2,671,177	\$ 999,403	\$11,768,961	
Watch	8,296	5,269	23,749	27,735	44,218	64,896	42,867	217,030	8,296	5,269	23,749	27,735	44,218	64,896	42,867	217,030	
Special																	
Mention	3,075	889	487	39,413	2,970	30,730	12,512	90,076	3,075	889	487	39,413	2,970	30,730	12,512	90,076	
Substandard	1,348	6,858	12,486	11,396	33,870	23,675	12,462	102,095	1,348	6,858	12,486	11,396	33,870	23,675	12,462	102,095	
Total																	
Commercial	\$2,342,772	\$2,316,398	\$1,480,034	\$1,295,698	\$885,538	\$2,790,478	\$1,067,244	\$12,178,162	\$2,342,772	\$2,316,398	\$1,480,034	\$1,295,698	\$885,538	\$2,790,478	\$1,067,244	\$12,178,162	

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### Consumer Loans

The following table details the amortized cost of the classes of loans within the Consumer segment based on their delinquency status and year of origination as of **June 30, 2023** **September 30, 2023** (dollars in thousands):

June 30, 2023								September 30, 2023							
Term Loans Amortized Cost Basis by Origination Year								Term Loans Amortized Cost Basis by Origination Year							
								Revolving							
								2023	2022	2021	2020	2019	Prior	Loans	Total
Revolving								2023	2022	2021	2020	2019	Prior	Loans	Total
Residential	1-4														
Family - Consumer															

Residential 1-4																								
Family – Consumer																								
Current	\$ 70,851	\$ 238,125	\$ 268,215	\$ 158,576	\$ 33,807	\$ 232,045	\$ 13	\$ 1,001,632	\$ 101,653	\$ 255,179	\$ 270,580	\$ 155,239	\$ 33,221	\$ 224,635	\$ 12	\$ 1,040,519								
30-59 Days Past																								
Due	—	97	—	—	142	1,265	—	1,504	47	97	33	173	—	650	—	1,000								
60-89 Days Past																								
Due	—	271	1,727	—	62	753	—	2,813	—	427	149	—	—	1,199	—	1,775								
90+ Days Past																								
Due	—	—	—	—	—	1,716	—	1,716	49	—	1,719	—	—	1,864	—	3,632								
Nonaccrual	—	191	574	—	106	9,162	—	10,033	—	491	565	—	106	9,206	—	10,368								
Total																								
Residential 1-4																								
Family	—																							
Consumer	\$ 70,851	\$ 238,684	\$ 270,516	\$ 158,576	\$ 34,117	\$ 244,941	\$ 13	\$ 1,017,698																
Total																								
Residential 1-4																								
Family	—																							
Consumer																	\$ 101,749	\$ 256,194	\$ 273,046	\$ 155,412	\$ 33,327	\$ 237,554	\$ 12 \$ 1,057,294	
Current period gross																								
writeoff	\$	— \$	(17)\$	— \$	— \$	(69)\$	(37)\$	— \$	(123)\$	— \$	(16)\$	— \$	— \$	(69)\$	(39)\$	— \$	(124)							
Residential 1-4																								
Family - Revolving																								
Residential 1-4																								
Family – Revolving																								
Current	\$ 23,407	\$ 60,538	\$ 12,665	\$ 4,689	\$ 1,268	\$ 1,190	\$ 489,019	\$ 592,776	\$ 36,058	\$ 56,777	\$ 12,148	\$ 4,517	\$ 1,059	\$ 1,165	\$ 480,024	\$ 591,748								
30-59 Days Past																								
Due	—	136	—	—	—	—	—	1,593	1,729	—	135	—	—	—	—	—	2,191	2,326						
60-89 Days Past																								
Due	—	—	—	—	—	—	—	1,114	1,114	183	—	—	—	—	—	—	419	602						
90+ Days Past																								
Due	—	—	—	—	—	—	—	1,259	1,259	—	—	—	—	—	—	—	1,034	1,034						
Nonaccrual	—	82	149	54	—	—	—	3,176	3,461	—	157	27	53	—	—	—	3,335	3,572						
Total																								
Residential 1-4																								
Family	—																							
Revolving	\$ 23,407	\$ 60,756	\$ 12,814	\$ 4,743	\$ 1,268	\$ 1,190	\$ 496,161	\$ 600,339																
Total																								
Residential 1-4																								
Family	—																							
Revolving																	\$ 36,241	\$ 57,069	\$ 12,175	\$ 4,570	\$ 1,059	\$ 1,165	\$ 487,003	\$ 599,282
Current period gross																								
writeoff	\$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	— \$	(3)\$	— \$	— \$	(26)\$	(29)						
Auto																								
Current	\$ 90,090	\$ 247,683	\$ 130,410	\$ 66,151	\$ 33,588	\$ 13,859	\$ —	\$ 581,781	\$ 84,225	\$ 229,046	\$ 118,931	\$ 59,340	\$ 28,926	\$ 10,261	\$ —	\$ 530,729								
30-59 Days Past																								
Due	266	1,050	758	332	335	136	—	2,877	229	905	851	317	315	86	—	2,703								
60-89 Days Past																								
Due	21	219	218	35	42	29	—	564	—	68	95	69	73	34	—	339								
90+ Days Past																								
Due	—	179	22	32	3	7	—	243	29	88	65	21	1	25	—	229								
Nonaccrual	—	122	81	41	42	5	—	291	10	171	68	73	39	—	—	361								

Total Auto	\$ 90,377	\$ 249,253	\$ 131,489	\$ 66,591	\$ 34,010	\$ 14,036	\$ —	\$ 585,756	\$ 84,493	\$ 230,278	\$ 120,010	\$ 59,820	\$ 29,354	\$ 10,406	\$ —	\$ 534,361
Current period gross																
writeoff	\$ —	\$ (233)	\$ (94)	\$ (93)	\$ (58)	\$ (41)	\$ —	\$ (519)	\$ (23)	\$ (410)	\$ (171)	\$ (101)	\$ (60)	\$ (48)	\$ —	\$ (813)
Consumer																
Current	\$ 8,134	\$ 29,521	\$ 12,791	\$ 9,376	\$ 19,153	\$ 28,768	\$ 26,340	\$ 134,083	\$ 10,803	\$ 26,226	\$ 11,550	\$ 8,635	\$ 17,174	\$ 25,877	\$ 25,107	\$ 125,372
30-59 Days Past	10	92	37	19	100	65	12	335	49	136	55	19	95	133	30	517
60-89 Days Past	5	98	32	3	67	5	4	214	12	5	12	24	59	19	33	164
90+ Days Past	—	25	20	8	12	6	3	74	10	40	37	4	—	7	—	98
Nonaccrual	—	—	3	—	—	—	—	3	—	—	—	—	—	—	—	—
Total Consumer	\$ 8,149	\$ 29,736	\$ 12,883	\$ 9,406	\$ 19,332	\$ 28,844	\$ 26,359	\$ 134,709	\$ 10,874	\$ 26,407	\$ 11,654	\$ 8,682	\$ 17,328	\$ 26,036	\$ 25,170	\$ 126,151
Current period gross																
writeoff	\$ —	\$ (25)	\$ (70)	\$ (404)	\$ (14)	\$ (325)	\$ (47)	\$ (885)	\$ (15)	\$ (65)	\$ (90)	\$ (652)	\$ (14)	\$ (510)	\$ (56)	\$ (1,402)
Total Consumer																
Current	\$ 192,482	\$ 575,867	\$ 424,081	\$ 238,792	\$ 87,816	\$ 275,862	\$ 515,372	\$ 2,310,272	\$ 232,739	\$ 567,228	\$ 413,209	\$ 227,731	\$ 80,380	\$ 261,938	\$ 505,143	\$ 2,288,368
30-59 Days Past	276	1,375	795	351	577	1,466	1,605	6,445	325	1,273	939	509	410	869	2,221	6,546
60-89 Days Past	26	588	1,977	38	171	787	1,118	4,705	195	500	256	93	132	1,252	452	2,880
90+ Days Past	—	204	42	40	15	1,729	1,262	3,292	88	128	1,821	25	1	1,896	1,034	4,993
Nonaccrual	—	395	807	95	148	9,167	3,176	13,788	10	819	660	126	145	9,206	3,335	14,301
Total Consumer	\$ 192,784	\$ 578,429	\$ 427,702	\$ 239,316	\$ 88,727	\$ 289,011	\$ 522,533	\$ 2,338,502	\$ 233,357	\$ 569,948	\$ 416,885	\$ 228,484	\$ 81,068	\$ 275,161	\$ 512,185	\$ 2,317,088
Total current period																
gross writeoff	\$ —	\$ (275)	\$ (164)	\$ (497)	\$ (141)	\$ (403)	\$ (47)	\$ (1,527)	\$ (38)	\$ (491)	\$ (264)	\$ (753)	\$ (143)	\$ (597)	\$ (82)	\$ (2,368)

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The following table details the amortized cost of the classes of loans within the Consumer segment based on their delinquency status and year of origination as of December 31, 2022 (dollars in thousands):

December 31, 2022								December 31, 2022							
Term Loans Amortized Cost Basis by Origination Year								Term Loans Amortized Cost Basis by Origination Year							
								Revolving							
								2022 2021 2020 2019 2018 Prior Loans Total							
Revolving															
								2022 2021 2020 2019 2018 Prior Loans Total							

Residential	1-4
Family - Revolving	
Residential	1-4
Family – Revolving	
Current	\$ 68,434 \$ 13,810 \$ 4,997 \$ 1,672 \$ 801 \$ 476 \$ 487,803 \$ 577,993 \$ 68,434 \$ 13,810 \$ 4,997 \$ 1,672 \$ 801 \$ 476 \$ 487,803 \$ 577,993 \$
30-59 Days Past	
Due	90 — — — — — — 1,753 1,843 90 — — — — — — 1,753 1,843
60-89 Days Past	
Due	— — — — — — 511 511 — — — — — — 511 511
90+ Days Past	
Due	— — — — — — 1,384 1,384 — — — — — — 1,384 1,384
Nonaccrual	— 149 57 — 13 — 3,234 3,453 — 149 57 — 13 — 3,234 3,453
Total	
Residential	1-4
Family	—
Revolving	\$ 68,524 \$ 13,959 \$ 5,054 \$ 1,672 \$ 814 \$ 476 \$ 494,685 \$ 585,184
Total	
Residential	1-4
Family	—
Revolving	\$ 68,524 \$ 13,959 \$ 5,054 \$ 1,672 \$ 814 \$ 476 \$ 494,685 \$ 585,184
Auto	
Current	\$ 285,036 \$ 154,904 \$ 81,710 \$ 44,086 \$ 15,974 \$ 7,525 \$ — \$ 589,235 \$ 285,036 \$ 154,904 \$ 81,710 \$ 44,086 \$ 15,974 \$ 7,525 \$ — \$ 589,235
30-59 Days Past	
Due	808 772 451 456 134 126 — 2,747 808 772 451 456 134 126 — 2,747
60-89 Days Past	
Due	65 129 146 76 30 4 — 450 65 129 146 76 30 4 — 450
90+ Days Past	
Due	169 — 111 32 12 20 — 344 169 — 111 32 12 20 — 344
Nonaccrual	— 113 18 62 2 5 — 200 — 113 18 62 2 5 — 200
Total Auto	\$ 286,078 \$ 155,918 \$ 82,436 \$ 44,712 \$ 16,152 \$ 7,680 \$ — \$ 592,976 \$ 286,078 \$ 155,918 \$ 82,436 \$ 44,712 \$ 16,152 \$ 7,680 \$ — \$ 592,976

Consumer																							
Current	\$ 36,513 \$ 15,897 \$ 11,019 \$ 23,838 \$ 16,084 \$ 19,070 \$ 29,537 \$ 151,958 \$ 36,513 \$ 15,897 \$ 11,019 \$ 23,838 \$ 16,084 \$ 19,070 \$ 29,537 \$ 151,958																						
30-59 Days Past											Due	61	27	36	113	34	61	19	351	61	27		
60-89 Days Past											Due	43	17	10	11	14	21	9	125	43	17		
90+ Days Past											Due	22	—	9	12	32	—	33	108	22	—		
Nonaccrual											—	3	—	—	—	—	—	3	—	3	—		
Total Consumer	\$ 36,639 \$ 15,944 \$ 11,074 \$ 23,974 \$ 16,164 \$ 19,152 \$ 29,598 \$ 152,545 \$ 36,639 \$ 15,944 \$ 11,074 \$ 23,974 \$ 16,164 \$ 19,152 \$ 29,598 \$ 152,545																						
Total Consumer											Current	\$ 602,680 \$ 448,345 \$ 260,552 \$ 105,793 \$ 55,488 \$ 248,809 \$ 517,352 \$ 2,239,019 \$ 602,680 \$ 448,345 \$ 260,552 \$ 105,793 \$ 55,488 \$ 248,809 \$ 517,352 \$ 2,239,019											
30-59 Days Past											Due	1,133	2,968	576	615	388	3,440	1,772	10,892	1,133	2,968		
60-89 Days Past											Due	108	146	156	87	457	1,302	520	2,776	108	146		
90+ Days Past											Due	191	—	120	108	44	1,911	1,417	3,791	191	—		
Nonaccrual											—	688	75	369	955	9,181	3,234	14,502	—	688	75		
Total Consumer	\$ 604,112 \$ 452,147 \$ 261,479 \$ 106,972 \$ 57,332 \$ 264,643 \$ 524,295 \$ 2,270,980 \$ 604,112 \$ 452,147 \$ 261,479 \$ 106,972 \$ 57,332 \$ 264,643 \$ 524,295 \$ 2,270,980																						

The Company did not have any significant revolving loans convert to term during the **six** nine months ended **June 30, 2023** September 30, 2023 or the year ended December 31, 2022.

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### [Prior to the adoption of ASU 2022-02](#)

#### **Troubled Debt Restructurings**

As of December 31, 2022, the Company had TDRs totaling \$14.2 million with an estimated \$739,000 of allowance for those loans. TDRs that occurred during the three and **six** nine months ended **June 30, 2022** September 30, 2022 were not significant.

A TDR occurred when a lender, for economic or legal reasons, granted a concession to the borrower related to the borrower's financial difficulties, that it would not have otherwise considered. All loans that were considered to be TDRs were evaluated for credit losses in accordance with the Company's ALLL methodology. For the three and **six** nine months ended **June 30, 2022** September 30, 2022, the recorded investment in TDRs prior to modifications was not materially impacted by the modifications.

The following table provides a summary, by class, of TDRs that continued to accrue interest under the terms of the applicable restructuring agreement, which were considered to be performing, and TDRs that had been placed on nonaccrual status, which were considered to be nonperforming, as of December 31, 2022 (dollars in thousands):

December 31, 2022			December 31, 2022		
No. of	Recorded	Outstanding	No. of	Recorded	Outstanding

	<b>Loans</b>	<b>Investment</b>	<b>Commitment</b>		<b>Loans</b>	<b>Investment</b>	<b>Commitment</b>
<b>Performing</b>							
Construction and Land Development	3	\$ 155	\$ —	—	3	\$ 155	\$ —
Commercial Real Estate - Owner Occupied	2	997	—	—	—	—	—
Commercial Real Estate – Owner Occupied				2	997	—	—
Commercial & Industrial	1	93	—	—	1	93	—
Residential 1-4 Family - Consumer	83	7,761	—	—	—	—	—
Residential 1-4 Family - Revolving	3	254	5	—	—	—	—
Residential 1-4 Family – Consumer				83	7,761	—	—
Residential 1-4 Family – Revolving				3	254	5	—
Consumer	1	13	—	—	1	13	—
Total performing	93	\$ 9,273	\$ 5	—	93	\$ 9,273	\$ 5
<b>Nonperforming</b>							
Commercial Real Estate - Owner Occupied	1	\$ 15	\$ —	—	—	—	—
Commercial Real Estate - Non-Owner Occupied	2	233	—	—	—	—	—
Commercial Real Estate – Owner Occupied				1	\$ 15	\$ —	—
Commercial Real Estate – Non-Owner Occupied				2	233	—	—
Commercial & Industrial	2	375	—	—	2	375	—
Residential 1-4 Family - Commercial	3	332	—	—	—	—	—
Residential 1-4 Family - Consumer	23	3,869	—	—	23	3,869	—
Residential 1-4 Family - Revolving	3	93	—	—	3	93	—
Residential 1-4 Family – Commercial				3	332	—	—
Residential 1-4 Family – Consumer				23	3,869	—	—
Residential 1-4 Family – Revolving				3	93	—	—
Total nonperforming	34	\$ 4,917	\$ —	—	34	\$ 4,917	\$ —
<b>Total performing and nonperforming</b>	<b>127</b>	<b>\$ 14,190</b>	<b>\$ 5</b>	<b>—</b>	<b>127</b>	<b>\$ 14,190</b>	<b>\$ 5</b>

The Company considered a default of a TDR to occur when the borrower was 90 days past due following the restructure or a foreclosure and repossession of the applicable collateral occurred. During the three and **six** **nine** months ended **June 30, 2022** **September 30, 2022**, the Company did not have any material loans that went into default that had been restructured in the twelve-month period prior to the time of default.

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#### **4. GOODWILL AND INTANGIBLE ASSETS**

The Company's intangible assets consist of core deposits, goodwill, and other intangibles arising from acquisitions. The Company has determined that core deposit intangibles have finite lives and amortizes them over their estimated useful lives. Core deposit intangibles are being amortized over the period of expected benefit, which ranges from four years to ten years, using an accelerated method. Other amortizable intangible assets are being amortized over the period of expected benefit, which ranges from four years to ten years, using various methods. The Company concluded there was no impairment to the Company's goodwill or intangible assets as of the balance sheet date. In the normal course of business, the Company routinely monitors the impact of the changes in the financial markets and includes these assessments in the Company's impairment process.

Effective January 1, 2023, the Company made an organizational change to move certain lines of business in the wealth management division that primarily serve Wholesale Banking customers from the Consumer Banking segment to the Wholesale Banking segment. As a result, the Company re-allocated \$9.6 million and \$1.6 million of goodwill and intangible assets, respectively, from the Consumer Banking segment to the Wholesale Banking segment. The Company determined that there was no impairment to the Bank's goodwill prior to or after re-allocating goodwill. The Company restated its goodwill and intangible assets segment information for the year ended December 31, 2022 based on this organizational change.

The following table presents the Company's goodwill and intangible assets by operating segment as of **June 30, 2023** **September 30, 2023** and December 31, 2022 (dollars in thousands):

	Wholesale Banking	Consumer Banking	Corporate Other	Total	Wholesale Banking	Consumer Banking	Corporate Other	Total
<b>June 30, 2023</b>								
<b>September 30,</b>								
<b>2023</b>								
Goodwill	\$ 639,180	\$ 286,031	\$ —	\$ 925,211	\$ 639,180	\$ 286,031	\$ —	\$ 925,211
Intangible Assets	1,430	1,227	20,812	23,469	1,366	1,108	18,803	21,277
<b>December 31, 2022</b>								
Goodwill	\$ 639,180	\$ 286,031	\$ —	\$ 925,211	\$ 639,180	\$ 286,031	\$ —	\$ 925,211
Intangible Assets	1,558	75	25,128	26,761	1,558	75	25,128	26,761

Refer to Note 12 "Segment Reporting and Revenue" for additional information on the Company's reportable operating segment changes.

Amortization expense of intangibles for the three **and six** months ended **June 30, 2023** **September 30, 2023** and 2022 totaled \$2.2 million and **\$4.5 million** **\$2.5 million**, respectively. Amortization expense of intangibles for the nine months ended September 30, 2023 and **\$2.9 million** 2022 totaled **\$6.7 million** and **\$6.0** **\$8.4 million**, respectively.

As of **June 30, 2023** **September 30, 2023**, the estimated remaining amortization expense of intangibles is as follows for the years ending (dollars in thousands):

<b>For the remaining six months of 2023</b>	<b>\$ 4,287</b>
<b>For the remaining three months of 2023</b>	<b>\$ 2,095</b>
<b>2024</b>	<b>6,935</b>
<b>2025</b>	<b>5,290</b>
<b>2026</b>	<b>3,654</b>
<b>2027</b>	<b>2,068</b>
<b>Thereafter</b>	<b>1,235</b>
<b>Total estimated amortization expense</b>	<b>\$ 23,469</b>
	<b>\$21,277</b>

## 5. LEASES

### Lessor Arrangements

The Company's lessor arrangements consist of sales-type and direct financing leases for equipment, including vehicles and machinery, with terms ranging from **14 months** **1 month** to **125** **122** months. At lease inception the Company estimates the expected residual value of the leased property at the end of the lease term by considering both internal and third-party appraisals. In certain cases, the Company obtains lessee-provided residual value guarantees and third-party residual value insurance to reduce its residual asset risk. At **June 30, 2023** **September 30, 2023** and December 31, 2022, the carrying value of residual assets covered by residual value guarantees and residual value insurance was **\$55.3** **\$62.0** million and \$44.3 million, respectively. For more information on the Company's lessor arrangements, refer to Note 1 "Summary of Significant Accounting Policies" in the Company's 2022 Form 10-K.

Total net investment in sales-type and direct financing leases consists of the following (dollars in thousands):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Sales-type and direct financing leases:</b>				
Lease receivables, net of unearned income and deferred selling profit	\$ 280,023	\$ 266,380	\$ 325,556	\$ 266,380
Unguaranteed residual values, net of unearned income and deferred selling profit	15,946	15,159	16,711	15,159
<b>Total net investment in sales-type and direct financing leases</b>	<b>\$ 295,969</b>	<b>\$ 281,539</b>	<b>\$ 342,267</b>	<b>\$ 281,539</b>

#### Lessee Arrangements

The Company's lessee arrangements consist of operating and finance leases; however, the majority of the leases have been classified as non-cancellable operating leases and are primarily for real estate leases with remaining lease terms of up to 23 years. For more information on the Company's lessee arrangements, refer to Note 1 "Summary of Significant Accounting Policies" in the Company's 2022 Form 10-K.

On September 20, 2023, the Bank entered into and closed on an agreement for the purchase and sale of 27 properties, which included 25 branches and a drive thru and parking lot, each adjacent to a sold branch, to a single purchaser, for an aggregate purchase price of \$45.8 million. Concurrently, the Bank entered into absolute net lease agreements with the purchaser under which the Bank will lease each property for an initial term of 17 years with specified renewal options. The sale-leaseback transaction resulted in a pre-tax gain for the quarter ended September 30, 2023 of approximately \$27.7 million, after transaction-related expenses, included in Other Operating Income in the accompanying Consolidated Statements of Income. Each lease agreement includes a 1.5% annual rent escalation during the initial term and 2.0% rent escalation during the renewal terms, if exercised. The Company recorded operating lease ROU assets and corresponding operating lease liabilities of \$38.3 million and \$38.1 million, respectively, which primarily drove the increases in operating ROU assets and operating lease liabilities at September 30, 2023, compared to December 31, 2022.

The tables below provide information about the Company's lessee lease portfolio and other supplemental lease information (dollars in thousands):

	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	Operating	Finance	Operating	Finance	Operating	Finance	Operating	Finance
<b>ROU assets</b>	<b>\$ 32,725</b>	<b>\$ 5,128</b>	<b>\$ 35,729</b>	<b>\$ 5,588</b>	<b>\$ 68,807</b>	<b>\$ 4,899</b>	<b>\$ 35,729</b>	<b>\$ 5,588</b>
<b>Lease liabilities</b>	<b>40,507</b>	<b>7,676</b>	<b>47,696</b>	<b>8,288</b>	<b>75,502</b>	<b>7,369</b>	<b>47,696</b>	<b>8,288</b>
<b>Lease Term and Discount Rate of Operating leases:</b>								
Weighted-average remaining lease term (years)	6.26	5.58	6.80	6.08	11.66	5.33	6.80	6.08
Weighted-average discount rate (1)	2.96 %	1.17 %	2.91 %	1.17 %	6.06 %	1.17 %	2.91 %	1.17 %

(1) An A lease implicit rate or an incremental borrowing rate is used based on information available at commencement date of lease or at remeasurement date.

	Six months ended June 30,	
	2023	2022
<b>Cash paid for amounts included in measurement of lease liabilities:</b>		
Operating Cash Flows from Finance Leases	\$ 46	\$ 53
Operating Cash Flows from Operating Leases	6,156	5,756
Financing Cash Flows from Finance Leases	612	589
<b>ROU assets obtained in exchange for lease obligations:</b>		
Operating leases	\$ (241)	\$ 424

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	Nine months ended September 30,	
	2023	2022
<b>Cash paid for amounts included in measurement of lease liabilities:</b>		
Operating Cash Flows from Finance Leases	\$ 68	\$ 79
Operating Cash Flows from Operating Leases	8,902	8,514
Financing Cash Flows from Finance Leases	919	885
<b>ROU assets obtained in exchange for lease obligations:</b>		
Operating leases	\$ 38,318	\$ 1,268

					Three months ended		Nine months ended	
					September		September	
	30, 2023		Six months ended June 30,		2023	2022	2023	2022
	\$ 2,358	\$ 2,230	\$ 4,910	\$ 5,081	\$ 2,381	\$ 2,117	\$ 7,291	\$ 6,658
<b>Net Operating Lease Cost</b>								
<b>Finance Lease Cost:</b>								
Amortization of right-of-use assets	230	230	459	459	230	230	689	689
Interest on lease liabilities	23	26	46	60	22	25	68	79
<b>Total Lease Cost</b>	<b>\$ 2,611</b>	<b>\$ 2,486</b>	<b>\$ 5,415</b>	<b>\$ 5,600</b>	<b>\$ 2,633</b>	<b>\$ 2,372</b>	<b>\$ 8,048</b>	<b>\$ 7,426</b>

The maturities of lessor and lessee arrangements outstanding are presented in the table below (dollars in thousands):

	June 30, 2023			September 30, 2023		
	Lessor		Lessee		Lessor	
	Sales-type and Direct		Operating		Operating	
	Financing				Finance	
<b>For the remaining six months of 2023</b>	\$ 35,659	\$ 5,345	\$ 666			
<b>For the remaining three months of 2023</b>				\$ 20,314	\$ 3,536	\$ 337
2024	72,115	10,154	1,358	84,391	13,666	1,358
2025	61,666	8,027	1,392	73,581	11,603	1,392
2026	50,022	5,517	1,427	62,743	9,146	1,427
2027	40,317	4,101	1,462	50,928	7,759	1,462
Thereafter	54,321	11,666	1,627	76,765	66,137	1,627
<b>Total undiscounted cash flows</b>	<b>314,100</b>	<b>44,810</b>	<b>7,932</b>	<b>368,722</b>	<b>111,847</b>	<b>7,603</b>
<b>Less: Adjustments (1)</b>	<b>34,077</b>	<b>4,303</b>	<b>256</b>	<b>43,166</b>	<b>36,345</b>	<b>234</b>
<b>Total (2)</b>	<b>\$ 280,023</b>	<b>\$ 40,507</b>	<b>\$ 7,676</b>	<b>\$ 325,556</b>	<b>\$ 75,502</b>	<b>\$ 7,369</b>

(1) Lessor – unearned income and unearned guaranteed residual value; Lessee – imputed interest.

(2) Represents lease receivables for lessor arrangements and lease liabilities for lessee arrangements.

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## 6. BORROWINGS

### *Short-term Borrowings*

The Company classifies all borrowings that will mature within a year from the date on which the Company enters into them as short-term borrowings. Total short-term borrowings consist primarily of securities sold under agreements to repurchase, which are secured transactions with customers and generally mature the day following the date sold, advances from the FHLB, federal funds purchased (which are secured overnight borrowings from other financial institutions), and other lines of credit.

Total short-term borrowings consist of the following as of **June 30, 2023** **September 30, 2023** and December 31, 2022 (dollars in thousands):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Securities sold under agreements to repurchase</b>	\$ 130,461	\$ 142,837	\$ 134,936	\$ 142,837
<b>Federal Funds Purchased</b>	—	160,000	—	160,000
<b>FHLB Advances</b>	799,400	1,016,000	495,000	1,016,000
<b>Total short-term borrowings</b>	<b>\$ 929,861</b>	<b>\$ 1,318,837</b>	<b>\$ 629,936</b>	<b>\$ 1,318,837</b>
<b>Average outstanding balance during the period</b>	<b>\$ 698,391</b>	<b>\$ 302,060</b>	<b>\$ 633,896</b>	<b>\$ 302,060</b>
<b>Average interest rate during the period</b>	<b>4.51 %</b>	<b>1.79 %</b>	<b>4.66 %</b>	<b>1.79 %</b>
<b>Average interest rate at end of period</b>	<b>4.96 %</b>	<b>3.89 %</b>	<b>5.12 %</b>	<b>3.89 %</b>

The Bank maintains federal funds lines with several correspondent banks; the available balance was **\$907.0 million** **\$737.0 million** and \$1.0 billion at **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively. The Company maintains an alternate line of credit at a correspondent bank; the available balance was \$25.0 million at both **June 30, 2023** **September 30, 2023** and December 31, 2022. The Company has certain restrictive covenants related to certain asset quality, capital, and profitability metrics associated with these lines and **is was** in compliance with these covenants as of **June 30, 2023** **September 30, 2023** and December 31, 2022. Additionally, the Company **has had** a collateral dependent line of credit with the FHLB of up to **\$6.0 billion** **\$6.2 billion** at both **June 30, 2023** **September 30, 2023** and **\$6.0 billion** at December 31, 2022. The remaining credit availability on the collateral dependent line of credit with the FHLB was **\$5.2 billion** **\$5.7 billion** and \$4.9 billion at **June 30, 2023**

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September 30, 2023 and December 31, 2022, respectively. Refer to Note 7 "Commitments and Contingencies" for additional information on the Company's pledged collateral.

Starting in the first quarter of 2023, the Company was eligible to borrow from the Federal Reserve's BTFP, which provides additional contingent liquidity through the pledging of certain qualifying securities. The BTFP is a one-year program ending March 11, 2024, and the Company can borrow any time during the term and can repay the obligation at any time without penalty. As of June 30, 2023 September 30, 2023, liquidity of \$539.4 million \$531.0 million was available based on the par-value of qualifying securities from BTFP. The Company had not utilized the BTFP facility as of June 30, 2023 September 30, 2023.

Long-term Borrowings

In connection with several previous bank acquisitions, the Company issued \$58.5 million and acquired \$92.0 million of trust preferred capital notes. The remaining fair value discount on all acquired trust preferred capital notes was \$12.1 million \$11.9 million and \$12.5 million \$12.5 million at June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

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Total long-term borrowings consist of the following as of June 30, 2023 September 30, 2023 (dollars in thousands):

	Spread to					Spread to				
	Principal	3-Month LIBOR (1)	Rate (2)	Maturity	Investment (3)	Principal	3-Month SOFR (1)	Rate (2)	Maturity	Investment (3)
<b>Trust Preferred Capital Securities</b>										
Trust Preferred Capital Note - Statutory										
Trust I	\$ 22,500	2.75 %	8.30 %	6/17/2034	\$ 696	\$ 22,500	2.75 %	8.41 %	6/17/2034	\$ 696
Trust Preferred Capital Note - Statutory										
Trust II	36,000	1.40 %	6.95 %	6/15/2036	1,114	36,000	1.40 %	7.06 %	6/15/2036	1,114
VFG Limited Liability Trust I Indenture	20,000	2.73 %	8.28 %	3/18/2034	619	20,000	2.73 %	8.39 %	3/18/2034	619
FNB Statutory Trust II Indenture	12,000	3.10 %	8.65 %	6/26/2033	372	12,000	3.10 %	8.76 %	6/26/2033	372
Gateway Capital Statutory Trust I	8,000	3.10 %	8.65 %	9/17/2033	248	8,000	3.10 %	8.76 %	9/17/2033	248

Gateway Capital Statutory Trust II	7,000	2.65 %	8.20 %	6/17/2034	217	7,000	2.65 %	8.31 %	6/17/2034	217
Gateway Capital Statutory Trust III	15,000	1.50 %	7.05 %	5/30/2036	464	15,000	1.50 %	7.16 %	5/30/2036	464
Gateway Capital Statutory Trust IV	25,000	1.55 %	7.10 %	7/30/2037	774	25,000	1.55 %	7.21 %	7/30/2037	774
MFC Capital Trust II	5,000	2.85 %	8.40 %	1/23/2034	155	5,000	2.85 %	8.51 %	1/23/2034	155
Total Trust Preferred Capital Securities	<u>\$150,500</u>					<u>\$ 4,659</u>	<u>\$150,500</u>			<u>\$ 4,659</u>
Subordinated Debt <sup>(5)(4)</sup>										
2031 Subordinated Debt	250,000	— %	2.875 %	12/15/2031		250,000	— %	2.875 %	12/15/2031	
Total Subordinated Debt <sup>(6)(5)</sup>	<u>\$250,000</u>					<u>\$250,000</u>				
Fair Value Discount <sup>(7)(6)</sup>	(14,719)					(14,426)				
Investment in Trust Preferred Capital Securities	4,659					4,659				
Total Long-term Borrowings	<u>\$390,440</u>					<u>\$390,733</u>				

(1) *The As part of the adoption of ASC 848, the index rates will change from Three-Month LIBOR to Three-Month CME SOFR + 0.262% in the third quarter of 2023 due 2023. For more information on ASC 848, refer to LIBOR cessation. See note Note 1 for the Company's adoption "Summary of ASC 848. Significant Accounting Policies" in Part 1, Item 1 of this Quarterly Report.*

(2) Rate as of **June 30, 2023** September 30, 2023. Calculated using non-rounded numbers.

(3) Represents the junior subordinated debentures owned by the Company in trust and is reported in "Other assets" on the Company's Consolidated Balance Sheets.

(4) The remaining issuance discount as of June 30, 2023 is \$2.6 million.

(5)(4) Subordinated notes qualify as Tier 2 capital for the Company for regulatory purposes.

(6)(5) Fixed-to-floating rate notes. On December 15, 2026, the interest rate changes to a floating rate of the then current Three-Month Term SOFR plus a spread of 186 bps through its maturity date or earlier redemption. The notes may be redeemed before maturity on any interest payment date occurring on or after December 15, 2026.

(7)(6) Remaining discounts of \$12.1 11.9 million and \$2.6 million on Trust Preferred Capital Securities and Subordinated Debt, respectively.

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Total long-term borrowings consist of the following as of December 31, 2022 (dollars in thousands):

Trust	Spread to					Spread to				
	Principal	3-Month LIBOR (1)	Rate (2)	Maturity	Investment (3)	Principal	3-Month LIBOR (1)	Rate (2)	Maturity	Investment (3)
<b>Preferred Capital Securities</b>										
Trust Preferred Capital Note - Statutory										
Trust I	\$ 22,500	2.75 %	7.52 %	6/17/2034	\$ 696	\$ 22,500	2.75 %	7.52 %	6/17/2034	\$ 696
Trust Preferred Capital Note - Statutory										
Trust II	36,000	1.40 %	6.17 %	6/15/2036	1,114	36,000	1.40 %	6.17 %	6/15/2036	1,114
VFG Limited Liability Trust I Indenture	20,000	2.73 %	7.50 %	3/18/2034	619	20,000	2.73 %	7.50 %	3/18/2034	619
FNB Statutory Trust II Indenture	12,000	3.10 %	7.87 %	6/26/2033	372	12,000	3.10 %	7.87 %	6/26/2033	372
Gateway Capital Statutory Trust I	8,000	3.10 %	7.87 %	9/17/2033	248	8,000	3.10 %	7.87 %	9/17/2033	248
Gateway Capital Statutory Trust II	7,000	2.65 %	7.42 %	6/17/2034	217	7,000	2.65 %	7.42 %	6/17/2034	217
Gateway Capital Statutory Trust III	15,000	1.50 %	6.27 %	5/30/2036	464	15,000	1.50 %	6.27 %	5/30/2036	464
Gateway Capital Statutory Trust IV	25,000	1.55 %	6.32 %	7/30/2037	774	25,000	1.55 %	6.32 %	7/30/2037	774
MFC Capital Trust II	5,000	2.85 %	7.62 %	1/23/2034	155	5,000	2.85 %	7.62 %	1/23/2034	155
<b>Total Trust Preferred Capital Securities</b>	<b>\$ 150,500</b>				<b>\$ 4,659</b>	<b>\$ 150,500</b>				<b>\$ 4,659</b>

Subordinated Debt <sup>(5)(4)</sup>						
2031						
Subordinated Debt	250,000	— %	2.875 %	12/15/2031	250,000	— % 2.875 % 12/15/2031
Total						
Subordinated Debt <sup>(6)(5)</sup>	\$250,000				\$250,000	
Fair Value						
Discount <sup>(7)(6)</sup>	(15,296)				(15,296)	
Investment in Trust Preferred Capital Securities	4,659				4,659	
Total Long- term Borrowings	\$389,863				\$389,863	

<sup>(1)</sup>The index rates will change from Three-Month LIBOR to Three-Month CME SOFR +0.262% in the third quarter of 2023 due to LIBOR cessation. See note 1 for the Company's adoption of ASC 848.

<sup>(2)</sup><sup>(2)</sup>Rate as of December 31, 2022. Calculated using non-rounded numbers.

<sup>(3)</sup>Represents the junior subordinated debentures owned by the Company in trust and is reported in "Other assets" on the Company's Consolidated Balance Sheets.

<sup>(4)</sup>The remaining issuance discount as of December 31, 2022 is \$2.8 million.

<sup>(5)(4)</sup>Subordinated notes qualify as Tier 2 capital for the Company for regulatory purposes.

<sup>(6)(5)</sup>Fixed-to-floating rate notes. On December 15, 2026, the interest changes to a floating rate of the then current Three-Month Term SOFR plus a spread of 186 bps through its maturity date or earlier redemption. The notes may be redeemed before maturity on any interest payment date occurring on or after December 15, 2026.

<sup>(7)(6)</sup>Remaining discounts of \$12.5 million and \$2.8 million on Trust Preferred Capital Securities and Subordinated Debt, respectively.

As of **June 30, 2023** September 30, 2023, the contractual maturities of long-term debt are as follows for the years ending (dollars in thousands):

	Trust				Trust			
	Preferred		Total		Preferred		Total	
	Capital	Subordinated	Fair Value	Long-term	Capital	Subordinated	Fair Value	Long-term
	Notes	Debt	Discount <sup>(1)</sup>	Borrowings	Notes	Debt	Discount <sup>(1)</sup>	Borrowings
For the remaining six months of 2023	\$ —	\$ —	\$ (585)	\$ (585)	\$ —	\$ —	\$ —	\$ —
For the remaining three months of 2023							\$ (292)	\$ (292)
2024	—	—	(1,187)	(1,187)	—	—	(1,187)	(1,187)
2025	—	—	(1,211)	(1,211)	—	—	(1,211)	(1,211)
2026	—	—	(1,236)	(1,236)	—	—	(1,236)	(1,236)
2027	—	—	(1,263)	(1,263)	—	—	(1,263)	(1,263)
Thereafter	155,159	250,000	(9,237)	395,922	155,159	250,000	(9,237)	395,922
Total long-term borrowings	\$ 155,159	\$ 250,000	\$ (14,719)	\$ 390,440	\$ 155,159	\$ 250,000	\$ (14,426)	\$ 390,733

<sup>(1)</sup>Includes discount on Trust Preferred Capital Securities and Subordinated Debt.

## 7. COMMITMENTS AND CONTINGENCIES

### Litigation and Regulatory Matters

In the ordinary course of its operations, the Company and its subsidiaries are subject to loss contingencies related to legal and regulatory proceedings. The Company establishes accruals for those matters when a loss contingency is considered probable and the related amount is reasonably estimable. When it is practicable, the Company estimates possible loss contingencies, whether or not there is an accrued probable loss. When the Company is able to estimate such losses and when it is reasonably possible that the Company could incur losses in excess of the amounts accrued, the Company discloses the aggregate estimation of such possible losses.

As previously disclosed, on February 9, 2022, pursuant to the CFPB's Notice and Opportunity to Respond and Advise process, the CFPB Office of Enforcement notified the Bank that it is considering recommending that the CFPB take legal action against the Bank in connection with alleged violations of Regulation E, 12 C.F.R. § 1005.17, and the Consumer Financial Protection Act, 12 U.S.C. §§ 5531 and 5536, in connection with the Bank's overdraft practices and policies. In March 2023, the CFPB commenced settlement discussions with the Company to resolve the matter, which are ongoing.

As of **June 30, 2023** **September 30, 2023**, the Company has recorded a probable and estimable liability in connection with this matter. In addition, the Company believes that it is reasonably possible that the Company may experience losses in connection with this matter in excess of what the Company has accrued; however, the Company cannot reasonably estimate any loss beyond the estimated liability that has been recorded.

The Company cannot provide assurance whether a settlement will be reached, the final terms or timing of any such settlement, or the final amount of loss (potentially including both restitution and a civil money penalty) with respect to this matter. If the Company and the CFPB do not reach a settlement, the CFPB may commence litigation against the Company.

### Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and letters of credit. These instruments involve elements of credit and interest rate risk in excess of the amount recognized on the Company's Consolidated Balance Sheets. The contractual amounts of these instruments reflect the extent of the Company's involvement in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and letters of credit written is represented by the contractual amount of these instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. Unless noted otherwise, the Company does not require collateral or other security to support off-balance sheet instruments with credit risk. The Company considers credit losses related to off-balance sheet commitments by undergoing a similar process in evaluating losses for loans that are carried on the balance sheet. The Company considers historical loss and funding information, current and future economic conditions, risk ratings, and past due status among other factors in the consideration of expected credit losses in the Company's off-balance sheet commitments to extend credit. The Company also records an indemnification reserve based on historical statistics and loss rates related to mortgage loans previously sold. At **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company's reserve for unfunded commitments and indemnification reserve totaled **\$15.9 million** **\$15.7 million** and \$14.1 million, respectively.

Commitments to extend credit are agreements to lend to customers as long as there are no violations of any conditions established in the contracts. Commitments generally have fixed expiration dates or other termination clauses and may require

payment of a fee. Because many of the commitments may expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of customers to third parties. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

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The following table presents the balances of commitments and contingencies as of the following dates (dollars in thousands):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Commitments with off-balance sheet risk:</b>				
Commitments to extend credit <sup>(1)</sup>	\$ 5,516,243	\$ 5,229,252	\$ 5,600,928	\$ 5,229,252
Letters of credit	148,908	156,459	146,178	156,459
<b>Total commitments with off-balance sheet risk</b>	<b>\$ 5,665,151</b>	<b>\$ 5,385,711</b>	<b>\$ 5,747,106</b>	<b>\$ 5,385,711</b>

<sup>(1)</sup> Includes unfunded overdraft protection.

As of **June 30, 2023** **September 30, 2023**, the Company had approximately **\$250.9 million** **\$260.4 million** in deposits in other financial institutions of which **\$187.9 million** **\$211.0 million** served as collateral for cash flow and loan swap derivatives. As of December 31, 2022, the Company had approximately \$273.5 million in deposits in other financial institutions of which \$196.2 million served as collateral for the Company's cash flow and loan swap derivatives. The Company had approximately **\$59.6 million** **\$46.1 million** and \$74.0 million in deposits in other financial institutions that were uninsured at **June 30, 2023** **September 30, 2023** and December 31, 2022, respectively. At least annually, the Company's management evaluates the loss risk of its uninsured deposits in financial counterparties.

For asset/liability management purposes, the Company uses interest rate contracts to hedge various exposures or to modify the interest rate characteristics of various balance sheet accounts. For the over-the-counter derivatives cleared with the central clearinghouses, the variation margin is treated as a settlement of the related derivatives fair values. Refer to Note 8 "Derivatives" within this Item 1 of this Quarterly Report for additional information.

As part of the Company's liquidity management strategy, it pledges collateral to secure various financing and other activities that occur during the normal course of business. The following tables present the types of collateral pledged at **June 30, 2023** **September 30, 2023** and December 31, 2022 (dollars in thousands):

	Pledged Assets as of June 30, 2023					Pledged Assets as of September 30, 2023				
	AFS		HTM			AFS		HTM		
	Cash	Securities (1)	Securities (1)	Loans (2)	Total	Cash	Securities (1)	Securities (1)	Loans (2)	Total
Public deposits	\$ —	\$ 749,791	\$ 614,269	\$ —	\$ 1,364,060	\$ —	\$ 686,217	\$ 580,172	\$ —	\$ 1,266,389
Repurchase agreements	—	174,364	—	—	174,364	—	142,537	—	—	142,537
FHLB advances	—	55,309	—	3,181,541	3,236,850	—	51,084	—	3,073,097	3,124,181
Derivatives	187,873	57,345	—	—	245,218	210,977	59,568	—	—	270,545
Fed Funds (3)	—	423,257	17,696	432,704	873,657	—	392,491	16,444	452,649	861,584
Other purposes	—	22,404	—	—	22,404	—	15,248	—	—	15,248
Total pledged assets	\$ 187,873	\$ 1,482,470	\$ 631,965	\$ 3,614,245	\$ 5,916,553	\$ 210,977	\$ 1,347,145	\$ 596,616	\$ 3,525,746	\$ 5,680,484

(1) Balance represents market value.

(2) Balance represents carrying value.

(3) Includes AFS and HTM securities pledged under the BTFP program.

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	Pledged Assets as of December 31, 2022					Pledged Assets as of December 31, 2022				
	AFS		HTM			AFS		HTM		
	Cash	Securities (1)	Securities (1)	Loans (2)	Total	Cash	Securities (1)	Securities (1)	Loans (2)	Total
Public deposits	\$ —	\$ 713,761	\$ 579,550	\$ —	\$ 1,293,311	\$ —	\$ 713,761	\$ 579,550	\$ —	\$ 1,293,311
Repurchase agreements	—	159,221	—	—	159,221	—	159,221	—	—	159,221
FHLB advances	—	36,039	—	2,679,316	2,715,355	—	36,039	—	2,679,316	2,715,355
Derivatives	196,180	57,114	—	—	253,294	196,180	57,114	—	—	253,294
Fed Funds	—	—	—	458,680	458,680	—	—	—	458,680	458,680
Other purposes	—	27,311	865	—	28,176	—	27,311	865	—	28,176
Total pledged assets	\$196,180	\$ 993,446	\$ 580,415	\$3,137,996	\$4,908,037	\$196,180	\$ 993,446	\$ 580,415	\$3,137,996	\$4,908,037

(1) Balance represents market value.

(2) Balance represents book value.

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## 8. DERIVATIVES

The Company is exposed to economic risks arising from its business operations and uses derivatives primarily to manage risk associated with changing interest rates, and to assist customers with their risk management objectives. The Company designates certain derivatives as hedging instruments in a qualifying hedge accounting relationship (cash flow or fair value hedge). The remaining are classified as free-standing derivatives that do not qualify for hedge accounting and consist of interest rate contracts, which include loan swaps, interest rate cap agreements, interest rate lock commitments, RPAs, and foreign exchange contracts.

### Derivatives Counterparty Credit Risk

Derivative instruments contain an element of credit risk that arises from the potential failure of a counterparty to perform according to the terms of the contract. The Company's exposure to derivative counterparty credit risk, at any point in time, is equal to the amount reported as a derivative asset on the Company's Consolidated Balance Sheets, assuming no recoveries of underlying collateral. The Company clears certain over-the-counter derivatives with central clearinghouses through futures commission merchants due to applicable regulatory requirements, which reduces the Company's counterparty risk.

The Company also enters into legally enforceable master netting agreements and collateral agreements, where possible, with certain derivative counterparties to mitigate the risk of default on a bilateral basis. These bilateral agreements typically provide the right to offset exposures and require one counterparty to post collateral on derivative instruments in a net liability position to the other counterparty. For the over-the-counter derivatives cleared with central clearinghouses, the variation margin is treated as settlement of the related derivatives fair values.

### Derivatives designated as accounting hedges

#### Cash Flow Hedges

The Company designates derivatives as cash flow hedges when they are used to manage exposure to variability in cash flows related to forecasted transactions on variable rate financial instruments. The Company uses interest rate swap agreements as part of its hedging strategy by exchanging a notional amount, equal to the principal amount of the borrowings or commercial loans, for fixed-rate interest based on benchmarked interest rates. The original terms and conditions of the interest rate swaps vary in range and length. Amounts receivable or payable are recognized as accrued under the terms of the agreements.

All swaps were entered into with counterparties that met the Company's credit standards, and the agreements contain collateral provisions protecting the at-risk party. The Company concluded that the credit risk inherent in the contract is not significant.

For derivatives designated and qualifying as cash flow hedges, ineffectiveness is not measured or separately disclosed. Rather, as long as the hedging relationship continues to qualify for hedge accounting, the entire change in the fair value of the hedging instrument is recorded in OCI and recognized in earnings as the hedged transaction affects earnings. Derivative amounts affecting earnings are recognized consistent with the classification of the hedged item.

At **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company had interest rate swaps designated and qualifying as cash flow hedges of the Company's forecasted variable interest receipts on variable rate loans due to changes in the interest rate with a notional amount of \$900 million. For each agreement, the Company receives interest at a fixed rate and pays at a variable rate.

#### Fair Value Hedges

Derivatives are designated as fair value hedges when they are used to manage exposure to changes in the fair value of certain financial assets and liabilities, referred to as the hedged items, which fluctuate in value as a result of movements in interest rates.

**Loans:** During the normal course of business, the Company enters into swap agreements to convert certain long-term fixed-rate loans to floating rates to hedge the Company's exposure to interest rate risk. The Company pays a fixed interest rate to the counterparty and receives a floating rate from the same counterparty calculated on the aggregate notional amount. At **June 30, 2023** **September 30, 2023** and December 31, 2022, the aggregate notional amount of the related hedged items for certain long-term fixed rate loans totaled **\$80.8 million** **\$79.3 million** and \$83.6 million, respectively, and the fair value of the swaps associated with the derivative related to hedged items was an unrealized gain of **\$10.7 million** **\$12.8 million** and \$11.0 million, respectively.

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**AFS Securities:** The Company has a swap agreement to hedge the interest rate risk on a portion of its fixed rate AFS securities. At **June 30, 2023** **September 30, 2023** and December 31, 2022, the aggregate notional amount of the related hedged items of the AFS securities totaled \$50.0 million and the fair value of the swaps associated with the derivative related to hedged items was an unrealized gain of **\$2.3 million** **\$2.6 million** and \$1.9 million, respectively.

The Company applies hedge accounting in accordance with ASC 815, *Derivatives and Hedging*, and the fair value hedge and the underlying hedged item, attributable to the risk being hedged, are recorded at fair value with unrealized gains and losses being recorded on the Company's Consolidated Statements of Income. The Company assesses the effectiveness of each hedging relationship by comparing the changes in fair value or cash flows on the derivative hedging instrument with the changes in fair value or cash flows on the designated hedged item or transactions for the risk being hedged. If a hedging relationship ceases to qualify for hedge accounting, the relationship is discontinued and future changes in the fair value of the derivative instrument are recognized in current period earnings. For a discontinued or terminated fair value hedging relationship, all remaining basis adjustments to the carrying amount of the hedged item are amortized to interest income or expense over the remaining life of the hedged item consistent with the amortization of other discounts or premiums. Previous balances deferred in AOCI from discontinued or terminated cash flow hedges are reclassified to interest income or expense as the hedged transactions affect earnings or over the originally specified term of the hedging relationship. The Company's hedges continue to be highly effective and had no material impact on the Consolidated Statements of Income.

**Derivatives not designated as accounting hedges**

**Interest Rate Contracts:**

During the normal course of business, the Company enters into interest rate contracts with borrowers to help meet their financing needs. Upon entering into interest rate contracts, the Company enters into offsetting positions with a third party in order to minimize interest rate risk. These interest rate contracts qualify as financial derivatives with fair values as reported in "Other assets" and "Other liabilities" on the Company's Consolidated Balance Sheets.

**RPA:** The Company enters into RPAs where it may either sell or assume credit risk related to a borrower's performance under certain non-hedging interest rate derivative contracts on participated loans. The Company manages its credit risk under RPAs by monitoring the creditworthiness of the borrowers based on the Company's normal credit review process. RPAs are carried at fair value with changes in fair value recorded in "Other operating income" on the Company's Consolidated Statements of Income.

**Foreign Exchange Contracts:** The Company enters into certain foreign exchange derivative contracts that are not designated as accounting hedges primarily to support the banking needs of certain commercial banking customers. These foreign exchange contracts qualify as financial derivatives with fair values reported in "Other assets" and "Other liabilities" on the Company's Consolidated Balance Sheets with changes in fair value recorded in "Other operating income" on the Company's Consolidated Statements of Income. At **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company's foreign exchange derivative contracts had an aggregate notional amount of **\$12.4 million** **\$12.3 million** and \$10.4 million, respectively. Unrealized losses at both **June 30, 2023** **September 30, 2023** and December 31, 2022 were not significant. The Company had no foreign exchange derivative contracts at **June 30, 2022** **September 30, 2022**.

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The following table summarizes key elements of the Company's derivative instruments as of **June 30, 2023** **September 30, 2023** and December 31, 2022, segregated by derivatives that are considered accounting hedges and those that are not (dollars in thousands):

Category	June 30, 2023	September 30, 2023	December 31, 2022
Accounting Hedges			

	June 30, 2023			December 31, 2022			September 30, 2023			December 31, 2022			
	Derivative (2)		Derivative (2)		Derivative (2)		Derivative (2)		Derivative (2)		Derivative (2)		
	Notional or Contractual		Notional or Contractual		Notional or Contractual		Notional or Contractual		Notional or Contractual		Notional or Contractual		
	Amount (1)	Assets	Liabilities	Amount (1)	Assets	Liabilities	Amount (1)	Assets	Liabilities	Amount (1)	Assets	Liabilities	
<b>Derivatives designated as accounting hedges:</b>													
Interest rate contracts:	(3)												
Cash flow hedges	\$ 900,000	\$ —	\$ 9,725	\$ 900,000	\$ 1,163	\$ 6,599	\$ 900,000	\$ —	\$ 14,955	\$ 900,000	\$ 1,163	\$ 6,599	
Fair value hedges	130,764	4,487	—	133,576	4,117	—	129,309	5,102	—	133,576	4,117	—	
<b>Derivatives not designated as accounting hedges:</b>													
Interest rate contracts	(3)(4)	6,155,427	84,662	230,946	5,820,005	75,030	229,401	6,248,254	117,917	276,814	5,820,005	75,030	229,401

(1) Notional amounts are not recorded on the Company's Consolidated Balance Sheets and are generally used only as a basis on which interest and other payments are determined.

(2) Balances represent fair value of derivative financial instruments.

(3) The Company's cleared derivatives are classified as a single-unit of accounting, resulting in the fair value of the designated swap being reduced by the variation margin, which is treated as settlement of the related derivatives fair value for accounting purposes.

(4) Includes RPAs.

The following table summarizes the carrying value of the Company's hedged assets in fair value hedges and the associated cumulative basis adjustments included in those carrying values as of June 30, 2023 September 30, 2023 and December 31, 2022 (dollars in thousands):

	June 30, 2023				December 31, 2022				September 30, 2023				December 31, 2022			
	Cumulative															
	Amount of Basis	Amount of Basis	Adjustments	Adjustments	Included in the	Included in the	Included in the	Included in the	Amount of Basis	Amount of Basis	Adjustments	Adjustments	Included in the	Included in the		
Carrying Amount	Carrying	Carrying Amount	Carrying	Carrying	Carrying Amount	Carrying	Carrying Amount	Carrying	Carrying Amount	Carrying	Carrying	Carrying	Carrying Amount	Carrying	Carrying	Carrying
of Hedged	Amount of the	of Hedged	Amount of the	of Hedged	Included in the	Included in the	Included in the	Included in the	of Hedged	Amount of the	of Hedged	Amount of the	of Hedged	Amount of the	of Hedged	Amount of the
Assets/(Liabilities)	Hedged	Assets/(Liabilities)														
Amount (1)	Assets/(Liabilities)	Amount (1)														

Line items on the Consolidated Balance Sheets in which the hedged item is included:	Securities available-for-sale (1) (2)	\$ 86,583	\$ (2,247)	\$ 91,388	\$ (1,889)	\$ 84,482	\$ (2,589)	\$ 91,388	\$ (1,889)
Loans(3)	80,764	(10,512)	83,576	(10,832)	79,309	(12,635)	83,576	(10,832)	

(1) These amounts include the amortized cost basis of the investment securities designated in hedging relationships for which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. At **June 30, 2023** **September 30, 2023** and December 31, 2022, the amortized cost basis of this portfolio was **\$86.6** **\$84.5** million and \$91.4 million, respectively, and the cumulative basis adjustment associated with this hedge was **\$22.2** **\$6** million and \$1.9 million, respectively. The amount of the designated hedged item at **June 30, 2023** **September 30, 2023** and December 31, 2022 totaled \$50 million.

(2) Carrying value represents amortized cost.

(3) The fair value of the swaps associated with the derivative related to hedged items at **June 30, 2023** **September 30, 2023** and December 31, 2022 was an unrealized gain of **\$10.7** **\$12.8** million and \$11.0 million, respectively.

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## 9. STOCKHOLDERS' EQUITY

### Repurchase Programs

As of **June 30, 2023** **September 30, 2023**, the Company does not have an active share repurchase program. The Company's prior share repurchase plan expired on December 9, 2022. During the **six** **nine** months ended **June 30, 2022** **September 30, 2022**, the Company repurchased an aggregate of **1.3 million** **1.3** million shares (or \$48.2 million), and **none** of these shares approximately 649,000 shares (or \$23.2 million) were repurchased during the **second** **third** quarter of 2022.

### Accumulated Other Comprehensive Income (Loss)

The change in AOCI for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** is summarized as follows, net of tax (dollars in thousands):

Unrealized Gains (Losses)					Unrealized Gains (Losses)				
Unrealized (Losses)	for AFS Securities	Change in Fair Value of Cash	Gains (Losses) on Transferred to	Total	Unrealized (Losses)	for AFS Securities	Change in Fair Value of Cash	Gains (Losses) on Transferred to	Total
on AFS Securities	HTM	Flow Hedge	BOLI		on AFS Securities	HTM	Flow Hedge	BOLI	

AOCl (loss) -											
March 31, 2023	<u>\$ (321,265)</u>	\$ 14	\$ (40,896)	\$ 214	\$ (361,933)						
AOCl (loss) -											
June 30, 2023						<u>\$ (353,811)</u>	\$ 12	\$ (57,221)	\$ 153	\$ (410,867)	
Other comprehensive (loss) income:											
Other comprehensive loss before reclassification	<u>(32,544)</u>	—	<u>(16,325)</u>	—	<u>(48,869)</u>	<u>(79,193)</u>	—	<u>(9,581)</u>	—	<u>(88,774)</u>	
Amounts reclassified from AOCl into earnings	<u>(2)</u>	<u>(2)</u>	—	<u>(61)</u>	<u>(65)</u>	<u>21,799</u>	<u>(2)</u>	—	<u>(62)</u>	<u>21,735</u>	
Net current period other comprehensive (loss) income	<u>(32,546)</u>	<u>(2)</u>	<u>(16,325)</u>	<u>(61)</u>	<u>(48,934)</u>						
AOCl (loss) -											
June 30, 2023	<u>\$ (353,811)</u>	<u>\$ 12</u>	<u>\$ (57,221)</u>	<u>\$ 153</u>	<u>\$ (410,867)</u>						
Net current period other comprehensive loss						<u>(57,394)</u>	<u>(2)</u>	<u>(9,581)</u>	<u>(62)</u>	<u>(67,039)</u>	
AOCl (loss) -											
September 30, 2023						<u>\$ (411,205)</u>	<u>\$ 10</u>	<u>\$ (66,802)</u>	<u>\$ 91</u>	<u>\$ (477,906)</u>	

	Unrealized Gains (Losses)						Unrealized Gains (Losses)						
	Unrealized Gains (Losses)	for AFS			Unrealized Gains (Losses)			Unrealized Gains (Losses)	for AFS			Unrealized Gains (Losses)	
		Gains (Losses) on AFS Securities	Securities Transferred to HTM	Change in Fair Value of Cash Flow Hedge	Gains (Losses) on BOLI	Total	Gains (Losses) on AFS Securities	Securities Transferred to HTM	Change in Fair Value of Cash Flow Hedge	Gains (Losses) on BOLI	Total		
		Securities	HTM	Flow Hedge	BOLI	Total	Securities	HTM	Flow Hedge	BOLI	Total		
AOCl (loss) -													
December 31, 2022	<u>\$ (363,919)</u>	<u>\$ 17</u>	<u>\$ (54,610)</u>	<u>\$ 226</u>	<u>\$ (418,286)</u>								
AOCl (loss) -													
December 31, 2022							<u>\$ (363,919)</u>	<u>\$ 17</u>	<u>\$ (54,610)</u>	<u>\$ 226</u>	<u>\$ (418,286)</u>		
Other comprehensive income (loss):													
Other comprehensive (loss) income before reclassification	<u>(476)</u>	—	<u>(2,611)</u>	10	<u>(3,077)</u>		<u>(79,669)</u>	—	<u>(12,192)</u>	10	<u>(91,851)</u>		
Amounts reclassified from AOCl into earnings	<u>10,584</u>	<u>(5)</u>	—	<u>(83)</u>	<u>10,496</u>		<u>32,383</u>	<u>(7)</u>	—	<u>(145)</u>	<u>32,231</u>		

Net current period							
other							
comprehensive							
income (loss)	10,108	(5)	(2,611)	(73)	7,419		
AOCI (loss) -							
June 30, 2023	\$ (353,811)	\$ 12	\$ (57,221)	\$ 153	\$ (410,867)		
Net current period							
other							
comprehensive							
loss					(47,286)	(7)	(12,192)
AOCI (loss) -							
September 30, 2023					\$ (411,205)	\$ 10	\$ (66,802)
					\$ 91	\$ 91	\$ (477,906)

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The change in AOCI for the three and **six** **nine** months ended **June 30, 2022** **September 30, 2022** is summarized as follows, net of tax (dollars in thousands):

	Unrealized Gain (Losses)					Unrealized Gain (Losses)					
	Unrealized Gains (Losses)		for AFS			Unrealized Gains (Losses)		for AFS			
	on AFS Securities	Transferred to Securities	Change in Fair Value of Cash	Gains (Losses)	Total	on AFS Securities	Transferred to Securities	Change in Fair Value of Cash	Gains (Losses)	Total	
	Securities	HTM	Flow Hedge	on BOLI	Total	Securities	HTM	Flow Hedge	on BOLI	Total	
AOCI (loss) -											
March 31, 2022	\$ (164,204)	\$ 30	\$ (24,880)	\$ (2,429)	\$ (191,483)						
AOCI (loss) -											
June 30, 2022						\$ (277,577)	\$ 25	\$ (36,452)	\$ (2,279)	\$ (316,283)	
Other											
comprehensive											
(loss) income:											
Other											
comprehensive											
loss before											
reclassification	(113,374)	—	(11,572)	—	(124,946)	(121,841)	—	(24,142)	—	(145,983)	
Amounts											
reclassified											
from AOCI into											
earnings	1	(5)	—	150	146	—	(4)	—	151	147	
Net current											
period other											
comprehensive											
(loss) income	(113,373)	(5)	(11,572)	150	(124,800)	(121,841)	(4)	(24,142)	151	(145,836)	

AOCl (loss) -						
June 30, 2022	\$ (277,577)	\$ 25	\$ (36,452)	\$ (2,279)	\$ (316,283)	
AOCl (loss) -						
September 30, 2022				\$ (399,418)	\$ 21	\$ (60,594) \$ (2,128) \$ (462,119)

	Unrealized Gain (Losses)				Unrealized Gain (Losses)			
	Unrealized Gains (Losses) on AFS Securities		Unrealized for AFS Transferred to Value of Cash Flow Hedge		Unrealized Gains (Losses) on BOLI		Unrealized for AFS Transferred to Value of Cash Flow Hedge	
	on AFS Securities	HTM	Change in Fair Value of Cash Flow Hedge	Gains (Losses)	on AFS Securities	HTM	Change in Fair Value of Cash Flow Hedge	Gains (Losses)
				Total				Total
AOCl -								
December 31, 2021	\$ 22,763	\$ 35	\$ (1,567)	\$ (2,596)	\$ 18,635			
AOCl -						\$ 22,763	\$ 35	\$ (1,567) \$ (2,596) \$ 18,635
Other comprehensive (loss) income:								
Other comprehensive loss before reclassification	(300,341)	—	(34,885)	—	(335,226)	(422,183)	—	(59,027) — (481,210)
Amounts reclassified from AOCl into earnings	1	(10)	—	317	308	2	(14)	— 468 456
Net current period other comprehensive (loss) income	(300,340)	(10)	(34,885)	317	(334,918)	(422,181)	(14)	(59,027) 468 (480,754)
AOCl (loss) -								
June 30, 2022	\$ (277,577)	\$ 25	\$ (36,452)	\$ (2,279)	\$ (316,283)			
AOCl (loss) -						\$ (399,418)	\$ 21	\$ (60,594) \$ (2,128) \$ (462,119)
September 30, 2022								

The Company follows ASC 820, *Fair Value Measurement* to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. ASC 820 clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants.

ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. The three levels of the fair value hierarchy under ASC 820 based on these two types of inputs are as follows:

Level 1 Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the markets.

Level 3 Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market. These unobservable inputs reflect the Company's assumptions about what market participants would use and information that is reasonably available under the circumstances without undue cost and effort.

#### **Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The following describes the valuation techniques used by the Company to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements.

#### **Derivative Instruments**

As discussed in Note 8 "Derivatives" within this Item 1 of this Quarterly Report, the Company records derivative instruments at fair value on a recurring basis. The Company utilizes derivative instruments as part of the management of interest rate risk to modify the re-pricing characteristics of certain portions of the Company's interest-bearing assets and liabilities, as well as to manage the Company's exposure to credit risk related to borrower's performance under interest rate derivatives. The Company has contracted with a third-party vendor to provide valuations for derivatives using standard valuation techniques and therefore classifies such valuations as Level 2. Third-party valuations are validated by the Company using the Bloomberg Valuation Service's derivative pricing functions. No significant differences were identified during the validation as of **June 30, 2023** **September 30, 2023** and December 31, 2022. The Company has considered counterparty credit risk in the valuation of its derivative assets and has considered its own credit risk in the valuation of its derivative liabilities.

#### **AFS Securities**

AFS securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (Level 2). If the inputs used to provide the evaluation for certain securities are unobservable and/or there is little, if any, market activity, then the security would fall to the lowest level of the hierarchy (Level 3).

The Company's investment portfolio is primarily valued using fair value measurements that are considered to be Level 2. The Company has contracted with a third-party portfolio accounting service vendor for valuation of its securities portfolio. The vendor's primary source for security valuation is ICE, which evaluates securities based on market data. ICE utilizes evaluated pricing models that vary by asset class and include available trade, bid, and other market information. Generally, the methodology includes broker quotes, proprietary models, vast descriptive terms and conditions databases, as well as extensive quality control programs.

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The vendor utilizes proprietary valuation matrices for valuing all municipals securities. The initial curves for determining the price, movement, and yield relationships within the municipal matrices are derived from industry benchmark curves or sourced from a municipal trading desk. The securities are further broken down according to issuer, credit support, state of issuance, and rating to incorporate additional spreads to the industry benchmark curves.

The Company primarily uses the Bloomberg Valuation Service, an independent information source that draws on quantitative models and market data contributed from over 4,000 market participants, to validate third party valuations. Any significant differences between valuation sources are researched by further analyzing the various inputs that are utilized by each pricing source. No significant differences were identified during the validation as of **June 30, 2023** **September 30, 2023** and December 31, 2022.

The carrying value of restricted FRB and FHLB stock approximates fair value based on the redemption provisions of each entity and is therefore excluded from the table below.

#### Loans Held for Sale

Residential loans originated for sale in the open market are carried at fair value. Fair value is based on the price secondary markets are currently offering for similar loans using observable market data which is not materially different than cost due to the short duration between origination and sale (Level 2). Gains and losses on the sale of loans are recorded in current period earnings as a component of **"Mortgage"** **"Mortgage banking income"** **"income"** on the Company's Consolidated Statements of Income.

The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis at **June 30, 2023** **September 30, 2023** and December 31, 2022 (dollars in thousands):

	Fair Value Measurements at June 30, 2023 using						Fair Value Measurements at September 30, 2023 using					
	Significant			Significant			Significant			Significant		
	Quoted Prices in Active Markets for Identical Assets	Other Observable	Significant Unobservable	Quoted Prices in Active Markets for Identical Assets	Other Observable	Significant Unobservable	Quoted Prices in Active Markets for Identical Assets	Other Observable	Significant Unobservable	Quoted Prices in Active Markets for Identical Assets	Other Observable	Significant Unobservable
	Inputs	Inputs	Inputs									
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>ASSETS</b>												
AFS securities:												
U.S. government and agency securities	\$ 56,860	\$ 4,487	\$ —	\$ 61,347	\$ 59,568	\$ 2,270	\$ —	\$ 61,838	\$ —	\$ 417,460	\$ 242,818	\$ 242,818
Obligations of states and political subdivisions	—	513,026	—	513,026	—	417,460	—	417,460	—	1,361,085	—	1,361,085
Corporate and other bonds <sup>(1)</sup>	—	142,572	—	142,572	—	242,818	—	242,818	—	1,703	—	1,727
MBS	—	1,463,800	—	1,463,800	—	1,727	—	1,727	—	10,327	—	6,608
Other securities	—	1,703	—	1,703	—	6,608	—	6,608	—	89,149	—	123,019
LHFS	—	10,327	—	10,327	—	—	—	—	—	—	—	—
Financial Derivatives <sup>(2)</sup>	—	89,149	—	89,149	—	—	—	—	—	—	—	—
<b>LIABILITIES</b>												
Financial Derivatives <sup>(2)</sup>	\$ —	\$ 240,671	\$ —	\$ 240,671	\$ —	\$ 291,769	\$ —	\$ 291,769	\$ —	\$ —	\$ —	\$ —

<sup>(1)</sup> Other bonds include asset-backed securities.

<sup>(2)</sup> Includes hedged and non-hedged derivatives.

Fair Value Measurements at December 31, 2022 using							
	Significant						
	Quoted Prices in		Other	Significant			
	Active Markets for		Observable	Unobservable			
	Identical Assets		Inputs	Inputs			
	Level 1	Level 2		Level 3		Balance	
<b>ASSETS</b>							
AFS securities:							
U.S. government and agency securities	\$ 56,606	\$ 5,337	\$ —	\$ 61,943			
Obligations of states and political subdivisions	—	807,435	—	807,435			
Corporate and other bonds <sup>(1)</sup>	—	226,380	—	226,380			
MBS	—	1,644,394	—	1,644,394			
Other securities	—	1,664	—	1,664			
LHFS	—	3,936	—	3,936			
Financial Derivatives <sup>(2)</sup>	—	80,310	—	80,310			
<b>LIABILITIES</b>							
Financial Derivatives <sup>(2)</sup>	\$ —	\$ 236,000	\$ —	\$ 236,000			

<sup>(1)</sup> Other bonds include asset-backed securities.

<sup>(2)</sup> Includes hedged and non-hedged derivatives.

#### **Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

Certain assets are measured at fair value on a nonrecurring basis in accordance with GAAP. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets after they are evaluated for impairment. The primary assets accounted for at fair value on a nonrecurring basis are related to foreclosed properties, former bank premises, and collateral-dependent loans that are individually assessed. When the asset is secured by real estate, the Company measures the fair value utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser using observable market data. Management may discount the value from the appraisal in determining the fair value if, based on its understanding of the market conditions, the collateral had been impaired below the appraised value (Level 3). The nonrecurring valuation adjustments for these assets did not have a significant impact on the Company's consolidated financial statements.

#### **Fair Value of Financial Instruments**

ASC 825, *Financial Instruments*, requires disclosure about fair value of financial instruments for interim periods and excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

#### **Cash and Cash Equivalents**

For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

#### **HTM Securities**

The Company's HTM investment portfolio is primarily valued using fair value measurements that are considered to be Level 2, utilizes the same valuation approach as described above with the AFS securities portfolio. Any significant differences between valuation sources are researched by further analyzing the various inputs that are utilized by each pricing source. No significant differences were identified during the validation as of **June 30, 2023** **September 30, 2023** and December 31, 2022.

The Company's Level 3 HTM securities are a result of a prior acquisition and are comprised of asset-backed securities and municipal bonds. Valuations of the asset-backed securities are provided by a third-party vendor specializing in the SBA markets and are based on underlying loan pool information, market data, and recent trading activity for similar securities. Valuations of the municipal bonds are provided by a third-party vendor that specializes in hard-to-value securities and are based on a discounted cash flow model and incorporates considerations for the complexity of the instrument, likelihood it will be called, and credit ratings. The Company reviews the valuations obtained for any material differences between valuation sources by analyzing the various inputs and results utilized by each pricing source. No significant differences were identified during the validation as of **June 30, 2023** **September 30, 2023** and December 31, 2022.

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**Loans and Leases**

The fair value of loans and leases were estimated using an exit price, representing the amount that would be expected to be received if the Company sold the loans and leases. The fair value of performing loans and leases were estimated through use of discounted cash flows. Credit loss assumptions were based on market PD/LGD for loan and lease cohorts. The discount rate was based primarily on recent market origination rates. Fair value of loans and leases individually assessed and their respective levels within the fair value hierarchy are described in the previous section related to fair value measurements of assets that are measured on a nonrecurring basis.

**Bank Owned Life Insurance**

The carrying value of BOLI approximates fair value. The Company records these policies at their cash surrender value, which is estimated using information provided by insurance carriers.

**Deposits**

The fair value of demand deposits, savings accounts, brokered deposits, and certain money market deposits is the amount payable on demand at the reporting date. The fair value of certificates of deposits were valued using a discounted cash flow calculation that includes a market rate analysis of the current rates offered by market participants for certificates of deposits that mature in the same period.

**Accrued Interest**

The carrying amounts of accrued interest approximate fair value.

The carrying values and estimated fair values of the Company's financial instruments at **June 30, 2023** **September 30, 2023** and December 31, 2022 are as follows (dollars in thousands):

	Fair Value Measurements at June 30, 2023 using						Fair Value Measurements at September 30, 2023 using					
	Quoted Prices		Significant				Quoted Prices		Significant			
	in Active	Other	Significant		in Active	Other	Significant		in Active	Other	Significant	
	Markets for	Observable	Unobservable	Total Fair	Markets for	Observable	Unobservable	Total Fair	Markets for	Observable	Unobservable	Total Fair
	Identical Assets	Inputs	Inputs	Value	Identical Assets	Inputs	Inputs	Value	Identical Assets	Inputs	Inputs	Value
	Carrying Value	Level 1	Level 2	Level 3	Balance	Carrying Value	Level 1	Level 2	Level 3	Balance	Carrying Value	Level 1
<b>ASSETS</b>												
Cash and cash equivalents	\$ 428,267	\$ 428,267	\$ —	\$ —	\$ 428,267	\$ 398,945	\$ 398,945	\$ —	\$ —	\$ —	\$ 398,945	
AFS securities	2,182,448	56,860	2,125,588	—	2,182,448	2,084,928	59,568	2,025,360	—	—	2,084,928	
HTM securities	849,610	—	805,890	1,908	807,798	843,269	—	760,786	1,260	762,046		
Restricted stock	111,178	—	111,178	—	111,178	104,785	—	104,785	—	—	104,785	
LHFS	10,327	—	10,327	—	10,327	6,608	—	6,608	—	—	6,608	
LHFI, net of deferred fees and costs	15,066,930	—	—	14,410,759	14,410,759	15,283,620	—	—	14,712,224	—	14,712,224	
Financial Derivatives(1)	89,149	—	89,149	—	89,149	123,019	—	123,019	—	—	123,019	
Accrued interest receivable	81,772	—	81,772	—	81,772	85,663	—	85,663	—	—	85,663	

BOLI	446,441	—	446,441	—	446,441	449,452	—	449,452	—	449,452
<b>LIABILITIES</b>										
Deposits	\$ 16,411,987	\$ —	\$ 16,387,999	\$ —	\$ 16,387,999	\$ 16,786,505	\$ —	\$ 16,758,971	\$ —	\$ 16,758,971
Borrowings	1,320,301	—	1,245,833	—	1,245,833	1,020,669	—	947,640	—	947,640
Accrued interest payable	11,513	—	11,513	—	11,513	17,046	—	17,046	—	17,046
Financial Derivatives(1)	240,671	—	240,671	—	240,671	291,769	—	291,769	—	291,769

(1) Includes hedged and non-hedged derivatives.

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Fair Value Measurements at December 31, 2022 using							
Carrying Value	Quoted Prices		Significant			Total Fair Value	
	in Active Markets for Identical Assets		Other Observable	Significant Unobservable			
	Inputs	Inputs	Inputs	Value			
	Level 1	Level 2	Level 3	Balance			
<b>ASSETS</b>							
Cash and cash equivalents	\$ 319,948	\$ 319,948	\$ —	\$ —	\$ 319,948		
AFS securities	2,741,816	56,606	2,685,210	—	2,741,816		
HTM securities	847,732	—	798,778	3,109	801,887		
Restricted stock	120,213	—	120,213	—	120,213		
LHFS	3,936	—	3,936	—	3,936		
LHFI, net of deferred fees and costs	14,449,142	—	—	13,974,926	13,974,926		
Financial Derivatives(1)	80,310	—	80,310	—	80,310		
Accrued interest receivable	81,953	—	81,953	—	81,953		
BOLI	440,656	—	440,656	—	440,656		
<b>LIABILITIES</b>							
Deposits	\$ 15,931,677	\$ —	\$ 15,927,361	\$ —	\$ 15,927,361		
Borrowings	1,708,700	—	1,645,095	—	1,645,095		
Accrued interest payable	5,268	—	5,268	—	5,268		
Financial Derivatives(1)	236,000	—	236,000	—	236,000		

(1) Includes hedged and non-hedged derivatives.

The Company assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, the fair values of the Company's financial instruments will change when interest rate levels change and that change may be either favorable or unfavorable to the Company. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. Borrowers with fixed rate obligations, however, are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate

environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the Company's overall interest rate risk.

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**11. EARNINGS PER SHARE**

Basic EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed using the weighted average number of common shares outstanding during the period, including the effect of dilutive potential common shares outstanding attributable to stock awards.

The following table presents basic and diluted EPS calculations for the three and **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022 (dollars in thousands except per share data):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Net Income</b>	<b>\$ 55,241</b>	<b>\$ 62,226</b>	<b>\$ 90,894</b>	<b>\$ 105,916</b>	<b>\$54,017</b>	<b>\$58,070</b>	<b>\$144,911</b>	<b>\$163,986</b>
Less: Preferred Stock Dividends	<b>2,967</b>	<b>2,967</b>	<b>5,934</b>	<b>5,934</b>	<b>2,967</b>	<b>2,967</b>	<b>8,901</b>	<b>8,901</b>
<b>Net income available to common shareholders</b>	<b>\$ 52,274</b>	<b>\$ 59,259</b>	<b>\$ 84,960</b>	<b>\$ 99,982</b>	<b>\$51,050</b>	<b>\$55,103</b>	<b>\$136,010</b>	<b>\$155,085</b>
<b>Weighted average shares outstanding, basic</b>	<b>74,995</b>	<b>74,848</b>	<b>74,914</b>	<b>75,194</b>	<b>74,999</b>	<b>74,704</b>	<b>74,943</b>	<b>75,029</b>
Dilutive effect of stock awards	—	2	2	7	—	1	1	5
<b>Weighted average shares outstanding, diluted</b>	<b>74,995</b>	<b>74,850</b>	<b>74,916</b>	<b>75,201</b>	<b>74,999</b>	<b>74,705</b>	<b>74,944</b>	<b>75,034</b>
<b>Earnings per common share, basic</b>	<b>\$ 0.70</b>	<b>\$ 0.79</b>	<b>\$ 1.13</b>	<b>\$ 1.33</b>	<b>\$ 0.68</b>	<b>\$ 0.74</b>	<b>\$ 1.81</b>	<b>\$ 2.07</b>
<b>Earnings per common share, diluted</b>	<b>\$ 0.70</b>	<b>\$ 0.79</b>	<b>\$ 1.13</b>	<b>\$ 1.33</b>	<b>\$ 0.68</b>	<b>\$ 0.74</b>	<b>\$ 1.81</b>	<b>\$ 2.07</b>

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**12. SEGMENT REPORTING AND REVENUE**

## Operating Segments

Prior to the third quarter of 2022, the Company had one reportable operating segment, the Bank; however, in the third quarter of 2022, the Company completed system conversions that allow its chief operating decision makers to evaluate the business, establish the overall business strategy, allocate resources, and assess business performance within two reportable operating segments—Wholesale Banking and Consumer Banking—while corporate support functions such as corporate treasury and others will be included in Corporate Other. As a result, the Company restated its segment information for the three and six months ended June 30, 2022 and under the new basis with two reportable operating segments.

Effective January 1, 2023, the Company made an organizational change to move certain lines of business in the wealth management division that primarily serve Wholesale Banking customers from the Consumer Banking segment to the Wholesale Banking segment. As a result, the Company reallocated \$9.6 million of goodwill from the Consumer Banking segment to the Wholesale Banking segment and restated its prior segment information for the year ended December 31, 2022, based on this organizational change. Goodwill was evaluated for impairment prior to and immediately following the organizational change. Refer to Note 4 "Goodwill and Intangible Assets" within this Item 1 "Financial Statements" of this Quarterly Report for additional information. In addition, effective January 1, 2023, the Company restated its prior segment operating results for the three and nine months ended September 30, 2022, resulting in a reallocation of noninterest income (\$3.0 million and \$9.5 million, respectively) and noninterest expense (\$4.0 million and \$12.1 million, respectively) from the Consumer Banking segment to the Wholesale Banking segment.

As of **June 30, 2023** **September 30, 2023**, the Company's operating segments include the following:

- **Wholesale Banking:** The Wholesale Banking segment provides loan and deposit services, as well as treasury management, and capital market services to wholesale customers primarily throughout Virginia, Maryland, North Carolina, and South Carolina. These customers include commercial real estate and commercial and industrial customers. This segment also includes the Company's equipment finance subsidiary, which has nationwide exposure. The private banking and trust businesses also reside in the Wholesale Banking segment.
- **Consumer Banking:** The Consumer Banking segment provides loan and deposit services to consumers and small businesses throughout Virginia, Maryland, and North Carolina. Consumer Banking includes the home loan division and investment management and advisory services businesses.
- **Corporate Other:** Corporate Other includes the Company's Corporate Treasury functions, such as management of the investment securities portfolio, long-term debt, short-term liquidity and funding activities, balance sheet risk management, and other corporate support functions, as well as intercompany eliminations.

## Segment Reporting Methodology

The Company's segment reporting is based on a "management approach" as described in Note 1 "Summary of Significant Accounting Policies" of the Company's 2022 Form 10-K. Inter-segment transactions are recorded at cost and eliminated as part of the consolidation process. A management fee for operations and administrative support services is charged to all subsidiaries and eliminated in the consolidated totals. For additional information on the methodologies used in preparing the operating segment results, refer to Note 17 "Segment Reporting and Revenue" in the Company's 2022 Form 10-K.

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## Segment Results

The following tables present the Company's operating segment results for the three months and **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022 (dollars in thousands):

	Wholesale Banking	Consumer Banking	Corporate Other (1)	Total
<b>Three Months Ended September 30, 2023</b>				
Net interest income	\$ 68,049	\$ 63,912	\$ 19,980	\$ 151,941

Provision for credit losses	<b>9,310</b>	<b>(4,319)</b>	<b>—</b>	<b>4,991</b>
Net interest income after provision for credit losses	<b>58,739</b>	<b>68,231</b>	<b>19,980</b>	<b>146,950</b>
Noninterest income	<b>9,468</b>	<b>13,722</b>	<b>3,904</b>	<b>27,094</b>
Noninterest expenses	<b>40,039</b>	<b>54,994</b>	<b>13,475</b>	<b>108,508</b>
Income before income taxes	<b>\$ 28,168</b>	<b>\$ 26,959</b>	<b>\$ 10,409</b>	<b>\$ 65,536</b>
<b><u>Three Months Ended September 30, 2022 (2)</u></b>				
Net interest income	\$ 77,625	\$ 58,749	\$ 14,341	\$ 150,715
Provision for credit losses	8,470	(2,058)	—	6,412
Net interest income after provision for credit losses	69,155	60,807	14,341	144,303
Noninterest income	8,453	11,939	5,192	25,584
Noninterest expenses	40,164	54,740	5,019	99,923
Income before income taxes	<b>\$ 37,444</b>	<b>\$ 18,006</b>	<b>\$ 14,514</b>	<b>\$ 69,964</b>

	<b>Wholesale</b>	<b>Consumer</b>	<b>Corporate</b>	
	<b>Banking</b>	<b>Banking</b>	<b>Other (1)</b>	<b>Total</b>
<b><u>Nine Months Ended September 30, 2023</u></b>				
Net interest income	\$ 201,722	\$ 190,806	\$ 64,941	\$ 457,469
Provision for credit losses	25,853	(2,947)	5	22,911
Net interest income after provision for credit losses	175,869	193,753	64,936	434,558
Noninterest income	25,743	38,188	(3,013)	60,918
Noninterest expenses	123,207	168,971	30,264	322,442
Income before income taxes	<b>\$ 78,405</b>	<b>\$ 62,970</b>	<b>\$ 31,659</b>	<b>\$ 173,034</b>
<b><u>Nine Months Ended September 30, 2022 (2)</u></b>				
Net interest income	\$ 221,979	\$ 157,918	\$ 40,516	\$ 420,413
Provision for credit losses	12,844	(100)	27	12,771
Net interest income after provision for credit losses	209,135	158,018	40,489	407,642
Noninterest income	25,967	45,135	22,921	94,023
Noninterest expenses	118,216	165,523	20,273	304,012
Income before income taxes	<b>\$ 116,886</b>	<b>\$ 37,630</b>	<b>\$ 43,137</b>	<b>\$ 197,653</b>

(1) For the three and nine months ended September 30, 2023, noninterest expenses include \$8.7 million (\$8.7 million included within other expenses and (\$67,000) included within salaries and benefits) and \$12.6 million (\$9.8 million included within other expenses and \$2.8 million included within salaries and benefits), respectively, in expenses associated with strategic cost saving initiatives, principally composed of severance costs related to headcount reductions, costs related to modifying certain third-party vendor contracts, and charges for exiting certain leases.

	<b>Wholesale</b>	<b>Consumer</b>		
	<b>Banking</b>	<b>Banking</b>	<b>Corporate Other</b>	<b>Total</b>
<b><u>Three Months Ended June 30, 2023</u></b>				
Net interest income	\$ 66,133	\$ 63,749	\$ 22,202	\$ 152,084
Provision for credit losses	6,054	32	(17)	6,069
Net interest income after provision for credit losses	60,079	63,717	22,219	146,015
Noninterest income	8,861	12,287	3,049	24,197
Noninterest expenses	41,236	56,539	7,886	105,661
Income before income taxes	<b>\$ 27,704</b>	<b>\$ 19,465</b>	<b>\$ 17,382</b>	<b>\$ 64,551</b>
<b><u>Three Months Ended June 30, 2022</u></b>				
Net interest income	\$ 72,930	\$ 51,037	\$ 14,800	\$ 138,767
Provision for credit losses	2,757	775	27	3,559
Net interest income after provision for credit losses	70,173	50,262	14,773	135,208
Noninterest income	8,327	16,577	13,382	38,286
Noninterest expenses	38,401	55,092	5,275	98,768
Income before income taxes	<b>\$ 40,099</b>	<b>\$ 11,747</b>	<b>\$ 22,880</b>	<b>\$ 74,726</b>

	Wholesale Banking	Consumer Banking	Corporate Other	Total
<b><u>Six Months Ended June 30, 2023</u></b>				
Net interest income	\$ 133,674	\$ 126,893	\$ 44,961	\$ 305,528
Provision for credit losses	16,543	1,371	6	17,920
Net interest income after provision for credit losses	117,131	125,522	44,955	287,608
Noninterest income	16,275	24,466	(6,917)	33,824
Noninterest expenses	83,550	113,594	16,790	213,934
Income before income taxes	\$ 49,856	\$ 36,394	\$ 21,248	\$ 107,498
<b><u>Six Months Ended June 30, 2022</u></b>				
Net interest income	\$ 144,354	\$ 99,169	\$ 26,175	\$ 269,698
Provision for credit losses	4,374	1,958	27	6,359
Net interest income after provision for credit losses	139,980	97,211	26,148	263,339
Noninterest income	17,514	33,196	17,729	68,439
Noninterest expenses	78,410	110,426	15,253	204,089
Income before income taxes	\$ 79,084	\$ 19,981	\$ 28,624	\$ 127,689

(2) As discussed above, the segment operating results for the three and nine months ended September 30, 2022 include a reallocation from Consumer Banking to Wholesale Banking.

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The following table presents the Company's operating segment results for key balance sheet metrics as of **June 30, 2023** **September 30, 2023** and December 31, 2022 (dollars in thousands):

	Wholesale Banking	Consumer Banking	Corporate Other	Total	Wholesale Banking	Consumer Banking	Corporate Other	Total
<b><u>As of June 30, 2023</u></b>								
<b><u>As of September 30, 2023</u></b>								
LHFI, net of deferred fees and costs (1)	\$12,078,442	\$3,001,369	\$ (12,881)	\$ 15,066,930	\$12,343,799	\$2,953,367	\$ (13,546)	\$15,283,620
Goodwill	639,180	286,031	—	925,211	639,180	286,031	—	925,211
Deposits	6,190,224	9,580,892	640,871	16,411,987	6,537,472	9,726,079	522,954	16,786,505
<b><u>As of December 31, 2022</u></b>								
LHFI, net of deferred fees and costs (1)(2)	\$11,476,258	\$2,990,017	\$ (17,133)	\$ 14,449,142	\$11,476,258	\$2,990,017	\$ (17,133)	\$14,449,142
Goodwill (3)	639,180	286,031	—	925,211	639,180	286,031	—	925,211
Deposits (4)	6,128,729	9,724,598	78,350	15,931,677	6,128,729	9,724,598	78,350	15,931,677

(1) Corporate Other includes acquisition accounting fair value adjustments.

(2) Wholesale Banking includes a \$136.6 million reallocation from Consumer Banking due to the January 1, 2023 organizational change discussed above.

(3) Wholesale Banking includes a \$9.6 million reallocation from Consumer Banking due to the January 1, 2023 organizational change discussed above.

(4) Wholesale Banking includes a \$258.7 million reallocation from Consumer Banking due to the January 1, 2023 organizational change discussed above.

#### Revenue

The majority of the Company's noninterest income is being accounted for in accordance with ASC 606, *Revenue from Contracts with Customers* and comes from short term contracts associated with fees for services provided on deposit accounts and credit cards from the Consumer and Wholesale

Banking segments, as well as fiduciary and asset management fees from the Consumer Banking and Wholesale Banking segments. Refer to Note 17 "Segment Reporting and Revenue" in the Company's 2022 Form 10-K for additional information on the Company's contract balances, performance obligations, and mortgage banking income.

Noninterest income disaggregated by major source for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, consisted of the following (dollars in thousands):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	Noninterest income:							
Deposit Service Charges (1):								
Overdraft fees	\$ 4,839	\$ 5,305	\$ 9,662	\$ 10,299	\$ 5,210	\$ 3,831	\$ 14,873	\$ 14,130
Maintenance fees & other	3,279	2,735	6,358	5,338	3,347	2,953	9,704	8,291
Other service charges, commissions, and fees (1)	1,693	1,709	3,439	3,364	2,632	1,770	6,071	5,134
Interchange fees (1)	2,459	2,268	4,784	4,078	2,314	2,461	7,098	6,539
Fiduciary and asset management fees (1):								
Trust asset management fees	3,103	3,299	6,209	6,690	3,120	3,035	9,329	9,726
Registered advisor management fees	—	2,438	—	5,088	—	—	—	5,088
Brokerage management fees	1,256	1,202	2,411	2,416	1,429	1,099	3,840	3,515
Mortgage banking income	449	2,200	1,303	5,317	666	1,390	1,969	6,707
Gain (loss) on sale of securities	2	(2)	(13,398)	(2)				
Loss on sale of securities					(27,594)	—	(40,992)	(2)
Bank owned life insurance income	2,870	2,716	5,698	5,413	2,973	3,445	8,671	8,858
Loan-related interest rate swap fees	2,316	2,600	3,755	6,460	2,695	2,050	6,450	8,510
Other operating income (2)	1,931	11,816	3,603	13,978	30,302	3,550	33,905	17,527
<b>Total noninterest income</b>	<b>\$ 24,197</b>	<b>\$ 38,286</b>	<b>\$ 33,824</b>	<b>\$ 68,439</b>	<b>\$ 27,094</b>	<b>\$ 25,584</b>	<b>\$ 60,918</b>	<b>\$ 94,023</b>

(1) Income within scope of ASC 606, Revenue from Contracts with Customers.

(2) Includes a \$27.7 million gain related to the sale-leaseback transaction for the three and nine months ended September 30, 2023, and a \$9.1 million gain related to the sale of DHFB for the three and six **nine** months ended **June 30, 2022** **September 30, 2022**.

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The following tables present noninterest income disaggregated by reportable operating segment for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022 (dollars in thousands):

	Wholesale Banking	Consumer Banking	Corporate Other(1)(2)	Total	Wholesale Banking	Consumer Banking	Corporate
<b>Three Months Ended June 30, 2023</b>							
<b>Three Months Ended September 30, 2023</b>							
<b>Noninterest income:</b>							
Deposit service charges	\$ 2,109	\$ 6,009	\$ 8,118	\$ 2,184	\$ 6,373		
Other service charges and fees	296	1,397	1,693	399	2,233		

Fiduciary and asset management fees	3,033	1,326	—	4,359	3,050	1,499
Mortgage banking income	—	449	—	449	—	666
Other income	3,423	3,106	3,049	9,578	3,835	2,951
<b>Total noninterest income</b>	<b>\$ 8,861</b>	<b>\$ 12,287</b>	<b>\$ 3,049</b>	<b>\$ 24,197</b>	<b>\$ 9,468</b>	<b>\$ 13,722</b>

**Three Months Ended June 30, 2022**

**Three Months Ended September 30, 2022 (3)**

**Noninterest income:**

Deposit service charges	\$ 1,641	\$ 6,399	\$ 8,040	\$ 1,783	\$ 5,001
Other service charges and fees	395	1,314	— 1,709	513	1,257
Fiduciary and asset management fees	3,224	3,715	— 6,939	2,960	1,174
Mortgage banking income	—	2,200	— 2,200	—	1,390
Other income	3,067	2,949	13,382 19,398	3,197	3,117
<b>Total noninterest income</b>	<b>\$ 8,327</b>	<b>\$ 16,577</b>	<b>\$ 13,382</b>	<b>\$ 38,286</b>	<b>\$ 8,453</b>

**Six Months Ended June 30, 2023**

**Nine Months Ended September 30, 2023**

**Noninterest income:**

Deposit service charges	\$ 4,084	\$ 11,936	\$ 16,020	\$ 6,268	\$ 18,309
Other service charges and fees	741	2,698	— 3,439	1,140	4,931
Fiduciary and asset management fees	6,067	2,553	— 8,620	9,118	4,051
Mortgage banking income	—	1,303	— 1,303	—	1,969
Other income	5,383	5,976	(6,917) 4,442	9,217	8,928
<b>Total noninterest income</b>	<b>\$ 16,275</b>	<b>\$ 24,466</b>	<b>\$ (6,917)</b>	<b>\$ 33,824</b>	<b>\$ 25,743</b>

**Six Months Ended June 30, 2022**

**Nine Months Ended September 30, 2022 (3)**

**Noninterest income:**

Deposit service charges	\$ 3,207	\$ 12,430	\$ 15,637	\$ 4,990	\$ 17,431
Other service charges and fees	830	2,534	— 3,364	1,342	3,792
Fiduciary and asset management fees	6,540	7,654	— 14,194	9,501	8,828
Mortgage banking income	—	5,317	— 5,317	—	6,707
Other income	6,937	5,261	17,729 29,927	10,134	8,377
<b>Total noninterest income</b>	<b>\$ 17,514</b>	<b>\$ 33,196</b>	<b>\$ 17,729</b>	<b>\$ 68,439</b>	<b>\$ 25,967</b>

(1) For the three months and **six** nine months ended **June 30, 2022** **September 30, 2022**, other income primarily includes a \$9.1 million gain related to the sale of DHFB and income from BOLI.

(2) For the three and **nine** months ended **June 30, 2023**, other income primarily consists of income from BOLI. For the six months ended **June 30, 2023** **September 30, 2023**, other income primarily includes a \$13.4 **27.7** million of gain related to the sale-leaseback transaction, losses incurred on the sale of AFS securities (\$27.6 million and \$41.0 million, respectively), and income from BOLI. BOLI.

(3) As discussed above, noninterest income for the three and **nine** months ended **September 30, 2022** includes a reallocation from Consumer Banking to Wholesale Banking.

The Company's management has evaluated subsequent events through **August 3, 2023** **November 2, 2023**, the date the financial statements were issued.

On July 24, 2023, the Company and American National entered into a merger agreement. Under the merger agreement, American National will merge with and into the Company, with the Company continuing as the surviving entity. Immediately following the merger, American National Bank and Trust Company will merge with and into the Bank, with the Bank continuing as the surviving bank. Subject to the terms and conditions of the merger agreement, at the effective time of the merger, each outstanding share of American National common stock will be converted into the right to receive 1.35 shares of the Company's common stock. The merger agreement was unanimously approved by the boards of directors of the Company and American National, and is subject to customary closing conditions, including receipt of required regulatory approvals and American National shareholder approval. The proposed transaction is expected to close in the first quarter of 2024.

On July 27, 2023 **October 26, 2023**, the Company's Board of Directors declared a quarterly dividend on the outstanding shares of its Series A preferred stock. The Series A preferred stock is represented by depositary shares, each representing a 1/400th ownership interest in a share of Series A preferred stock. The dividend of \$171.88 per share (equivalent to \$0.43 per outstanding depositary share) is payable on **September 1, 2023** **December 1, 2023** to preferred shareholders of record as of **August 17, 2023** **November 16, 2023**.

The Company's Board of Directors also declared a quarterly dividend of **\$0.30** **\$0.32** per share of common stock. The common stock dividend is payable on **August 25, 2023** **November 24, 2023** to common shareholders of record as of **August 11, 2023** **November 10, 2023**.

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### **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Atlantic Union Bankshares Corporation

#### **Results of Review of Interim Financial Statements**

We have reviewed the accompanying consolidated balance sheet of Atlantic Union Bankshares Corporation and Subsidiaries (the Company) as of **June 30, 2023** **September 30, 2023**, the related consolidated statements of income, comprehensive income (loss), and changes in stockholders' equity for the three and **six-month** **nine-month** periods ended **June 30, 2023** **September 30, 2023** and 2022, the consolidated statements of cash flows for the **six-month** **nine-month** periods ended **June 30, 2023** **September 30, 2023** and 2022, and the related notes (collectively referred to as the "consolidated interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2022, the related consolidated statements of income, comprehensive (loss) income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes (not presented herein); and in our report dated February 23, 2023, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2022, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

#### **Basis for Review Results**

These financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Ernst & Young LLP

Richmond, Virginia

August 3, November 2, 2023

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**ITEM 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Management's discussion and analysis is presented to aid the reader in understanding and evaluating the results of operations, financial condition, liquidity, and capital resources of the Company and its subsidiaries. This discussion and analysis should be read in conjunction with the Company's consolidated financial statements, the notes to the financial statements, and the other financial data included in this report, as well as the Company's 2022 Form 10-K, including under "Management's Discussion and Analysis of Financial Condition and Results of Operations" section therein. Highlighted in the discussion are material changes from prior reporting periods and identifiable trends materially affecting the Company. Results of operations for the interim periods are not necessarily indicative of results that may be expected for the full year or for any other period. Amounts are rounded for presentation purposes; however, some of the percentages presented are computed based on unrounded amounts.

In management's discussion and analysis, the Company provides certain financial information determined by methods other than in accordance with GAAP. These non-GAAP financial measures are a supplement to GAAP, which is used to prepare the Company's financial statements, and should not be considered in isolation or as a substitute for comparable measures calculated in accordance with GAAP. In addition, the Company's non-GAAP financial measures may not be comparable to non-GAAP financial measures of other companies. The Company uses the non-GAAP financial measures discussed herein in its analysis of the Company's performance. The Company's management believes that these non-GAAP financial measures provide additional understanding of ongoing operations, enhance comparability of results of operations with prior periods and show the effects of significant gains and charges in the periods presented without the impact of items or events that may obscure trends in the Company's underlying performance. Non-GAAP financial measures may be identified with the symbol (+) and may be labeled as adjusted. Refer to the "Non-GAAP Financial Measures" section within this Item 2 for more information about these non-GAAP financial measures, including a reconciliation of these measures to the most directly comparable GAAP financial measures.

**FORWARD-LOOKING STATEMENTS**

Certain statements in this report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include, without limitation, statements regarding our expectations with regard to our business, financial and operating results, including our deposit base and funding and the impact of future economic conditions, anticipated changes in the interest rate environments and the related impacts on the Company's net interest margin, changes in economic conditions, management's belief regarding liquidity and capital resources, estimates with respect to the earn back period related to our balance sheet restructuring in the first quarter of

2023, and the expected impact of our cost saving measures **initiative** initiated in the second quarter of 2023, statements regarding the pending merger with American National, and statements that include other projections, predictions, expectations, or beliefs about future events or results or otherwise are not statements of historical fact. Such forward-looking statements are based on certain assumptions as of the time they are made, and are inherently subject to known and unknown risks, uncertainties, and other factors, some of which cannot be predicted or quantified, that may cause actual results, performance, or achievements to be materially different from those expressed or implied by such forward-looking statements. Forward-looking statements are often characterized by the use of qualified words (and their derivatives) such as "expect," "believe," "estimate," "plan," "project," "anticipate," "intend," "will," "may," "view," "opportunity," "potential," "continue," "confidence," or words of similar meaning or other statements concerning opinions or judgment of the Company and our management about future events. Although we believe that our expectations with respect to forward-looking statements are based upon reasonable assumptions within the bounds of our existing knowledge of our business and operations, there can be no assurance that actual future results, performance, or achievements of, or trends affecting, us will not differ materially from any projected future results, performance, achievements or trends expressed or implied by such forward-looking statements. Actual future results, performance, achievements or trends may differ materially from historical results or those anticipated depending on a variety of factors, including, but not limited to, the effects of or changes in:

- market interest rates and their related impacts on macroeconomic conditions, customer and client behavior, our funding costs and our loan and securities portfolios;
- inflation and its impacts on economic growth and customer and client behavior;
- adverse developments in the financial industry generally, such as bank failures, responsive measures to mitigate and manage such developments, related supervisory and regulatory actions and costs, and related impacts on customer and client behavior;
- **the sufficiency of liquidity;**

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- **the sufficiency of liquidity;**
- general economic and financial market conditions, in the United States generally and particularly in the markets in which we operate and which our loans are concentrated, including the effects of declines in real estate values, an increase in unemployment levels and slowdowns in economic growth;
- the failure to close our previously announced merger with American National when expected or at all because required regulatory, American National shareholder or other approvals and other conditions to closing are not received or satisfied on a timely basis or at all, and the risk that any regulatory approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of the proposed merger;
- the occurrence of any event, change or other circumstances that could give rise to the right of one or both of the parties to terminate the merger agreement;
- any change in the purchase accounting assumptions used regarding the American National assets acquired and liabilities assumed to determine the fair value and credit marks, particularly in light of the current rising interest rate environment;
- the possibility that the anticipated benefits of the proposed merger, including anticipated cost savings and strategic gains, are not realized when expected or at all;
- the proposed merger being more expensive or taking longer to complete than anticipated, including as a result of unexpected factors or events;
- the diversion of management's attention from ongoing business operations and opportunities due to the proposed merger;
- potential adverse reactions or changes to business or employee relationships, including those resulting from the announcement or completion of the proposed merger;
- the dilutive effect of shares of the Company's common stock to be issued at the completion of the proposed merger;
- changes in the Company's or American National's share price before closing;
- monetary and fiscal policies of the U.S. government, including policies of the U.S. Department of the Treasury and the Federal Reserve;
- the quality or composition of our loan or investment portfolios and changes therein;
- demand for loan products and financial services in our market areas;
- our ability to manage our growth or implement our growth strategy;
- the effectiveness of expense reduction plans;
- the introduction of new lines of business or new products and services;
- our ability to recruit and retain key employees;
- real estate values in our lending area;
- changes in accounting principles, standards, rules, and interpretations, and the related impact on our financial statements;
- an insufficient ACL or volatility in the ACL resulting from the CECL methodology, either alone or as that may be affected by inflation, changing interest rates, or other factors;
- our liquidity and capital positions;

- concentrations of loans secured by real estate, particularly commercial real estate;
- the effectiveness of our credit processes and management of our credit risk;
- our ability to compete in the market for financial services and increased competition from fintech companies;
- technological risks and developments, and cyber threats, attacks, or events;
- operational, technological, cultural, regulatory, legal, credit, and other risks associated with the exploration, consummation and integration of potential future acquisitions, whether involving stock or cash considerations;
- the potential adverse effects of unusual and infrequently occurring events, such as weather-related disasters, terrorist acts, geopolitical conflicts or public health events, and of governmental and societal responses thereto; these potential adverse effects may include, without limitation, adverse effects on the ability of our borrowers to satisfy their obligations to us, on the value of collateral securing loans, on the demand for the our loans or our other products and services, on supply chains and methods used to distribute products and services, on incidents of cyberattack and fraud, on our liquidity or capital positions, on risks posed by reliance on third-party service providers, on other aspects of our business operations and on financial markets and economic growth;
- the discontinuation of LIBOR and its impact on the financial markets, and our ability to manage operational, legal, and compliance risks related to the discontinuation of LIBOR and implementation of one or more alternate reference rates;
- performance by our counterparties or vendors;
- deposit flows;

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- the availability of financing and the terms thereof;

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- the level of prepayments on loans and mortgage-backed securities;
- legislative or regulatory changes and requirements;
- actual or potential claims, damages, and fines related to litigation or government actions, which may result in, among other things, additional costs, fines, penalties, restrictions on our business activities, reputational harm, or other adverse consequences;
- the effects of changes in federal, state or local tax laws and regulations;
- any event or development that would cause us to conclude that there was an impairment of any asset, including intangible assets, such as goodwill; and
- other factors, many of which are beyond our control.

Please also refer to such other factors as discussed throughout Part I, Item 1A, "Risk Factors" and Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the 2022 Form 10-K, Part II, Item 1A, "Risk Factors" in our Quarterly Reports on Form 10-Q for the ~~quarter~~ quarters ended ~~March 31, 2023~~ June 30, 2023 and ~~June 30, 2023~~ March 31, 2023, and related disclosures in other filings, which have been filed with the SEC and are available on the SEC's website at [www.sec.gov](http://www.sec.gov). All risk factors and uncertainties described herein and therein should be considered in evaluating forward-looking statements, and all of the forward-looking statements made in this report are expressly qualified by the cautionary statements contained or referred to herein and therein. The actual results or developments anticipated may not be realized or, even if substantially realized, they may not have the expected consequences to or effects on the Company or our businesses or operations. Readers are cautioned not to rely too heavily on the forward-looking statements contained in this Quarterly Report, and undue reliance should not be placed on such forward-looking statements. Forward-looking statements speak only as of the date they are made. We do not intend or assume any obligation to update, revise or clarify any forward-looking statements that may be made from time to time by or on behalf of the Company, whether as a result of new information, future events or otherwise.

**CRITICAL ACCOUNTING ESTIMATES**

The Company's consolidated financial statements are prepared based on the application of accounting and reporting policies in accordance with GAAP and conform to general practices within the banking industry. The Company's financial position and results of operations are affected by management's application of accounting policies, which require the use of estimates, assumptions, and judgments, which may prove inaccurate or are subject to variations. Changes in underlying factors, estimates, assumptions or judgements could result in material changes in the Company's consolidated financial position and/or results of operations.

Certain accounting policies inherently have a greater reliance on the use of estimates, assumptions and judgments and, as such, have a greater possibility of producing results that could be materially different than originally reported. The Company has identified the **allowance for loan and lease losses ALLL** and fair value measurements as accounting policies that require the most difficult, subjective or complex judgments and, as such, could be most subject to revision as new or additional information becomes available or circumstances change. Therefore, the Company evaluates these accounting policies and related critical accounting estimates on an ongoing basis and updates them as needed. Management has discussed these accounting policies and critical accounting estimates summarized below with the Audit Committee of the Board of Directors.

Effective September 30, 2023, the Company implemented certain changes to its ALLL estimation methodology. These changes did not have a significant impact on the overall ALLL estimate. The ALLL represents the estimated balance that management considers adequate to absorb expected credit losses over the expected contractual life of the loan portfolio. The Company estimates the ALLL using a loan-level PD/LGD method for all loans.

Determining the appropriateness of the ALLL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of the then-existing loan portfolio, in light of the factors then prevailing, may result in significant changes in the ALLL in future periods. There are both internal factors (i.e., loan balances, credit quality, and the contractual lives of loans) and external factors (i.e., economic conditions such as trends in housing prices, interest rates GDP, inflation, and unemployment) that can impact the ALLL estimate.

The Company considers a number of external economic variables in developing the ALLL. Prior to September 30, 2023, the most significant of these external economic variables was the Virginia unemployment rate. The Company now considers various national economic variables in developing the ALLL, including the national unemployment rate, national gross domestic product, national CRE pricing index, national home price index, and national retail sales. The national

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unemployment rate is used in all models regardless of the loan portfolio type, and a second economic variable is used in each cohort model depending on the loan portfolio type. The ALLL quantitative estimate is sensitive to changes in the economic variable forecasts during the two-year reasonable and supportable period. In determining forecasted expected losses, the Company uses multiple Moody's economic variable forecasts and applies probability weights to the related economic scenarios. Because current economic conditions and forecasts can change and future events are inherently difficult to predict, the anticipated amount of estimated credit losses on loans, and therefore the appropriateness of the ALLL, could change significantly. It is difficult to estimate how potential changes in any one economic factor or input might affect the overall ALLL because a wide variety of factors and inputs are considered in estimating the ALLL and changes in those factors and inputs may not occur at the same rate and may not be consistent across all loan types. Additionally, changes in factors and inputs may be directionally inconsistent, such that improvement in one factor may offset deterioration in others.

The Company reviews its ALLL estimation process regularly for appropriateness as the economic and internal environment are constantly changing. While the ALLL estimate represents management's current estimate of expected credit losses, due to uncertainty surrounding internal and external factors, there is potential that the estimate may not be adequate over time to cover credit losses in the portfolio. While management uses available information to estimate expected losses on loans, future changes in the ALLL may be necessary based on changes in portfolio composition, portfolio credit quality, economic conditions and/or other factors.

The Company provides additional information on its critical accounting estimates in Note 1 "Summary of Significant Accounting Policies" in Part I, Item 1 of this Quarterly Report and under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" in its 2022 Form 10-K. The Company's significant accounting policies are discussed in detail in Note 1 "Summary of Significant Accounting Policies" in the "Notes to the Consolidated Financial Statements" contained in Item 8 "Financial Statements and Supplementary Data" of the Company's 2022 Form 10-K.

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**RECENT ACCOUNTING PRONOUNCEMENTS (ISSUED BUT NOT FULLY ADOPTED)**

In March 2023, the FASB issued ASU No. 2023-02 *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. Prior to the issuance of ASU 2023-02, companies could only apply the proportional amortization method to low-income-housing tax credit structures. Topic 323 allows for the expansion of use of the proportional amortization method to all tax equity investments that meet certain conditions. Under the proportional amortization method, the initial cost of the investment is amortized in proportion to the income tax credits and other income tax benefits received and presents this net amount as a component of income tax expense (benefit). The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company ~~is evaluating~~ evaluated the impact of ASU No. 2023-02 and concluded that it will not have a significant impact on its consolidated financial statements.

**ABOUT ATLANTIC UNION BANKSHARES CORPORATION**

Headquartered in Richmond, Virginia, Atlantic Union Bankshares Corporation (NYSE: AUB) is the holding company for Atlantic Union Bank. Atlantic Union Bank has 109 branches and ~~approximately 125~~ 123 ATMs located throughout Virginia and in portions of Maryland and North ~~Carolina~~ Carolina as of September 30, 2023. Certain non-bank financial services affiliates of Atlantic Union Bank include: Atlantic Union Equipment Finance, Inc., which provides equipment financing; Atlantic Union Financial Consultants, LLC, which provides brokerage services; and Union Insurance Group, LLC, which offers various lines of insurance products.

Shares of the Company's common stock are traded on the New York Stock Exchange under the symbol "AUB". Additional information is available on the Company's website at <https://investors.atlanticunionbank.com>. The information contained on the Company's website is not a part of or incorporated into this Quarterly Report.

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**RECENT EVENTS RESULTS OF OPERATIONS**

**INDUSTRY IMPACTS**

In March and April of 2023, the banking industry experienced significant volatility due to three high-profile bank failures. These bank failures resulted in significant concerns within the banking industry related to liquidity, deposit outflows, and unrealized losses on investment securities. These concerns and volatility in the banking industry may persist if other industry participants experience similar high-profile financial challenges or if other banks are closed by federal or state banking regulators. These events in the banking industry have reinforced the importance of maintaining access to diverse sources of funding and the benefits of a robust and stable deposit base.

In light of the bank closures and uncertainty in the banking industry, a continued rising interest rate environment, and persistent concerns about recessionary conditions in the U.S. economy, the Company continues to actively monitor balance sheet trends, deposit flows, and liquidity needs to ensure that the Company and the Bank are able to meet the needs of the Bank's customers and maintain financial flexibility. During the first nine months of 2023, the Company's LHFI, net of deferred fees and costs, and total deposits increased from December 31, 2022 by \$834.5 million and

\$854.8 million, respectively, and the Company's short-term borrowings decreased by \$688.9 million from December 31, 2022. As of September 30, 2023, the Company estimates that approximately 73.2% of the Company's deposits were insured or collateralized, and that the Company maintained available liquidity sources to cover approximately 132% of uninsured and uncollateralized deposits. In addition, to further bolster the Company's funding position, the Company augmented customer deposit growth by also increasing brokered deposits to \$516.7 million at September 30, 2023.

Despite the negative developments within the broader banking industry during the first nine months of 2023, the Company's and the Bank's regulatory capital ratios continued to exceed the standards to be considered well-capitalized under regulatory requirements. See "Capital Resources" within this Item 2 for additional information about the Company's regulatory capital.

The Company is continually monitoring the impact of other various global and national events on the Company's results of operations and financial condition, including inflation and rising interest rates. Inflation has risen, although at a slower pace in the second half of 2023, as a result of growth in economic activity and demand for goods and services, as well as labor shortages and global supply chain issues. In an effort to combat inflation, the FOMC increased the Federal Funds target rates throughout 2022 and 2023 to its current range of 5.25% to 5.50%. The FOMC has noted that it will continue to assess additional information and its implications for monetary policy, and in determining future actions with respect to the target rates, the FOMC will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. The FOMC also confirmed the continued reduction to the Federal Reserve's holdings of U.S. Treasury securities and agency debt and agency MBS. These developments helped drive the meaningful increase in deposit costs and deposit competition that the Company continues to experience. The Company anticipates that the net impact of these factors will result in a continued contraction of its net interest margin. The timing and impact of inflation, market interest rates, and the competitive landscape of deposits on the Company's business and results of operations will depend on future developments, which are highly uncertain and difficult to predict. The Company will continue to deploy various asset liability management strategies to seek to manage the Company's risk related to interest rate fluctuations. Refer to "Liquidity" within this Item 2 for additional information about the Company's liquidity and "Quantitative and Qualitative Disclosures about Market Risk" in Part II, Item 3 of this Quarterly Report for additional information about the Company's interest rate sensitivity.

#### **RECENT STRATEGIC ACTIONS**

##### **Proposed Merger with American National Bankshares Inc.**

On July 24, 2023, the Company and American National entered into a merger agreement. Under the merger agreement, American National will merge with and into the Company, with the Company continuing as the surviving entity. Immediately following the merger, American National Bank and Trust Company will merge with and into the Bank, with the Bank continuing as the surviving bank. Subject to the terms and conditions of the merger agreement, at the effective time of the merger, each outstanding share of American National common stock will be converted into the right to receive 1.35 shares of the Company's common stock. The merger agreement was unanimously approved by the boards of directors of the Company and American National, and is subject to customary closing conditions, including receipt of required regulatory approvals and American National shareholder approval. The proposed merger is expected to close in the first quarter of 2024.

#### **RESULTS OF OPERATIONS**

##### **EXECUTIVE OVERVIEW**

###### **Recent Industry Developments**

In March and April of 2023, the banking industry experienced significant volatility due to three high-profile bank failures. These bank failures resulted in significant concerns within the banking industry related to liquidity, deposit outflows, and unrealized losses on investment securities. These concerns and volatility in the banking industry may persist if other industry participants experience similar high-profile financial challenges or if other banks are closed by federal or state banking regulators. These events in the banking industry have reinforced the importance of maintaining access to diverse sources of funding and the benefits of a robust and stable deposit base, but the continuing impact of the volatility and turmoil in the banking industry on the Company, and its financial condition and results of operations for the remainder of 2023, is uncertain and cannot be predicted.

In light of the bank closures and uncertainty in the banking industry, a continued rising interest rate environment, and persistent concerns about recessionary conditions in the U.S. economy during 2023 or 2024, the Company continues to actively monitor balance sheet trends, deposit flows, and liquidity needs to ensure that the Company and the Bank are able to meet the needs of the Bank's customers and maintain financial flexibility. During the first six months of 2023, the Company's LHF, net of

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deferred fees and costs, and total deposits increased from December 31, 2022 by \$617.8 million and \$480.3 million, respectively, and During the Company's short-term borrowings decreased by \$389.0 million from December 31, 2022, largely driven by repayments funded by the Company's sale of \$505.7 million of AFS securities executed during the first third quarter of 2023 as part of a balance sheet repositioning strategy. As of June 30, 2023, the Company estimates that approximately 73.5% of the Company's deposits were insured or collateralized, and that the Company maintained available liquidity sources to cover approximately 133% of uninsured and uncollateralized deposits. In addition, to further bolster the Company's funding position during the first six months of 2023, the Company augmented customer deposit growth by also increasing brokered deposits to \$485.7 million at June 30, 2023.

Despite the negative developments within the broader banking industry during the first six months incurred pre-tax merger costs of 2023, the Company's and the Bank's regulatory capital ratios continued to exceed the standards to be considered well-capitalized under regulatory requirements. See "Capital Resources" within this Item 2 for additional information about the Company's regulatory capital.

The Company is continually monitoring the impact of other various global and national events on the Company's results of operations and financial condition, including inflation and rising interest rates. Inflation has risen as a result of growth in economic activity and demand for goods and services, as well as labor shortages and global supply chain issues. As a result, market interest rates began to rise during 2022 after an extended period at historical lows, and the FOMC increased the Federal Funds target rates throughout 2022 and 2023 to its current range of 5.25% to 5.50%. The FOMC has noted that it will continue to assess additional information and its implications for monetary policy, and in determining future actions with respect approximately \$2.0 million related to the target rates, the FOMC will take into account the cumulative tightening of monetary policy, the lags proposed merger with which monetary policy affects economic activity and inflation, and economic and financial developments. The FOMC also confirmed the continued reduction to the Federal Reserve's holdings of U.S. Treasury securities and agency debt and agency MBS. These developments helped drive the meaningful increase in deposit costs and deposit competition that the Company experienced during the first six months of 2023 and continues to experience during July 2023. The Company anticipates that the net impact of these factors will result in a continued contraction of its net interest margin. The timing and impact of inflation, market interest rates, and the competitive landscape of deposits on the Company's business and results of operations will depend on future developments, which are highly uncertain and difficult to predict. The Company will continue to deploy various asset liability management strategies to seek to manage the Company's risk related to interest rate fluctuations. Refer to "Liquidity" within this Item 2 for additional information about the Company's liquidity and "Quantitative and Qualitative Disclosures about Market Risk" in Part II, Item 3 of this Quarterly Report for additional information about the Company's interest rate sensitivity. American National.

### **Strategic Cost Saving Initiatives**

The As previously disclosed, the Company executed initiated a series of strategic cost saving measures during the second quarter of 2023 that is expected to reduce our annual expense run rate by approximately \$17 million. As a result of these measures, the Company incurred \$3.9 million in pre-tax expenses during of \$8.7 million in the third quarter of 2023 and \$3.9 million in the second quarter of 2023, principally composed of severance charges related to headcount reductions, costs related to modifying certain third-party vendor contracts, and charges for exiting certain leases.

### **Sale-Leaseback Transaction**

On September 20, 2023, the Bank executed a sale-leaseback transaction and sold 27 properties, which consisted of 25 branches and a drive thru and parking lot, each adjacent to a sold branch, to a single purchaser for an aggregate purchase price of \$45.8 million. Concurrently, the Bank entered into absolute net lease agreements with the purchaser under which the Bank will lease each of the properties for an initial term of 17 years with specified renewal options. The sale-leaseback transaction resulted in a pre-tax gain of approximately \$27.7 million during the third quarter of 2023, after transaction-related expenses. Refer to Note 5 "Leases" within Part I, Item 1 "Financial Statements" of this Quarterly Report for additional information.

### **AFS Securities Sales**

Concurrent with the sale-leaseback transaction, also on September 20, 2023, the Company expects to recognize additional restructured a portion of its investment portfolio by selling low yielding AFS securities with a book value of \$228.3 million, resulting in a pre-tax expenses net loss of \$7.5 million associated with these actions during \$27.7 million. The net proceeds from the securities sale transaction were reinvested into higher yielding AFS securities at the end of the third quarter of 2023.

During the first quarter of 2023, the Company executed a balance sheet repositioning strategy and sold AFS securities with a total book value of \$505.7 million at a pre-tax loss of \$13.4 million and used the net proceeds to reduce existing high costing FHLB borrowings. The deleverage strategy provided the Company with improved liquidity, enhanced tangible common equity, and additional run rate earnings. **The Company estimates the loss will be earned back in approximately two years.**

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#### **SUMMARY OF FINANCIAL RESULTS**

##### **Second Third Quarter Net Income & Performance Metrics**

- Net income available to common shareholders was **\$52.3 million** \$51.1 million and basic and diluted EPS was **\$0.70** \$0.68 for the **second third** quarter of 2023, compared to **\$59.3 million** \$55.1 million and **\$0.79** \$0.74 for the **second third** quarter of 2022.
- Adjusted operating earnings available to common shareholders<sup>(+)</sup>, which excludes (net of taxes) expenses incurred associated with our strategic cost saving initiatives principally composed of severance charges related to headcount reductions, costs related to modifying certain third-party vendor contracts, and charges for exiting certain leases (\$**3.1** 6.9 million in 2023), gains and merger-related costs associated with the American National merger (\$2.0 million in 2023), losses on the sale of securities (gain of \$2,000 (\$21.8 million in 2023 and loss of \$2,000 in 2022) 2023), and the gain on sale of DHFB related to the sale-leaseback transaction (\$**0** 21.9 million in 2022) 2023), was **\$55.4** million \$59.8 million and adjusted diluted operating EPS<sup>(+)</sup> was **\$0.74** \$0.80 for the quarter ended **June 30, 2023** September 30, 2023, compared to adjusted operating earnings available to common shareholders<sup>(+)</sup> of **\$51.3 million** \$55.1 million and diluted adjusted operating EPS<sup>(+)</sup> of **\$0.69** \$0.74 for the **second third** quarter of 2022.
- The Company did not incur significant expenses during the second quarter of 2023 related to the pending merger with American National previously discussed.**

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##### **Six Nine Month Net Income & Performance Metrics**

- Net income available to common shareholders was **\$85.0 million** \$136.0 million and basic and diluted EPS was **\$1.13** \$1.81 for the first **six nine** months of 2023, compared to **\$100.0 million** \$155.1 million and **\$1.33** \$2.07 for the first **six nine** months of 2022.
- Adjusted operating earnings available to common shareholders<sup>(+)</sup>, which excludes (net of taxes) expenses incurred associated with our strategic cost saving initiatives principally composed of severance charges related to headcount reductions and charges for exiting leases (\$**3.1** 10.0 million in 2023), merger-related costs associated with the American National merger (\$2.0 million in 2023), the legal reserve associated with an ongoing regulatory matter as previously disclosed (\$4.0 million in 2023), strategic branch closing and facility consolidation costs (\$4.4 million in 2022), losses on the sale of securities (\$**10.6** 32.4 million in 2023 and \$2,000 in 2022), the gain related to the sale-leaseback transaction (\$21.9 million in 2023), and the gain on sale of DHFB (\$8.0 million in 2022), was **\$102.6 million** \$162.4 million and adjusted diluted operating EPS<sup>(+)</sup> was **\$1.37** \$2.17 for the **six nine** months ended **June 30, 2023** September 30, 2023, compared to adjusted operating earnings available to common shareholders<sup>(+)</sup> of **\$96.4 million** \$151.5 million and diluted adjusted operating EPS<sup>(+)</sup> of **\$1.28** \$2.02 for the first **six nine** months of 2022.

#### Balance Sheet

- Total assets were **\$20.6 billion** **\$20.7 billion** at **June 30, 2023** **September 30, 2023**, an increase of **\$141.2 million** **\$275.1 million** or approximately **1.4%** **1.8%** (annualized) from December 31, 2022. Total assets increased during the first **six** **nine** months of 2023 primarily due to an **a \$834.5 million** increase in LHFI, net of deferred fees and costs, of **\$617.8 million**, driven primarily by increases in the commercial and industrial, and commercial real estate non-owner occupied, **and multifamily real estate** portfolios, partially offset by a **\$566.5 million** **\$676.8 million** decrease in the investment securities portfolio, primarily due to the **sale** **sales** of AFS securities as part of the Company's balance sheet repositioning strategy executed during the **first** quarter of 2023, period, as well as a decline in the market value of the AFS securities portfolio, due to the impact of market interest rate fluctuations.
- Total LHFI, net of deferred fees and costs, were **\$15.1 billion** **\$15.3 billion** at **June 30, 2023** **September 30, 2023**, an increase of **\$617.8 million** **\$834.5 million** or **8.6%** **7.7%** (annualized) from December 31, 2022.
- Total investments were **\$3.1 billion** **\$3.0 billion** at **June 30, 2023** **September 30, 2023**, a decrease of **\$566.5 million** **\$676.8 million** from December 31, 2022. AFS securities totaled **\$2.2 billion** **\$2.1 billion** at **June 30, 2023** **September 30, 2023**, compared to **\$2.7 billion** at December 31, 2022. At **June 30, 2023** **September 30, 2023**, total net unrealized losses on the AFS securities portfolio were **\$450.1 million** **\$523.1 million**, an improvement increase of **\$12.5 million** **\$60.6 million** from **\$462.6 million** **\$462.5 million** at December 31, 2022. HTM securities are carried at cost and totaled **\$849.6 million** **\$843.3 million** at **June 30, 2023** **September 30, 2023**, compared to **\$847.7 million** at December 31, 2022 and had net unrealized losses of **\$41.8 million** **\$81.2 million** at **June 30, 2023** **September 30, 2023**, an improvement increase of **\$4.0 million** **\$35.4 million** from **\$45.8 million** at December 31, 2022, due primarily to changes in interest rates and market conditions during the first **six** **nine** months of 2023.
- At **June 30, 2023** **September 30, 2023**, total deposits were **\$16.4 billion** **\$16.8 billion**, an increase of **\$480.3 million** **\$854.8 million** or approximately **3.1%** **7.2%** (annualized) from December 31, 2022, due to a **\$1.1 billion** **\$1.6 billion** increase in interest-bearing deposits, which included approximately **\$485.7 million** **\$516.7 million** in brokered deposits, partially offset by a **\$572.9 million** **\$738.3 million** decrease in demand deposits, as customers **moved** **continued to move** funds from lower to higher yielding deposit products.

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#### **Net Interest Income**

Net interest income, which represents the principal source of revenue for the Company, is the amount by which interest income exceeds interest expense. The net interest margin is net interest income expressed as a percentage of average earning assets. Changes in the volume and mix of interest-earning assets and interest-bearing liabilities, as well as their respective yields and rates, have a significant impact on the level of net interest income, the net interest margin, and net income.

The following tables show interest income on earning assets and related average yields, as well as interest expense on interest-bearing liabilities and related average rates paid for the periods indicated:

	For the Three Months Ended			For the Three Months Ended		
	June 30,		Change	September 30,		Change
	2023	2022		2023	2022	
	(Dollars in thousands)			(Dollars in thousands)		
Average interest-earning assets	\$ 18,091,809	\$ 17,646,470	\$ 445,339	\$ 18,462,505	\$ 17,879,222	\$ 583,283
Interest and dividend income	\$ 230,247	\$ 148,755	\$ 81,492	\$ 247,159	\$ 171,156	\$ 76,003
Interest and dividend income (FTE) (+)	\$ 233,913	\$ 152,332	\$ 81,581	\$ 250,903	\$ 174,998	\$ 75,905
Yield on interest-earning assets	5.10 %	3.38 %	172 bps	5.31 %	3.80 %	151 bps

Yield on interest-earning assets (FTE) (+)	5.19 %	3.46 %	173 bps	5.39 %	3.88 %	151 bps
Average interest-bearing liabilities	\$ 12,974,175	\$ 11,590,351	\$ 1,383,824	\$ 13,481,946	\$ 11,867,217	\$ 1,614,729
Interest expense	\$ 78,163	\$ 9,988	\$ 68,175	\$ 95,218	\$ 20,441	\$ 74,777
Cost of interest-bearing liabilities	2.42 %	0.35 %	207 bps	2.80 %	0.68 %	212 bps
Cost of funds	1.74 %	0.22 %	152 bps	2.04 %	0.45 %	159 bps
Net interest income	\$ 152,084	\$ 138,767	\$ 13,317	\$ 151,941	\$ 150,715	\$ 1,226
Net interest income (FTE) (+)	\$ 155,750	\$ 142,344	\$ 13,406	\$ 155,685	\$ 154,557	\$ 1,128
Net interest margin	3.37 %	3.15 %	22 bps	3.27 %	3.34 %	(7) bps
Net interest margin (FTE) (+)	3.45 %	3.24 %	21 bps	3.35 %	3.43 %	(8) bps

For the **second** **third** quarter of 2023, net interest income was **\$152.1 million** **\$151.9 million**, an increase of **\$13.3 million** **\$1.2 million** from the **second** **third** quarter of 2022. For the **second** **third** quarter of 2023, net interest income (FTE) (+) was **\$155.8 million** **\$155.7 million**, an increase of **\$13.4 million** **\$1.1 million** from the **second** **third** quarter of 2022. In the **second** **third** quarter of 2023, net interest margin increased 22 decreased 7 bps to 3.37% 3.27% from 3.15% 3.34% in the **second** **third** quarter of 2022, and net interest margin (FTE) (+) increased 21 decreased 8 bps to 3.45% 3.35% in the **second** **third** quarter of 2023 from 3.24% 3.43% for the same period of 2022. The **increases** **decreases** in net interest **income** **margin** and net interest **income** **margin** (FTE) (+) were primarily driven by higher loan yields due to increased short-term interest rates impacting variable rate loans, as well as net loan growth. These **increases** **were** **partially** **offset** by an increase in interest expense primarily due to higher deposit costs resulting from increases in market interest rates and changes in the deposit mix, as depositors migrated to higher cost interest bearing deposit accounts **during** **the** **third** **quarter** **of** **2023**, as well as higher borrowing costs due to increased short-term borrowings and funding costs associated with increased market interest rates. These **increases** **in** **interest** **expense** **were** **partially** **offset** by higher loan yields due to increased short-term interest rates impacting variable rate loans, as well as net loan growth.

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	For the Six Months Ended			For the Nine Months Ended		
	June 30,		Change	September 30,		Change
	2023	2022		2023	2022	
	(Dollars in thousands)			(Dollars in thousands)		
Average interest-earning assets	\$ 18,164,545	\$ 17,765,085	\$ 399,460	\$ 18,264,957	\$ 17,803,550	\$ 461,407
Interest and dividend income	\$ 447,793	\$ 287,212	\$ 160,581	\$ 694,952	\$ 458,367	\$ 236,585
Interest and dividend income (FTE) (+)	\$ 455,248	\$ 294,124	\$ 161,124	\$ 706,150	\$ 469,122	\$ 237,028
Yield on interest-earning assets	4.97 %	3.26 %	171 bps	5.09 %	3.44 %	165 bps
Yield on interest-earning assets (FTE) (+)	5.05 %	3.34 %	171 bps	5.17 %	3.52 %	165 bps
Average interest-bearing liabilities	\$ 12,910,496	\$ 11,693,601	\$ 1,216,895	\$ 13,103,073	\$ 11,752,110	\$ 1,350,963
Interest expense	\$ 142,265	\$ 17,514	\$ 124,751	\$ 237,483	\$ 37,954	\$ 199,529

Cost of interest-bearing liabilities	2.22 %	0.30 %	192 bps	2.42 %	0.43 %	199 bps
Cost of funds	1.58 %	0.20 %	138 bps	1.74 %	0.28 %	146 bps
Net interest income	\$ 305,528	\$ 269,698	\$ 35,830	\$ 457,469	\$ 420,413	\$ 37,056
Net interest income (FTE) (+)	\$ 312,983	\$ 276,610	\$ 36,373	\$ 468,667	\$ 431,168	\$ 37,499
Net interest margin	3.39 %	3.06 %	33 bps	3.35 %	3.16 %	19 bps
Net interest margin (FTE) (+)	3.47 %	3.14 %	33 bps	3.43 %	3.24 %	19 bps

For the first **six** **nine** months of 2023, net interest income was **\$305.5 million** **\$457.5 million**, an increase of **\$35.8 million** **\$37.1 million** from the same period of 2022. For the first **six** **nine** months of 2023, net interest income (FTE)(+) was **\$313.0 million** **\$468.7 million**, an increase of **\$36.4 million** **\$37.5 million** from the same period of 2022. In the first **six** **nine** months of 2023, net interest margin increased **33.19** bps to **3.39% 3.35%** from **3.06% 3.16%** in the first **six** **nine** months of 2022, and net interest margin (FTE)(+) increased **33.19** bps to **3.47% 3.43%** in the first **six** **nine** months of 2023 from **3.14% 3.24%** in the first **six** **nine** months of 2022. The increases in net interest margin and net interest margin (FTE)(+) were primarily driven by higher loan yields due to increased short-term interest rates impacting variable rate loans, as well as net loan growth. These increases were partially offset by an increase in interest expense primarily due to higher deposit costs resulting from increases in market interest rates and changes in the deposit mix as depositors migrated to higher cost interest bearing deposit accounts **during the nine months ended September 30, 2023**, as well as higher borrowing costs due to increased short-term borrowings and funding costs associated with increased market interest rates.

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The following tables show interest income on earning assets and related average yields as well as interest expense on interest-bearing liabilities and related average rates paid for the periods indicated (dollars in thousands):

#### AVERAGE BALANCES, INCOME AND EXPENSES, YIELDS AND RATES (TAXABLE EQUIVALENT BASIS)

	For the Three Months Ended June 30,						For the Three Months Ended September 30,					
	2023			2022			2023			2022		
	Interest		Interest		Interest		Interest		Interest		Interest	
	Average Balance	Income / Expense (1)	Yield / Rate (1)(2)	Average Balance	Income / Expense (1)	Yield / Rate (1)(2)	Average Balance	Income / Expense (1)	Yield / Rate (1)(2)	Average Balance	Income / Expense (1)	Yield / Rate (1)(2)
(Dollars in thousands)												
<b>Assets:</b>												
<b>Securities:</b>												
Taxable	\$ 1,865,193	\$ 15,565	3.35 %	\$ 2,322,024	\$ 14,695	2.54 %	\$ 1,799,675	\$ 16,055	3.54 %	\$ 2,193,279	\$ 14,750	
Tax-exempt	1,311,469	10,755	3.29 %	1,608,888	13,465	3.36 %	1,301,983	10,653	3.25 %	1,625,328	13,661	
<b>Total securities</b>	<b>3,176,662</b>	<b>26,320</b>	<b>3.32 %</b>	<b>3,930,912</b>	<b>28,160</b>	<b>2.87 %</b>	<b>3,101,658</b>	<b>26,708</b>	<b>3.42 %</b>	<b>3,818,607</b>	<b>28,411</b>	
LHFI, net of deferred fees and costs(3)	14,746,218	206,452	5.62 %	13,525,529	123,764	3.67 %	15,139,761	222,698	5.84 %	13,733,447	145,433	
<b>Other earning assets</b>	<b>168,929</b>	<b>1,141</b>	<b>2.71 %</b>	<b>190,029</b>	<b>408</b>	<b>0.86 %</b>	<b>221,086</b>	<b>1,497</b>	<b>2.69 %</b>	<b>327,168</b>	<b>1,154</b>	
<b>Total earning assets</b>	<b>18,091,809</b>	<b>\$ 233,913</b>	<b>5.19 %</b>	<b>17,646,470</b>	<b>\$ 152,332</b>	<b>3.46 %</b>	<b>18,462,505</b>	<b>\$ 250,903</b>	<b>5.39 %</b>	<b>17,879,222</b>	<b>\$ 174,998</b>	

Allowance for loan and lease losses	<b>(117,643)</b>	(103,211)	<b>(121,229)</b>	(104,746)							
<b>Total non-earning assets</b>	<b>2,235,521</b>	2,176,143	<b>2,254,913</b>	2,206,024							
<b>Total assets</b>	<b>\$20,209,687</b>	<b>\$19,719,402</b>	<b>\$20,596,189</b>	<b>\$19,980,500</b>							
 <b>Liabilities and Stockholders' Equity:</b>											
<b>Interest-bearing deposits:</b>											
Transaction and money market accounts	\$ 8,387,473	\$ 46,953	2.25 %	\$ 7,987,888	\$ 3,082	0.15 %	\$ 8,697,801	\$ 57,378	2.62 %	\$ 8,247,650	\$ 11,342
Regular savings	1,014,565	430	0.17 %	1,169,199	55	0.02 %	964,971	499	0.21 %	1,171,071	64
Time deposits	2,500,966	17,884	2.87 %	1,667,378	2,960	0.71 %	2,914,004	25,713	3.50 %	1,745,224	3,980
<b>Total interest-bearing deposits</b>	<b>11,903,004</b>	<b>65,267</b>	<b>2.20 %</b>	<b>10,824,465</b>	<b>6,097</b>	<b>0.23 %</b>	<b>12,576,776</b>	<b>83,590</b>	<b>2.64 %</b>	<b>11,163,945</b>	<b>15,386</b>
Other borrowings	1,071,171	12,896	4.83 %	765,886	3,891	2.04 %	905,170	11,628	5.10 %	703,272	5,055
<b>Total interest-bearing liabilities</b>	<b>12,974,175</b>	<b>\$ 78,163</b>	<b>2.42 %</b>	<b>11,590,351</b>	<b>\$ 9,988</b>	<b>0.35 %</b>	<b>13,481,946</b>	<b>\$ 95,218</b>	<b>2.80 %</b>	<b>11,867,217</b>	<b>\$ 20,441</b>
<b>Noninterest-bearing liabilities:</b>											
Demand deposits	4,377,150			5,366,591			4,218,835			5,324,279	
Other liabilities	397,621			317,415			448,506			352,005	
<b>Total liabilities</b>	<b>17,748,946</b>			<b>17,274,357</b>			<b>18,149,287</b>			<b>17,543,501</b>	
<b>Stockholders' equity</b>	<b>2,460,741</b>			<b>2,445,045</b>			<b>2,446,902</b>			<b>2,436,999</b>	
<b>Total liabilities and stockholders' equity</b>	<b>\$20,209,687</b>			<b>\$19,719,402</b>			<b>\$20,596,189</b>			<b>\$19,980,500</b>	
<b>Net interest income</b>		<b>\$155,750</b>		<b>\$142,344</b>			<b>\$ 155,685</b>			<b>\$ 154,557</b>	
 <b>Interest rate spread</b>		2.77 %		3.11 %			2.59 %				
<b>Cost of funds</b>		1.74 %		0.22 %			2.04 %				

Net interest margin (FTE) (+)	3.45 %	3.24 %	3.35 %
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(1) Income and yields are reported on a taxable equivalent basis using the statutory federal corporate tax rate of 21%.

(2) Rates and yields are annualized and calculated from actual, not rounded amounts in thousands, which appear above.

(3) Nonaccrual loans are included in average loans outstanding.

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	For the Six Months Ended June 30,						For the Nine Months Ended September 30,					
	2023			2022			2023			2022		
	Interest		Interest		Interest		Interest		Interest		Interest	
	Average Balance	Income / Expense (1)	Yield / Rate (1)(2)	Average Balance	Income / Expense (1)	Yield / Rate (1)(2)	Average Balance	Income / Expense (1)	Yield / Rate (1)(2)	Average Balance	Income / Expense (1)	Yield / Rate (1)(2)
(Dollars in thousands)												
<b>Assets:</b>												
<b>Securities:</b>												
Taxable	\$ 1,951,226	\$ 32,317	3.34 %	\$ 2,468,775	\$ 28,361	2.32 %	\$ 1,900,154	\$ 48,373	3.40 %	\$ 2,375,933	\$ 43,110	
Tax-exempt	1,370,082	22,537	3.32 %	1,595,232	26,704	3.38 %	1,347,133	33,189	3.29 %	1,605,375	40,366	
<b>Total securities</b>	<b>3,321,308</b>	<b>54,854</b>	<b>3.33 %</b>	<b>4,064,007</b>	<b>55,065</b>	<b>2.73 %</b>	<b>3,247,287</b>	<b>81,562</b>	<b>3.36 %</b>	<b>3,981,308</b>	<b>83,476</b>	
LHFI, net of deferred fees and costs(3)	14,626,579	397,630	5.48 %	13,413,780	238,365	3.58 %	14,799,520	620,328	5.60 %	13,521,507	383,799	
Other earning assets	216,658	2,764	2.57 %	287,298	694	0.49 %	218,150	4,260	2.61 %	300,735	1,847	
<b>Total earning assets</b>	<b>18,164,545</b>	<b>\$455,248</b>	<b>5.05 %</b>	<b>17,765,085</b>	<b>\$294,124</b>	<b>3.34 %</b>	<b>18,264,957</b>	<b>\$ 706,150</b>	<b>5.17 %</b>	<b>17,803,550</b>	<b>\$ 469,122</b>	
Allowance for loan and lease losses	(114,923)			(101,784)			(117,048)			(102,783)		
<b>Total non-earning assets</b>	<b>2,246,914</b>			<b>2,156,029</b>			<b>2,249,609</b>			<b>2,172,877</b>		
<b>Total assets</b>	<b>\$20,296,536</b>			<b>\$19,819,330</b>			<b>\$20,397,518</b>			<b>\$19,873,644</b>		
<b>Liabilities and Stockholders' Equity:</b>												

<b>Interest-bearing deposits:</b>											
Transaction and money market accounts	\$ 8,366,304	\$ 85,267	2.06 %	\$ 8,181,253	\$ 4,406	0.11 %	\$ 8,478,017	\$ 142,646	2.25 %	\$ 8,203,629	\$ 15,748
Regular savings	1,050,798	795	0.15 %	1,156,099	111	0.02 %	1,021,875	1,294	0.17 %	1,161,145	175
Time deposits	2,396,827	31,038	2.61 %	1,716,743	6,063	0.71 %	2,571,114	56,750	2.95 %	1,726,341	10,043
<b>Total interest-bearing deposits</b>	<b>11,813,929</b>	<b>117,100</b>	<b>2.00 %</b>	<b>11,054,095</b>	<b>10,580</b>	<b>0.19 %</b>	<b>12,071,006</b>	<b>200,690</b>	<b>2.22 %</b>	<b>11,091,115</b>	<b>25,966</b>
Other borrowings	1,096,567	25,165	4.63 %	639,506	6,934	2.19 %	1,032,067	36,793	4.77 %	660,995	11,988
<b>Total interest-bearing liabilities</b>	<b>12,910,496</b>	<b>\$142,265</b>	<b>2.22 %</b>	<b>11,693,601</b>	<b>\$ 17,514</b>	<b>0.30 %</b>	<b>13,103,073</b>	<b>\$ 237,483</b>	<b>2.42 %</b>	<b>11,752,110</b>	<b>\$ 37,954</b>
<b>Noninterest-bearing liabilities:</b>											
Demand deposits	4,534,375			5,297,727			4,428,039			5,306,675	
Other liabilities	409,392			275,584			422,573			301,337	
<b>Total liabilities</b>	<b>17,854,263</b>			17,266,912			<b>17,953,685</b>			17,360,122	
Stockholders' equity	2,442,273			2,552,418			2,443,833			2,513,522	
<b>Total liabilities and stockholders' equity</b>	<b>\$20,296,536</b>			<b>\$19,819,330</b>			<b>\$20,397,518</b>			<b>\$19,873,644</b>	
<b>Net interest income</b>		<b>\$312,983</b>			<b>\$276,610</b>			<b>\$ 468,667</b>			<b>\$ 431,168</b>
<b>Interest rate spread</b>											
Cost of funds		2.83 %			3.04 %			2.75 %			
Net interest margin (FTE)		1.58 %			0.20 %			1.74 %			
(+)		3.47 %			3.14 %			3.43 %			

(1) Income and yields are reported on a taxable equivalent basis using the statutory federal corporate tax rate of 21%.

(2) Rates and yields are annualized and calculated from actual, not rounded amounts in thousands, which appear above.

(3) Nonaccrual loans are included in average loans outstanding.

The Volume Rate Analysis table below presents changes in net interest income (FTE)(+) and interest expense and distinguishes between the changes related to increases or decreases in average outstanding balances of interest-earning assets and interest-bearing liabilities (volume), and the changes related to increases or decreases in average interest rates on such assets and liabilities (rate). Changes attributable to both volume and rate have been allocated proportionally. Results, on a taxable equivalent basis, are as follows for the three and **six** nine months ended **June 30, 2023 September 30, 2023** and 2022 (dollars in thousands):

	Three Months Ended			Six Months Ended			Three Months Ended			Nine Months Ended			
	June 30, 2023 vs. June 30, 2022			June 30, 2023 vs. June 30, 2022			September 30, 2023 vs. September 30, 2022			September 30, 2023 vs. September 30, 2022			
	Increase (Decrease) Due to Change in:			Increase (Decrease) Due to Change in:			Increase (Decrease) Due to Change in:			Increase (Decrease) Due to Change in:			
	Volume	Rate	Total	Volume	Rate	Total	Volume	Rate	Total	Volume	Rate	Total	
<b>Earning Assets:</b>													
<b>Securities:</b>													
Taxable	\$ (3,243)	\$ 4,113	\$ 870	\$ (6,792)	\$ 10,747	\$ 3,955	\$ (2,954)	\$ 4,259	\$ 1,305	\$ (9,787)	\$ 15,050	\$ 5,263	
Tax-exempt	(2,444)	(266)	(2,710)	(3,711)	(457)	(4,168)	(2,654)	(354)	(3,008)	(6,377)	(800)	(7,177)	
<b>Total securities</b>	<b>(5,687)</b>	<b>3,847</b>	<b>(1,840)</b>	<b>(10,503)</b>	<b>10,290</b>	<b>(213)</b>	<b>(5,608)</b>	<b>3,905</b>	<b>(1,703)</b>	<b>(16,164)</b>	<b>14,250</b>	<b>(1,914)</b>	
Loans, net <sup>(1)</sup>	12,031	70,657	82,688	23,216	136,048	159,264	16,100	61,165	77,265	39,136	197,393	236,529	
<b>Other earning assets</b>	<b>(50)</b>	<b>785</b>	<b>735</b>	<b>(210)</b>	<b>2,280</b>	<b>2,070</b>	<b>(464)</b>	<b>807</b>	<b>343</b>	<b>(631)</b>	<b>3,044</b>	<b>2,413</b>	
<b>Total earning assets</b>	<b>\$ 6,294</b>	<b>\$ 75,289</b>	<b>\$ 81,583</b>	<b>\$ 12,503</b>	<b>\$ 148,618</b>	<b>\$ 161,121</b>	<b>\$ 10,028</b>	<b>\$ 65,877</b>	<b>\$ 75,905</b>	<b>\$ 22,341</b>	<b>\$ 214,687</b>	<b>\$ 237,028</b>	
<b>Interest-Bearing Liabilities:</b>													
<b>Interest-bearing deposits:</b>													
Transaction and money market accounts	\$ 162	\$ 43,709	\$ 43,871	\$ 102	\$ 80,759	\$ 80,861	\$ 652	\$ 45,384	\$ 46,036	\$ 545	\$ 126,353	\$ 126,898	
Regular savings	(8)	383	375	(11)	695	684	(13)	448	435	(23)	1,142	1,119	
<b>Time deposits<sup>(1)</sup></b>	<b>2,114</b>	<b>12,811</b>	<b>14,925</b>	<b>3,230</b>	<b>21,745</b>	<b>24,975</b>	<b>4,112</b>	<b>17,621</b>	<b>21,733</b>	<b>6,960</b>	<b>39,747</b>	<b>46,707</b>	
<b>Total interest-bearing deposits</b>	<b>2,268</b>	<b>56,903</b>	<b>59,171</b>	<b>3,321</b>	<b>103,199</b>	<b>106,520</b>	<b>4,751</b>	<b>63,453</b>	<b>68,204</b>	<b>7,482</b>	<b>167,242</b>	<b>174,724</b>	
<b>Other borrowings<sup>(1)</sup></b>	<b>2,030</b>	<b>6,975</b>	<b>9,005</b>	<b>7,115</b>	<b>11,117</b>	<b>18,232</b>	<b>1,757</b>	<b>4,816</b>	<b>6,573</b>	<b>9,119</b>	<b>15,686</b>	<b>24,805</b>	
<b>Total interest-bearing liabilities</b>	<b>4,298</b>	<b>63,878</b>	<b>68,176</b>	<b>10,436</b>	<b>114,316</b>	<b>124,752</b>	<b>6,508</b>	<b>68,269</b>	<b>74,777</b>	<b>16,601</b>	<b>182,928</b>	<b>199,529</b>	
<b>Change in net interest income (FTE)</b>	<b>(+)</b>	<b>\$ 1,996</b>	<b>\$ 11,411</b>	<b>\$ 13,407</b>	<b>\$ 2,067</b>	<b>\$ 34,302</b>	<b>\$ 36,369</b>	<b>\$ 3,520</b>	<b>\$ (2,392)</b>	<b>\$ 1,128</b>	<b>\$ 5,740</b>	<b>\$ 31,759</b>	<b>\$ 37,499</b>

(1) The rate-related changes in interest income on loans, deposits, and other borrowings include the impact of lower accretion of the acquisition-related fair market value adjustments, which are detailed below.

The impact of net accretion related to acquisition accounting fair value adjustments for the first, **second**, and **second****third** quarters of 2022 and 2023 are reflected in the following table (dollars in thousands):

	2022				2023			
	Loan Accretion	Deposit Amortization	Borrowings Amortization	Total	Loan Accretion	Deposit Amortization	Borrowings Amortization	Total
For the quarter ended March 31, 2022	\$ 2,253	\$ (10)	(203)	\$ 2,040	\$ 2,253	\$ (10)	(203)	\$ 2,040
For the quarter ended June 30, 2022	2,879	(11)	(207)	2,661	2,879	(11)	(207)	2,661
For the quarter ended September 30, 2022					1,326	(11)	(209)	1,106
For the quarter ended March 31, 2023	1,106	(14)	(209)	883	1,106	(14)	(209)	883
For the quarter ended June 30, 2023	1,073	(7)	(213)	853	1,073	(7)	(213)	853
For the quarter ended September 30, 2023					1,300	(6)	(215)	1,079

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#### **Noninterest Income**

Noninterest income:	For the Three Months Ended				For the Three Months Ended			
	June 30,		Change		September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(Dollars in thousands)								
Service charges on deposit accounts	\$ 8,118	\$ 8,040	\$ 78	1.0 %	\$ 8,557	\$ 6,784	\$ 1,773	26.1 %
Other service charges, commissions, and fees	1,693	1,709	(16)	(0.9)%	2,632	1,770	862	48.7 %
Interchange fees	2,459	2,268	191	8.4 %	2,314	2,461	(147)	(6.0)%
Fiduciary and asset management fees	4,359	6,939	(2,580)	(37.2)%	4,549	4,134	415	10.0 %
Mortgage banking income	449	2,200	(1,751)	(79.6)%	666	1,390	(724)	(52.1)%
Gain (loss) on sale of securities	2	(2)	4	NM				
Loss on sale of securities					(27,594)	—	(27,594)	NM
Bank owned life insurance income	2,870	2,716	154	5.7 %	2,973	3,445	(472)	(13.7)%
Loan-related interest rate swap fees	2,316	2,600	(284)	(10.9)%	2,695	2,050	645	31.5 %
Other operating income	1,931	11,816	(9,885)	(83.7)%	30,302	3,550	26,752	NM
<b>Total noninterest income</b>	<b>\$ 24,197</b>	<b>\$ 38,286</b>	<b>\$ (14,089)</b>	<b>(36.8)%</b>	<b>\$ 27,094</b>	<b>\$ 25,584</b>	<b>\$ 1,510</b>	<b>5.9 %</b>

Noninterest income increased \$1.5 million or 5.9% to \$27.1 million for the quarter ended September 30, 2023, compared to \$25.6 million for the quarter ended September 30, 2022, primarily driven by a \$27.7 million gain related to the sale-leaseback transaction, included within other operating income, and a \$1.8 million increase in service charges on deposit accounts, partially offset by a \$27.6 million loss on the sale of AFS securities in the third quarter of 2023.

Adjusted operating noninterest income,(+) which excludes losses on sale of securities (\$27.6 million in 2023) and the gain related to the sale-leaseback transaction (\$27.7 million in 2023), increased \$1.4 million or 5.5% to \$27.0 million for the quarter ended September 30, 2023, compared to \$25.6 million for the quarter ended September 30, 2022. The increase in adjusted operating noninterest income(+) was primarily driven by a \$1.8 million increase in service charges on deposit accounts, a \$862,000 increase in other service charges, commissions, and fees due primarily to a merchant services vendor contract signing bonus, and a \$645,000 increase in loan-related interest rate swap fees due to several new swap transactions. These increases in adjusted operating noninterest income(+) were partially offset by a \$948,000 decrease in other operating income primarily due to a decline in equity method investment income, and a \$724,000 decrease in mortgage banking income due to a decline in mortgage loan origination volumes and a decrease in gain on sale margins due to increases in market interest rates.

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	For the Nine Months Ended			
	September 30,		Change	
	2023	2022	\$	%
(Dollars in thousands)				
<b>Noninterest income:</b>				
Service charges on deposit accounts	\$ 24,577	\$ 22,421	\$ 2,156	9.6 %
Other service charges, commissions, and fees	6,071	5,134	937	18.3 %
Interchange fees	7,098	6,539	559	8.5 %
Fiduciary and asset management fees	13,169	18,329	(5,160)	(28.2) %
Mortgage banking income	1,969	6,707	(4,738)	(70.6) %
Loss on sale of securities	(40,992)	(2)	(40,990)	NM
Bank owned life insurance income	8,671	8,858	(187)	(2.1) %
Loan-related interest rate swap fees	6,450	8,510	(2,060)	(24.2) %
Other operating income	33,905	17,527	16,378	93.4 %
<b>Total noninterest income</b>	<b>\$ 60,918</b>	<b>\$ 94,023</b>	<b>\$ (33,105)</b>	<b>(35.2) %</b>

Noninterest income decreased \$14.1 million \$33.1 million or 36.8% 35.2% to \$24.2 million \$60.9 million for the quarter nine months ended June 30, 2023 September 30, 2023, compared to \$38.3 million \$94.0 million for the quarter nine months ended June 30, 2022 September 30, 2022, primarily driven by \$41.0 million of losses incurred on the sale of AFS securities executed in the first and third quarters of 2023, partially offset by a \$16.4 million increase in other operating income, which included a \$27.7 million gain related to the sale-leaseback transaction during the third quarter of 2023, partially offset by a \$9.1 million gain on sale of DHFB in the second quarter of 2022, included in other operating income. 2022.

Adjusted operating noninterest income,(+) which excludes gains and losses on sale of securities (\$41.0 million in 2023 and \$2,000 in 2022), the gain on sale of DHFB (\$9.1 million in 2022), and the gain related to the sale-leaseback transaction (\$27.7 million in 2023), decreased \$5.0 million \$10.7 million or 17.2% to \$24.2 million 12.6% for the quarter nine months ended June 30, 2023 September 30, 2023, compared to \$29.2 million for the quarter nine months ended June 30, 2022 September 30, 2022. The decrease in adjusted operating noninterest income(+) was primarily driven by a \$2.6 million \$5.2 million decrease in fiduciary and asset management fees due to a decrease in assets under management mainly driven by the DHFB sale executed in the second quarter of 2022, a \$1.8 million decrease in mortgage banking income due to a decline in mortgage loan origination volumes and a decrease in gain on sale margins due to increases in market interest rates, and a \$803,000 decrease in other operating income primarily due to the impact from recoveries recognized in the prior year on several fully charged off acquired loans and a decline in equity method investment income, partially offset by increases in capital market transaction-related fees.

	For the Six Months Ended			
	June 30,		Change	
	2023	2022	\$	%
(Dollars in thousands)				
<b>Noninterest income:</b>				
Service charges on deposit accounts	\$ 16,020	\$ 15,637	\$ 383	2.4 %
Other service charges, commissions, and fees	3,439	3,364	75	2.2 %
Interchange fees	4,784	4,078	706	17.3 %
Fiduciary and asset management fees	8,620	14,194	(5,574)	(39.3)%
Mortgage banking income	1,303	5,317	(4,014)	(75.5)%
Loss on sale of securities	(13,398)	(2)	(13,396)	NM
Bank owned life insurance income	5,698	5,413	285	5.3 %
Loan-related interest rate swap fees	3,755	6,460	(2,705)	(41.9)%
Other operating income	3,603	13,978	(10,375)	(74.2)%
<b>Total noninterest income</b>	<b>\$ 33,824</b>	<b>\$ 68,439</b>	<b>\$ (34,615)</b>	<b>(50.6)%</b>

Noninterest income decreased \$34.6 million or 50.6% to \$33.8 million for the six months ended June 30, 2023, compared to \$68.4 million for the six months ended June 30, 2022, primarily driven by the losses on sale of securities of \$13.4 million resulting from our balance sheet repositioning strategy executed in the first quarter of 2023 and the \$9.1 million gain on sale of DHFB in the second quarter of 2022, included in other operating income. Adjusted operating noninterest income(+) which excludes losses on sale of securities and the gain on sale of DHFB, decreased \$12.1 million or 20.4% for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. The decrease in adjusted operating noninterest income(+) was primarily driven by a \$5.6 million decrease in fiduciary and asset management fees due to a decrease in assets under management mainly driven by the DHFB sale executed in the second quarter of 2022, a \$4.0 million \$4.7 million decrease in mortgage banking income due to a decline in mortgage loan origination volumes and decrease in gain on sale margins due to increases in market interest rates, a \$2.7 million decrease in loan-related interest rate swap fees primarily due to lower transaction volumes, and a \$1.3 million \$2.2 million decrease in other operating income primarily due to a decline in equity method investment income, and the impact from recoveries recognized a \$2.1 million decrease in the prior year on several fully charged off acquired loans, partially offset by increases in capital market transaction-related fees, loan-related interest rate swap fees primarily due to lower transaction volumes. These decreases in adjusted operating noninterest income(+) were partially offset by a \$706,000 \$2.2 million increase in service charges on deposit accounts, a \$937,000 increase in other service charges, commissions, and fees due primarily to a merchant services vendor contract signing bonus, and a \$559,000 increase in interchange fees.

#### Noninterest Expense

	For the Three Months Ended				For the Three Months Ended			
	June 30,		Change		September 30,		Change	
	2023	2022	\$	%	2023	2022	\$	%
(Dollars in thousands)								
<b>Noninterest expense:</b>								
Salaries and benefits	\$ 62,019	\$ 55,305	\$ 6,714	12.1 %	\$ 57,449	\$ 56,600	\$ 849	1.5 %
Occupancy expenses	6,094	6,395	(301)	(4.7)%	6,053	6,408	(355)	(5.5)%

Furniture and equipment expenses	<b>3,565</b>	3,590	(25)	(0.7)%	<b>3,449</b>	3,673	(224)	(6.1)%
Technology and data processing	<b>8,566</b>	7,862	704	9.0 %	<b>7,923</b>	8,273	(350)	(4.2)%
Professional services	<b>4,433</b>	4,680	(247)	(5.3)%	<b>3,291</b>	3,504	(213)	(6.1)%
Marketing and advertising expense	<b>2,817</b>	2,502	315	12.6 %	<b>2,219</b>	2,343	(124)	(5.3)%
FDIC assessment premiums and other insurance	<b>4,074</b>	2,765	1,309	47.3 %	<b>4,258</b>	3,094	1,164	37.6 %
Franchise and other taxes	<b>4,499</b>	4,500	(1)	(0.0)%	<b>4,510</b>	4,507	3	0.1 %
Loan-related expenses	<b>1,619</b>	1,867	(248)	(13.3)%	<b>1,388</b>	1,575	(187)	(11.9)%
Amortization of intangible assets	<b>2,216</b>	2,915	(699)	(24.0)%	<b>2,193</b>	2,480	(287)	(11.6)%
Other expenses	<b>5,759</b>	6,387	(628)	(9.8)%	<b>15,775</b>	7,466	8,309	111.3 %
<b>Total noninterest expense</b>	<b>\$ 105,661</b>	<b>\$ 98,768</b>	<b>\$ 6,893</b>	<b>7.0 %</b>	<b>\$ 108,508</b>	<b>\$ 99,923</b>	<b>\$ 8,585</b>	<b>8.6 %</b>

Noninterest expense increased **\$6.9 million** **\$8.6 million** or **7.0% 8.6%** to **\$105.7 million** **\$108.5 million** for the quarter ended **June 30, 2023** September 30, 2023, compared to **\$98.8 million** **\$99.9 million** for the quarter ended **June 30, 2022** September 30, 2022, primarily driven by a **\$6.7 million** **\$8.3 million** increase in salaries other expenses due primarily to expenses associated with strategic cost saving initiatives and benefits discussed below merger-related costs.

Adjusted operating noninterest expense,(+) which excludes amortization of intangible assets (\$2.2 million in 2023 and **\$2.9 million** **\$2.5 million** in 2022) and the, expenses incurred associated with our strategic cost saving initiatives principally composed of severance charges related to headcount reductions and charges for exiting leases (**\$3.9 million** **\$8.7 million** in 2023), increased **\$3.7 million** and merger-related costs associated with the American National merger (\$2.0 million in 2023), decreased **\$1.8 million** or **3.8% 1.8%** to **\$99.5 million** **\$95.7 million** for the quarter ended **June 30, 2023** September 30, 2023, compared to **\$95.9 million** **\$97.4 million** for the quarter ended **June 30, 2022** September 30, 2022. The decrease in adjusted operating non-interest expense(+) was primarily driven by a \$2.4 million decrease in other expenses reflecting a decline in non-credit related losses on customer transactions, a \$355,000 decrease in occupancy expenses reflecting the impacts of strategic actions, and a \$350,000 decrease in technology and data processing expense. These decreases in adjusted operating non-interest expense(+) were partially offset by a \$1.2 million increase in FDIC assessment premiums and other insurance reflecting an increase in the FDIC assessment rates, effective January 1, 2023, and a \$916,000 increase in salaries and benefits expense.

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	For the Nine Months Ended				
	September 30,		Change		
	2023	2022	\$	%	
(Dollars in thousands)					
<b>Noninterest expense:</b>					
Salaries and benefits	<b>\$179,996</b>	\$170,203	\$ 9,793	5.8 %	
Occupancy expenses	<b>18,503</b>	19,685	(1,182)	(6.0)%	
Furniture and equipment expenses	<b>10,765</b>	10,860	(95)	(0.9)%	
Technology and data processing	<b>24,631</b>	23,930	701	2.9 %	
Professional services	<b>11,138</b>	12,274	(1,136)	(9.3)%	
Marketing and advertising expense	<b>7,387</b>	7,008	379	5.4 %	
FDIC assessment premiums and other insurance	<b>12,231</b>	8,344	3,887	46.6 %	
Franchise and other taxes	<b>13,508</b>	13,506	2	0.0 %	
Loan-related expenses	<b>4,560</b>	5,218	(658)	(12.6)%	
Amortization of intangible assets	<b>6,687</b>	8,434	(1,747)	(20.7)%	
Other expenses	<b>33,036</b>	24,550	8,486	34.6 %	
<b>Total noninterest expense</b>	<b>\$322,442</b>	<b>\$304,012</b>	<b>\$ 18,430</b>	<b>6.1 %</b>	

Noninterest expense increased \$18.4 million or 6.1% to \$322.4 million for the nine months ended September 30, 2023, compared to \$304.0 million for the nine months ended September 30, 2022, primarily driven by a \$9.8 million increase in salaries and benefits expense, which includes \$2.8 million in expenses associated with strategic cost saving initiatives, and an \$8.5 million increase in other expenses in 2023, due primarily to expenses related to strategic cost saving initiatives, merger-related costs, and the legal reserve associated with an ongoing regulatory matter previously disclosed, partially offset by strategic branch closing and facility consolidation costs in 2022.

Adjusted operating noninterest expense,(+) which excludes amortization of intangible assets (\$6.7 million in 2023 and \$8.4 million in 2022), expenses associated with strategic cost saving initiatives (\$12.6 million in 2023), merger-related costs associated with the American National merger (\$2.0 million in 2023), the legal reserve associated with an ongoing regulatory matter previously disclosed (\$5.0 million in 2023), and strategic branch closing and facility consolidation costs (\$5.5 million in 2022), increased \$6.1 million or 2.1% to \$296.2 million for the nine months ended September 30, 2023, compared to \$290.1 million for the nine months ended September 30, 2022. The increase in adjusted operating non-interest expense(+) was primarily driven by a **\$3.8 million** **\$7.0 million** increase in salaries and benefits expense, outside of severance charges related to headcount reductions from our cost saving initiatives in the second quarter of 2023, **driven by increases in salaries and wages**, a **\$1.3 million** **\$3.9 million** increase in FDIC assessment premiums and other insurance primarily due to the increase in the FDIC assessment rates, effective January 1, 2023, and a **\$704,000** **\$701,000** increase in technology and data processing expense. These increases in adjusted operating non-interest expense(+) were partially offset by a **\$1.7 million** **\$2.8 million** decrease in other expenses primarily **driven by** **due to** a decrease of non-credit related losses on customer transactions.

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	For the Six Months Ended			
	June 30,		Change	
	2023	2022	\$	%
(Dollars in thousands)				
<b>Noninterest expense:</b>				
Salaries and benefits	<b>\$ 122,547</b>	\$ 113,603	\$ 8,944	7.9 %
Occupancy expenses	<b>12,450</b>	13,278	(828)	(6.2)%
Furniture and equipment expenses	<b>7,317</b>	7,187	130	1.8 %
Technology and data processing	<b>16,708</b>	15,658	1,050	6.7 %
Professional services	<b>7,847</b>	8,770	(923)	(10.5)%
Marketing and advertising expense	<b>5,168</b>	4,665	503	10.8 %
FDIC assessment premiums and other insurance	<b>7,973</b>	5,250	2,723	51.9 %
Franchise and other taxes	<b>8,997</b>	8,999	(2)	(0.0)%
Loan-related expenses	<b>3,171</b>	3,643	(472)	(13.0)%
Amortization of intangible assets	<b>4,494</b>	5,954	(1,460)	(24.5)%
Other expenses	<b>17,262</b>	17,082	180	1.1 %
<b>Total noninterest expense</b>	<b>\$ 213,934</b>	\$ 204,089	\$ 9,845	4.8 %

Noninterest expense increased \$9.8 million or 4.8% to \$213.9 million for the six months ended June 30, 2023, compared to \$204.1 million for the six months ended June 30, 2022, primarily driven by an \$8.9 million increase in transactions, a \$1.2 million decrease in salaries and benefits discussed below. **Adjusted operating noninterest expense**,<sup>(+)</sup> which excludes amortization of intangible assets (\$4.5 million in 2023 and \$6.0 million in 2022) the occupancy expenses, incurred with our strategic cost saving initiatives principally composed of severance charges related to headcount reductions and charges for exiting leases (\$3.9 million in 2023), the legal reserve associated with an ongoing regulatory matter as previously disclosed, included within other expenses (\$5.0 million in 2023), and strategic branch closing and facility consolidation costs, included within other expenses (\$5.5 million in 2022), increased \$7.9 million or 4.1% to \$200.5 million for the six months ended June 30, 2023, compared to \$192.6 million for the six months ended June 30, 2022. The increase in adjusted operating non-interest expense<sup>(+)</sup> was primarily driven by a \$6.0 million increase in salaries and

benefits expense, outside of severance charges related to headcount reductions in the second quarter of 2023, driven by increases in salaries and wages, a \$2.7 million increase in FDIC assessment premiums and other insurance primarily due to the increase in the FDIC assessment rates, effective January 1, 2023, and a \$1.1 million increase in technology and data processing expense. These increases in adjusted operating non-interest expense(+) were partially offset by decreases of \$923,000 decrease in professional services related to strategic projects that occurred in the prior year and \$828,000 in occupancy expenses year.

#### **Segment Results**

As discussed in Note 12, "Segment Reporting and Revenue," in Part I, Item 1 of this Quarterly Report, effective as of the third quarter of 2022, the Company began segmenting its business into two primary reportable operating segments—Wholesale Banking and Consumer Banking — as these segments reflect how the chief operating decision makers are now evaluating the business, establishing the overall business strategy, allocating resources, and assessing business performance. Included below are the key metrics used by the chief operating decision makers in evaluating the Company's reportable operating segments.

Effective January 1, 2023, the Company made an organizational change to move certain lines of business in the wealth management division that primarily serve Wholesale Banking customers from the Consumer Banking segment to the Wholesale Banking segment. As a result, the Company re-allocated \$9.6 million of goodwill from the Consumer Banking segment to the Wholesale Banking segment and restated its prior segment information for the year ended December 31, 2022, based on this organizational change. In addition, the Company restated its prior segment operating results for the three and nine months ended September 30, 2022, resulting in a reallocation of noninterest income (\$3.0 million and \$9.5 million, respectively) and noninterest expense (\$4.0 million and \$12.1 million, respectively) from the Consumer Banking segment to the Wholesale Banking segment. Refer to Note 4 "Goodwill and Intangible Assets" and Note 12 "Segment Reporting and Revenue" within Part I, Item 1 "Financial Statements" of this Quarterly Report for additional information.

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#### **Wholesale Banking**

The Wholesale Banking segment provides loan and deposit services, as well as treasury management, and capital market services to wholesale customers primarily throughout Virginia, Maryland, North Carolina, and South Carolina. These customers include commercial real estate and commercial and industrial customers. This segment also includes the Company's the equipment finance subsidiary, which has nationwide exposure. The private banking and trust businesses also reside in the Wholesale Banking segment.

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The following table presents operating results for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022 for the Wholesale Banking segment (dollars in thousands):

Three Months Ended June 30, Six Months Ended June 30,	Three Months Ended September 30, Nine Months Ended Septem
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	2023	2022	2023	2022	2023	2022 (1)	2023	2022
Net interest income	\$ 66,133	\$ 72,930	\$ 133,674	\$ 144,354	\$ 68,049	\$ 77,625	\$ 201,722	\$ 22
Provision for credit losses	6,054	2,757	16,543	4,374	9,310	8,470	25,853	1
Net interest income after provision for credit losses	60,079	70,173	117,131	139,980	58,739	69,155	175,869	20
Noninterest income	8,861	8,327	16,275	17,514	9,468	8,453	25,743	2
Noninterest expense	41,236	38,401	83,550	78,410	40,039	40,164	123,207	11
Income before income taxes	\$ 27,704	\$ 40,099	\$ 49,856	\$ 79,084	\$ 28,168	\$ 37,444	\$ 78,405	\$ 11

(1) Operating results include a reallocation from the Consumer Banking segment, due to the January 1, 2023 organizational change discussed in Note 12, "Segment Reporting and Revenue," in Part I, Item 1 of this Quarterly Report.

Wholesale Banking income before income taxes decreased for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** as compared to the three and **six** **nine** months ended **June 30, 2022** **September 30, 2022**, by **\$12.4 million** **\$9.3 million** and **\$29.2 million** **\$38.5 million**, respectively. The decreases were primarily due to a decrease in net interest income driven by spread compression on the **loan** and **deposit** portfolios due to portfolio as a result of the rapid rise in interest rates, and an increase in the provision for credit losses due to increased uncertainty in the economic outlook and loan growth during 2023, and an increase in 2023. In addition, noninterest expense increased for the first nine months of 2023 compared to the same period in 2022, primarily due to an increase in salaries and benefits expense. In addition, noninterest income decreased for For the first six three months of 2023 ended September 30, 2023 compared to the first six months of same period in 2022, primarily due to the decrease in net interest income and the increase in the provision for credit losses were partially offset by an increase in noninterest income driven by an increase in loan-related interest rate swap fees primarily due to lower transaction volumes, several new swap transactions.

The following table presents the key balance sheet metrics as of **June 30, 2023** **September 30, 2023** and December 31, 2022 for the Wholesale Banking segment (dollars in thousands):

	June 30, 2023	December 31, 2022 (1)	September 30, 2023	December 31, 2022 (1)
LHFI, net of deferred fees and costs	\$ 12,078,442	\$ 11,476,258	\$ 12,343,799	\$ 11,476,258
Total Deposits	6,190,224	6,128,729	6,537,472	6,128,729

(1) Includes a reallocation of LHFI, net of deferred fees and costs, and total deposits from the Consumer Banking segment of \$136.6 million and \$258.7 million, respectively, due to the January 1, 2023 organizational change discussed in Note 12, "Segment Reporting and Revenue," in Part I, Item 1 of this Quarterly Report.

LHFI, net of deferred fees and costs, for the Wholesale Banking segment increased **\$602.2 million** **\$867.5 million** or **10.6%** **10.1%** (annualized) to **\$12.1 billion** **\$12.3 billion** at **June 30, 2023** **September 30, 2023** compared to December 31, 2022, with growth occurred across the commercial and industrial, commercial real estate non-owner occupied, and construction and land development multifamily real estate loan portfolios.

Wholesale banking deposits increased **\$61.5 million** **\$408.7 million** or **2.0%** **8.9%** (annualized) to **\$6.2 billion** **\$6.5 billion** at **June 30, 2023** **September 30, 2023** compared to December 31, 2022. This increase was primarily driven by an increase in interest checking accounts, partially offset by a decrease in demand deposits and money market balances, as customers moved from uninsured to insured deposit products, balances.

#### Consumer Banking

The Consumer Banking segment provides loan and deposit services to consumers and small businesses throughout Virginia, Maryland, and North Carolina. Consumer Banking includes the home loan division and investment management and advisory services businesses.

The following table presents operating results for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022 for the Consumer Banking segment (dollars in thousands):

	Three Months Ended June 30, Six Months Ended June 30,				Three Months Ended September 30, Nine Months Ended September			
	2023		2022		2023		2022	
	\$ 63,749	\$ 51,037	\$ 126,893	\$ 99,169	\$ 63,912	\$ 58,749	\$ 190,806	\$ 15
Net interest income	32	775	1,371	1,958	(4,319)	(2,058)	(2,947)	
Provision for credit losses								
Net interest income after provision for credit losses	<b>63,717</b>	50,262	<b>125,522</b>	97,211	<b>68,231</b>	60,807	<b>193,753</b>	15
Noninterest income	<b>12,287</b>	16,577	<b>24,466</b>	33,196	<b>13,722</b>	11,939	<b>38,188</b>	4
Noninterest expense	<b>56,539</b>	55,092	<b>113,594</b>	110,426	<b>54,994</b>	54,740	<b>168,971</b>	16
Income before income taxes	<b>\$ 19,465</b>	\$ 11,747	<b>\$ 36,394</b>	\$ 19,981	<b>\$ 26,959</b>	\$ 18,006	<b>\$ 62,970</b>	\$ 3

(1) *Operating results include a reallocation to the Wholesale Banking segment, due to the January 1, 2023 organizational change discussed in Note 12, "Segment Reporting and Revenue," in Part I, Item 1 of this Quarterly Report.*

Consumer Banking income before income taxes increased for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, compared to the three and **six** **nine** months ended **June 30, 2022** **September 30, 2022** by **\$7.7 million** **\$9.0 million** and **\$16.4 million** **\$25.3 million**, respectively. The increases were primarily driven by an increase in net interest income due to favorable funding credit on deposits and increased interest income attributable to the higher interest rate environment and higher average loan balances, partially offset by spread compression on **loans**. This the loan portfolio and a decrease in the provision for credit losses primarily driven by runoff in the third-party lending and auto portfolios. In addition, for the three months ended September 30, 2023 compared to the same period in 2022, noninterest income increased primarily due to an increase was in service charges on deposit accounts and an increase in other service charges, commissions, and fees primarily due to a merchant services vendor contract signing bonus.

For the nine months ended 2023 compared to the same period in 2022, the increase in net interest income and the decrease in the provision for credit losses were partially offset by a decrease in noninterest income, primarily due to a decline in fiduciary and asset management fees due to driven by a decrease in assets under management mainly driven by primarily due to the sale of DHFB executed in the second quarter of 2022, and a decrease in mortgage banking income due to a decline in mortgage loan origination volumes driven by the rapid increase in market interest rates and a decline in gain on sale margins due to increases in market interest rates. In addition, noninterest expense increased due to driven by an increase in salaries and benefits expense, as well as an increase in FDIC assessment premiums and other insurance due to the increase in the FDIC assessment rates, effective January 1, 2023.

The following table presents the key balance sheet metrics as of **June 30, 2023** **September 30, 2023** and December 31, 2022 for the Consumer Banking segment (dollars in thousands):

	June 30, 2023	December 31, 2022 (1)
LHFI, net of deferred fees and costs	\$ 3,001,369	\$ 2,990,017
Total Deposits	<b>9,580,892</b>	9,724,598

	September 30, 2023	December 31, 2022 (1)
LHFI, net of deferred fees and costs	\$ 2,953,367	\$ 2,990,017
Total Deposits	<b>9,726,079</b>	9,724,598

(1) *Includes a reallocation of LHFI, net of deferred fees and costs, and total deposits to the Wholesale Banking segment of \$136.6 million and \$258.7 million, respectively, due to the January 1, 2023 organizational change discussed in Note 12, "Segment Reporting and Revenue," in Part I, Item 1 of this Quarterly Report.*

LHFI, net of deferred fees and costs, for the Consumer Banking segment increased \$11.4 million decreased \$36.7 million or 0.8% 1.6% (annualized) to \$3.0 billion at **June 30, 2023** **September 30, 2023** compared to December 31, 2022; growth. The decrease primarily occurred across the residential 1-4 consumer auto loan portfolio. portfolio due to the exit from our indirect automobile financing business during the second quarter of 2023, as part of the strategic cost saving initiatives.

Consumer Banking deposits decreased \$143.7 million or 3.0% (annualized) to \$9.6 billion totaled \$9.7 billion at June 30, 2023 compared to both September 30, 2023 and December 31, 2022. This decrease The increase in time deposits, was primarily due to almost wholly offset by a decrease in demand deposits, money market balances, interest checking accounts, and savings accounts, partially offset by an increase in time deposits, and money market balances, as customers moved funds from lower to higher yielding deposit products.

## Income Taxes

The Company's effective tax rate for the three months ended **June 30, 2023** September 30, 2023 and 2022 was **14.4%** **17.6%** and **16.7%** **17.0%**, respectively. The effective tax rate for the **six** **nine** months ended **June 30, 2023** September 30, 2023 and 2022 was **15.5%** **16.3%** and **17.1%** **17.0%**, respectively. The decrease in the effective tax rate is primarily due to the higher proportion of tax-exempt income to pre-tax income in the second quarter of 2023.

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respectively. The changes for the three months and nine months periods in 2023, compared to the same periods in 2022, is a result of the proportionality of tax-exempt income as compared to pre-tax income in the periods.

## DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

### Overview

#### Assets

At **June 30, 2023** September 30, 2023, total assets were **\$20.6 billion** **\$20.7 billion**, an increase of **\$141.2 million** **\$275.1 million** or approximately **1.4%** **1.8%** (annualized) from December 31, 2022. The increase in total assets was primarily due to an increase in LHF, net of deferred fees and costs, of **\$617.8 million** **\$834.5 million** driven primarily by increases in the commercial and industrial, and commercial real estate non-owner occupied and multifamily real estate portfolios, partially offset by a decline in the investment securities portfolio of **\$566.5 million** **\$676.8 million**, primarily due to the sale of AFS securities as part of the Company's balance sheet repositioning strategy executed sales during the first quarter and third quarters of 2023, 2023 and the decline in market value of the AFS securities portfolio due to the impact of market interest rate fluctuations.

LHF, net of deferred fees and costs, were **\$15.1 billion** **\$15.3 billion** at **June 30, 2023** September 30, 2023, an increase of **\$617.8 million** **\$834.5 million** or **8.6%** **7.7%** (annualized) from December 31, 2022. At **June 30, 2023** September 30, 2023, quarterly average LHF, net of deferred fees and costs, increased **\$1.2 billion** **\$1.4 billion** or **9.0%** **10.2%** from the same period in the prior year. Refer to "Loan Portfolio" within this Item 2 and Note 3 "Loans and Allowance for Loan and Lease Losses" in Part I, Item 1 of this Quarterly Report for additional information on our loan activity.

At **June 30, 2023** September 30, 2023, total investments were **\$3.1 billion** **\$3.0 billion**, a decrease of **\$566.5 million** **\$676.8 million** from December 31, 2022. AFS securities totaled **\$2.2 billion** **\$2.1 billion** at **June 30, 2023** September 30, 2023, a **\$559.4 million** **\$656.9 million** decrease from December 31, 2022. At **June 30, 2023** September 30, 2023, total net unrealized losses on the AFS securities portfolio were **\$450.1 million** **\$523.1 million**, an improvement of **\$12.5 million** from total net unrealized losses on AFS securities of **\$462.6 million** compared to **\$462.5 million** at December 31, 2022. HTM securities totaled **\$849.6 million** **\$843.3 million** at **June 30, 2023** September 30, 2023, a **\$1.9 million** increase **\$4.5 million** decrease from December 31, 2022, with net unrealized losses of **\$41.8 million** **\$81.2 million** at **June 30, 2023** September 30, 2023, an improvement of **\$4.0 million** from net unrealized losses of compared to **\$45.8 million** at December 31, 2022.

#### Liabilities and Stockholders' Equity

At **June 30, 2023** September 30, 2023, total liabilities were **\$18.2 billion** **\$18.3 billion**, an increase of **\$89.5 million** **\$259.0 million** or approximately **1.0%** **1.9%** (annualized) from **\$18.1 billion** at December 31, 2022, which was primarily driven by an increase in deposits of **\$480.3 million** **\$854.8 million**, partially offset by a decrease in borrowings of **\$388.4 million** **\$688.0 million**.

Total deposits at **June 30, 2023** September 30, 2023 were **\$16.4 billion** **\$16.8 billion**, an increase of **\$480.3 million** **\$854.8 million** or approximately **6.1%** **7.2%** (annualized) from December 31, 2022. For the quarter ended **June 30, 2023** September 30, 2023, quarterly average deposits increased **\$89.1 million** **\$307.4 million** or **0.6%** **1.9%** from the same period in the prior year. Total deposits at **June 30, 2023** September 30, 2023 increased from December 31, 2022 due to a **\$1.1 billion** **\$1.6 billion** increase in interest-bearing deposits, which includes approximately **\$485.7 million** **\$1.1 billion** of

interest-bearing customer deposits and \$509.3 million in brokered deposits, partially offset by a \$572.9 million \$738.3 million decrease in demand deposits, as customers have moved continued to move funds from lower to higher yielding products. Refer to "Deposits" within this Item 2 for additional information on this topic.

Total short-term and long-term borrowings at June 30, 2023 September 30, 2023 were \$1.3 billion \$1.0 billion, a decrease of \$388.4 million or 22.7% when compared to \$1.7 billion at December 31, 2022 as, a result decrease of the Company's execution \$688.0 million or 40.3% due to paydowns of the balance sheet repositioning strategy during the first quarter of 2023, which allowed the Company to reduce its short-term borrowings exposure, borrowings. Refer to Note 6 "Borrowings" in Part I, Item 1, and "Executive Overview" within this Item 2 of this Quarterly Report for additional information on our borrowing activity.

At June 30, 2023 September 30, 2023, stockholders' equity was \$2.4 billion, an increase of \$51.7 million \$16.1 million from December 31, 2022, primarily due to lower unrealized losses within the AFS securities portfolio. Our The Company's consolidated regulatory capital ratios continue to exceed the minimum capital requirements and are considered "well-capitalized" for regulatory purposes. Refer to "Capital Resources" within this Item 2, as well as Note 9 "Stockholders' Equity" in Part I, Item 1 of this Quarterly Report for additional information on our capital resources.

During the second third quarter of 2023, the Company declared and paid a quarterly dividend on the outstanding shares of Series A Preferred Stock of \$171.88 per share (equivalent to \$0.43 per outstanding depositary share), consistent with the fourth quarter of 2022 and the second third quarter of 2022. During the second third quarter of 2023, the Company also declared and paid cash dividends of \$0.30 per common share, consistent with the fourth quarter of 2022 and an increase of \$0.02 or approximately 7.1% from the second third quarter of 2022.

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At June 30, 2023 September 30, 2023, the Company had no active share repurchase programs, as the most recent share repurchase program expired on December 9, 2022. Under that repurchase program, the Company repurchased an aggregate of approximately 1.3 million shares (or approximately \$48.2 million) in 2022.

#### **Securities**

At June 30, 2023 September 30, 2023, the Company had total investments of \$3.1 billion \$3.0 billion, or 15.3% 14.6% of total assets, as compared to \$3.7 billion, or 18.1% of total assets, at December 31, 2022. This decrease was primarily due to the sale sales of AFS securities as part of the Company's balance sheet repositioning strategy, executed during the first quarter period and the decline in market value of 2023, the AFS securities portfolio due to the impact of market interest rate fluctuations, which was partially offset by growth in the Company's HTM portfolio. The Company seeks to diversify its portfolio to minimize risk and focuses on purchasing MBS for cash flow and reinvestment opportunities and securities issued by states and political subdivisions due to the tax benefits and the higher yield offered from these securities. The majority of the Company's MBS are agency-backed securities, which have a government guarantee. For information regarding the hedge transaction related to AFS securities, see Note 8 "Derivatives" in Part I, Item 1 of this Quarterly Report.

The table below sets forth a summary of the AFS securities, HTM securities, and restricted stock as of the dates indicated (dollars in thousands):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Available for Sale:</b>				
U.S. government and agency securities	\$ 61,347	\$ 61,943	\$ 61,838	\$ 61,943
Obligations of states and political subdivisions	513,026	807,435	417,460	807,435
Corporate and other bonds	142,572	226,380	242,818	226,380
<b>MBS</b>				
Commercial	261,955	306,161	234,703	306,161
Residential	1,201,845	1,338,233	1,126,382	1,338,233

<b>Total MBS</b>	<b>1,463,800</b>	<b>1,644,394</b>	<b>1,361,085</b>	<b>1,644,394</b>
<b>Other securities</b>	<b>1,703</b>	<b>1,664</b>	<b>1,727</b>	<b>1,664</b>
<b>Total AFS securities, at fair value</b>	<b>2,182,448</b>	<b>2,741,816</b>	<b>2,084,928</b>	<b>2,741,816</b>
<b>Held to Maturity:</b>				
<b>U.S. government and agency securities</b>	<b>681</b>	<b>687</b>	<b>—</b>	<b>687</b>
<b>Obligations of states and political subdivisions</b>	<b>701,600</b>	<b>705,990</b>	<b>700,400</b>	<b>705,990</b>
<b>Corporate and other bonds</b>	<b>4,855</b>	<b>5,159</b>	<b>4,536</b>	<b>5,159</b>
<b>MBS</b>				
<b>Commercial</b>	<b>54,019</b>	<b>42,761</b>	<b>52,498</b>	<b>42,761</b>
<b>Residential</b>	<b>88,455</b>	<b>93,135</b>	<b>85,835</b>	<b>93,135</b>
<b>Total MBS</b>	<b>142,474</b>	<b>135,896</b>	<b>138,333</b>	<b>135,896</b>
<b>Total held to maturity securities, at carrying value</b>	<b>849,610</b>	<b>847,732</b>	<b>843,269</b>	<b>847,732</b>
<b>Restricted Stock:</b>				
<b>FRB stock</b>	<b>67,032</b>	<b>67,032</b>	<b>67,032</b>	<b>67,032</b>
<b>FHLB stock</b>	<b>44,146</b>	<b>53,181</b>	<b>37,753</b>	<b>53,181</b>
<b>Total restricted stock, at cost</b>	<b>111,178</b>	<b>120,213</b>	<b>104,785</b>	<b>120,213</b>
<b>Total investments</b>	<b>\$ 3,143,236</b>	<b>\$ 3,709,761</b>	<b>\$ 3,032,982</b>	<b>\$ 3,709,761</b>

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The following table summarizes the weighted average yields<sup>(1)</sup> for AFS securities by contractual maturity date of the underlying securities as of **June 30, 2023** **September 30, 2023**:

	1 Year or					5 – 10					Over 10				
	Less	1 - 5 Years	Years	Years	Total	Less	1 - 5 Years	Years	Years	Total	Less	1 - 5 Years	Years	Years	Total
<b>U.S. government and agency securities</b>	— %	<b>1.41 %</b>	<b>5.98 %</b>	— %	<b>1.57 %</b>	— %	<b>4.58 %</b>	<b>6.02 %</b>	— %	<b>4.64 %</b>	— %	<b>4.58 %</b>	<b>6.02 %</b>	— %	<b>4.64 %</b>
<b>Obligations of states and political subdivisions</b>	<b>3.90 %</b>	<b>2.61 %</b>	<b>1.98 %</b>	<b>2.23 %</b>	<b>2.23 %</b>	<b>4.55 %</b>	<b>3.57 %</b>	<b>2.24 %</b>	<b>2.19 %</b>	<b>2.22 %</b>	— %	<b>4.58 %</b>	<b>6.02 %</b>	— %	<b>4.64 %</b>
<b>Corporate bonds and other securities</b>	<b>4.18 %</b>	<b>7.49 %</b>	<b>3.84 %</b>	<b>5.29 %</b>	<b>4.32 %</b>	<b>3.64 %</b>	<b>7.12 %</b>	<b>4.68 %</b>	<b>5.80 %</b>	<b>4.97 %</b>	— %	<b>4.58 %</b>	<b>6.02 %</b>	— %	<b>4.64 %</b>
<b>MBS:</b>															
<b>Commercial</b>	<b>5.83 %</b>	<b>3.33 %</b>	<b>4.17 %</b>	<b>2.24 %</b>	<b>3.06 %</b>	<b>3.88 %</b>	<b>3.32 %</b>	<b>6.22 %</b>	<b>2.37 %</b>	<b>2.82 %</b>	— %	<b>4.58 %</b>	<b>6.02 %</b>	— %	<b>4.64 %</b>
<b>Residential</b>	<b>2.68 %</b>	<b>2.27 %</b>	<b>2.68 %</b>	<b>2.22 %</b>	<b>2.23 %</b>	<b>1.98 %</b>	<b>5.50 %</b>	<b>3.49 %</b>	<b>2.38 %</b>	<b>2.46 %</b>	— %	<b>4.58 %</b>	<b>6.02 %</b>	— %	<b>4.64 %</b>
<b>Total MBS</b>	<b>5.83 %</b>	<b>2.65 %</b>	<b>3.32 %</b>	<b>2.22 %</b>	<b>2.38 %</b>	<b>3.88 %</b>	<b>5.04 %</b>	<b>4.73 %</b>	<b>2.38 %</b>	<b>2.52 %</b>	— %	<b>4.58 %</b>	<b>6.02 %</b>	— %	<b>4.64 %</b>
<b>Total AFS securities</b>	<b>5.79 %</b>	<b>2.74 %</b>	<b>3.58 %</b>	<b>2.23 %</b>	<b>2.45 %</b>	<b>3.88 %</b>	<b>5.20 %</b>	<b>4.63 %</b>	<b>2.34 %</b>	<b>2.76 %</b>	— %	<b>4.58 %</b>	<b>6.02 %</b>	— %	<b>4.64 %</b>

<sup>(1)</sup> Yields on tax-exempt securities have been computed on a tax-equivalent basis.

The following table summarizes the weighted average yields<sup>(1)</sup> for HTM securities by contractual maturity date of the underlying securities as of **June 30, 2023** **September 30, 2023**:

	1 Year or					5 – 10					Over 10				
	Less	1 - 5 Years	Years	Years	Total	Less	1 - 5 Years	Years	Years	Total	Less	1 - 5 Years	Years	Years	Total
<b>U.S. government and agency securities</b>	— %	<b>4.95 %</b>	— %	— %	<b>4.95 %</b>	— %	<b>4.05 %</b>	— %	— %	<b>4.95 %</b>	— %	<b>4.05 %</b>	— %	<b>4.95 %</b>	— %
<b>Obligations of states and political subdivisions</b>	<b>2.38</b>	<b>3.44</b>	<b>3.49</b>	<b>3.49</b>	<b>3.49</b>	<b>3.49</b>	<b>3.49</b>	<b>3.49</b>	<b>3.49</b>	<b>3.49</b>	<b>3.49</b>	<b>3.49</b>	<b>3.49</b>	<b>3.49</b>	<b>3.49</b>

<b>Corporate bonds and other securities</b>	— %	— %	— %	<b>6.26 %</b>	<b>6.26 %</b>
<b>MBS:</b>					
<b>Commercial</b>	— %	— %	— %	<b>4.60 %</b>	<b>4.60 %</b>
<b>Residential</b>	— %	<b>5.46 %</b>	— %	<b>3.57 %</b>	<b>4.08 %</b>
<b>Total MBS</b>	— %	<b>5.46 %</b>	— %	<b>4.04 %</b>	<b>4.28 %</b>
<b>Total HTM securities</b>	<b>2.38 %</b>	<b>5.00 %</b>	<b>3.44 %</b>	<b>3.59 %</b>	<b>3.64 %</b>

	1 Year or					5 – 10		Over 10	
	Less		1 - 5 Years		Years		Years		Total
	2.44 %	4.10 %	3.36 %	3.49 %	3.49 %				
<b>Obligations of states and political subdivisions</b>									
<b>Corporate bonds and other securities</b>	— %	— %	— %	<b>6.02 %</b>	<b>6.02 %</b>				
<b>MBS:</b>									
<b>Commercial</b>	— %	— %	— %	<b>4.51 %</b>	<b>4.51 %</b>				
<b>Residential</b>	— %	<b>5.50 %</b>	— %	<b>3.56 %</b>	<b>4.08 %</b>				
<b>Total MBS</b>	— %	<b>5.50 %</b>	— %	<b>3.99 %</b>	<b>4.24 %</b>				
<b>Total HTM securities</b>	<b>2.44 %</b>	<b>4.98 %</b>	<b>3.36 %</b>	<b>3.58 %</b>	<b>3.63 %</b>				

(1) Yields on tax-exempt securities have been computed on a tax-equivalent basis.

Weighted average yield is calculated as the tax-equivalent yield on a pro rata basis for each security based on its relative amortized cost.

As of **June 30, 2023** **September 30, 2023**, the Company maintained a diversified municipal bond portfolio with approximately **68%** **67%** of its holdings in general obligation issues and the majority of the remainder primarily backed by revenue bonds. Issuances within the State of Texas represented 19% of the total municipal portfolio; no other state had a concentration above 10%. Substantially all municipal holdings are considered investment grade. When purchasing municipal securities, the Company focuses on strong underlying ratings for general obligation issuers or bonds backed by essential service revenues.

### Liquidity

Liquidity represents an institution's ability to meet present and future financial obligations through either the sale or maturity of existing assets or the acquisition of additional funds through liability management. The Company's largest source of liquidity on a consolidated basis is the customer deposit base generated by our wholesale and consumer businesses. These deposits provide relatively stable and low-cost funding. Total deposits at **June 30, 2023** **September 30, 2023** were **\$16.4 billion** **\$16.8 billion**, an increase of **\$480.3 million** **\$854.8 million** or approximately **6.1%** **7.2%** (annualized) from December 31, 2022. For the quarter ended **June 30, 2023** **September 30, 2023**, quarterly average deposits **decreased** **\$137.1 million** **increased** **\$307.4 million** or **2.4%** **1.9%** (annualized) compared to the prior quarter. Total deposits at **June 30, 2023** **September 30, 2023** increased from December 31, 2022 due to a **\$1.1 billion** **\$1.6 billion** increase in of interest-bearing deposits, which includes **approximately** **\$485.7 million** **\$509.3 million** in brokered

deposits, partially offset by a ~~\$572.9 million~~ \$738.3 million decrease in demand deposits, as customers ~~have moved~~ continued to move funds from lower to higher costing products. Refer to "Deposits" within this Item 2 for additional information on this topic.

Liquid assets include cash, interest-bearing deposits with banks, money market investments, federal funds sold, LHFS, and securities and loans maturing or re-pricing within one year. Additional sources of liquidity available to the Company include its capacity to borrow additional funds when necessary through federal funds lines with several correspondent banks, a line of credit with the FHLB, the Federal Reserve Discount Window, the purchase of brokered certificates of deposit, corporate line of credit with a large correspondent bank, and debt and capital issuance. Management believes the Company's overall liquidity to be sufficient to satisfy its depositors' requirements and to meet its customers' credit needs.

Starting in the first quarter of 2023, the Company is eligible to borrow from the Federal Reserve's BTFP, which provides additional contingent liquidity through the pledging of certain qualifying securities. The BTFP is a one-year program ending March 11, 2024, and the Company can borrow any time during the term and can repay the obligation at any time without penalty. As of ~~June 30, 2023~~ September 30, 2023, liquidity of ~~\$539.4 million~~ \$531.0 million was available based on the par-value of qualifying securities from BTFP. The Company did not utilize the BTFP facility as of ~~June 30, 2023~~ September 30, 2023.

The Company closely monitors changes in the industry and market conditions that may impact the Company's liquidity and will use other borrowing means or other liquidity and funding strategies sources to fund its liquidity needs as needed. The Company is also closely tracking the potential impacts on the Company's liquidity of declines in the fair value of the Company's securities portfolio due to rising market interest rates and developments in the banking industry that may change the availability of traditional sources of liquidity or market expectations with respect to available sources and amounts of additional liquidity.

As of ~~June 30, 2023~~ September 30, 2023, liquid assets totaled ~~\$6.7 billion~~ \$5.6 billion or ~~32.5%~~ 27.2% of total assets, and liquid earning assets totaled ~~\$6.5 billion~~ \$5.4 billion or ~~35.2%~~ 29.2% of total earning assets. Asset liquidity is also provided by managing loan and securities maturities and cash flows. As of ~~June 30, 2023~~ September 30, 2023, loan payments of approximately ~~\$6.0 billion~~ \$4.9 billion or ~~39.7%~~ 32.3% of total loans are expected within one year based on contractual terms, adjusted for expected prepayments, and approximately ~~\$266.7 million~~ \$291.4 million or ~~8.5%~~ 9.6% of total securities are scheduled to be paid down within one year based on contractual terms, adjusted for expected prepayments.

For additional information and the available balances on various lines of credit, please refer to Note 6 "Borrowings" in Part I, Item 1 of this Quarterly Report. In addition to lines of credit, the Bank may also borrow additional funds by purchasing certificates of deposit through a nationally recognized network of financial institutions. For additional information and outstanding balances on purchased certificates of deposits, please refer to "Deposits" within this Item 2. For additional information on cash requirements for known contractual and other obligations, please refer to "Capital Resources" within this Item 2.

#### *Cash Requirements*

The Company's cash requirements, outside of lending transactions, consist primarily of borrowings, debt and capital instruments which are used as part of the Company's overall liquidity and capital management strategy. Cash required to repay these obligations will be sourced from future debt and capital issuances and from other general liquidity sources as described above under "Liquidity" within this Item 2.

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The following table presents the Company's contractual obligations related to its major cash requirements and the scheduled payments due at the various intervals over the next year and beyond as of ~~June 30, 2023~~ September 30, 2023 (dollars in thousands):

	Total	Less than		More than		Total	1 year	More than
		1 year	1 year	1 year	1 year			
Long-term debt (1)	\$ 250,000	\$ —	\$ —	\$ 250,000	\$ 250,000	\$ —	\$ 250,000	\$ —
Trust preferred capital notes (1)	155,159	—	—	155,159	155,159	—	155,159	—
Leases (2)	314,100	35,659	—	278,441	111,847	3,536	108,311	—

Repurchase agreements	130,461	130,461	—	134,936	134,936	—
<b>Total contractual obligations</b>	<b>\$ 849,720</b>	<b>\$ 166,120</b>	<b>\$ 683,600</b>	<b>\$ 651,942</b>	<b>\$ 138,472</b>	<b>\$ 513,470</b>

(1) Excludes related unamortized premium/discount and interest payments.

(2) Represents lease payments due on non-cancellable operating leases at **June 30, 2023** **September 30, 2023**. Excluded from these tables are variable lease payments or renewals.

For more information pertaining to the previous table, reference Note 5 "Leases" and Note 6 "Borrowings" in Part I, Item 1 of this Quarterly Report.

#### Loan Portfolio

LHFI, net of deferred fees and costs, totaled **\$15.1 billion** **\$15.3 billion** at **June 30, 2023** **September 30, 2023** and \$14.4 billion at December 31, 2022. Commercial real estate and commercial and industrial loans represented the Company's largest loan categories at both **June 30, 2023** **September 30, 2023** and December 31, 2022.

The following table presents the remaining maturities, based on contractual maturity, by loan type, and by rate type (variable or fixed), net of deferred fees and costs, as of **June 30, 2023** **September 30, 2023** (dollars in thousands):

	Variable Rate												Fixed Rate														
	Total		Less than 1		More than			Total			Less than 1			Total		Less than 1		More than			Total		Less than 1		More than		
	Maturities	year	Total	1-5 years	5-15 years	15 years	Total	1-5 years	5-15 years	15 years	Maturities	year	Total	1-5 years	5-15 years	15 years	Total	1-5 years	5-15 years	15 years	Maturities	year	Total	1-5 years	5-15 years	15 years	
Construction and Land Development	\$ 1,231,720	\$ 438,829	\$ 617,990	\$ 518,076	\$ 95,711	\$ 4,203	\$ 174,901	\$ 94,336	\$ 32,288	\$ 48,277	\$ 1,132,940	\$ 380,255	\$ 543,195	\$ 413,852	\$ 1,132,940	\$ 380,255	\$ 543,195	\$ 413,852	\$ 1,132,940	\$ 380,255	\$ 543,195	\$ 413,852	\$ 1,132,940	\$ 380,255	\$ 543,195	\$ 413,852	
Commercial Real Estate - Owner Occupied	1,952,189	137,939	607,658	141,491	452,520	13,647	1,206,592	587,974	607,952	10,666	1,975,281	143,692	610,048	158,604	1,975,281	143,692	610,048	158,604	1,975,281	143,692	610,048	158,604	1,975,281	143,692	610,048	158,604	
Commercial Real Estate - Non-Owner Occupied	4,113,318	432,398	2,297,242	1,154,350	1,142,892	—	1,383,678	1,045,184	330,496	7,998	4,148,218	424,186	2,318,445	1,212,499	4,148,218	424,186	2,318,445	1,212,499	4,148,218	424,186	2,318,445	1,212,499	4,148,218	424,186	2,318,445	1,212,499	
Multifamily Real Estate	788,895	83,838	494,408	137,789	356,619	—	210,649	169,718	40,931	—	947,153	160,090	573,525	268,421	947,153	160,090	573,525	268,421	947,153	160,090	573,525	268,421	947,153	160,090	573,525	268,421	
Commercial & Industrial Residential	3,373,148	525,040	1,774,709	1,639,920	131,332	3,457	1,073,399	687,444	380,702	5,253	3,432,319	533,395	1,760,600	1,639,297	3,432,319	533,395	1,760,600	1,639,297	3,432,319	533,395	1,760,600	1,639,297	3,432,319	533,395	1,760,600	1,639,297	
1-4 Family - Commercial	518,317	43,161	120,145	44,787	70,479	4,879	355,011	275,521	69,356	10,134	517,034	44,993	125,231	52,353	517,034	44,993	125,231	52,353	517,034	44,993	125,231	52,353	517,034	44,993	125,231	52,353	
Residential 1-4 Family - Consumer	1,017,698	800	183,779	1,934	27,634	154,211	833,119	9,335	76,614	747,170	1,057,294	543	194,312	2,105	1,057,294	543	194,312	2,105	1,057,294	543	194,312	2,105	1,057,294	543	194,312	2,105	
Residential 1-4 Family - Revolving	600,339	23,326	474,840	27,052	118,021	329,767	102,173	5,998	36,044	60,131	599,282	19,871	469,170	25,705	599,282	19,871	469,170	25,705	599,282	19,871	469,170	25,705	599,282	19,871	469,170	25,705	
Auto Consumer	585,756	3,481	—	—	—	—	582,275	255,064	327,211	—	534,361	3,379	—	—	534,361	3,379	—	—	534,361	3,379	—	—	534,361	3,379	—	—	
Other Commercial	134,709	12,056	16,633	14,209	2,152	272	106,020	50,778	39,149	16,093	126,151	11,218	15,864	13,348	126,151	11,218	15,864	13,348	126,151	11,218	15,864	13,348	126,151	11,218	15,864	13,348	
Total LHFI	<b>\$15,066,930</b>	<b>\$1,738,144</b>	<b>\$6,688,083</b>	<b>\$3,692,158</b>	<b>\$2,461,366</b>	<b>\$ 534,559</b>	<b>\$6,640,703</b>	<b>\$3,407,335</b>	<b>\$2,209,914</b>	<b>\$1,023,454</b>	<b>\$15,283,620</b>	<b>\$1,780,544</b>	<b>\$6,709,038</b>	<b>\$3,798,363</b>													

The Company remains committed to originating soundly underwritten loans to qualifying borrowers within its markets. The Company seeks to mitigate risks attributable to our most highly concentrated portfolios—commercial real estate, commercial

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and industrial, and construction and land development—through its credit underwriting and monitoring processes, including

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oversight by a centralized credit administration function and credit policy and risk management committee, as well as through its seasoned bankers that focus on lending to borrowers with proven track records in markets with which the Company is familiar.

**Asset Quality**

*Overview*

At **June 30, 2023** **September 30, 2023** and December 31, 2022, NPAs as a percentage of LHF<sup>I</sup> totaled 0.19% and included nonaccrual LHF<sup>I</sup> of **\$29.1 million** **\$28.6 million** and **\$27.1 million**, respectively. Net charge-offs were **\$6.1 million** **\$6.4 million** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, compared to net charge offs of **\$935,000** **\$1.5 million** for the same period in the prior year. The ACL at **June 30, 2023** **September 30, 2023** increased **\$11.8 million** **\$16.5 million** from December 31, 2022 to **\$136.2 million** **\$140.9 million**, due to **increased** continued uncertainty in the economic outlook and net loan growth.

The Company continues to experience historically low levels of **NPAs**; however, the economic environment in the Company's footprint could be impacted as persistent inflation, higher interest rates, and the threat of a recession **looms**, **persists**, which could increase NPAs in future periods. The Company continues to refrain from originating or purchasing loans from foreign entities. The Company selectively originates loans to higher risk borrowers. The Company's loan portfolio generally does not include exposure to option adjustable rate mortgage products, high loan-to-value ratio mortgages, interest only mortgage loans, subprime mortgage loans, or mortgage loans with initial teaser rates, which are all considered higher risk instruments.

*Nonperforming Assets*

At **June 30, 2023** **September 30, 2023**, NPAs totaled **\$29.2 million** **\$28.8 million**, an increase of **\$2.0 million** **\$1.7 million** or **7.5%** **6.1%** from December 31, 2022. NPAs as a percentage of total outstanding LHF<sup>I</sup> at **June 30, 2023** **September 30, 2023** and December 31, 2022 were 0.19%, respectively.

The following table shows a summary of asset quality balances and related ratios as of and for the quarters ended (dollars in thousands):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Nonaccrual LHF<sup>I</sup></b>	<b>\$ 29,105</b>	<b>\$ 27,038</b>	<b>\$ 28,626</b>	<b>\$ 27,038</b>
<b>Foreclosed properties</b>	<b>50</b>	<b>76</b>	<b>149</b>	<b>76</b>
<b>Total NPAs</b>	<b>29,155</b>	<b>27,114</b>	<b>28,775</b>	<b>27,114</b>
<b>LHF<sup>I</sup> past due 90 days and accruing interest</b>	<b>10,111</b>	<b>7,490</b>	<b>11,871</b>	<b>7,490</b>
<b>Total NPAs and LHF<sup>I</sup> past due 90 days and accruing interest</b>	<b>\$ 39,266</b>	<b>\$ 34,604</b>	<b>\$ 40,646</b>	<b>\$ 34,604</b>
 <b>Balances</b>				
<b>Allowance for loan and lease losses</b>	<b>\$ 120,683</b>	<b>\$ 110,768</b>	<b>\$ 125,627</b>	<b>\$ 110,768</b>

Allowance for credit losses	136,231	124,443	140,929	124,443
Average LHFI, net of deferred fees and costs	14,746,218	13,671,714	15,139,761	13,671,714
LHFI, net of deferred fees and costs	15,066,930	14,449,142	15,283,620	14,449,142
<b>Ratios</b>				
Nonaccrual LHFI to total LHFI	0.19 %	0.19 %	0.19 %	0.19 %
NPAs to total LHFI	0.19 %	0.19 %	0.19 %	0.19 %
NPAs & LHFI 90 days past due and accruing interest to total LHFI	0.26 %	0.24 %	0.27 %	0.24 %
NPAs to total LHFI & foreclosed property	0.19 %	0.19 %	0.19 %	0.19 %
NPAs & LHFI 90 days past due and accruing interest to total LHFI & foreclosed property	0.26 %	0.24 %	0.27 %	0.24 %
ALLL to nonaccrual LHFI	414.65 %	409.68 %	438.86 %	409.68 %
ALLL to nonaccrual LHFI & LHFI 90 days past due and accruing interest	307.74 %	320.81 %	310.21 %	320.81 %
ACL to nonaccrual LHFI	468.07 %	460.25 %	492.31 %	460.25 %

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NPAs include nonaccrual LHFI, which totaled \$29.1 million \$28.6 million at June 30, 2023 September 30, 2023, a net increase of \$2.1 million \$1.6 million or 7.6% 5.9% from December 31, 2022. The following table shows the activity in nonaccrual LHFI for the quarters ended (dollars in thousands):

	June 30,	December 31,	September 30,	December 31,
	2023	2022	2023	2022
<b>Beginning Balance</b>	\$ 29,082	\$ 26,500	\$ 29,105	\$ 26,500
Net customer payments	(5,950)	(1,805)	(1,947)	(1,805)
Additions	6,685	2,935	1,651	2,935
Charge-offs	(712)	(461)	(64)	(461)
<b>Loans returning to accruing status</b>	—	(131)	(119)	(131)
<b>Ending Balance</b>	<b>\$ 29,105</b>	<b>\$ 27,038</b>	<b>\$ 28,626</b>	<b>\$ 27,038</b>

The following table presents the composition of nonaccrual LHFI and the coverage ratio, which is the ALLL expressed as a percentage of nonaccrual LHFI, as of (dollars in thousands):

	June 30,	December 31,	September 30,	December 31,
	2023	2022	2023	2022
<b>Construction and Land Development</b>	\$ 284	\$ 307	\$ 355	\$ 307
Commercial Real Estate - Owner Occupied	3,978	7,178	3,882	7,178
Commercial Real Estate - Non-owner Occupied	6,473	1,263	5,999	1,263
Commercial & Industrial	2,738	1,884	2,256	1,884
Residential 1-4 Family - Commercial	1,844	1,904	1,833	1,904
Residential 1-4 Family - Consumer	10,033	10,846	10,368	10,846
Residential 1-4 Family - Revolving	3,461	3,453	3,572	3,453
Auto	291	200	361	200
Consumer	3	3	—	3
<b>Total</b>	<b>\$ 29,105</b>	<b>\$ 27,038</b>	<b>\$ 28,626</b>	<b>\$ 27,038</b>
<b>Coverage Ratio<sup>(1)</sup></b>	<b>414.65 %</b>	<b>409.68 %</b>	<b>438.86 %</b>	<b>409.68 %</b>

(1) Represents the ALLL divided by nonaccrual LHFI.

#### *Past Due Loans*

At **June 30, 2023** **September 30, 2023**, past due LHFI still accruing interest totaled **\$24.1 million** **\$40.6 million** or **0.16%** **0.27%** of total LHFI, compared to \$30.0 million or 0.21% of total LHFI at December 31, 2022. Of the total past due LHFI still accruing interest, **\$10.1 million** **\$11.9 million** or **0.07%** **0.08%** of total LHFI were loans past due 90 days or more at **June 30, 2023** **September 30, 2023**, compared to \$7.5 million or 0.05% of total LHFI at December 31, 2022.

#### *Troubled Loan Modifications*

The Company adopted ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, effective January 1, 2023 on a prospective basis. Refer to Note 1 "Summary of Significant Accounting Policies" in Part I, Item 1 of this Quarterly Report for information on the Company's accounting policy for loan modifications to borrowers experiencing financial difficulty and how the Company defines TLMs. As of **June 30, 2023** **September 30, 2023**, the Company had TLMs totaling **\$31.0 million** **\$29.4 million**.

#### *Troubled Debt Restructurings*

After the adoption of ASU 2022-02, the Company no longer has TDRs. The below information is presented for December 31, 2022, prior to adoption of ASU 2022-02.

A modification of a loan's terms constituted a TDR if the creditor granted a concession that it would not have otherwise considered to the borrower for economic or legal reasons related to the borrower's financial difficulties. Management strove to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their

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loan reached nonaccrual status. These modified terms may have included rate reductions, extension of terms that were

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considered to be below market, conversion to interest only, principal forgiveness and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

The total recorded investment in TDRs at December 31, 2022 was \$14.2 million of which \$9.3 million or 65.3% were considered performing, while the remaining \$4.9 million were considered nonperforming.

#### *Net Charge-offs*

For the **second** **third** quarter of 2023, net charge-offs were **\$1.6 million** **\$294,000** or **0.04%** **0.01%** of total average LHFI on an annualized basis, compared to net charge-offs of **\$939,000** **\$587,000** or **0.03%** **0.02%** for the same quarter last year. For the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, net charge-offs were **\$6.1 million** **\$6.4 million** or **0.08%** **0.06%** of total average LHFI on an annualized basis, compared to net charge-offs of **\$935,000** **\$1.5 million** or **0.01%** **0.02%** for the same period last year. **The** For the nine months ended September 30, 2023, the

majority of the net charge-offs in the six months of 2023 related to two commercial loans within the commercial and industrial and commercial real estate portfolios that took place during the first quarter of 2023.

#### Provision for Credit Losses

The Company recorded a provision for credit losses of \$6.1 million \$5.0 million for the second third quarter of 2023, an increase a decrease of \$2.5 million \$1.4 million compared to the provision for credit losses of \$3.6 million \$6.4 million recorded during the same quarter of 2022. The provision for credit losses for the second third quarter of 2023 reflected a provision of \$5.7 million \$5.2 million for loan losses and a \$349,000 \$246,000 release of the provision for unfunded commitments. The Company recorded a provision for credit losses of \$17.9 million \$22.9 million for the six nine months ended June 30, 2023 September 30, 2023, an increase of \$11.5 million \$10.1 million compared to the provision for credit losses of \$6.4 million \$12.8 million recorded during the same period in 2022. The provision for credit losses for the six nine months ended June 30, 2023 September 30, 2023 reflected a provision of \$16.0 million \$21.3 million for loan losses and a \$1.9 million \$1.6 million provision for unfunded commitments. The increased provision for credit losses is due to increased continued uncertainty in the economic outlook and loan growth in the first six months of throughout 2023.

#### Allowance for Credit Losses

At June 30, 2023 September 30, 2023, the ACL was \$136.2 million \$140.9 million and included an ALLL of \$120.7 million \$125.6 million and a reserve for unfunded commitments of \$15.5 million \$15.3 million. The ACL at June 30, 2023 September 30, 2023 increased \$11.8 million \$16.5 million from December 31, 2022, due to increased continued uncertainty in the economic outlook and loan growth during the first six months of throughout 2023.

The ACL as a percentage of LHF1 was 0.90% 0.92% at June 30, 2023 September 30, 2023, compared to 0.86% at December 31, 2022.

The following table summarizes the ACL during the quarters ended (dollars in thousands):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>Total ALLL</b>	\$ 120,683	\$ 110,768	\$ 125,627	\$ 110,768
<b>Total Reserve for Unfunded Commitments</b>	15,548	13,675	15,302	13,675
<b>Total ACL</b>	<b>\$ 136,231</b>	<b>\$ 124,443</b>	<b>\$ 140,929</b>	<b>\$ 124,443</b>
<b>ALLL to total LHF1</b>	<b>0.80 %</b>	<b>0.77 %</b>	<b>0.82 %</b>	<b>0.77 %</b>
<b>ACL to total LHF1</b>	<b>0.90 %</b>	<b>0.86 %</b>	<b>0.92 %</b>	<b>0.86 %</b>

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The following table summarizes net-charge off activity by loan segment for the periods indicated (dollars in thousands):

	Three months ended			Six months ended			Three months ended			Nine months ended		
	June 30, 2023			June 30, 2023			September 30, 2023			September 30, 2023		
	Commercial	Consumer	Total	Commercial	Consumer	Total	Commercial	Consumer	Total	Commercial	Consumer	Total
<b>Loans charged-off</b>	\$ (1,794)	\$ (808)	\$ (2,602)	\$ (6,801)	\$ (1,527)	\$ (8,328)	\$ (788)	\$ (841)	\$ (1,629)	\$ (7,589)	\$ (2,368)	\$ (9,957)
<b>Recoveries</b>	518	517	1,035	1,033	1,169	2,202	878	457	1,335	1,911	1,626	3,537
<b>Net charge-offs</b>	\$ (1,276)	\$ (291)	\$ (1,567)	\$ (5,768)	\$ (358)	\$ (6,126)	\$ 90	\$ (384)	\$ (294)	\$ (5,678)	\$ (742)	\$ (6,420)

Net charge-offs to average loans <sup>(1)</sup>	0.04 %	0.05 %	0.04 %	0.09 %	0.03 %	0.08 %	0.00 %	0.07 %	0.01 %	0.06 %	0.04 %	0.06 %
<b>Three months ended</b>												
<b>June 30, 2022</b>												
<b>Commercial Consumer Total</b>												
<b>Loans charged-off</b>												
\$ (1,007)	\$ (950)	\$ (1,957)	\$ (1,766)	\$ (1,700)	\$ (3,466)		\$ (1,086)	\$ (715)	\$ (1,801)	\$ (2,852)	\$ (2,415)	\$ (5,267)
Recoveries	392	626	1,018	1,118	1,413	2,531	605	609	1,214	1,723	2,022	3,745
<b>Net charge-offs</b>												
\$ (615)	\$ (324)	\$ (939)	\$ (648)	\$ (287)	\$ (935)		\$ (481)	\$ (106)	\$ (587)	\$ (1,129)	\$ (393)	\$ (1,522)
<b>Three months ended</b>												
<b>September 30, 2022</b>												
<b>Commercial Consumer Total</b>												
<b>Commercial Consumer Total</b>												
<b>September 30, 2022</b>												
<b>Commercial Consumer Total</b>												
<b>September 30, 2022</b>												
<b>Commercial Consumer Total</b>												
<b>December 31, 2022</b>												
<b>Commercial Consumer Total</b>												
<b>Commercial Consumer Total</b>												
<b>December 31, 2022</b>												
<b>Commercial Consumer Total</b>												

<sup>(1)</sup> Annualized

The following table summarizes the ACL activity by loan segment and the percentage of the LHFI portfolio that the related ACL covers as of the quarters ended (dollars in thousands).

	June 30, 2023			December 31, 2022			September 30, 2023			December 31, 2022		
	Commercial	Consumer	Total	Commercial	Consumer	Total	Commercial	Consumer	Total	Commercial	Consumer	Total
ACL	\$ 107,591	\$ 28,640	\$ 136,231	\$ 95,527	\$ 28,916	\$ 124,443	\$ 113,237	\$ 27,692	\$ 140,929	\$ 95,527	\$ 28,916	\$ 124,443
Loan ACL % <sup>(1)</sup>	84.5 %	15.5 %	100.0 %	84.3 %	15.7 %	100.0 %	84.8 %	15.2 %	100.0 %	84.3 %	15.7 %	100.0 %
ACL to total	0.85 %	1.22 %	0.90 %	0.78 %	1.27 %	0.86 %	0.87 %	1.20 %	0.92 %	0.78 %	1.27 %	0.86 %

<sup>(1)</sup> The percentage represents the loan balance divided by total loans.

The increase in the ACL for the commercial loan segment is due to increased continued uncertainty in the macroeconomic outlook and the impact of loan growth throughout 2023. The decrease in the first six months consumer loan segment was primarily driven by the continued run off of 2023, the Company's third-party lending and auto portfolios.

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**Deposits**

As of **June 30, 2023** **September 30, 2023**, total deposits were **\$16.4 billion** **\$16.8 billion**, an increase of **\$480.3 million** **\$854.8 million** or **6.1%** **7.2%** annualized from December 31, 2022. Total interest-bearing deposits consist of interest checking accounts, money market, savings, and time deposit account balances, balances, and brokered deposits. Total time deposit balances of **\$2.4 billion** **\$2.6 billion** accounted for **19.8%** **20.93%** of total interest-bearing deposits at **June 30, 2023** **September 30, 2023**, compared to \$1.8 billion and 16.3% at December 31, 2022.

The following table presents the deposit balances by major category as of the quarters ended (dollars in thousands):

Deposits:	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
			% of total				% of total	
	Amount	deposits	Amount	deposits	Amount	deposits	Amount	deposits
Interest checking accounts	\$ 4,824,192	29.4 %	\$ 4,186,505	26.3 %	\$ 5,055,464	30.1 %	\$ 4,186,505	26.3 %
Money market accounts	3,413,936	20.8 %	3,922,533	24.6 %	3,472,953	20.7 %	3,922,533	24.6 %
Savings accounts	986,081	6.0 %	1,130,899	7.1 %	950,363	5.6 %	1,130,899	7.1 %
Customer time deposits of \$250,000 and over	578,739	3.5 %	405,060	2.5 %	634,950	3.8 %	405,060	2.5 %
Other customer time deposits	1,813,031	11.0 %	1,396,011	8.8 %	2,011,106	12.0 %	1,396,011	8.8 %
Time Deposits	2,391,770	14.5 %	1,801,071	11.3 %	2,646,056	15.8 %	1,801,071	11.3 %
Total interest-bearing customer deposits	11,615,979	70.7 %	11,041,008	69.3 %	12,124,836	72.2 %	11,041,008	69.3 %
Brokered deposits	485,702	3.0 %	7,430	- %	516,720	3.1 %	7,430	— %
Total interest-bearing deposits	\$ 12,101,681	73.7 %	\$ 11,048,438	69.3 %	\$ 12,641,556	75.3 %	\$ 11,048,438	69.3 %
Demand deposits	4,310,306	26.3 %	4,883,239	30.7 %	4,144,949	24.7 %	4,883,239	30.7 %
<b>Total Deposits (1)</b>	<b>\$ 16,411,987</b>	<b>100.0 %</b>	<b>\$ 15,931,677</b>	<b>100.0 %</b>	<b>\$ 16,786,505</b>	<b>100.0 %</b>	<b>\$ 15,931,677</b>	<b>100.0 %</b>

(1) Includes estimated uninsured deposits of **\$5.3 billion** **\$5.4 billion** and **\$6.3 billion** as of **June 30, 2023** **September 30, 2023** and **December 31, 2022**, respectively, and collateralized deposits of **\$930.4 million** **\$872.2 million** and **\$951.9 million** as of **June 30, 2023** **September 30, 2023** and **December 31, 2022**, respectively.

The Company may also borrow additional funds by purchasing certificates of deposit through a nationally recognized network of financial institutions, and the Company utilizes this funding source as part of its overall liquidity management strategy. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company's certificates of deposits included **\$135.6 million** **\$111.0 million** and \$7.5 million, respectively, in purchased certificates of deposits.

Maturities of time deposits in excess of FDIC insurance limits as of **June 30, 2023** **September 30, 2023** and December 31, 2022 were as follows (dollars in thousands):

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
<b>3 Months or Less</b>	\$ 57,472	\$ 14,225	\$ 59,068	\$ 14,225
<b>Over 3 Months through 6 Months</b>	124,229	36,907	129,139	36,907
<b>Over 6 Months through 12 Months</b>	30,824	88,410	60,842	88,410
<b>Over 12 Months</b>	55,714	53,666	27,902	53,666
<b>Total</b>	<b>\$ 268,239</b>	<b>\$ 193,208</b>	<b>\$ 276,950</b>	<b>\$ 193,208</b>

### Capital Resources

Capital resources represent funds, earned or obtained, over which financial institutions can exercise greater or longer control in comparison with deposits and borrowed funds. The adequacy of the Company's capital is reviewed by management on an ongoing basis with reference to size, composition, and quality of the Company's resources and consistency with regulatory requirements and industry standards. Management seeks to maintain a capital structure that will assure an adequate level of capital to support anticipated asset growth and to absorb potential losses, yet allow management to effectively leverage its capital to maximize return to shareholders.

Under the Basel III capital rules, the Company and the Bank must comply with the following minimum capital ratios: (i) a common equity Tier 1 capital ratio of 7.0% of risk-weighted assets; (ii) a Tier 1 capital ratio of 8.5% of risk-weighted assets; (iii) a total capital ratio of 10.5% of risk-weighted assets; and (iv) a leverage ratio of 4.0% of total assets. These ratios, with the exception of the leverage ratio, include a 2.5% capital conservation buffer, which is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of common equity Tier 1 to risk-weighted assets above the minimum but below the conservation buffer will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall.

On March 27, 2020, the banking agencies issued an interim final rule that allows the Company to phase in the impact of adopting the CECL methodology up to two years, with a three-year transition period to phase out the cumulative benefit to regulatory capital provided during the two-year delay. The Company is allowed to include the impact of the CECL transition, which is defined as the CECL Day 1 impact to capital plus 25% of the Company's provision for credit losses during 2020, in regulatory capital through 2021. The Company elected to phase in the regulatory capital impact as permitted under the aforementioned interim final rule. The CECL transition amount is being phased out of regulatory capital over a three-year period **beginning that began in 2022 and ending ends** in 2024.

The table summarizes the Company's regulatory capital and related ratios for the periods presented (2) (dollars in thousands):

	June 30, 2023	December 31, 2022	June 30, 2022	September 30, December 31, September 30, 2023	2022	2022
<b>Common equity Tier 1 capital</b>	<b>\$ 1,723,535</b>	\$ 1,684,088	\$ 1,592,401	\$ 1,761,437	1,684,088	1,633,072
<b>Tier 1 capital</b>	<b>1,889,891</b>	1,850,444	1,758,758	<b>1,927,793</b>	1,850,444	1,799,428
<b>Tier 2 capital</b>	<b>494,517</b>	468,716	456,853	<b>500,454</b>	468,716	463,175
<b>Total risk-based capital</b>	<b>2,384,408</b>	2,319,160	2,215,611	<b>2,428,247</b>	2,319,160	2,262,604
<b>Risk-weighted assets</b>	<b>17,480,064</b>	16,930,559	15,995,009	<b>17,719,845</b>	16,930,559	16,393,301
<b>Capital ratios:</b>						
<b>Common equity Tier 1 capital ratio</b>	<b>9.86%</b>	9.95%	9.96%	<b>9.94%</b>	9.95%	9.96%
<b>Tier 1 capital ratio</b>	<b>10.81%</b>	10.93%	11.00%	<b>10.88%</b>	10.93%	10.98%
<b>Total capital ratio</b>	<b>13.64%</b>	13.70%	13.86%	<b>13.70%</b>	13.70%	13.80%
<b>Leverage ratio (Tier 1 capital to average assets)</b>	<b>9.64%</b>	9.42%	9.26%	<b>9.62%</b>	9.42%	9.32%
<b>Capital conservation buffer ratio (1)</b>	<b>4.81%</b>	4.93%	5.00%	<b>4.88%</b>	4.93%	4.98%
<b>Common equity to total assets</b>	<b>10.96%</b>	10.78%	11.32%	<b>10.72%</b>	10.78%	10.60%
<b>Tangible common equity to tangible assets (2)</b>	<b>6.66%</b>	6.43%	6.78%	<b>6.45%</b>	6.43%	6.11%

(1) Calculated by subtracting the regulatory minimum capital ratio requirements from the Company's actual ratio results for Common equity, Tier 1, and Total risk-based capital. The lowest of the three measures represents the Company's capital conservation buffer ratio.

(2) All ratios and amounts at **June 30, 2023** **September 30, 2023** are estimates and subject to change pending the Company's filing of its FR Y9-C. All other periods are presented as filed.

(+) Refer to "Non-GAAP Financial Measures" within this Item 2 for more information about this non-GAAP financial measure, including a reconciliation of this measure to the most directly comparable financial measure calculated in accordance with GAAP.

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**NON-GAAP FINANCIAL MEASURES**

In reporting the results as of and for the period ended **June 30, 2023** **September 30, 2023**, the Company has provided supplemental performance measures on a tax-equivalent, tangible, operating, adjusted or pre-tax pre-provision basis. These non-GAAP financial measures are a supplement to GAAP, which is used to prepare the Company's financial statements, and should not be considered in isolation or as a substitute for comparable measures calculated in accordance with GAAP. In addition, the Company's non-GAAP financial measures may not be comparable to non-GAAP financial measures of other companies. The Company uses the non-GAAP financial measures discussed herein in its analysis of the Company's performance. The Company's management believes that these non-GAAP financial measures provide additional understanding of ongoing operations, enhance comparability of results of operations with prior periods and show the effects of significant gains and charges in the periods presented without the impact of items or events that may obscure trends in the Company's underlying performance.

The Company believes net interest income (FTE) and total revenue (FTE), which are used in computing net interest margin (FTE), provide valuable additional insight into the net interest margin by adjusting for differences in the tax treatment of interest income sources. The entire FTE adjustment is attributable to interest income on earning assets, which is used in computing the yield on earning assets. Interest expense and the related cost of interest-bearing liabilities and cost of funds ratios are not affected by the FTE components.

The following table reconciles non-GAAP financial measures from the most directly comparable GAAP financial measures for each of the periods presented (dollars in thousands):

	Three Months Ended				Six Months Ended				Three Months Ended				Nine Months Ended			
	June 30,		June 30,		September 30,		September 30,		2023		2022		2023		2022	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Interest Income (FTE)</b>																
Interest and dividend income (GAAP)	\$ 230,247	\$ 148,755	\$ 447,793	\$ 287,212	\$ 247,159	\$ 171,156	\$ 694,952	\$ 458,367								
FTE adjustment	3,666	3,577	7,455	6,912	3,744	3,842	11,198	10,755								
Interest and dividend income (FTE) (non-GAAP)	\$ 233,913	\$ 152,332	\$ 455,248	\$ 294,124	\$ 250,903	\$ 174,998	\$ 706,150	\$ 469,122								
Average earning assets	\$ 18,091,809	\$ 17,646,470	\$ 18,164,545	\$ 17,765,085	\$ 18,462,505	\$ 17,879,222	\$ 18,264,957	\$ 17,803,550								
Yield on interest-earning assets (GAAP)	5.10 %	3.38 %	4.97 %	3.26 %	5.31 %	3.80 %	5.09 %	3.44 %								
Yield on interest-earning assets (FTE) (non-GAAP)	5.19 %	3.46 %	5.05 %	3.34 %	5.39 %	3.88 %	5.17 %	3.52 %								
<b>Net Interest Income (FTE)</b>																
Net interest income (GAAP)	\$ 152,084	\$ 138,767	\$ 305,528	\$ 269,698	\$ 151,941	\$ 150,715	\$ 457,469	\$ 420,413								

FTE adjustment	3,666	3,577	7,455	6,912	3,744	3,842	11,198	10,755
Net interest income								
(FTE) (non-GAAP)	\$ 155,750	\$ 142,344	\$ 312,983	\$ 276,610	\$ 155,685	\$ 154,557	\$ 468,667	\$ 431,168
Noninterest income								
(GAAP)	24,197	38,286	33,824	68,439	27,094	25,584	60,918	94,023
Total revenue (FTE)								
(non-GAAP)	\$ 179,947	\$ 180,630	\$ 346,807	\$ 345,049	\$ 182,779	\$ 180,141	\$ 529,585	\$ 525,191
Average earning assets	\$ 18,091,809	\$ 17,646,470	\$ 18,164,545	\$ 17,765,085	\$ 18,462,505	\$ 17,879,222	\$ 18,264,957	\$ 17,803,550
Net interest margin (GAAP)	3.37 %	3.15 %	3.39 %	3.06 %	3.27 %	3.34 %	3.35 %	3.16 %
Net interest margin (FTE) (non-GAAP)	3.45 %	3.24 %	3.47 %	3.14 %	3.35 %	3.43 %	3.43 %	3.24 %

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Tangible assets and tangible common equity are used in the calculation of certain profitability, capital, and per share ratios. The Company believes tangible assets, tangible common equity and the related ratios are meaningful measures of capital adequacy because they provide a meaningful base for period-to-period and company-to-company comparisons, which the Company believes will assist investors in assessing the capital of the Company and its ability to absorb potential losses. The Company believes tangible common equity is an important indication of its ability to grow organically and through business combinations as well as its ability to pay dividends and to engage in various capital management strategies.

The following table reconciles non-GAAP financial measures from the most directly comparable GAAP financial measures for each of the periods presented (dollars in thousands):

	Three Months Ended			Three Months Ended		
	June 30,	December 31,	June 30,	September 30,	December 31,	September 30,
	2023	2022	2022	2023	2022	2022
<b>Tangible Assets</b>						
Ending Assets (GAAP)	\$ 20,602,332	\$ 20,461,138	\$ 19,661,799	\$ 20,736,236	\$ 20,461,138	\$ 19,950,231
Less: Ending goodwill	925,211	925,211	925,211	925,211	925,211	925,211
Less: Ending amortizable intangibles	23,469	26,761	31,621	21,277	26,761	29,142
Ending tangible assets (non-GAAP)	\$ 19,653,652	\$ 19,509,166	\$ 18,704,967	\$ 19,789,748	\$ 19,509,166	\$ 18,995,878
<b>Tangible Common Equity</b>						
Ending Equity (GAAP)	\$ 2,424,470	\$ 2,372,737	\$ 2,391,476	\$ 2,388,801	\$ 2,372,737	\$ 2,281,150
Less: Ending goodwill	925,211	925,211	925,211	925,211	925,211	925,211
Less: Ending amortizable intangibles	23,469	26,761	31,621	21,277	26,761	29,142
Less: Perpetual preferred stock	166,357	166,357	166,357	166,357	166,357	166,357
Ending tangible common equity (non-GAAP)	\$ 1,309,433	\$ 1,254,408	\$ 1,268,287	\$ 1,275,956	\$ 1,254,408	\$ 1,160,440
Average equity (GAAP)	\$ 2,460,741	\$ 2,321,208	\$ 2,445,045	\$ 2,446,902	\$ 2,321,208	\$ 2,436,999
Less: Average goodwill	925,211	925,211	935,446	925,211	925,211	925,211
Less: Average amortizable intangibles	23,748	27,909	38,707	22,342	27,909	30,347
Less: Average perpetual preferred stock	166,356	166,356	166,356	166,356	166,356	166,356
Average tangible common equity (non-GAAP)	\$ 1,345,426	\$ 1,201,732	\$ 1,304,536	\$ 1,332,993	\$ 1,201,732	\$ 1,315,085
			%	10.72 %	10.78 %	10.60 %
Common equity to total assets (GAAP)	10.96 %	10.78 %	11.32			
Tangible common equity to tangible assets (non-GAAP)	6.66 %	6.43 %	6.78 %	6.45 %	6.43 %	6.11 %

Book value per common share (GAAP)	\$ 30.31	\$ 29.68	\$ 29.95	\$ 29.82	\$ 29.68	\$ 28.46
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Adjusted operating measures exclude, as applicable, **expenses incurred in our strategic cost saving initiatives** (principally composed of severance charges related to headcount reductions, **costs related to modifying certain third party vendor contracts**, and charges for exiting **certain leases**), **merger-related costs**, a legal reserve associated with an ongoing regulatory matter previously disclosed, strategic branch **closure initiatives closing** and related facility consolidation costs (principally composed of real estate, leases and other assets write downs, as well as severance and expense reduction initiatives), **gain (loss) loss** on sale of securities, as well as the **gain on sale-leaseback transaction**, and **gain on sale** of DHFB. The Company believes these non-GAAP adjusted measures provide investors with important information about the continuing economic results of the organization's operations. The following table reconciles non-GAAP financial measures from the most directly comparable GAAP financial measures for each of the periods presented (dollars in thousands, except per share amounts):

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2023	2022			2023	2022		
<b><u>Adjusted Operating Earnings &amp; EPS</u></b>								
Net income (GAAP)	\$ 55,241	\$ 62,226			\$ 90,894	\$ 105,916		
Plus: Strategic cost saving initiatives, net of tax	3,109	—			3,109	—		
Plus: Legal reserve, net of tax	—	—			3,950	—		
Plus: Strategic branch closing and facility consolidation costs, net of tax	—	—			—	4,351		
Less: Gain (loss) on sale of securities, net of tax	2	(2)			(10,584)	(2)		
Less: Gain on sale of DHFB, net of tax	—	7,984			—	7,984		
Adjusted operating earnings (non-GAAP)	\$ 58,348	\$ 54,244			\$ 108,537	\$ 102,285		
Less: Dividends on preferred stock	2,967	2,967			5,934	5,934		
Adjusted operating earnings available to common shareholders (non-GAAP)	\$ 55,381	\$ 51,277			\$ 102,603	\$ 96,351		
Weighted average common shares outstanding, diluted	74,995,557	74,849,871			74,915,977	75,201,326		
Earnings per common share, diluted (GAAP)	\$ 0.70	\$ 0.79			\$ 1.13	\$ 1.33		
Adjusted operating earnings per common share, diluted (non-GAAP)	\$ 0.74	\$ 0.69			\$ 1.37	\$ 1.28		

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	Three Months Ended				Nine Months Ended			
	September 30,				September 30,			
	2023	2022			2023	2022		
<b><u>Adjusted Operating Earnings &amp; EPS</u></b>								
Net income (GAAP)	\$ 54,017	\$ 58,070			\$ 144,911	\$ 163,986		
Plus: Strategic cost saving initiatives, net of tax	6,851	—			9,959	—		
Plus: Merger-related costs, net of tax	1,965	—			1,965	—		
Plus: Legal reserve, net of tax	—	—			3,950	—		
Plus: Strategic branch closing and facility consolidation costs, net of tax	—	—			—	4,351		
Less: Loss on sale of securities, net of tax	(21,799)	—			(32,384)	(2)		
Less: Gain on sale-leaseback transaction, net of tax	21,883	—			21,883	—		

Less: Gain on sale of DHFB, net of tax	—	—	—	7,984
Adjusted operating earnings (non-GAAP)	\$ 62,749	\$ 58,070	\$ 171,286	\$ 160,355
Less: Dividends on preferred stock	2,967	2,967	8,901	8,901
Adjusted operating earnings available to common shareholders (non-GAAP)	<u>\$ 59,782</u>	<u>\$ 55,103</u>	<u>\$ 162,385</u>	<u>\$ 151,454</u>
Weighted average common shares outstanding, diluted	74,999,128	74,705,054	74,943,999	75,034,084
Earnings per common share, diluted (GAAP)	\$ 0.68	\$ 0.74	\$ 1.81	\$ 2.07
Adjusted operating earnings per common share, diluted (non-GAAP)	\$ 0.80	\$ 0.74	\$ 2.17	\$ 2.02

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Adjusted operating noninterest expense excludes, as applicable, the amortization of intangible assets, expenses incurred in our strategic cost saving initiatives (principally composed of severance charges related to headcount reductions, costs related to modifying certain third party vendor contracts, and charges for exiting certain leases), merger-related costs, a legal reserve associated with an ongoing regulatory matter previously disclosed, strategic branch closure initiatives closing and related facility consolidation costs (principally composed of real estate, leases and other asset write downs, as well as severance and expense reduction initiatives), while our and adjusted operating noninterest income excludes, as applicable, gain (loss) on sale of securities, gain on sale-leaseback transaction, and the gain on sale of DHFB. These measures are similar to the measures used by the Company believes these adjusted measures provides investors with important information about when analyzing corporate performance and are also similar to the continuing economic results of the organization's operations. measure used for incentive compensation.

The following table reconciles non-GAAP financial measures from the most directly comparable GAAP financial measures for each of the periods presented (dollars in thousands):

	Three Months Ended				Six Months Ended				Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Adjusted Operating Noninterest Expense &amp; Noninterest Income</b>												
Noninterest expense (GAAP)	\$ 105,661	\$ 98,768	\$ 213,934	\$ 204,089	\$ 108,508	\$ 99,923	\$ 322,442	\$ 304,012				
Less: Amortization of intangible assets	2,216	2,915	4,494	5,954	2,193	2,480	6,687	8,434				
Less: Strategic cost saving initiatives	3,935	—	3,935	—	8,672	—	12,607	—				
<b>Less: Merger-related costs</b>					1,993	—	1,993	—				
Less: Legal reserve	—	—	5,000	—	—	—	5,000	—				
Less: Strategic branch closing and facility consolidation costs	—	—	—	—	—	—	—	—				
Adjusted operating noninterest expense (non-GAAP)	\$ 99,510	\$ 95,853	\$ 200,505	\$ 192,627	\$ 95,650	\$ 97,443	\$ 296,155	\$ 290,070				
Noninterest income (GAAP)	\$ 24,197	\$ 38,286	\$ 33,824	\$ 68,439	\$ 27,094	\$ 25,584	\$ 60,918	\$ 94,023				
Less: Gain (loss) on sale of securities	2	(2)	(13,398)	(2)	(27,594)	—	(40,992)	(2)				
Less: Loss on sale of securities												
Less: Gain on sale-leaseback transaction					27,700	—	27,700	—				

Less: Gain on sale of DHFB	—	9,082	—	9,082	—	—	—	9,082
Adjusted operating noninterest income (non-GAAP)	\$ 24,195	\$ 29,206	\$ 47,222	\$ 59,359	\$ 26,988	\$ 25,584	\$ 74,210	\$ 84,943

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### ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### *Interest Sensitivity*

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates, and equity prices. The Company's market risk is composed primarily of interest rate risk. The Company's **asset liability management committee** ("ALCO") is responsible for reviewing the interest rate sensitivity position and establishing policies to monitor and limit exposure to this risk. The Company's Board of Directors reviews and approves the policies established by ALCO.

The Company monitors interest rate risk through the use of three complementary modeling tools: static gap analysis, earnings simulation modeling, and economic value simulation (net present value estimation). Each of these models measures changes in a variety of interest rate scenarios. While each of the interest rate risk models has limitations, taken together, they represent a reasonably comprehensive view of the magnitude of the Company's interest rate risk, the distribution of risk along the yield curve, the level of risk through time, and the amount of exposure to changes in certain interest rate relationships. The Company's static gap analysis, which measures aggregate re-pricing values, is utilized less often because it does not effectively take into account the optionality embedded into many assets and liabilities and, therefore, the Company does not address it here. The Company uses earnings simulation and economic value simulation models on a regular basis, which more effectively measure the cash flow and optionality impacts, and these models are discussed below.

The Company determines the overall magnitude of interest sensitivity risk and then formulates policies and practices governing asset generation and pricing, funding sources and pricing, and off-balance sheet commitments. These decisions are based on management's expectations regarding future interest rate movements, the states of the national, regional and local economies, and other financial and business risk factors. The Company uses simulation modeling to measure and monitor the effect of various interest rate scenarios and business strategies on net interest income. This modeling reflects interest rate changes and the related impact on net interest income and net income over specified time horizons.

#### *Earnings Simulation Modeling*

Management uses earnings simulation modeling to measure the sensitivity of net interest income to changes in interest rates. The model calculates an earnings estimate based on current and projected balances and rates. This method is subject to the accuracy of the assumptions that underlie the process, but the Company believes it provides a better analysis of the sensitivity of earnings to changes in interest rates than other analyses, such as the static gap analysis noted above.

The Company derives the assumptions used in the model from historical trends and management's outlook, including expected loan growth, loan prepayment rates, deposit growth rates, changes to deposit product betas and non-maturity deposit decay rates, and projected yields and rates. These assumptions may not be realized and unanticipated events and circumstances may also occur that cause the assumptions to be inaccurate. The model also does not take into account any future actions of management to mitigate the impact of interest rate changes. The Company's ALCO monitors the assumptions at least quarterly and periodically adjusts them as deemed appropriate. In the modeling, the Company assumed that all

maturities, calls, and prepayments in the securities portfolio are reinvested in like instruments, and the Company based the MBS prepayment assumptions on industry estimates of prepayment speeds for portfolios with similar coupon ranges and seasoning. The Company also used different interest rate scenarios and yield curves to measure the sensitivity of earnings to changing interest rates. Interest rates on different asset and liability accounts move differently when the short-term market rate changes and these differences are reflected in the different rate scenarios. Deposit betas, decay rates and loan prepayment speeds are adjusted periodically in the Company's models for non-maturity deposits and loans.

The Company uses its simulation model to estimate earnings in rate environments where rates are instantaneously shocked up or down around a "most likely" rate scenario, based on implied forward rates and futures curves. The analysis assesses the impact on net interest income over a 12-month time horizon after an immediate increase or "shock" in rates, of 100 bps up to 300 bps. The model, under all scenarios, does not drop the index below zero.

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The following table represents the interest rate sensitivity on net interest income for the Company across the rate paths modeled for balances as of **June 30, 2023** **September 30, 2023**, December 31, 2022, and **June 30, 2022** **September 30, 2022**:

	Change In Net Interest Income			Change In Net Interest Income		
	June 30, 2023	December 31, 2022	June 30, 2022	September 30, 2023	December 31, 2022	September 30, 2022
	%	%	%	%	%	%
<b>Change in Yield Curve:</b>						
+300 basis points	<b>7.47</b>	11.73	19.04	<b>7.26</b>	11.73	16.70
+200 basis points	<b>5.25</b>	8.25	12.81	<b>4.97</b>	8.25	11.05
+100 basis points	<b>2.89</b>	4.65	6.54	<b>2.66</b>	4.65	5.54
Most likely rate scenario	—	—	—	—	—	—
-100 basis points	(2.94)	(3.18)	(7.33)	(1.64)	(3.18)	(4.99)
-200 basis points	(7.34)	(7.40)	(16.45)	(5.48)	(7.40)	(10.10)
-300 basis points	(14.07)	(12.21)	(26.50)	(9.72)	(12.21)	(17.24)

If an institution is asset sensitive its assets reprice more quickly than its liabilities and net interest income would be expected to increase in a rising interest rate environment, and decrease in a falling interest rate environment. If an institution is liability sensitive its liabilities reprice more quickly than its assets and net interest income would be expected to decrease in a rising interest rate environment and increase in a falling interest rate environment.

From a net interest income perspective, the Company was less asset sensitive as of **June 30, 2023** **September 30, 2023**, compared to its position as of **June 30, 2022** **September 30, 2022**. This shift is in part due to the changing market characteristics of certain loan and deposit products and in part due to various other balance sheet strategies. The Company would expect net interest income to increase with an immediate increase or shock in market rates. In the decreasing interest rate environments, the Company would expect a decline in net interest income as interest-earning assets re-price more quickly than interest-bearing deposits.

#### **Economic Value Modeling**

Economic value simulation modeling is used to calculate the estimated fair value of assets and liabilities over different interest rate environments. The Company calculates the economic values based on discounted cash flow analysis. The net economic value of equity is the economic value of all assets minus the economic value of all liabilities. The change in net economic value over different rate environments is an indication of the longer-term earnings capability of the balance sheet. The Company uses the same assumptions in the economic value simulation model as in the earnings simulation model. The economic value simulation model uses instantaneous rate shocks to the balance sheet.

The following chart reflects the estimated change in net economic value over different rate environments using economic value simulation for the balances at the quarterly periods ended **June 30, 2023** **September 30, 2023**, December 31, 2022, and **June 30, 2022** **September 30, 2022**:

	Change In Economic Value of Equity			Change In Economic Value of Equity		
	June 30, 2023	December 31, 2022	June 30, 2022	September 30, 2023	December 31, 2022	September 30, 2022
	%	%	%	%	%	%
<b>Change in Yield Curve:</b>						
+300 basis points	(10.85)	(12.32)	(8.07)	(8.54)	(12.32)	(6.21)
+200 basis points	(7.46)	(8.41)	(5.43)	(5.89)	(8.41)	(4.44)
+100 basis points	(3.86)	(4.25)	(2.07)	(3.06)	(4.25)	(2.49)
Most likely rate scenario	—	—	—	—	—	—
-100 basis points	1.56	3.55	0.97	2.94	3.55	1.29
-200 basis points	2.46	6.41	(2.45)	3.38	6.41	1.95
-300 basis points	(0.27)	5.71	(11.10)	2.25	5.71	(0.75)

As of **June 30, 2023** **September 30, 2023**, the Company's economic value of equity is generally less asset sensitive in a rising interest rate environment compared to its position as of **June 30, 2022** **September 30, 2022** primarily due to the composition of the Consolidated Balance Sheets and due in part to the pricing characteristics and assumptions of certain deposits.

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**ITEM 4 – CONTROLS AND PROCEDURES**

*Evaluation of Disclosure Controls and Procedures*

Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of **June 30, 2023** **September 30, 2023**. The term "disclosure controls and procedures," as defined in Rule 13a-15(e) under the Exchange Act, means controls and other procedures that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and to ensure that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of **June 30, 2023** **September 30, 2023**, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

In designing and evaluating the Company's disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

*Changes in Internal Control Over Financial Reporting*

Management has taken measures to maintain the internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended **June** **September** 30, 2023. There have been no changes during the quarter ended **June 30, 2023** **September 30, 2023** that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

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## PART II - OTHER INFORMATION

### ITEM 1 – LEGAL PROCEEDINGS

In the ordinary course of our operations, we are party to various legal proceedings. Based on the information presently available, and after consultation with legal counsel, management believes that the ultimate outcome in such proceedings, in the aggregate, will not have a material adverse effect on the business or the financial condition or results of operations of the Company, subject to the potential outcomes of the matter discussed below.

As previously disclosed, on February 9, 2022, pursuant to the CFPB's Notice and Opportunity to Respond and Advise process, the CFPB Office of Enforcement notified us that it is considering recommending that the CFPB take legal action against us in connection with alleged violations of Regulation E, 12 C.F.R. § 1005.17, and the Consumer Financial Protection Act, 12 U.S.C. §§ 5531 and 5536, in connection with our overdraft practices and policies. In March 2023, the CFPB commenced settlement discussions with us to resolve the matter, which are ongoing. We cannot provide assurance whether a settlement will be reached, the final terms or timing of any such settlement, or the final amount of loss (potentially including both restitution and a civil money penalty) with respect to this matter. Any final loss could be materially different from our current estimate and accrued amount. If the Company and the CFPB do not reach a settlement, the CFPB may commence litigation against the Company. See Note 7, "Commitments and Contingencies" in the "Notes to the Consolidated Financial Statements" in Part I, Item I of this Form 10-Q for additional information.

### ITEM 1A – RISK FACTORS

Except as described below, and as set forth in Part II, Item 1A. "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter quarters ended March 31, 2023 and June 30, 2023, filed with the SEC on May 4, 2023 and August 3, 2023, respectively, and incorporated herein by reference, there have been no material changes from the risk factors previously disclosed under Part I, Item 1A. "Risk Factors" in our 2022 Form 10-K.

An investment in our securities involves risks. In addition to the other information set forth in this Quarterly Report, including the information addressed in this Item 1A and under "Forward-Looking Statements," investors in our securities should carefully consider the risk factors discussed in our 2022 Form 10-K and Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 and June 30, 2023. These factors could materially and adversely affect our business, financial condition, liquidity, results of operations, and capital position and could cause our actual results to differ materially from our historical results or the results contemplated by the forward-looking statements contained in this report, in which case the trading price of our securities could decline.

#### Risks Related to the Proposed Merger with American National

The merger agreement is subject to a number of conditions which must be fulfilled in order to complete the merger. If the merger is not completed for any reason, there may be various adverse consequences and we may experience negative reactions from the financial markets and from our customers and employees. For example, our business may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of our management on the merger, without realizing any of the anticipated benefits of completing the merger. Additionally, if the merger agreement is terminated, the market price of our common stock could decline to the extent that current market prices reflect a market assumption that the merger will be beneficial and will be completed. We also could be subject to litigation related to any failure to complete the merger or to proceedings commenced against us to perform our obligations under the merger agreement.

Additionally, we have incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement. If the merger is not completed, we would have to recognize these expenses without realizing the expected benefits of the merger.

**Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated, cannot be met, or that could have an adverse effect on the combined company following the merger.**

Before the merger and the bank merger may be completed, various approvals, consents and non-objections must be obtained from bank regulatory authorities, including the Federal Reserve. In determining whether to grant these approvals, the

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regulators consider a variety of factors, including the regulatory standing of each party. These approvals could be delayed or not obtained at all, including due to an adverse development in either party's regulatory standing or in any other factors considered by regulators in granting such approvals; governmental, political or community group inquiries, investigations or opposition; or changes in legislation or the political or regulatory environment generally.

The approvals that are granted may impose terms and conditions, limitations, obligations or costs, or place restrictions on the conduct of the combined company's business or require changes to the terms of the transactions contemplated by the merger agreement. There can be no assurance that regulators will not impose any such conditions, limitations, obligations or restrictions and that such conditions, limitations, obligations or restrictions will not have the effect of delaying the completion of any of the transactions contemplated by the merger agreement, imposing additional material costs on or materially limiting the revenues of the combined company following the merger or otherwise reduce the anticipated benefits of the merger if the merger were consummated successfully within the expected timeframe. In addition, there can be no assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the merger. The completion of the merger is conditioned on the receipt of the requisite regulatory approvals without the imposition of any materially financially burdensome regulatory condition and the expiration of all statutory waiting periods. Additionally, the completion of the merger is conditioned on the absence of certain laws, orders, injunctions or decrees issued by any court or governmental entity of competent jurisdiction that would prevent, prohibit or make illegal the completion of the merger, the bank merger or any of the other transactions contemplated by the merger agreement.

If the consummation of the merger is delayed, including by a delay in receipt of necessary regulatory approvals, our business, financial condition and results of operations may be adversely affected.

***Combining the Company and American National may be more difficult, costly or time consuming than expected and we may fail to realize the anticipated benefits and cost savings of the merger.***

The success of the merger will depend, in part, on the ability to realize the anticipated cost savings from combining the businesses of the Company and American National. To realize the anticipated benefits and cost savings from the merger, the Company and American National must successfully integrate and combine their businesses in a manner that permits those cost savings to be realized. If the Company and American National are not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. In addition, the actual cost savings and anticipated benefits of the merger could be less than anticipated, and integration may result in additional unforeseen expenses.

An inability to realize the full extent of the anticipated benefits of the merger and the other transactions contemplated by the merger agreement, as well as any delays encountered in the integration process, could have an adverse effect on the revenues, levels of expenses and operating results of the combined company following the completion of the merger, which may adversely affect the value of the common stock of the combined company following the completion of the merger.

The Company and American National have operated and, until the completion of the merger, must continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of our ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect each company's ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits and cost savings of the merger. Integration efforts may also divert management attention during this transition period and for an undetermined period after completion of the merger, which may have an adverse effect on the combined company.

***The current rising interest rate environment may adversely impact the fair value adjustments of investments and loans acquired in the merger.***

Upon the closing of the merger, the combined company will need to adjust the fair value of American National's investment and loan portfolios. The rising interest rate environment could have the effect of increasing the magnitude of the purchase accounting marks relating to such fair value adjustments, thereby increasing initial tangible book value dilution, extending the tangible book value earn-back period, and negatively impacting the combined company's capital ratios, after consummation of the merger.

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**Shareholder litigation could prevent or delay the completion of the merger or otherwise negatively impact our business, financial condition and results of operations.**

Shareholders of the Company and/or American National may file lawsuits against the Company, American National and/or the directors and officers of either company in connection with the merger. One of the conditions to the closing is that no law order, injunction or decree issued by any court or governmental entity of competent jurisdiction would prevent, prohibit or make illegal the completion of the merger, the bank merger or any of the other transactions contemplated by the merger agreement be in effect. If any plaintiff were successful in obtaining an injunction prohibiting the Company or American National from completing the merger, the bank merger or any of the other transactions contemplated by the merger agreement, then such injunction may delay or prevent the effectiveness of the merger and could result in significant costs to the Company, including any cost associated with the indemnification of our directors and officers. We may incur costs in connection with the defense or settlement of any shareholder lawsuits filed in connection with the merger. Shareholder lawsuits may divert management attention from management of our business or operations. Such litigation could have an adverse effect on our business, financial condition and results of operations and could prevent or delay the completion of the merger.

**ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES, AND USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES**

(a) Sales of Unregistered Securities – None

(b) Use of Proceeds – Not Applicable

(c) Issuer Purchases of Securities

**Stock Repurchase Program; Other Repurchases**

As of **June 30, 2023** **September 30, 2023**, the Company does not have an authorized share repurchase program.

The following information describes the Company's common stock repurchases for the three months ended **June 30, 2023** **September 30, 2023**:

Period	Approximate dollar				Total number of shares purchased that may yet be announced	Average as part of publicly announced plans or programs	Approximate dollar value of shares purchased under the plans or programs (\$)
	Total number of shares purchased <sup>(1)</sup>		Average price	value of shares that may yet be purchased under the plans or programs (\$)			
	Total shares purchased <sup>(1)</sup>	Average price paid per share (\$)	or programs	programs (\$)			
April 1 - April 30, 2023	421	34.05	—	—			
May 1 - May 31, 2023	893	25.32	—	—			
June 1 - June 30, 2023	1,671	26.97	—	—			
July 1 - July 31, 2023					5,006	30.65	—
August 1 - August 31, 2023					630	29.93	—
September 1 - September 30, 2023					438	30.06	—
<b>Total</b>	<b>2,985</b>	<b>27.48</b>	<b>—</b>	<b>—</b>	<b>6,074</b>	<b>30.53</b>	<b>—</b>

<sup>(1)</sup> For the three months ended **June 30, 2023** **September 30, 2023**, **2,985** **6,074** shares were withheld upon vesting of restricted shares granted to employees of the Company in order to satisfy tax withholding obligations.

## ITEM 5 – OTHER INFORMATION

During the three months ended **June 30, 2023** **September 30, 2023**, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) informed us of the adoption or termination of any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

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## ITEM 6 – EXHIBITS

The following exhibits are filed as part of this Quarterly Report and this list includes the Exhibit Index:

Exhibit No.	Description
2.1	<a href="#">Agreement and Plan of Merger by and between Atlantic Union Bankshares Corporation and American National Bankshares Inc., dated July 24, 2023 (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed on July 25, 2023)*</a>
3.1	<a href="#">Amended and Restated Articles of Incorporation of Atlantic Union Bankshares Corporation, effective May 7, 2020 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on May 7, 2020)</a>
3.1.1	<a href="#">Articles of Amendment designating the 6.875% Perpetual Non-Cumulative Preferred Stock, Series A, effective June 9, 2020 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on June 9, 2020)</a>
3.2	<a href="#">Amended and Restated Bylaws of Atlantic Union Bankshares Corporation, effective as of December 5, 2019 (incorporated by reference to Exhibit 3.3 to Annual Report on Form 10-K filed on February 25, 2020)</a>
10.1	<a href="#">Agreement for Purchase and Sale of Real Property, dated September 20, 2023, by and between Atlantic Union Bank and Blue Owl AUB Owner LLC (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on September 21, 2023)*</a>
10.2	<a href="#">Schedule of Atlantic Union Bankshares Corporation Non-Employee Director Compensation</a>
15.1	<a href="#">Letter regarding unaudited interim financial information.</a>
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Principal Executive Officer and Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>

101 Interactive data files formatted in Inline eXtensible Business Reporting Language for the quarter ended ~~September~~June 30, 2023 pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income (unaudited), (iii) the Consolidated Statements of Comprehensive Income (Loss) (unaudited), (iv) the Consolidated Statements of Changes in Stockholders' Equity (unaudited), (v) the Consolidated Statements of Cash Flows (unaudited) and (vi) the Notes to Consolidated Financial Statements (unaudited).

104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended ~~September~~June 30, 2023, formatted in Inline eXtensible Business Reporting Language (included with Exhibit 101).

\* ~~Schedules~~Certain schedules and similar attachments to this exhibit have been omitted pursuant to Item 601(a)(5) or Item 601(b)(2) of Regulation ~~S-K~~S-K, as applicable. The registrant hereby agrees to furnish a copy of any omitted schedule or similar attachment to the SEC upon request.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Atlantic Union Bankshares Corporation

(Registrant)

Date: ~~August 3~~November 2, 2023

By: /s/ John C. Asbury

John C. Asbury,

President and Chief Executive Officer

(principal executive officer)

Date: ~~August 3~~November 2, 2023

By: /s/ Robert M. Gorman

Robert M. Gorman,

Executive Vice President and Chief Financial Officer

(principal financial and accounting officer)

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**Exhibit 10.2**

**SCHEDULE OF NON-EMPLOYEE DIRECTOR COMPENSATION**  
**OF**  
**ATLANTIC UNION BANKSHARES CORPORATION**

Effective January 1, 2024

<b>Annual Cash Retainer and Fees by Position <sup>(1)</sup></b>	<b>Amount</b>
Non-Employee Directors <sup>(2)</sup>	\$50,000
Additional Fee to Chairperson of the Board	\$80,000
Additional Fee to Vice Chairperson of the Board	\$20,000
Additional Fee to Audit Committee Chair	\$22,500
Additional Fee to Compensation Committee and Risk Committee Chairs	\$16,000
Additional Fee to Nominating and Corporate Governance Committee ("Nominating") and Trust Committee Chairs	\$14,000
Additional Fee to Audit Committee Members	\$11,000
Additional Fee to Compensation, Nominating, Risk and Trust Committee Members	\$8,000

<b>Certain Per Meeting Fees</b>	<b>Amount</b>
Executive Committee Meeting (In Person or Telephonic)	\$1,000
Executive Committee Meeting (Telephonic Lasting Under An Hour)	\$500
Meetings Above the Maximum Number of Per Year Meetings <sup>(3)</sup>	\$1,000
Special Purpose Committee Meetings	\$500

**Annual Equity Compensation**

Non-employee directors also receive an annual stock retainer of \$65,000 paid quarterly in advance in unrestricted shares of the Company's common stock.

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(1) Cash retainers are payable in advance in quarterly installments.  
 (2) Non-employee directors may elect to receive all or a portion of the Director cash retainer in unrestricted shares of the Company's common stock.  
 (3) The maximum number of per year Board, Audit Committee, Compensation Committee and Risk Committee meetings is ten, and the maximum number of per year Nominating Committee and Trust Committee meetings is eight. Additional meetings above these amounts will result in the noted per meeting fee.

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Exhibit 15.1

The Shareholders and Board of Directors of Atlantic Union Bankshares Corporation:

We are aware of the incorporation by reference in the Registration Statements (Form S-4 No. 333-274490, Form S-3 No. 333-248544, Form S-3 No. 333-102012, Form S-3 No. 333-81199, Form S-8 No. 333-255994, Form S-8 No. 333-203580, Form S-8 No. 333-193364, Form S-8 No. 333-175808, Form S-8 No. 333-113842, Form S-8 No. 333-113839 and Form S-8 No. 333-228455) of Atlantic Union Bankshares Corporation of our report dated **August 3, 2023** **November 2, 2023** relating to the unaudited consolidated interim financial statements of Atlantic Union Bankshares Corporation that are included in its Form 10-Q for the quarter ended **June 30, 2023** **September 30, 2023**.

/s/ Ernst & Young LLP

Richmond, Virginia

**August 3, November 2, 2023**

CERTIFICATIONS

I, John C. Asbury, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Atlantic Union Bankshares Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2023 November 2, 2023

/s/ John C. Asbury

John C. Asbury.  
President and Chief Executive Officer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to Atlantic Union Bankshares Corporation and will be retained by Atlantic Union Bankshares Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATIONS

I, Robert M. Gorman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Atlantic Union Bankshares Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **August 3, 2023** November 2, 2023

/s/ Robert M. Gorman

Robert M. Gorman.  
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to Atlantic Union Bankshares Corporation and will be retained by Atlantic Union Bankshares Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Atlantic Union Bankshares Corporation (the "Company") on Form 10-Q for the quarter ended **June 30, 2023** September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that based on their knowledge and belief: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

/s/ John C. Asbury

John C. Asbury, President and Chief Executive Officer

**August 3, November 2, 2023**

/s/ Robert M. Gorman

Robert M. Gorman, Executive Vice President and Chief Financial Officer

**August 3, November 2, 2023**

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Atlantic Union Bankshares Corporation and will be retained by Atlantic Union Bankshares Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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