

CONSOLIDATED FINANCIAL HIGHLIGHTS

(Dollars in thousands, except share data; unaudited)	Three months ended			Twelve months ended December	
	December 31, 2020	September 30, 2020	December 31, 2019	2020	2019
SUMMARY OF OPERATIONS					
Interest income	\$ 376,876	\$ 374,334	\$ 354,048	\$ 1,484,026	\$ 1,404,011
Interest expense	18,160	20,675	26,924	95,857	92,642
Net interest income	358,716	353,659	327,124	1,388,169	1,311,369
Provision for credit losses	5,403	4,042	7,727	58,352	31,441
Net interest income after provision for credit losses	353,313	349,617	319,397	1,329,817	1,279,928
Noninterest income	126,765	120,572	104,393	476,750	415,861
Noninterest expense	305,373	291,662	292,262	1,188,685	1,103,741
Income before income taxes	174,705	178,527	131,528	617,882	592,048
Income taxes	36,621	35,843	29,654	126,159	134,677
Net income	\$ 138,084	\$ 142,684	\$ 101,874	\$ 491,723	\$ 457,371
Less: Preferred stock dividends	4,636	4,636	—	14,062	—
Net income available to common shareholders	\$ 133,448	\$ 138,048	\$ 101,874	\$ 477,661	\$ 457,371
Net interest income, taxable equivalent	\$ 359,370	\$ 354,256	\$ 328,045	\$ 1,390,765	\$ 1,314,940
PER COMMON SHARE DATA					
Net income	\$ 13.59	\$ 14.03	\$ 9.55	\$ 47.50	\$ 41.05
Cash dividends on common shares	0.47	0.40	0.40	1.67	1.60
Book value at period-end	396.21	380.43	337.38	396.21	337.38
CONDENSED BALANCE SHEET					
Cash and due from banks	\$ 362,048	\$ 352,419	\$ 376,719	\$ 362,048	\$ 376,719
Overnight investments	4,347,336	3,137,945	1,107,844	4,347,336	1,107,844
Investment securities	9,922,905	9,860,594	7,173,003	9,922,905	7,173,003
Loans and leases	32,791,975	32,845,144	28,881,496	32,791,975	28,881,496
Less allowance for credit losses	(224,314)	(223,936)	(225,141)	(224,314)	(225,141)
Other assets	2,757,730	2,694,707	2,510,575	2,757,730	2,510,575
Total assets	\$ 49,957,680	\$ 48,666,873	\$ 39,824,496	\$ 49,957,680	\$ 39,824,496
Deposits	\$ 43,431,609	\$ 42,250,606	\$ 34,431,236	\$ 43,431,609	\$ 34,431,236
Other liabilities	2,296,803	2,341,853	1,807,076	2,296,803	1,807,076
Shareholders' equity	4,229,268	4,074,414	3,586,184	4,229,268	3,586,184
Total liabilities and shareholders' equity	\$ 49,957,680	\$ 48,666,873	\$ 39,824,496	\$ 49,957,680	\$ 39,824,496
SELECTED PERIOD AVERAGE BALANCES					
Total assets	\$ 49,557,803	\$ 48,262,155	\$ 38,326,641	\$ 46,021,438	\$ 37,161,719
Investment securities	9,889,124	9,930,197	7,120,023	9,054,933	6,919,069
Loans and leases	32,964,390	32,694,996	27,508,062	31,605,090	26,656,048
Interest-earning assets	46,922,823	45,617,376	36,032,680	43,351,119	34,866,734
Deposits	43,123,312	41,905,844	33,295,141	39,746,616	32,218,536
Interest-bearing liabilities	26,401,222	25,591,707	20,958,943	24,894,309	20,394,815
Common shareholders' equity	3,786,158	3,679,138	3,570,872	3,684,889	3,551,781
Shareholders' equity	\$ 4,126,095	\$ 4,019,075	\$ 3,570,872	\$ 3,954,007	\$ 3,551,781
Common shares outstanding	9,816,405	9,836,629	10,708,084	10,056,654	11,141,069
SELECTED RATIOS					
Annualized return on average assets	1.11 %	1.18 %	1.05 %	1.07 %	1.23 %
Annualized return on average equity	14.02	14.93	11.32	12.96	12.88
Net yield on interest-earning assets (taxable equivalent)	3.02	3.06	3.59	3.17	3.74
Tier 1 risk-based capital ratio	11.6	11.5	10.9	11.6	10.9
Tier 1 common equity ratio	10.6	10.4	10.9	10.6	10.9
Total risk-based capital ratio	13.8	13.7	12.1	13.8	12.1
Tier 1 leverage capital ratio	7.9	7.8	8.8	7.9	8.8

ALLOWANCE FOR CREDIT LOSSES AND ASSET QUALITY DISCLOSURES

(Dollars in thousands, unaudited)	Three months ended			Twelve months ended December 31	
	December 31, 2020	September 30, 2020	December 31, 2019	2020	2019
ALLOWANCE FOR CREDIT LOSSES ⁽¹⁾					
ACL at beginning of period	\$ 223,936	\$ 222,450	\$ 226,825	\$ 225,141	\$ 223,712
Adoption of ASC 326	—	—	—	(37,924)	—
Initial PCD allowance on new acquisitions ⁽²⁾	—	—	—	1,193	—
Provision for credit losses	5,403	4,042	7,727	58,352	31,441
Net charge-offs of loans and leases:					
Charge-offs	(9,848)	(8,932)	(12,624)	(45,105)	(43,027)
Recoveries	4,823	6,376	3,213	22,657	13,015
Net charge-offs of loans and leases	(5,025)	(2,556)	(9,411)	(22,448)	(30,012)
ACL at end of period	\$ 224,314	\$ 223,936	\$ 225,141	\$ 224,314	\$ 225,141
ACL at end of period allocated to:					
PCD	\$ 23,987	\$ 25,127	\$ 7,536	\$ 23,987	\$ 7,536
Non-PCD	200,327	198,809	217,605	200,327	217,605
ACL at end of period	\$ 224,314	\$ 223,936	\$ 225,141	\$ 224,314	\$ 225,141
Reserve for unfunded commitments	\$ 12,814	\$ 13,971	\$ 1,055	\$ 12,814	\$ 1,055
SELECTED LOAN DATA					
Average loans and leases:					
PCD	\$ 479,302	\$ 512,559	\$ 495,783	\$ 517,121	\$ 537,131
Non-PCD	32,374,204	32,065,084	26,937,524	30,990,135	26,058,370
Loans and leases at period-end:					
PCD	462,882	495,878	558,716	462,882	558,716
Non-PCD	32,329,093	32,349,266	28,322,780	32,329,093	28,322,780
RISK ELEMENTS					
Nonaccrual loans and leases ⁽³⁾	\$ 191,483	\$ 186,454	\$ 121,689	\$ 191,483	\$ 121,689
Other real estate owned	50,890	52,789	46,591	50,890	46,591
Total nonperforming assets	\$ 242,373	\$ 239,243	\$ 168,280	\$ 242,373	\$ 168,280
Accruing loans and leases 90 days or more past due ⁽³⁾	\$ 5,862	\$ 3,587	\$ 27,548	\$ 5,862	\$ 27,548
RATIOS					
Net charge-offs (annualized) to average loans and leases	0.06 %	0.03 %	0.14 %	0.07 %	0.11 %
ACL to total loans and leases ⁽⁴⁾ :					
PCD	5.18	5.07	1.35	5.18	1.35
Non-PCD	0.62	0.61	0.77	0.62	0.77
Total	0.68	0.68	0.78	0.68	0.78
Ratio of total nonperforming assets to total loans, leases and other real estate owned	0.74	0.73	0.58	0.74	0.58

⁽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, September 30, 2020 or December 31, 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 (“PCD”) assets. PCD loans and leases are recorded at fair value at the date of acquisition with an initial reserve recorded 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, \$24.9 million were outstanding as of December 31, 2020.

⁽⁴⁾ Loans originated in relation to the SBA-PPP do not have a recorded ACL. As of December 31, 2020, the ratio of ACL to total Non-PCD loans excluding SBA-PPP loans was 0.67% while the ratio of ACL to total loans excluding SBA-PPP loans was 0.74%.

AVERAGE BALANCE AND NET INTEREST MARGIN SUMMARY

	Three months ended								
	December 31, 2020			September 30, 2020			December 31, 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⁾	\$ 32,964,390	\$ 345,300	4.12 %	\$ 32,694,996	\$ 336,934	4.06 %	\$ 27,508,062	\$ 308,832	4.42 %
Investment securities:									
U.S. Treasury	526,072	250	0.19	695,419	497	0.28	595,515	3,706	2.47
Government agency	695,757	1,574	0.90	587,377	1,335	0.91	659,857	4,224	2.56
Mortgage-backed securities	7,981,834	21,130	1.06	8,047,247	28,236	1.40	5,563,653	29,964	2.15
Corporate bonds	591,780	7,657	5.18	489,602	6,433	5.26	172,424	2,165	5.02
Other investments	93,681	600	2.55	110,552	739	2.66	128,574	653	2.02
Total investment securities	9,889,124	31,211	1.26	9,930,197	37,240	1.50	7,120,023	40,712	2.29
Overnight investments	4,069,309	1,019	0.10	2,992,183	757	0.10	1,404,595	5,425	1.53
Total interest-earning assets	<u>\$ 46,922,823</u>	<u>\$ 377,530</u>	<u>3.17</u>	<u>\$ 45,617,376</u>	<u>\$ 374,931</u>	<u>3.24</u>	<u>\$ 36,032,680</u>	<u>\$ 354,969</u>	<u>3.89</u>
INTEREST-BEARING LIABILITIES									
Interest-bearing deposits:									
Checking with interest	\$ 9,688,744	\$ 1,533	0.06 %	\$ 9,239,838	\$ 1,369	0.06 %	\$ 7,608,857	\$ 1,561	0.08 %
Savings	3,230,625	306	0.04	3,070,619	314	0.04	2,596,608	439	0.07
Money market accounts	8,529,816	3,242	0.15	8,108,832	3,634	0.18	6,248,735	7,066	0.45
Time deposits	3,017,044	5,976	0.79	3,205,850	8,151	1.01	3,513,432	13,367	1.51
Total interest-bearing deposits	24,466,229	11,057	0.18	23,625,139	13,468	0.23	19,967,632	22,433	0.45
Securities sold under customer repurchase agreements	684,311	374	0.22	710,237	395	0.22	495,804	479	0.38
Other short-term borrowings	—	—	—	—	—	—	28,284	190	2.63
Long-term borrowings	1,250,682	6,729	2.13	1,256,331	6,812	2.15	467,223	3,822	3.20
Total interest-bearing liabilities	<u>\$ 26,401,222</u>	<u>\$ 18,160</u>	<u>0.27</u>	<u>\$ 25,591,707</u>	<u>\$ 20,675</u>	<u>0.32</u>	<u>\$ 20,958,943</u>	<u>\$ 26,924</u>	<u>0.51</u>
Interest rate spread			<u>2.90 %</u>			<u>2.92 %</u>			<u>3.38 %</u>
Net interest income and net yield on interest-earning assets		<u>\$ 359,370</u>	<u>3.02 %</u>		<u>\$ 354,256</u>	<u>3.06 %</u>		<u>\$ 328,045</u>	<u>3.59 %</u>

⁽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 \$654 thousand, \$597 thousand and \$921 thousand for the three months ended December 31, 2020, September 30, 2020 and December 31, 2019, respectively.