

CONSOLIDATED FINANCIAL HIGHLIGHTS

(Dollars in thousands, except share data; unaudited)	Three months ended			Six months ended June 30	
	June 30, 2020	March 31, 2020	June 30, 2019	2020	2019
SUMMARY OF OPERATIONS					
Interest income	\$ 363,257	\$ 369,559	\$ 350,721	\$ 732,816	\$ 687,645
Interest expense	25,863	31,159	23,373	57,022	39,825
Net interest income	337,394	338,400	327,348	675,794	647,820
Provision for credit losses	20,552	28,355	5,198	48,907	16,948
Net interest income after provision for credit losses	316,842	310,045	322,150	626,887	630,872
Noninterest income	165,402	64,011	106,875	229,413	210,538
Noninterest expense	291,679	299,971	273,397	591,650	541,054
Income before income taxes	190,565	74,085	155,628	264,650	300,356
Income taxes	36,779	16,916	36,269	53,695	69,638
Net income	\$ 153,786	\$ 57,169	\$ 119,359	\$ 210,955	\$ 230,718
Net interest income, taxable equivalent	\$ 337,965	\$ 339,174	\$ 328,201	\$ 677,139	\$ 649,573
PER COMMON SHARE DATA					
Net income	\$ 14.74	\$ 5.46	\$ 10.56	\$ 20.04	\$ 20.23
Cash dividends	0.40	0.40	0.40	0.80	0.80
Book value at period-end	367.57	351.90	319.74	367.57	319.74
CONDENSED BALANCE SHEET					
Cash and due from banks	\$ 389,233	\$ 454,220	\$ 284,147	\$ 389,233	\$ 284,147
Overnight investments	3,107,575	688,518	1,640,264	3,107,575	1,640,264
Investment securities	9,508,476	8,845,197	6,695,578	9,508,476	6,695,578
Loans and leases	32,418,425	29,240,959	26,728,237	32,418,425	26,728,237
Less allowance for credit losses	(222,450)	(209,259)	(226,583)	(222,450)	(226,583)
Other assets	2,664,935	2,574,818	2,533,451	2,664,935	2,533,451
Total assets	\$ 47,866,194	\$ 41,594,453	\$ 37,655,094	\$ 47,866,194	\$ 37,655,094
Deposits	\$ 41,479,245	\$ 35,346,711	\$ 32,719,671	\$ 41,479,245	\$ 32,719,671
Other liabilities	2,395,505	2,290,222	1,360,810	2,395,505	1,360,810
Shareholders' equity	3,991,444	3,957,520	3,574,613	3,991,444	3,574,613
Total liabilities and shareholders' equity	\$ 47,866,194	\$ 41,594,453	\$ 37,655,094	\$ 47,866,194	\$ 37,655,094
SELECTED PERIOD AVERAGE BALANCES					
Total assets	\$ 45,553,502	\$ 40,648,806	\$ 37,049,030	\$ 43,101,154	\$ 36,338,839
Investment securities	8,928,467	7,453,159	6,803,570	8,190,813	6,797,656
Loans and leases	31,635,958	29,098,101	26,597,242	30,367,030	26,059,602
Interest-earning assets	42,795,781	38,004,341	34,674,842	40,400,061	34,056,935
Deposits	39,146,415	34,750,061	32,100,210	36,948,238	31,454,973
Interest-bearing liabilities	24,407,285	23,153,777	20,397,445	23,780,042	20,028,489
Common shareholders' equity	3,648,284	3,625,975	3,546,041	3,637,129	3,528,549
Shareholders' equity	\$ 3,988,225	\$ 3,682,634	\$ 3,546,041	\$ 3,835,430	\$ 3,528,549
Common shares outstanding	10,105,520	10,473,119	11,286,520	10,289,320	11,402,112
SELECTED RATIOS					
Annualized return on average assets	1.36 %	0.57 %	1.29 %	0.98 %	1.28 %
Annualized return on average equity	16.43	6.34	13.50	11.40	13.19
Net yield on interest-earning assets (taxable equivalent)	3.14	3.55	3.77	3.33	3.81
Efficiency ratio ⁽¹⁾	66.8	67.2	62.9	67.0	63.4
Tier 1 risk-based capital ratio	11.4	11.4	12.0	11.4	12.0
Tier 1 common equity ratio	10.3	10.4	12.0	10.3	12.0
Total risk-based capital ratio	13.6	13.7	13.3	13.6	13.3
Tier 1 leverage capital ratio	8.1	9.0	9.4	8.1	9.4

⁽¹⁾The efficiency ratio is a non-GAAP financial measure which measures productivity and is generally calculated as noninterest expense divided by total revenue (net interest income and noninterest income). The efficiency ratio removes the impact of BancShares' securities gains, fair market value adjustment on marketable equity securities, acquired recoveries previously recognized in other income, merger-related expenses and amortization of core deposits and other intangibles from the calculation. Management uses this ratio to monitor performance and believes this measure provides meaningful information to investors.

ALLOWANCE FOR CREDIT LOSSES AND ASSET QUALITY DISCLOSURES

(Dollars in thousands, unaudited)	Three months ended			Six months ended June 30	
	June 30, 2020	March 31, 2020	June 30, 2019	2020	2019
ALLOWANCE FOR CREDIT LOSSES ⁽¹⁾					
ACL at beginning of period	\$ 209,259	\$ 225,141	\$ 228,775	\$ 225,141	\$ 223,712
Adoption of ASC 326	—	(37,924)	—	(37,924)	—
Initial PCD allowance on new acquisitions ⁽²⁾	—	1,193	—	1,193	—
Provision for credit losses	20,552	28,355	5,198	48,907	16,948
Net charge-offs of loans and					
Charge-offs	(12,064)	(14,261)	(10,602)	(26,325)	(20,756)
Recoveries	4,703	6,755	3,212	11,458	6,679
Net charge-offs of loans and leases	(7,361)	(7,506)	(7,390)	(14,867)	(14,077)
ACL at end of period	\$ 222,450	\$ 209,259	\$ 226,583	\$ 222,450	\$ 226,583
ACL at end of period allocated to:					
PCD	\$ 26,928	\$ 26,916	\$ 8,343	\$ 26,928	\$ 8,343
Non-PCD	195,522	182,343	218,240	195,522	218,240
ACL at end of period	\$ 222,450	\$ 209,259	\$ 226,583	\$ 222,450	\$ 226,583
Reserve for unfunded	\$ 13,685	\$ 10,512	\$ 1,149	\$ 13,685	\$ 1,149
SELECTED LOAN DATA					
Average loans and leases:					
PCD	\$ 546,998	\$ 530,087	\$ 544,250	\$ 538,543	\$ 561,574
Non-PCD	30,992,001	28,502,231	25,995,212	29,747,116	25,448,455
Loans and leases at period-end:					
PCD	530,651	560,352	551,447	530,651	551,447
Non-PCD	31,887,774	28,680,607	26,176,790	31,887,774	26,176,790
RISK ELEMENTS					
Nonaccrual loans and leases ⁽³⁾	\$ 197,791	\$ 174,571	\$ 104,975	\$ 197,791	\$ 104,975
Other real estate owned	53,850	55,707	46,236	53,850	46,236
Total nonperforming assets	\$ 251,641	\$ 230,278	\$ 151,211	\$ 251,641	\$ 151,211
Accruing loans and leases 90 days or more past due ⁽³⁾	\$ 3,796	\$ 2,970	\$ 32,787	\$ 3,796	\$ 32,787
RATIOS					
Net charge-offs (annualized) to average loans and leases	0.09 %	0.10 %	0.11 %	0.10 %	0.11 %
ACL to total loans and leases ⁽⁴⁾ :					
PCD	5.07	4.80	1.51	5.07	1.51
Non-PCD	0.61	0.64	0.83	0.61	0.83
Total	0.69	0.72	0.85	0.69	0.85
Ratio of total nonperforming assets to total loans, leases and other real estate owned	0.77	0.79	0.56	0.77	0.56

⁽¹⁾ BancShares recorded no ACL on investment securities as part of the adoption of ASU 2016-13 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* as of January 1, 2020, March 31, 2020, or June 30, 2020.

⁽²⁾ Upon adoption of ASU 2016-13 as of January 1, 2020, the concept of purchased credit impaired loans under ASC 310-30 was eliminated. Loans and leases determined at the date of acquisition, to have experienced more than insignificant credit quality since origination are accounted for under the guidance in ASC Topic 326-20, *Credit Losses* as purchased credit deteriorated assets. PCD loans and leases are recorded at fair value at the date of acquisition with an initial reserve booked directly to the allowance for credit losses. Provision is recorded if there is additional credit deterioration after the acquisition date. Non-PCD loans include originated and purchased non-credit deteriorated loans. Loans previously classified as PCI were determined to be PCD.

⁽³⁾ Upon adoption of ASU 2016-13, we dissolved pooling of PCI loans allowed under ASC 310-30. This increased the amount of nonaccrual loans as those nonaccrual loans within performing PCI pools were previously excluded from reporting. As of January 1, 2020, there were \$47.0 million of nonaccrual loans released from performing PCI pools including \$24.2 million of loans that were greater than 90 days past due. Of these nonaccrual loans, \$35.9 million were outstanding as of June 30, 2020.

⁽⁴⁾ Loans originated in relation to the SBA-PPP do not have a recorded ACL. As of June 30, 2020, the ratio of ACL to total Non-PCD loans excluding SBA-PPP loans is 0.68% while the ratio of ACL to total loans excluding SBA-PPP loans is 0.76%.

AVERAGE BALANCE AND NET INTEREST MARGIN SUMMARY

	Three months ended								
	June 30, 2020			March 31, 2020			June 30, 2019		
	Average Balance	Interest	Yield/ Rate ⁽²⁾	Average Balance	Interest	Yield/ Rate ⁽²⁾	Average Balance	Interest	Yield/ Rate ⁽²⁾
(Dollars in thousands, unaudited)									
INTEREST-EARNING ASSETS									
Loans and leases ⁽¹⁾	\$31,635,958	\$326,618	4.10 %	\$29,098,101	\$326,155	4.46 %	\$26,597,242	\$303,803	4.54 %
Investment securities:									
U.S. Treasury	206,575	679	1.32	299,777	1,677	2.25	1,150,001	6,770	2.36
Government agency	657,405	1,428	0.87	721,254	4,121	2.29	383,700	3,034	3.16
Mortgage-backed securities	7,555,947	28,532	1.51	6,060,434	30,707	2.03	4,979,160	28,130	2.26
Corporate bonds	299,250	3,782	5.06	205,504	2,477	4.82	147,669	1,931	5.23
Other investments	209,290	2,236	4.30	166,190	678	1.64	143,040	626	1.76
Total investment securities	8,928,467	36,657	1.64	7,453,159	39,660	2.13	6,803,570	40,491	2.38
Overnight investments	2,231,356	553	0.10	1,453,081	4,518	1.25	1,274,030	7,280	2.29
Total interest-earning assets	\$42,795,781	\$363,828	3.38	\$38,004,341	\$370,333	3.88	\$34,674,842	\$351,574	4.04
INTEREST-BEARING LIABILITIES									
Interest-bearing deposits:									
Checking with interest	\$ 8,562,145	\$ 1,310	0.06 %	\$ 8,188,983	\$ 1,701	0.08 %	\$ 7,485,693	\$ 1,571	0.08 %
Savings	2,846,557	312	0.04	2,593,869	285	0.04	2,658,974	527	0.08
Money market accounts	7,618,883	6,519	0.34	7,016,587	9,109	0.52	5,912,646	5,498	0.37
Time deposits	3,398,979	9,775	1.16	3,761,216	13,099	1.40	3,371,402	11,561	1.38
Total interest-bearing deposits	22,426,564	17,916	0.32	21,560,655	24,194	0.45	19,428,715	19,157	0.40
Securities sold under customer repurchase agreements	659,244	399	0.24	474,231	442	0.38	556,374	515	0.37
Other short-term borrowings	45,549	248	2.16	157,759	804	2.02	40,513	278	2.72
Long-term borrowings	1,275,928	7,300	2.26	961,132	5,719	2.35	371,843	3,423	3.64
Total interest-bearing liabilities	\$24,407,285	\$ 25,863	0.42	\$23,153,777	\$ 31,159	0.54	\$20,397,445	\$ 23,373	0.46
Interest rate spread			2.96 %			3.34 %			3.58 %
Net interest income and net yield on interest-earning assets		\$337,965	3.14 %		\$339,174	3.55 %		\$328,201	3.77 %

⁽¹⁾ Loans and leases include PCD and non-PCD loans, nonaccrual loans and loans held for sale.

⁽²⁾ Yields related to loans, leases and securities exempt from both federal and state income taxes, federal income taxes only, or state income taxes only are stated on a taxable-equivalent basis assuming statutory federal income tax rates of 21.0%, as well as state income tax rates of 3.4% for all periods presented. The taxable-equivalent adjustment was \$571 thousand, \$774 thousand and \$853 thousand for the three months ended June 30, 2020, March 31, 2020 and June 30, 2019, respectively.