Section 1: 10-Q (10-Q)

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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 September 30, 2019

OR

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

Commission File Number: 000-20293

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
Suite 1200
Richmond, Virginia 23219
(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 NASDAQ Global Select Market**

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	☒	Accelerated filer	☐
Non-accelerated filer	☐		
		Smaller reporting company	☐
		Emerging growth company	☐

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 October 30, 2019 was 80,649,088.

ATLANTIC UNION BANKSHARES CORPORATION
FORM 10-Q
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Glossary of Acronyms and Defined Terms

2018 Form 10-K	–	Annual Report on Form 10-K for the year ended December 31, 2018
Access	–	Access National Corporation and its subsidiaries
AFS	–	Available for sale
ALCO	–	Asset Liability Committee
ALL	–	Allowance for loan losses
AOCI	–	Accumulated other comprehensive income (loss)
ASC	–	Accounting Standards Codification
ASU	–	Accounting Standards Update
ATM	–	Automated teller machine
the Bank	–	Atlantic Union Bank (formerly, Union Bank & Trust)
BOLI	–	Bank-owned life insurance
bps	–	Basis points
CCPs	–	Central Counterparty Clearinghouses
CECL	–	Current expected credit losses
CME	–	Chicago Mercantile Exchange
the Company	–	Atlantic Union Bankshares Corporation (formerly, Union Bankshares Corporation) and its subsidiaries
DHFB	–	Dixon, Hubard, Feinour, & Brown, Inc.
Dodd-Frank Act	–	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
EPS	–	Earnings per share
Exchange Act	–	Securities Exchange Act of 1934, as amended
FASB	–	Financial Accounting Standards Board
FCMs	–	Futures Commission Merchants
FDIC	–	Federal Deposit Insurance Corporation
Federal Reserve	–	Board of Governors of the Federal Reserve System
Federal Reserve Act	–	Federal Reserve Act of 1913, as amended
Federal Reserve Bank		Federal Reserve Bank of Richmond
FHLB	–	Federal Home Loan Bank of Atlanta
FTE	–	Fully taxable equivalent
GAAP or U.S. GAAP	–	Accounting principles generally accepted in the United States
HELOC	–	Home equity line of credit
HTM	–	Held to maturity
IDC	–	Interactive Data Corporation
LCH	–	London Clearing House
LIBOR	–	London Interbank Offered Rate
MBS	–	Mortgage Backed Securities
MD&A	–	Management's Discussion and Analysis of Financial Condition and Results of Operations
NOW	–	Negotiable order of withdrawal
NPA	–	Nonperforming assets
OAL	–	Outfitter Advisors, Ltd.
OCI	–	Other comprehensive income
OREO	–	Other real estate owned
OTTI	–	Other than temporary impairment
PCI	–	Purchased credit impaired
ROA	–	Return on average assets
ROE	–	Return on average common equity
ROTCE	–	Return on average tangible common equity

ROU Asset	–	Right of Use Asset
SEC	–	Securities and Exchange Commission
Shore Premier	–	Shore Premier Finance, a division of the Bank
Shore Premier sale	–	The sale of substantially all of the assets and certain specific liabilities of Shore Premier
TDR	–	Troubled debt restructuring
Topic 606	–	ASU No. 2014-09, *"Revenue from Contracts with Customers: Topic 606"*
TFSB	–	The Federal Savings Bank
UMG	–	Union Mortgage Group, Inc.
Xenith	–	Xenith Bankshares, Inc.

PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)

	September 30, 2019	De
ASSETS	*(unaudited)*	
Cash and cash equivalents:		
Cash and due from banks	$ 218,584	$
Interest-bearing deposits in other banks	370,673	
Federal funds sold	2,663	
Total cash and cash equivalents	591,920	
Securities available for sale, at fair value	1,918,859	
Securities held to maturity, at carrying value	556,579	
Restricted stock, at cost	132,310	
Loans held for sale, at fair value	72,208	
Loans held for investment, net of deferred fees and costs	12,306,997	
Less allowance for loan losses	43,820	
Net loans held for investment	12,263,177	
Premises and equipment, net	168,122	
Goodwill	929,815	
Amortizable intangibles, net	78,241	
Bank owned life insurance	320,779	
Other assets	408,162	
Assets of discontinued operations	863	
Total assets	$ 17,441,035	$
LIABILITIES		
Noninterest-bearing demand deposits	$ 3,155,174	$
Interest-bearing deposits	9,889,538	
Total deposits	13,044,712	
Securities sold under agreements to repurchase	67,260	
Other short-term borrowings	344,600	
Long-term borrowings	1,137,321	
Other liabilities	321,348	
Liabilities of discontinued operations	763	
Total liabilities	14,916,004	
Commitments and contingencies (Note 8)		
STOCKHOLDERS' EQUITY		
Common stock, $1.33 par value; shares authorized of 200,000,000 and 100,000,000 at September 30, 2019 and December 31, 2018, respectively; 81,147,896 and 65,977,149 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively.	107,330	
Additional paid-in capital	1,831,667	
Retained earnings	545,665	
Accumulated other comprehensive income (loss)	40,369	
Total stockholders' equity	2,525,031	
Total liabilities and stockholders' equity	$ 17,441,035	$

See accompanying notes to consolidated financial statements.

ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Dollars in thousands, except share and per share data)

	Three Months Ended		Nine Months Ende	
	September 30, 2019	September 30, 2018	September 30, 2019	
Interest and dividend income:				
Interest and fees on loans	$ 156,651	$ 115,817	$ 459,603	$
Interest on deposits in other banks	1,030	492	2,047	
Interest and dividends on securities:				
Taxable	12,625	10,145	39,059	
Nontaxable	8,039	4,909	24,413	
Total interest and dividend income	178,345	131,363	525,122	
Interest expense:				
Interest on deposits	30,849	15,928	84,088	
Interest on short-term borrowings	2,200	3,379	14,313	
Interest on long-term borrowings	8,695	6,093	23,978	
Total interest expense	41,744	25,400	122,379	
Net interest income	136,601	105,963	402,743	
Provision for credit losses	9,100	3,340	18,192	
Net interest income after provision for credit losses	127,501	102,623	384,551	
Noninterest income:				
Service charges on deposit accounts	7,675	6,483	22,331	
Other service charges and fees	1,513	1,625	4,879	
Interchange fees, net	2,108	4,882	12,765	
Fiduciary and asset management fees	6,082	4,411	16,834	
Mortgage banking income, net	3,374	—	7,614	
Gains (losses) on securities transactions, net	7,104	97	7,306	
Bank owned life insurance income	2,062	1,732	6,191	
Loan-related interest rate swap fees, net	5,480	562	10,656	
Gain on Shore Premier sale	—	(933)	—	
Other operating income	12,708	1,028	15,045	
Total noninterest income	48,106	19,887	103,621	
Noninterest expenses:				
Salaries and benefits	49,718	39,279	148,116	
Occupancy expenses	7,493	6,551	22,427	
Furniture and equipment expenses	3,719	2,983	10,656	
Printing, postage, and supplies	1,268	1,183	3,763	
Communications expense	1,037	872	3,199	
Technology and data processing	5,787	4,841	17,203	
Professional services	2,681	2,875	8,269	
Marketing and advertising expense	2,600	3,109	7,891	
FDIC assessment premiums and other insurance	381	1,363	5,620	
Other taxes	3,971	2,878	11,779	
Loan-related expenses	2,566	1,939	7,250	
OREO and credit-related expenses	1,005	452	3,162	
Amortization of intangible assets	4,764	3,490	13,919	
Training and other personnel costs	1,618	1,024	4,240	
Merger-related costs	2,435	1,429	26,928	
Rebranding expense	1,133	—	5,553	
Loss on debt extinguishment	16,397	—	16,397	
Other expenses	3,114	2,081	7,650	
Total noninterest expenses	111,687	76,349	324,022	
Income from continuing operations before income taxes	63,920	46,161	164,150	
Income tax expense	10,724	7,399	26,330	
Income from continuing operations	$ 53,196	$ 38,762	$ 137,820	$
Discontinued operations:				
Income (loss) from operations of discontinued mortgage segment	$ 56	$ (761)	$ (173)	$
Income tax expense (benefit)	14	(196)	(45)	
Income (loss) on discontinued operations	42	(565)	(128)	
Net income	53,238	38,197	137,692	
Basic earnings per common share	$ 0.65	$ 0.58	$ 1.72	$
Diluted earnings per common share	$ 0.65	$ 0.58	$ 1.72	$
Dividends declared per common share	$ 0.25	$ 0.23	$ 0.71	$
Basic weighted average number of common shares outstanding	81,769,193	65,974,702	80,120,725	
Diluted weighted average number of common shares outstanding	81,832,868	66,013,152	80,183,113	

See accompanying notes to consolidated financial statements.

ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(Dollars in thousands)

	Three Months Ended September 30,		Nine Mo Septen
	2019	2018	2019
Net income	**$ 53,238**	$ 38,197	**$ 137,692**
Other comprehensive income (loss):			
Cash flow hedges:			
Change in fair value of cash flow hedges	**6,025**	575	**1,970**
Reclassification adjustment for losses included in net income (net of tax, $42 and $60 for the three months and $120 and $205 for the nine months ended September 30, 2019 and 2018, respectively) [1]	**158**	227	**451**
AFS securities:			
Unrealized holding gains (losses) arising during period (net of tax, $3,287 and $3,007 for the three months and $14,513 and $7,200 for the nine months ended September 30, 2019 and 2018, respectively)	**12,364**	(11,310)	**54,598**
Reclassification adjustment for losses (gains) included in net income (net of tax, $1,492 and $20 for the three months and $1,534 and $46 for the nine months ended September 30, 2019 and 2018, respectively) [2]	**(5,612)**	(77)	**(5,772)**
HTM securities:			
Reclassification adjustment for accretion of unrealized gain on AFS securities transferred to HTM (net of tax, $1 and $1 for the three months and $4 and $107 for the nine months ended September 30, 2019 and 2018, respectively) [3]	**(5)**	(5)	**(15)**
Bank owned life insurance:			
Unrealized holding losses arising during the period	**(647)**	—	**(647)**
Reclassification adjustment for losses included in net income [4]	**19**	19	**57**
Other comprehensive income (loss)	**12,302**	(10,571)	**50,642**
Comprehensive income	**$ 65,540**	$ 27,626	**$ 188,334**

(1) *The gross amounts reclassified into earnings are reported in the interest income and interest expense sections of the Company's Consolidated Statements of Income with the corresponding i being reflected as a component of income tax expense.*
(2) *The gross amounts reclassified into earnings are reported as "Gains (losses) on securities transactions, net" on the Company's Consolidated Statements of Income with the corresponding in being reflected as a component of income tax expense.*
(3) *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 reflec of income tax expense.*
(4) *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.

ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2019
(Dollars in thousands, except share and per share amounts)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	
Balance - December 31, 2018	$ 87,250	$ 1,380,259	$ 467,345	$ (10,273)	$
Net Income			35,631		
Other comprehensive income (net of taxes of $5,346)				18,670	
Issuance of common stock in regard to acquisition (15,842,026 shares)	21,070	478,904			
Dividends on common stock ($0.23 per share)			(18,838)		
Issuance of common stock under Equity Compensation Plans (6,127 shares)	8	130			
Issuance of common stock for services rendered (6,085 shares)	8	211			
Vesting of restricted stock, net of shares held for taxes, under Equity Compensation Plans (104,151 shares)	139	(1,786)			
Impact of adoption of new guidance[(1)]			(1,133)		
Stock-based compensation expense		1,870			
Balance - March 31, 2019	$ 108,475	$ 1,859,588	$ 483,005	$ 8,397	$
Net Income			48,823		
Other comprehensive income (net of taxes of $5,913)				19,670	
Dividends on common stock ($0.23 per share)			(18,876)		
Issuance of common stock under Equity Compensation Plans (36,551 shares)	48	938			
Issuance of common stock for services rendered (6,192 shares)	8	192			
Vesting of restricted stock, net of shares held for taxes, under Equity Compensation Plans (21,447 shares)	29	(336)			
Stock-based compensation expense		2,334			
Balance - June 30, 2019	$ 108,560	$ 1,862,716	$ 512,952	$ 28,067	$
Net Income			53,238		
Other comprehensive income (net of taxes of $1,836)				12,302	
Dividends on common stock ($0.25 per share)			(20,525)		
Stock purchased under stock repurchase plan (969,265 shares)	(1,289)	(33,995)			
Issuance of common stock under Equity Compensation Plans (28,253 shares)	38	656			
Issuance of common stock for services rendered (7,840 shares)	10	269			
Vesting of restricted stock, net of shares held for taxes, under Equity Compensation Plans (8,247 shares)	11	(138)			
Stock-based compensation expense		2,159			
Balance - September 30, 2019	$ 107,330	$ 1,831,667	$ 545,665	$ 40,369	$

(1) Adoption of ASU No. 2016-02, "Leases (Topic 842)" in the first quarter of 2019.

See accompanying notes to consolidated financial statements.

ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2018
(Dollars in thousands, except share and per share amounts)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	
Balance - December 31, 2017	$ 57,744	$ 610,001	$ 379,468	$ (884)	$
Net Income			16,639		
Other comprehensive income (net of taxes of $3,565)				(11,426)	
Issuance of common stock in regard to acquisition (21,922,077 shares)[(1)]	29,156	765,653			
Dividends on common stock ($0.21 per share)			(13,808)		
Issuance of common stock under Equity Compensation Plans (68,495 shares)	91	836			
Issuance of common stock for services rendered (4,914 shares)	7	177			
Vesting of restricted stock, net of shares held for taxes, under Equity Compensation Plans (69,562 shares)	93	(2,363)			
Cancellation of warrants		(1,530)			
Stock-based compensation expense		1,223			
Balance- March 31, 2018	$ 87,091	$ 1,373,997	$ 382,299	$ (12,310)	$
Net Income			47,327		
Other comprehensive income (net of taxes of $617)				(1,628)	
Dividends on common stock ($0.21 per share)			(13,841)		
Issuance of common stock under Equity Compensation Plans (17,058 shares)	23	416			
Issuance of common stock for services rendered (5,259 shares)	7	205			
Vesting of restricted stock, net of shares held for taxes, under Equity Compensation Plans (6,664 shares)	8	(136)			
Impact of adoption of new guidance			(293)	(107)	
Stock-based compensation expense		1,812			
Balance- June 30, 2018	$ 87,129	$ 1,376,294	$ 415,492	$ (14,045)	$
Net Income			38,197		
Other comprehensive income (net of taxes of $2,966)				(10,571)	
Dividends on common stock ($0.23 per share)			(15,176)		
Issuance of common stock under Equity Compensation Plans (34,477 shares)	46	918			
Issuance of common stock for services rendered (7,248 shares)	9	292			
Vesting of restricted stock, net of shares held for taxes, under Equity Compensation Plans (5,606 shares)	8	(111)			
Impact of adoption of new guidance					
Stock-based compensation expense		1,547			
Balance - September 30, 2018	$ 87,192	$ 1,378,940	$ 438,513	$ (24,616)	$

(1) Includes conversion of Xenith warrants to the Company's warrants.

See accompanying notes to consolidated financial statements.

ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Dollars in thousands)	2019
Operating activities [1]:	
Net income	$ 137,692
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:	
Depreciation of premises and equipment	11,138
Writedown of foreclosed properties and former bank premises	1,162
Amortization, net	19,033
Amortization (accretion) related to acquisitions, net	(5,200)
Provision for credit losses	18,192
Gains on securities transactions, net	(7,306)
BOLI income	(6,191)
Decrease (increase) in loans held for sale, net	(50,981)
Losses (gains) on sales of foreclosed properties and bank premises, net	144
Losses on debt extinguishment	16,397
Gain on sale of Shore Premier loans	—
Goodwill impairment losses	—
Stock-based compensation expenses	6,363
Issuance of common stock for services	698
Net decrease (increase) in other assets	(76,118)
Net increase in other liabilities	44,312
Net cash and cash equivalents provided by (used in) operating activities	109,335
Investing activities:	
Purchases of AFS securities and restricted stock	(312,120)
Purchases of HTM securities	(47,217)
Proceeds from sales of AFS securities and restricted stock	486,925
Proceeds from maturities, calls and paydowns of AFS securities	176,824
Proceeds from maturities, calls and paydowns of HTM securities	2,523
Proceeds from sale of loans held for investment	—
Net increase in loans held for investment	(371,260)
Net increase in premises and equipment	(11,547)
Proceeds from sales of foreclosed properties and former bank premises	5,329
Cash paid in acquisitions	(12)
Cash acquired in acquisitions	46,164
Net cash and cash equivalents provided by (used in) investing activities	(24,391)
Financing activities:	
Net increase in noninterest-bearing deposits	376,160
Net increase in interest-bearing deposits	471,204
Net increase (decrease) in short-term borrowings	(896,622)
Cash paid for contingent consideration	(565)
Proceeds from issuance of long-term debt	550,000
Repayments of long-term debt	(160,614)
Cash dividends paid - common stock	(58,239)
Cancellation of warrants	—
Repurchase of common stock	(35,284)
Issuance of common stock	1,818
Vesting of restricted stock, net of shares held for taxes	(2,081)
Net cash and cash equivalents provided by (used in) financing activities	245,777
Increase (decrease) in cash and cash equivalents	330,721
Cash and cash equivalents at beginning of the period	261,199
Cash and cash equivalents at end of the period	$ 591,920

ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Dollars in thousands)

	2019	
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	**$ 118,067**	$
Income taxes	**20,416**	
Supplemental schedule of noncash investing and financing activities		
Transfers from loans (foreclosed properties) to foreclosed properties (loans)	**1,816**	
Stock received as consideration for sale of loans held for investment	**—**	
Securities transferred from HTM to AFS	**—**	
Issuance of common stock in exchange for net assets in acquisitions	**499,974**	
Transactions related to acquisitions		
Assets acquired	**2,855,993**	
Liabilities assumed (2)	**2,558,638**	

(1) Discontinued operations have an immaterial impact to the Company's Consolidated Statement of Cash Flows. The change in loans held for sale included in the Operating Activities section for the nine months ended September 30, 2018 are fully attributable to discontinued operations.
(2) *2018 includes contingent consideration related to DHFB and OAL acquisitions.*

See accompanying notes to consolidated financial statements.

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

1. ACCOUNTING POLICIES

The Company
Headquartered in Richmond, Virginia, Atlantic Union Bankshares Corporation (formerly, Union Bankshares Corporation) (Nasdaq: AUB) is the holding company for Atlantic Union Bank (formerly, Union Bank & Trust). Atlantic Union Bank has 149 branches and approximately 170 ATMs located throughout Virginia and in portions of Maryland and North Carolina. Middleburg Financial is a brand name used by Atlantic Union Bank and certain affiliates when providing trust, wealth management, private banking, and investment advisory products and services. Certain non-bank affiliates of Atlantic Union Bank include: Old Dominion Capital Management, Inc., and its subsidiary Outfitter Advisors, Ltd., Dixon, Hubard, Feinour & Brown, Inc., and Middleburg Investment Services, LLC, which provide investment advisory and/or brokerage services; and Union Insurance Group, LLC, which offers various lines of insurance products.

Effective May 17, 2019 (after market close), Union Bankshares Corporation changed its name to Atlantic Union Bankshares Corporation and Union Bank & Trust changed its name to Atlantic Union Bank. The name change was approved by the Board of Directors at the Company's January 23, 2019 Board meeting and a related amendment to the Company's articles of incorporation was approved by the Company's shareholders at its 2019 Annual Meeting on May 2, 2019. The unaudited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Significant inter-company transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with U.S. 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 U.S. GAAP for complete financial statements; however, in the opinion of management, all adjustments (consisting only of normal recurring accruals) 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.

These 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 2018 Form 10-K. Certain prior period amounts have been reclassified to conform to current period presentation.

Business Combinations and Divestitures
On February 1, 2019, the Company completed the acquisition of Access, a bank holding company based in Reston, Virginia for a purchase price of approximately $500.0 million. Access's common stockholders received 0.75 shares of the Company's common stock in exchange for each share of Access's common stock, resulting in the Company issuing 15,842,026 shares of common stock. In addition, the Company paid cash of approximately $12,000 in lieu of fractional shares.

In connection with the transaction, the Company recorded $202.6 million in goodwill and $43.5 million of amortizable intangible assets, which primarily relate to core deposit intangibles. The Company currently estimates that these other intangible assets will be amortized over 5 to 10 years using various methods. The transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair values on the acquisition date. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition.

Affordable Housing Entities

The Company invests in private investment funds that make equity investments in multifamily affordable housing properties that provide affordable housing and historic tax credits for these investments. The activities of these entities are financed with a combination of invested equity capital and debt. For the three and nine months ended September 30, 2019, the Company recognized amortization of $624,000 and $1.8 million, respectively, and tax credits of $806,000 and $2.1 million, respectively, associated with these investments within “Income tax expense” on the Company’s Consolidated Statements of Income. For the three and nine months ended September 30, 2018, the Company recognized amortization of $227,000 and $699,000, respectively, and tax credits of $275,000 and $839,000, respectively. The carrying value of the Company’s investments in these qualified affordable housing projects was $29.9 million and $10.8 million as of September 30, 2019 and December 31, 2018, respectively. At September 30, 2019 and December 31, 2018, the Company’s recorded liability totaled $12.8 million and $9.9 million, respectively, for the related unfunded commitments, which are expected to be paid throughout the years 2019 - 2033.

Adoption of New Accounting Standards

On January 1, 2019, the Company adopted ASU No. 2016-02, *"Leases (Topic 842)."* The adoption of this standard required lessees to recognize right of use assets and lease liabilities on the Consolidated Balance Sheets and disclose key information about leasing arrangements. The Company adopted this ASU on January 1, 2019 under the modified retrospective approach. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Company to not reassess the lease classification of existing leases, as well as not reassess whether any expired or existing contracts are or contain a lease; and maintain consistent treatment of initial direct costs on existing leases. In addition, the Company elected the short-term lease exemption practical expedient in which leases with an initial term of twelve months or less are not recorded on the Consolidated Balance Sheets. The Company also elected the practical expedient related to accounting for lease and non-lease components as a single lease component. Adoption of this standard resulted in the Company recording a lease liability of $53.2 million and right of use assets of $48.9 million as of January 1, 2019. Operating leases have been included within other assets and other liabilities on the Company’s Consolidated Balance Sheets. The implementation of this standard resulted in a $1.1 million decrease to Retained Earnings. There was no impact on the Company’s Consolidated Statement of Cash Flows. Refer to Note 6 "Leases" for further discussion regarding the adoption.

In August 2018, the FASB issued ASU No. 2018-15, *"Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract."* This ASU amends the Intangibles—Goodwill and Other Topic of the Accounting Standards Codification to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This ASU will be effective for the Company for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company adopted this standard in the first quarter of 2019 using the prospective approach. The adoption of ASU 2018-15 did not have a material impact on the Company’s consolidated financial statements.

2. ACQUISITIONS

Access Acquisition

On February 1, 2019, the Company completed its acquisition of Access National Corporation (and its subsidiaries), a bank holding company based in Reston, Virginia. Holders of shares of Access's common stock received 0.75 shares of the Company's common stock in exchange for each share of Access's common stock, resulting in the Company issuing 15,842,026 shares of the Company's common stock at a fair value of approximately $500.0 million. In addition, the Company paid cash of approximately $12,000 in lieu of fractional shares.

The transaction was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed, and consideration exchanged were recorded at estimated fair values on the acquisition date. Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition, in accordance with ASC 350, *Intangibles-Goodwill and Other*. Measurement period adjustments that were made in the third quarter of 2019 include immaterial changes to the fair value of deferred tax assets and other assets. The Company will continue to keep the measurement period open for certain accounts, including loans, real estate, and deferred tax assets, where its review procedures of any updated information related to the transaction are ongoing. If considered necessary, additional adjustments to the fair value measurement of these accounts will be made until all information is finalized, the Company's review procedures are complete, and the measurement period is closed. The goodwill is not expected to be deductible for tax purposes.

The following table provides a preliminary assessment of the consideration transferred, assets acquired, and liabilities assumed as of the date of the acquisition (dollars in thousands):

Purchase Price:		
Fair value of shares of the Company's common stock issued		
Cash paid for fractional shares		
Total purchase price		
Fair value of assets acquired:		
Cash and cash equivalents	$	46,164
Investments		464,742
Loans		2,173,481
Premises and equipment		28,001
Core deposit intangibles		40,860
Other assets		102,745
Total assets	$	2,855,993
Fair value of liabilities assumed:		
Deposits	$	2,227,073
Short-term borrowings		220,685
Long-term borrowings		70,535
Other liabilities		40,345
Total liabilities	$	2,558,638
Net assets acquired		
Preliminary goodwill		

The acquired loans were recorded at fair value at the acquisition date without carryover of Access's previously established ALL. The fair value of the loans was determined using market participant assumptions in estimating the amount and timing of both principal and interest cash flows expected to be collected on the loans and leases and then applying a market-based discount rate to those cash flows. In this regard, the acquired loans were segregated into pools based on loan type and credit risk. Loan type was determined based on collateral type, purpose, and lien position. Credit risk characteristics included risk rating groups (pass rated loans and adversely classified loans) and past due status. For

valuation purposes, these pools were further disaggregated by maturity, pricing characteristics (e.g., fixed-rate, adjustable-rate) and re-payment structure (e.g., interest only, fully amortizing, balloon). If new information is obtained about facts and circumstances about expected cash flows that existed as of the acquisition date, management will adjust fair values in accordance with accounting for business combinations.

The acquired loans were divided into loans with evidence of credit quality deterioration which are accounted for under ASC 310-30, *Receivables - Loans and Debt Securities Acquired with Deteriorated Credit Quality*, (acquired impaired) and loans that do not meet these criteria, which are accounted for under ASC 310-20, *Receivables - Nonrefundable Fees and Other Costs*, (acquired performing). The fair values of the acquired performing loans were $2.1 billion and the fair values of the acquired impaired loans were $33.1 million. The gross contractually required principal and interest payments receivable for acquired performing loans was $2.5 billion. The best estimate of contractual cash flows not expected to be collected related to the acquired performing loans is $17.9 million.

The following table presents the acquired impaired loans receivable at the acquisition date (dollars in thousands):

Contractually required principal and interest payments	
Nonaccretable difference	
Cash flows expected to be collected	
Accretable difference	
Fair value of loans acquired with a deterioration of credit quality	

The following table presents certain pro forma information as if Access had been acquired on January 1, 2018. These results combine the historical results of Access in the Company’s Consolidated Statements of Income and, while certain adjustments were made for the estimated impact of certain fair value adjustments and other acquisition-related activity, they are not indicative of what would have occurred had the acquisition taken place on January 1, 2018. In particular, no adjustments have been made to eliminate the amount of Access’s provision for credit losses that would not have been necessary had the acquired loans been recorded at fair value as of January 1, 2018. Pro forma adjustments below include the net impact of accretion for 2018 and the elimination of merger-related costs for 2019.

The Company expects to achieve further operating cost savings and other business synergies, including branch closures, as a result of the acquisition which are not reflected in the pro forma amounts below (dollars in thousands):

	Pro forma for the three months ended September 30,		Pro forma fo months e Septembe
	2019	2018	2019
Total revenues [1]	$ 184,707	$ 159,128	$ 517,016
Net income	$ 54,847	$ 47,625	$ 160,635
EPS	$ 0.67	$ 0.58	$ 1.99

(1) Includes net interest income and noninterest income.

The revenue and earnings amounts specific to Access since the acquisition date that are included in the consolidated results for 2019 are not readily determinable. The disclosures of these amounts are impracticable due to the merging of certain processes and systems at the acquisition date.

Merger-related costs associated with the acquisition of Access were $2.0 million and $25.6 for the three and nine months ended September 30, 2019 respectively; there were no merger-related costs associated with the acquisition of Access during the first nine months of 2018. Such costs include legal and accounting fees, lease and contract termination expenses, system conversion, and employee severances, which have been expensed as incurred.

3. SECURITIES

Available for Sale
The amortized cost, gross unrealized gains and losses, and estimated fair values of AFS securities as of September 30, 2019 and December 31, 2018 are summarized as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	
September 30, 2019				
U.S. government and agency securities	**$ 4,475**	**$ 15**	**$ —**	**$**
Obligations of states and political subdivisions	**411,690**	**26,935**	**(12)**	
Corporate and other bonds [1]	**224,854**	**5,044**	**(374)**	
Mortgage-backed securities	**1,215,263**	**28,872**	**(970)**	
Other securities	**3,067**	**—**	**—**	
Total AFS securities	**$ 1,859,349**	**$ 60,866**	**$ (1,356)**	**$**
December 31, 2018				
Obligations of states and political subdivisions	$ 466,588	$ 3,844	$ (1,941)	$
Corporate and other bonds [1]	167,561	1,118	(983)	
Mortgage-backed securities	1,138,034	4,452	(12,621)	
Other securities	8,769	—	—	
Total AFS securities	$ 1,780,952	$ 9,414	$ (15,545)	$

(1) Other bonds includes asset-backed securities.

The following table shows the gross unrealized losses and fair value of the Company's AFS securities with unrealized losses that are not deemed to be other-than-temporarily impaired as of September 30, 2019 and December 31, 2018 (dollars in thousands). These are aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position.

	Less than 12 months		More than 12 months		To
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
September 30, 2019					
Obligations of states and political subdivisions	**$ 2,296**	**$ (12)**	**$ —**	**$ —**	**$ 2,296**
Corporate bonds and other securities	**25,341**	**(149)**	**25,306**	**(225)**	**50,647**
Mortgage-backed securities	**89,649**	**(390)**	**74,540**	**(580)**	**164,189**
Total AFS securities	**$ 117,286**	**$ (551)**	**$ 99,846**	**$ (805)**	**$ 217,132**
December 31, 2018					
Obligations of states and political subdivisions	$ 133,513	$ (1,566)	$ 10,145	$ (375)	$ 143,658
Corporate bonds and other securities	35,478	(315)	33,888	(668)	69,366
Mortgage-backed securities	306,038	(3,480)	341,400	(9,141)	647,438
Total AFS securities	$ 475,029	$ (5,361)	$ 385,433	$ (10,184)	$ 860,462

As of September 30, 2019, there were $99.9 million, or 56 issues, of individual AFS securities that had been in a continuous loss position for more than 12 months and had an aggregate unrealized loss of $805,000. As of December 31, 2018, there were $385.4 million, or 138 issues, of individual securities that had been in a continuous loss position for more than 12 months and had an aggregate unrealized loss of $10.2 million. The Company has determined that these securities were temporarily impaired at September 30, 2019 and December 31, 2018 for the reasons set out below:

Obligations of state and political subdivisions. This category's unrealized losses are primarily the result of interest rate fluctuations and ratings downgrades for a limited number of securities. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the cost basis of each investment. Because 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, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired.

Corporate and other bonds. This category's unrealized losses are the result of interest rate fluctuations and ratings downgrades for a limited number of securities. The majority of these securities remain investment grade and the Company's analysis did not indicate the existence of a credit loss. The contractual terms of the investments do not permit the issuer to settle the securities at a price less than the cost basis of each investment. Because 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, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired.

Mortgage-backed securities. This category's unrealized losses are primarily the result of interest rate fluctuations. Because the decline in market value is attributable to changes in interest rates and not credit quality, the Company does not intend to sell 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 their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired. Also, the majority of the Company's mortgage-backed securities are agency-backed securities, which have a government guarantee.

The following table presents the amortized cost and estimated fair value of AFS securities as of September 30, 2019 and December 31, 2018, 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.

	September 30, 2019		December 31,	
	Amortized Cost	Estimated Fair Value	Amortized Cost	
Due in one year or less	**$ 22,682**	**$ 22,805**	$ 22,653	$
Due after one year through five years	**161,289**	**163,908**	191,003	
Due after five years through ten years	**263,488**	**269,757**	218,211	
Due after ten years	**1,411,890**	**1,462,389**	1,349,085	
Total AFS securities	**$ 1,859,349**	**$ 1,918,859**	$ 1,780,952	$

Refer to Note 8 "Commitments and Contingencies" 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 September 30, 2019 and December 31, 2018.

Held to Maturity
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 accumulated other comprehensive income prior to reclassifying the securities from AFS securities to HTM securities. Investment securities transferred into the HTM category from the AFS category are recorded at fair value at the date of transfer. The unrealized holding gain or loss at the date of transfer is retained in accumulated other comprehensive income and in the carrying value of the HTM securities. Such unrealized gains or losses are accreted over the remaining life of the security with no impact on future net income.

The carrying value, gross unrealized gains and losses, and estimated fair values of HTM securities as of September 30, 2019 and December 31, 2018 are summarized as follows (dollars in thousands):

	Carrying Value	Gross Unrealized Gains	Gross Unrealized (Losses)
September 30, 2019			
Obligations of states and political subdivisions	**$ 546,515**	**$ 51,002**	**$ —**
Mortgage-backed securities	**10,064**	**135**	**—**
Total held-to-maturity securities	**$ 556,579**	**$ 51,137**	**$ —**
December 31, 2018			
Obligations of states and political subdivisions	$ 492,272	$ 7,375	$ (146)

The following table shows the gross unrealized losses and fair value (dollars in thousands) of the Company's HTM securities with unrealized losses that are not deemed to be other-than-temporarily impaired as of September 30, 2019 and December 31, 2018 (dollars in thousands). These are aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position.

	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	More than 12 months Fair Value	More than 12 months Unrealized Losses	Fair Value
September 30, 2019					
Obligations of states and political subdivisions	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
December 31, 2018					
Obligations of states and political subdivisions	$ 43,206	$ (146)	$ —	$ —	$ 43,206

As of September 30, 2019 there were no unrealized losses for individual HTM securities. As of December 31, 2018 there were no issues of individual HTM securities that had been in a continuous loss position for more than 12 months.

The following table presents the amortized cost and estimated fair value of HTM securities as of September 30, 2019 and December 31, 2018, 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.

	September 30, 2019 Carrying Value	September 30, 2019 Estimated Fair Value	December 3 Carrying Value
Due in one year or less	**$ 504**	**$ 507**	$ —
Due after one year through five years	**8,934**	**9,165**	3,893
Due after five years through ten years	**3,160**	**3,247**	3,480
Due after ten years	**543,981**	**594,797**	484,899
Total HTM securities	**$ 556,579**	**$ 607,716**	$ 492,272

Refer to Note 8 "Commitments and Contingencies" 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 September 30, 2019 and December 31, 2018.

Restricted Stock, at cost

Due to restrictions placed upon the Bank's common stock investment in the Federal Reserve Bank and 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 September 30, 2019 and December 31, 2018, the FHLB required the Bank to maintain stock in an amount equal to 4.25% of outstanding borrowings and a specific percentage of the Bank's total assets. The Federal Reserve Bank required the Bank to maintain stock with a par value equal to 6% of the Bank's outstanding capital at both September 30, 2019 and December 31, 2018. Restricted equity securities consist of Federal Reserve Bank stock in the

amount of $67.0 million and $52.6 million for September 30, 2019 and December 31, 2018 and FHLB stock in the amount of $65.4 million and $72.0 million as of September 30, 2019 and December 31, 2018, respectively.

Other-Than-Temporary-Impairment
During each quarter, the Company conducts an assessment of the securities portfolio for OTTI consideration. The assessment considers factors such as external credit ratings, delinquency coverage ratios, market price, management's judgment, expectations of future performance, and relevant industry research and analysis. An impairment is other-than-temporary if any of the following conditions exist: the entity intends to sell the security; it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis; or the entity does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). If a credit loss exists, but an entity does not intend to sell the impaired debt security and is not more likely than not to be required to sell before recovery, the impairment is other-than-temporary and should be separated into a credit portion to be recognized in earnings and the remaining amount relating to all other factors recognized as other comprehensive loss. Based on the assessment for the three and nine months ended September 30, 2019, and in accordance with accounting guidance, no OTTI was recognized.

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 nine months ended September 30, 2019 and 2018 (dollars in thousands).

	Three Months Ended September 30, 2019	Nine Months En September 30, 2
Realized gains (losses):		
Gross realized gains	**$ 7,104**	**$**
Gross realized losses	**—**	
Net realized gains	**$ 7,104**	**$**
Proceeds from sales of securities	**$ 98,975**	**$**

	Three Months Ended September 30, 2018	Nine Months En September 30, 2
Realized gains (losses):		
Gross realized gains	$ 97	$
Gross realized losses	—	
Net realized gains	$ 97	$
Proceeds from sales of securities	$ 27,593	$

4. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are stated at their face amount, net of deferred fees and costs, and consist of the following at September 30, 2019 and December 31, 2018 (dollars in thousands):

	September 30, 2019	De
Construction and Land Development	**$ 1,201,149**	$
Commercial Real Estate - Owner Occupied	**1,979,052**	
Commercial Real Estate - Non-Owner Occupied	**3,198,580**	
Multifamily Real Estate	**659,946**	
Commercial & Industrial	**2,058,133**	
Residential 1-4 Family - Commercial	**721,185**	
Residential 1-4 Family - Consumer	**913,245**	
Auto	**328,456**	
HELOC	**660,963**	
Consumer	**386,848**	
Other Commercial	**199,440**	
Total loans held for investment, net [(1)]	**$ 12,306,997**	$

(1) Loans, as presented, are net of deferred fees and costs totaling $8.1 million and $5.1 million as of September 30, 2019 and December 31, 2018, respectively.

The following table shows the aging of the Company's loan portfolio, by segment, at September 30, 2019 (dollars in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days and still Accruing	PCI	Nonaccrual	Current	
Construction and Land Development	$ 1,062	$ 351	$ 171	$ 8,387	$ 7,785	$ 1,183,393	$
Commercial Real Estate - Owner Occupied	4,977	—	2,571	27,817	5,684	1,938,003	
Commercial Real Estate - Non-Owner Occupied	5,757	1,878	36	17,285	381	3,173,243	
Multifamily Real Estate	107	164	1,212	93	—	658,370	
Commercial & Industrial	2,079	1,946	265	3,262	1,585	2,048,996	
Residential 1-4 Family - Commercial	1,842	3,081	916	12,237	3,879	699,230	
Residential 1-4 Family - Consumer	1,527	5,182	3,815	14,977	8,292	879,452	
Auto	1,787	407	183	7	604	325,468	
HELOC	4,965	1,747	1,674	4,275	1,641	646,661	
Consumer	2,000	1,666	1,163	682	84	381,253	
Other Commercial	579	9	30	713	97	198,012	
Total loans held for investment	$ 26,682	$ 16,431	$ 12,036	$ 89,735	$ 30,032	$ 12,132,081	$

The following table shows the aging of the Company’s loan portfolio, by segment, at December 31, 2018 (dollars in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days and still Accruing	PCI	Nonaccrual	Current	
Construction and Land Development	$ 759	$ 6	$ 180	$ 8,654	$ 8,018	$ 1,177,204	$
Commercial Real Estate - Owner Occupied	8,755	1,142	3,193	25,644	3,636	1,294,975	
Commercial Real Estate - Non-Owner Occupied	338	41	—	17,335	1,789	2,447,907	
Multifamily Real Estate	—	146	—	88	—	547,997	
Commercial & Industrial	3,353	389	132	2,156	1,524	1,309,581	
Residential 1-4 Family - Commercial	6,619	1,577	1,409	13,601	2,481	614,732	
Residential 1-4 Family - Consumer	12,049	5,143	2,437	16,872	7,276	630,132	
Auto	3,320	403	195	7	576	297,442	
HELOC	4,611	1,644	440	5,115	1,518	600,055	
Consumer	1,504	1,096	870	32	135	376,057	
Other Commercial	126	—	—	717	—	241,074	
Total loans held for investment	$ 41,434	$ 11,587	$ 8,856	$ 90,221	$ 26,953	$ 9,537,156	$

The following table shows the PCI loan portfolios, by segment and their delinquency status, at September 30, 2019 (dollars in thousands):

	30-89 Days Past Due	Greater than 90 Days	Current
Construction and Land Development	$ 126	$ 399	$ 7,862
Commercial Real Estate - Owner Occupied	526	3,262	24,029
Commercial Real Estate - Non-Owner Occupied	137	980	16,168
Multifamily Real Estate	—	—	93
Commercial & Industrial	—	1,043	2,219
Residential 1-4 Family - Commercial	421	479	11,337
Residential 1-4 Family - Consumer	844	1,912	12,221
Auto	—	—	7
HELOC	208	287	3,780
Consumer	4	15	663
Other Commercial	—	—	713
Total	$ 2,266	$ 8,377	$ 79,092

The following table shows the PCI loan portfolios, by segment and their delinquency status, at December 31, 2018 (dollars in thousands):

	30-89 Days Past Due	Greater than 90 Days	Current
Construction and Land Development	$ 108	$ 1,424	$ 7,122
Commercial Real Estate - Owner Occupied	658	4,281	20,705
Commercial Real Estate - Non-Owner Occupied	61	1,810	15,464
Multifamily Real Estate	—	—	88
Commercial & Industrial	47	1,092	1,017
Residential 1-4 Family - Commercial	871	3,454	9,276
Residential 1-4 Family - Consumer	1,959	2,422	12,491
Auto	—	—	7
HELOC	498	252	4,365
Consumer	5	9	18
Other Commercial	57	—	660
Total	$ 4,264	$ 14,744	$ 71,213

The Company measures the amount of impairment by evaluating loans either in their collective homogeneous pools or individually. The following table shows the Company’s impaired loans, excluding PCI loans, by segment at September 30, 2019 and December 31, 2018 (dollars in thousands):

	September 30, 2019			December 31, 2018	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance
Loans without a specific allowance					
Construction and Land Development	$ 9,776	$ 14,131	$ —	$ 10,290	$ 12,038
Commercial Real Estate - Owner Occupied	9,362	9,966	—	8,386	9,067
Commercial Real Estate - Non-Owner Occupied	2,028	2,578	—	6,578	6,929
Multifamily Real Estate	1,212	1,212	—	—	—
Commercial & Industrial	2,205	2,221	—	3,059	3,251
Residential 1-4 Family - Commercial	4,330	4,598	—	3,378	3,439
Residential 1-4 Family - Consumer	9,432	10,006	—	9,642	10,317
HELOC	864	867	—	1,150	1,269
Consumer	—	—	—	30	102
Other Commercial	—	—	—	478	478
Total impaired loans without a specific allowance	$ 39,209	$ 45,579	$ —	$ 42,991	$ 46,890
Loans with a specific allowance					
Construction and Land Development	$ 829	$ 868	$ 78	$ 372	$ 491
Commercial Real Estate - Owner Occupied	3,570	3,685	234	4,304	4,437
Commercial Real Estate - Non-Owner Occupied	336	384	3	391	391
Commercial & Industrial	1,783	1,810	866	1,183	1,442
Residential 1-4 Family - Commercial	1,763	1,807	170	2,120	2,152
Residential 1-4 Family - Consumer	10,047	10,631	805	6,389	6,645
Auto	605	905	239	576	830
HELOC	1,177	1,312	262	724	807
Consumer	180	345	50	178	467
Other Commercial	565	569	27	—	—
Total impaired loans with a specific allowance	$ 20,855	$ 22,316	$ 2,734	$ 16,237	$ 17,662
Total impaired loans	$ 60,064	$ 67,895	$ 2,734	$ 59,228	$ 64,552

The following tables show the average recorded investment and interest income recognized for the Company's impaired loans, excluding PCI loans, by segment for the three and nine months ended September 30, 2019 and 2018 (dollars in thousands):

	Three Months Ended September 30, 2019		Nine Mo Septemb
	Average Investment	Interest Income Recognized	Average Investment
Construction and Land Development	$ 13,581	$ 40	$ 13,601
Commercial Real Estate - Owner Occupied	13,301	85	13,436
Commercial Real Estate - Non-Owner Occupied	2,748	26	3,543
Multifamily Real Estate	1,217	15	1,234
Commercial & Industrial	3,986	41	4,046
Residential 1-4 Family - Commercial	6,334	41	6,521
Residential 1-4 Family - Consumer	19,802	75	20,007
Auto	691	—	781
HELOC	2,125	5	2,242
Consumer	184	2	192
Other Commercial	570	7	579
Total impaired loans	$ 64,539	$ 337	$ 66,182

	Three Months Ended September 30, 2018		Nine Mo Septemb
	Average Investment	Interest Income Recognized	Average Investment
Construction and Land Development	$ 12,481	$ 63	$ 12,083
Commercial Real Estate - Owner Occupied	11,873	102	11,966
Commercial Real Estate - Non-Owner Occupied	6,932	57	7,141
Commercial & Industrial	2,607	15	2,713
Residential 1-4 Family - Commercial	4,233	29	4,322
Residential 1-4 Family - Consumer	16,570	48	16,693
Auto	609	—	685
HELOC	1,800	4	1,871
Consumer	180	—	218
Other Commercial	509	7	538
Total impaired loans	$ 57,794	$ 325	$ 58,230

The Company considers TDRs to be impaired loans. A modification of a loan's terms constitutes a TDR if the creditor grants a concession that it would not otherwise consider to the borrower for economic or legal reasons related to the borrower's financial difficulties. All loans that are considered to be TDRs are evaluated for impairment in accordance with the Company's allowance for loan loss methodology and are included in the preceding impaired loan tables. For the three and nine months ended September 30, 2019, the recorded investment in TDRs prior to modifications was not materially impacted by the modifications.

The following table provides a summary, by segment, of TDRs that continue to accrue interest under the terms of the applicable restructuring agreement, which are considered to be performing, and TDRs that have been placed on nonaccrual status, which are considered to be nonperforming, as of September 30, 2019 and December 31, 2018 (dollars in thousands):

	September 30, 2019			December 31,	
	No. of Loans	**Recorded Investment**	**Outstanding Commitment**	No. of Loans	Recorded Investment
Performing					
Construction and Land Development	**4**	**$ 1,130**	**$ —**	5	$ 2,496
Commercial Real Estate - Owner Occupied	**6**	**2,228**	**—**	8	2,783
Commercial Real Estate - Non-Owner Occupied	**1**	**1,089**	**—**	4	4,438
Commercial & Industrial	**5**	**1,123**	**—**	4	978
Residential 1-4 Family - Commercial	**5**	**293**	**—**	8	1,075
Residential 1-4 Family - Consumer	**64**	**8,738**	**—**	52	6,882
HELOC	**2**	**56**	**—**	2	58
Consumer	**4**	**31**	**—**	1	13
Other Commercial	**1**	**468**	**—**	1	478
Total performing	**92**	**$ 15,156**	**$ —**	85	$ 19,201
Nonperforming					
Construction and Land Development	**—**	**$ —**	**$ —**	2	$ 3,474
Commercial Real Estate - Owner Occupied	**2**	**180**	**—**	2	198
Commercial & Industrial	**1**	**56**	**—**	6	461
Residential 1-4 Family - Commercial	**—**	**—**	**—**	1	60
Residential 1-4 Family - Consumer	**18**	**3,288**	**—**	15	3,135
HELOC	**2**	**58**	**—**	2	62
Consumer	**—**	**—**	**—**	1	7
Total nonperforming	**23**	**$ 3,582**	**$ —**	29	$ 7,397
Total performing and nonperforming	**115**	**$ 18,738**	**$ —**	114	$ 26,598

The Company considers a default of a TDR to occur when the borrower is 90 days past due following the restructure or a foreclosure and repossession of the applicable collateral occurs. During the three and nine months ended September 30, 2019 and 2018, 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.

The following table shows, by segment and modification type, TDRs that occurred during the three and nine months ended September 30, 2019 (dollars in thousands):

	All Restructurings			
	Three Months Ended September 30, 2019		Nine Months Ended Septemb	
	No. of Loans	Recorded Investment at Period End	No. of Loans	I
Modified to interest only, at a market rate				
Total interest only at market rate of interest	—	$ —	—	$
Term modification, at a market rate				
Commercial & Industrial	1	$ 376	1	$
Residential 1-4 Family - Commercial	—	—	1	
Residential 1-4 Family - Consumer	1	461	4	
Consumer	2	18	3	
Total loan term extended at a market rate	4	$ 855	9	$
Term modification, below market rate				
Construction and Land Development	2	$ 164	2	$
Residential 1-4 Family - Consumer	5	883	17	
Consumer	—	—	1	
Total loan term extended at a below market rate	7	$ 1,047	20	$
Total	**11**	**$ 1,902**	**29**	**$**

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The following table shows, by segment and modification type, TDRs that occurred during the three and nine months ended September 30, 2018 (dollars in thousands):

	All Restructurings			
	Three Months Ended September 30, 2018		Nine Months Ended Septemb	
	No. of Loans	Recorded Investment at Period End	No. of Loans	I
Modified to interest only, at a market rate				
Total interest only at market rate of interest	—	$ —	—	$
Term modification, at a market rate				
Construction and Land Development	2	$ 3,545	4	$
Commercial Real Estate - Owner Occupied	—	—	5	
Commercial Real Estate - Non-Owner Occupied	1	1,089	1	
Commercial & Industrial	2	278	3	
Residential 1-4 Family - Commercial	—	—	1	
Residential 1-4 Family - Consumer	—	—	6	
Consumer	1	14	1	
Total loan term extended at a market rate	6	$ 4,926	21	$
Term modification, below market rate				
Commercial Real Estate - Non-Owner Occupied	1	$ 2,782	1	$
Residential 1-4 Family - Consumer	9	1,598	16	
HELOC	2	46	2	
Total loan term extended at a below market rate	12	$ 4,426	19	$
Total	**18**	**$ 9,352**	**40**	**$**

The following tables show the ALL activity by segment for the nine months ended September 30, 2019 and 2018. The tables below include the provision for loan losses. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories (dollars in thousands):

	Nine Months Ended September 30, 2019			
	Allowance for loan losses			
	Balance, beginning of the year	Recoveries credited to allowance	Loans charged off	Provision charged to operations
Construction and Land Development	$ 6,803	$ 269	$ (4,028)	$ 2,863
Commercial Real Estate - Owner Occupied	4,023	118	(483)	361
Commercial Real Estate - Non-Owner Occupied	8,865	95	(270)	996
Multifamily Real Estate	649	85	—	46
Commercial & Industrial	7,636	936	(2,162)	2,739
Residential 1-4 Family - Commercial	1,692	244	(397)	50
Residential 1-4 Family - Consumer	1,492	256	(108)	158
Auto	1,443	452	(957)	614
HELOC	1,297	589	(570)	(179
Consumer and all other[1]	7,145	1,896	(12,215)	11,377
Total	**$ 41,045**	**$ 4,940**	**$ (21,190)**	**$ 19,025**

[1] Consumer and Other Commercial are grouped together as Consumer and all other for reporting purposes.

	Nine Months Ended September 30, 2018			
	Allowance for loan losses			
	Balance, beginning of the year	Recoveries credited to allowance	Loans charged off	Provision charged to operations
Construction and Land Development	$ 9,709	$ 400	$ (703)	$ (1,2
Commercial Real Estate - Owner Occupied	2,931	488	(174)	(30
Commercial Real Estate - Non-Owner Occupied	7,544	82	(94)	80
Multifamily Real Estate	1,092	5	—	52
Commercial & Industrial	4,552	413	(692)	2,42
Residential 1-4 Family - Commercial	4,437	306	(137)	(2,5
Residential 1-4 Family - Consumer	1,524	235	(640)	77
Auto	975	365	(759)	76
HELOC	1,360	554	(488)	(
Consumer and all other[1]	4,084	1,234	(6,412)	7,91
Total	**$ 38,208**	**$ 4,082**	**$ (10,099)**	**$ 9,10**

[1] Consumer and Other Commercial are grouped together as Consumer and all other for reporting purposes.

The following tables show the loan and ALL balances based on impairment methodology by segment as of September 30, 2019 and December 31, 2018 (dollars in thousands):

	September 30, 2019						
	Loans individually evaluated for impairment		Loans collectively evaluated for impairment		Loans acquired with deteriorated credit quality		Total
	Loans	ALL	Loans	ALL	Loans	ALL	Loans
Construction and Land Development	$ 10,605	$ 78	$ 1,182,157	$ 5,829	$ 8,387	$ —	$ 1,201,149
Commercial Real Estate - Owner Occupied	12,932	234	1,938,303	3,785	27,817	—	1,979,052
Commercial Real Estate - Non-Owner Occupied	2,364	3	3,178,931	9,683	17,285	—	3,198,580
Multifamily Real Estate	1,212	—	658,641	780	93	—	659,946
Commercial & Industrial	3,988	866	2,050,883	8,066	3,262	217	2,058,133
Residential 1-4 Family - Commercial	6,093	170	702,855	1,419	12,237	—	721,185
Residential 1-4 Family - Consumer	19,479	805	878,789	993	14,977	—	913,245
Auto	605	239	327,844	1,313	7	—	328,456
HELOC	2,041	262	654,647	875	4,275	—	660,963
Consumer and all other[1]	745	77	584,148	8,126	1,395	—	586,288
Total loans held for investment, net	**$ 60,064**	**$ 2,734**	**$ 12,157,198**	**$ 40,869**	**$ 89,735**	**$ 217**	**$ 12,306,997**

(1) Consumer and Other Commercial are grouped together as Consumer and all other for reporting purposes.

	December 31, 2018							
	Loans individually evaluated for impairment		Loans collectively evaluated for impairment		Loans acquired with deteriorated credit quality		Tota	
	Loans	ALL	Loans	ALL	Loans	ALL	Loans	
Construction and Land Development	$ 10,662	$ 63	$ 1,175,505	$ 6,740	$ 8,654	$ —	$ 1,194,821	
Commercial Real Estate - Owner Occupied	12,690	359	1,299,011	3,664	25,644	—	1,337,345	
Commercial Real Estate - Non-Owner Occupied	6,969	1	2,443,106	8,864	17,335	—	2,467,410	
Multifamily Real Estate	—	—	548,143	649	88	—	548,231	
Commercial & Industrial	4,242	752	1,310,737	6,884	2,156	—	1,317,135	
Residential 1-4 Family - Commercial	5,498	89	621,320	1,603	13,601	—	640,419	
Residential 1-4 Family - Consumer	16,031	470	641,006	1,022	16,872	—	673,909	
Auto	576	231	301,360	1,212	7	—	301,943	
HELOC	1,874	188	606,394	1,109	5,115	—	613,383	
Consumer and all other[1]	686	64	620,176	7,081	749	—	621,611	
Total loans held for investment, net	**$ 59,228**	**$ 2,217**	**$ 9,566,758**	**$ 38,828**	**$ 90,221**	**$ —**	**$ 9,716,207**	

[1] Consumer and Other Commercial are grouped together as Consumer and all other for reporting purposes.

The Company uses a risk rating system and past due status as the primary credit quality indicators for the loan categories. The risk rating system on a scale of 0 through 9 is used to determine risk level as used in the calculation of the ALL; on those loans without a risk rating, the Company uses past due status to determine risk level. The risk levels, as described below, do not necessarily follow the regulatory definitions of risk levels with the same name. A general description of the characteristics of the risk levels follows:

Pass is determined by the following criteria:

- Risk rated 0 loans have little or no risk and are with General Obligation Municipal Borrowers;
- Risk rated 1 loans have little or no risk and are generally secured by cash or cash equivalents;
- Risk rated 2 loans have minimal risk to well qualified borrowers and no significant questions as to safety;
- Risk rated 3 loans are satisfactory loans with strong borrowers and secondary sources of repayment;
- Risk rated 4 loans are satisfactory loans with borrowers not as strong as risk rated 3 loans and may exhibit a greater degree of financial risk based on the type of business supporting the loa
- Loans that are not risk rated but that are 0 to 29 days past due.

Watch & Special Mention is determined by the following criteria:

- Risk rated 5 loans are watch loans that warrant more than the normal level of supervision and have the possibility of an event occurring that may weaken the borrower's ability to repay;
- Risk rated 6 loans have increasing potential weaknesses beyond those at which the loan originally was granted and if not addressed could lead to inadequately protecting the Company's cı
- Loans that are not risk rated but that are 30 to 89 days past due.

Substandard is determined by the following criteria:

- Risk rated 7 loans are substandard loans and are inadequately protected by the current sound worth or paying capacity of the obligor or the collateral pledged; these have well defined wea jeopardize the liquidation of the debt with the distinct possibility the Company will sustain some loss if the deficiencies are not corrected; or
- Loans that are not risk rated but that are 90 to 149 days past due.

Doubtful is determined by the following criteria:

- Risk rated 8 loans are doubtful of collection and the possibility of loss is high but pending specific borrower plans for recovery, its classification as a loss is deferred until its more exact stat
- Risk rated 9 loans are loss loans which are considered uncollectable and of such little value that their continuance as bankable assets is not warranted; or
- Loans that are not risk rated but that are over 149 days past due.

The following table shows the recorded investment in all loans, excluding PCI loans, by segment with their related risk level as of September 30, 2019 (dollars in thousands):

	Pass	Watch & Special Mention	Substandard	Doubtful	
Construction and Land Development	$ 1,148,732	$ 33,136	$ 10,894	$ —	$
Commercial Real Estate - Owner Occupied	1,850,909	78,451	21,730	145	
Commercial Real Estate - Non-Owner Occupied	3,124,018	54,884	2,297	96	
Multifamily Real Estate	645,193	13,448	1,212	—	
Commercial & Industrial	1,949,546	99,337	5,988	—	
Residential 1-4 Family - Commercial	679,023	22,772	7,153	—	
Residential 1-4 Family - Consumer	871,391	4,584	22,293	—	
Auto	324,396	1,990	2,063	—	
HELOC	644,019	6,529	6,140	—	
Consumer	384,744	1,182	240	—	
Other Commercial	196,511	2,057	159	—	
Total	$ 11,818,482	$ 318,370	$ 80,169	$ 241	$

The following table shows the recorded investment in all loans, excluding PCI loans, by segment with their related risk level as of December 31, 2018 (dollars in thousands):

	Pass	Watch & Special Mention	Substandard	Doubtful	
Construction and Land Development	$ 1,130,577	$ 43,894	$ 11,696	$ —	$
Commercial Real Estate - Owner Occupied	1,231,422	50,939	29,340	—	
Commercial Real Estate - Non-Owner Occupied	2,425,500	17,648	6,927	—	
Multifamily Real Estate	537,572	10,571	—	—	
Commercial & Industrial	1,273,549	34,864	6,566	—	
Residential 1-4 Family - Commercial	606,955	14,876	4,987	—	
Residential 1-4 Family - Consumer	624,346	17,065	15,626	—	
Auto	296,907	3,590	1,439	—	
HELOC	598,444	6,316	3,508	—	
Consumer	378,873	547	242	—	
Other Commercial	239,857	864	479	—	
Total	$ 9,344,002	$ 201,174	$ 80,810	$ —	$

The following table shows the recorded investment in only PCI loans by segment with their related risk level as of September 30, 2019 (dollars in thousands):

	Pass	Watch & Special Mention	Substandard	Doubtful
Construction and Land Development	$ 1,233	$ 3,993	$ 3,161	$ —
Commercial Real Estate - Owner Occupied	8,273	10,845	8,699	—
Commercial Real Estate - Non-Owner Occupied	3,855	9,533	3,897	—
Multifamily Real Estate	—	93	—	—
Commercial & Industrial	115	57	3,090	—
Residential 1-4 Family - Commercial	6,490	2,780	2,967	—
Residential 1-4 Family - Consumer	10,074	233	4,670	—
Auto	3	—	4	—
HELOC	3,092	607	576	—
Consumer	660	4	18	—
Other Commercial	122	591	—	—
Total	$ 33,917	$ 28,736	$ 27,082	$ —

The following table shows the recorded investment in only PCI loans by segment with their related risk level as of December 31, 2018 (dollars in thousands):

	Pass	Watch & Special Mention	Substandard	Doubtful
Construction and Land Development	$ 1,835	$ 1,308	$ 5,511	$ —
Commercial Real Estate - Owner Occupied	8,347	6,685	10,612	—
Commercial Real Estate - Non-Owner Occupied	4,789	7,992	4,554	—
Multifamily Real Estate	—	88	—	—
Commercial & Industrial	762	134	1,260	—
Residential 1-4 Family - Commercial	6,476	2,771	4,354	—
Residential 1-4 Family - Consumer	9,930	1,030	5,912	—
Auto	7	—	—	—
HELOC	3,438	1,031	646	—
Consumer	17	—	15	—
Other Commercial	57	660	—	—
Total	$ 35,658	$ 21,699	$ 32,864	$ —

Loans acquired are originally recorded at fair value, with certain loans being identified as impaired at the date of purchase. The fair values were determined based on the credit quality of the portfolio, expected future cash flows, and timing of those expected future cash flows.

The following shows changes in the accretable yield for loans accounted for under ASC 310-30, *Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality,* for the periods presented (dollars in thousands):

	For the Nine Months End	
	2019	
Balance at beginning of period	$ 31,201	$
Additions	2,432	
Accretion	(9,830)	
Reclass of nonaccretable difference due to improvement in expected cash flows	1,372	
Measurement period adjustment	2,629	
Other, net [1]	5,083	
Balance at end of period	$ 32,887	$

(1) *This line item represents changes in the cash flows expected to be collected due to the impact of non-credit changes such as prepayment assumptions, changes in interest rates on variable ra discounted payoffs that occurred in the quarter.*

The carrying value of the Company’s PCI loan portfolio, accounted for under ASC 310-30, Receivables - *Loans and Debt Securities Acquired with Deteriorated Credit Quality*, totaled $89.7 million at September 30, 2019 and $90.2 million at December 31, 2018. The outstanding balance of the Company’s PCI loan portfolio totaled $113.8 million at September 30, 2019 and $113.5 million at December 31, 2018. The carrying value of the Company’s acquired performing loan portfolio, accounted for under ASC 310-20, *Receivables – Nonrefundable Fees and Other Costs*, totaled $3.3 billion at September 30, 2019 and $2.0 billion at December 31, 2018; the remaining discount on these loans totaled $54.1 million at September 30, 2019 and $30.3 million at December 31, 2018.

5. 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 5 to 10 years, using an accelerated method. Other amortizable intangible assets are being amortized over the period of expected benefit, which ranges from 5 to 10 years, using various methods. Refer to Note 2 "Acquisitions" for further information regarding intangible assets.

In accordance with ASC 350, *Intangibles-Goodwill and Other,* the Company reviews the carrying value of indefinite lived intangible assets at least annually or more frequently if certain impairment indicators exist. The Company performed its annual impairment testing in the second quarter of 2019 and determined that there was no impairment to its goodwill or intangible assets. In the second quarter of 2018 the Company wrote off goodwill in the amount of $864,000 in connection with the wind down of UMG, which is included in discontinued operations.

Amortization expense of intangibles for the three and nine months ended September 30, 2019 totaled $4.8 million and $13.9 million, respectively; and for the three and nine months ended September 30, 2018 totaled $3.5 million and $9.9 million, respectively.

As of September 30, 2019, the estimated remaining amortization expense of intangibles is as follows for the years ending (dollars in thousands):

Period	Amount
For the remaining three months of 2019	
2020	
2021	
2022	
2023	
Thereafter	
Total estimated amortization expense	

6. LEASES

The Company leases branch locations, office space, land, and equipment. The Company determines if an arrangement is a lease at inception. As of September 30, 2019, all leases have been classified as operating leases with approximately 160 non-cancellable operating leases where the Company is the lessee. The Company does not have any material arrangements where the Company is the lessor or in a sublease contract.

Leases where the Company is a lessee are primarily for real estate leases with remaining lease terms of up to 30 years. The Company's real estate lease agreements do not contain residual value guarantees and most agreements do not contain restrictive covenants. At September 30, 2019, the total ROU Asset was $57.0 million and total operating lease liabilities were $68.8 million. Total operating lease expenses for the three and nine months ended September 30, 2019 were $2.9 million and $8.9 million, respectively.

Operating leases have been reported on the Company's Consolidated Balance Sheets as an operating ROU Asset within Other Assets and an operating lease liability within Other Liabilities. The ROU Asset represents the Company's right to use an underlying asset over the course of the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease liabilities are recognized at the commencement date based on the present value of the remaining lease payments, discounted using the incremental borrowing rate. As most of the Company's leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating ROU Asset is recognized at commencement date based on the initial measurement of the lease liability, any lease payments made excluding lease incentives, and any initial direct costs incurred.

Total lease expenses are recorded in Occupancy Expense within noninterest expense on the Company's Consolidated Statement of Income. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Most of the Company's leases include one or more options to renew, however, the Company is not reasonably certain to exercise those options and therefore does not include the renewal options in the measurement of the ROU Asset and lease liabilities

As of September 30, 2019, the Company had no material operating leases that have not yet commenced that create significant rights and obligations, and no sales leaseback transactions.

Maturities of operating lease liabilities as of September 30, 2019 are as follows for the years ending (dollars in thousands):

For the remaining three months of 2019	$	3,335
2020		12,392
2021		10,713
2022		9,934
2023		9,022
2024		7,741
Thereafter		19,588
Total future lease payments		72,725
Less: Interest		3,917
Present value of lease liabilities	$	68,808

Other lease information is as follows (dollars in thousands):

	September 30, 2019
Lease Term and Discount Rate of Operating leases:	
Weighted-average remaining lease term (years)	8.56
Weighted-average discount rate [1]	2.78 %
Cash paid for amounts included in measurement of lease liabilities:	
Operating Cash Flows from Operating Leases	$ 10,327
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	5,979

(1) An incremental borrowing rate is used based on information available at commencement date of lease.

7. 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 advances from the FHLB, federal funds purchased (which are secured overnight borrowings from other financial institutions), and other lines of credit. Also included in total short-term borrowings are securities sold under agreements to repurchase, which are secured transactions with customers and generally mature the day following the date sold.

Total short-term borrowings consist of the following as of September 30, 2019 and December 31, 2018 (dollars in thousands):

	September 30, 2019	De
Securities sold under agreements to repurchase	$ 67,260	$
Federal Funds Purchased	—	
FHLB Advances	344,600	
Other short-term borrowings	—	
Total short-term borrowings	$ 411,860	$
Maximum month-end outstanding balance	$ 509,949	$
Average outstanding balance during the period	804,644	
Average interest rate (during the period)	2.38 %	
Average interest rate at end of period	1.97 %	

The Bank maintains federal funds lines with several correspondent banks, the remaining available balance of which was $647.0 million and $382.0 million at September 30, 2019 and December 31, 2018, respectively. The Company maintains an alternate line of credit at a correspondent bank, the available balance of which was $25.0 million at both September 30, 2019 and December 31, 2018. The Company has certain restrictive covenants related to certain asset quality, capital, and profitability metrics associated with these lines and is considered to be in compliance with such covenants as of September 30, 2019. Additionally, the Company had a collateral dependent line of credit with the FHLB of up to $5.1 billion and $4.0 billion at September 30, 2019 and December 31, 2018, respectively.

Long-term Borrowings
In connection with several previous bank acquisitions, the Company issued and acquired trust preferred capital notes of $58.5 million and $87.0 million, respectively. Most recently, in connection with the acquisition of Access on February 1, 2019, the Company acquired additional trust preferred capital notes totaling $5.0 million. The remaining fair value discount on all acquired trust preferred capital notes was $15.1 million at September 30, 2019.

The trust preferred capital notes currently qualify for Tier 2 capital of the Company for regulatory purposes. Trust preferred capital notes consist of the following as of September 30, 2019:

	Trust Preferred Capital Securities [1]	Investment [1]	Spread to 3-Month LIBOR	Rate [2]
Trust Preferred Capital Note - Statutory Trust I	$ 22,500,000	$ 696,000	2.75 %	4.84 %
Trust Preferred Capital Note - Statutory Trust II	36,000,000	1,114,000	1.40 %	3.49 %
VFG Limited Liability Trust I Indenture	20,000,000	619,000	2.73 %	4.82 %
FNB Statutory Trust II Indenture	12,000,000	372,000	3.10 %	5.19 %
Gateway Capital Statutory Trust I	8,000,000	248,000	3.10 %	5.19 %
Gateway Capital Statutory Trust II	7,000,000	217,000	2.65 %	4.74 %
Gateway Capital Statutory Trust III	15,000,000	464,000	1.50 %	3.59 %
Gateway Capital Statutory Trust IV	25,000,000	774,000	1.55 %	3.64 %
MFC Capital Trust II	5,000,000	155,000	2.85 %	4.94 %
Total	$ 150,500,000	$ 4,659,000		

(1) *The total of the trust preferred capital securities and investments in the respective trusts represents the principal asset of the Company's junior subordinated debt securities with like maturit rates to the capital securities. The Company's investment in the trusts is reported in "Other Assets" on the Company's Consolidated Balance Sheets.*
(2) *Rate as of September 30, 2019.*

During the fourth quarter of 2016, the Company issued $150.0 million of fixed-to-floating rate subordinated notes with an initial fixed interest rate of 5.00% through December 15, 2021. The interest rate then changes to a floating rate of LIBOR plus 3.175% through its maturity date on December 15, 2026. In connection with the acquisition of Xenith on January 1, 2018, the Company acquired $8.5 million of subordinated notes with a fair value premium of $259,000, which was $77,000 at September 30, 2019. The acquired subordinated notes have a fixed interest rate of 6.75% and a maturity date of June 30, 2025. At September 30, 2019 and December 31, 2018, the contractual principal reported for subordinated notes was $158.5 million; remaining issuance discount as of September 30, 2019 and December 31, 2018 is $1.4 million and $1.6 million, respectively. The subordinated notes qualify as Tier 2 capital for the Company for regulatory purposes. The Company has certain restrictive covenants related to certain asset quality, capital, and profitability metrics associated with the acquired subordinated notes and is considered to be in compliance with these covenants as of September 30, 2019.

On August 23, 2012, the Company modified its fixed rate FHLB advances to floating rate advances, which resulted in reducing the Company's FHLB borrowing costs. In connection with this modification, the Company incurred a prepayment penalty of $19.6 million on the original advances. On August 29, 2019, the Company repaid the floating rate FHLB advances. In connection with this repayment, the remaining unamortized prepayment penalty of $7.4 million was immediately recognized as a component of noninterest expense.

As of September 30, 2019, the Company had long-term advances from the FHLB consisting of the following (dollars in thousands):

Long-term Type	Spread to 3-Month LIBOR	Interest Rate [1]	Maturity Date	A
Convertible Flipper	(0.75)%	1.34 %	8/17/2029	$
Convertible Flipper	(0.50)%	1.59 %	5/15/2024	
Convertible Flipper	(0.75)%	1.34 %	5/22/2029	
Convertible Flipper	(0.75)%	1.34 %	5/30/2029	
Convertible Flipper	(0.75)%	1.34 %	6/21/2029	
Fixed Rate Convertible	-	1.78 %	10/26/2028	
Fixed Rate Hybrid	-	2.37 %	10/10/2019	
Fixed Rate Hybrid	-	1.58 %	5/18/2020	
Fixed Rate Hybrid	-	2.65 %	10/24/2019	
Fixed Rate Credit	-	1.54 %	10/2/2020	
Fixed Rate Credit	-	1.32 %	10/2/2019	
				$

(1) Interest rates calculated using non-rounded numbers.

As of December 31, 2018, the Company had long-term advances from the FHLB consisting of the following (dollars in thousands):

Long-term Type	Spread to 3-Month LIBOR	Interest Rate [1]	Maturity Date	A
Adjustable Rate Credit	0.44 %	3.25 %	8/23/2022	$
Adjustable Rate Credit	0.45 %	3.26 %	11/23/2022	
Adjustable Rate Credit	0.45 %	3.26 %	11/23/2022	
Adjustable Rate Credit	0.45 %	3.26 %	11/23/2022	
Fixed Rate Convertible	-	1.78 %	10/26/2028	
Fixed Rate Hybrid	-	2.37 %	10/10/2019	
Fixed Rate Hybrid	-	1.58 %	5/18/2020	
				$

(1) Interest rates calculated using non-rounded numbers.

For information on the carrying value of loans and securities pledged as collateral on FHLB advances as of September 30, 2019 and December 31, 2018, refer to Note 8 "Commitments and Contingencies."

As of September 30, 2019, the contractual maturities of long-term debt are as follows for the years ending (dollars in thousands):

	Trust Preferred Capital Notes	Subordinated Debt	FHLB Advances	Fair Value Premium (Discount) [1]	
For the remaining three months of 2019	$ —	$ —	$ 60,000	$ (174)	**$**
2020	—	—	30,000	(834)	
2021	—	—	—	(1,008)	
2022	—	—	—	(1,030)	
2023	—	—	—	(1,053)	
Thereafter	155,159	158,500	750,000	(12,239)	
Total long-term borrowings	$ 155,159	$ 158,500	$ 840,000	$ (16,338)	**$**

(1) Includes discount on issued subordinated notes.

8. COMMITMENTS AND CONTINGENCIES

Litigation Matters
In the ordinary course of its operations, the Company and its subsidiaries are parties 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, financial condition, or results of operations of 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 standby 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 financial 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 rates, current economic conditions, risk ratings, and past due status among other factors in the consideration of whether credit losses are inherent in the Company's off-balance sheet commitments to extend credit. The Company also records an indemnification reserve that includes balances relating to mortgage loans previously sold based on historical statistics and loss rates. As of September 30, 2019 and December 31, 2018, the Company's reserves for off-balance sheet credit risk and indemnification were $2.8 million and $1.4 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.

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

	September 30, 2019	Dece
Commitments with off-balance sheet risk:		
Commitments to extend credit [(1)]	$ 4,143,637	$
Standby letters of credit	199,928	
Total commitments with off-balance sheet risk	$ 4,343,565	$

(1) *Includes unfunded overdraft protection.*

The Company must maintain a reserve against its deposits in accordance with Regulation D of the Federal Reserve Act. For the final weekly reporting period in the period ended September 30, 2019, the aggregate amount of daily average required reserves was approximately $5.5 million and was satisfied by deposits maintained with the Federal Reserve Bank.

As of September 30, 2019, the Company had approximately $243.7 million in deposits in other financial institutions, of which $133.7 million served as collateral for cash flow and loan swap derivatives. The Company had approximately $107.5 million in deposits in other financial institutions that were uninsured at September 30, 2019. 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 swap agreements to hedge various exposures or to modify the interest rate characteristics of various balance sheet accounts. Refer to Note 9 “Derivatives” 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 September 30, 2019 and December 31, 2018 (dollars in thousands):

	Pledged Assets as of September 30, 2019				
	Cash	AFS Securities [1]	HTM Securities [1]	Loans [2]	
Public deposits	$ —	$ 474,155	$ 291,865	$ —	$
Repurchase agreements	—	81,419	7,633	—	
FHLB advances	—	65,329	—	3,828,487	
Derivatives	133,679	1,433	—	—	
Fed Funds	—	—	—	263,604	
Other purposes	—	126,213	10,772	—	
Total pledged assets	$ 133,679	$ 748,549	$ 310,270	$ 4,092,091	$

(1) *Balance represents market value.*
(2) *Balance represents book value.*

	Pledged Assets as of December 31, 2018				
	Cash	AFS Securities [1]	HTM Securities [1]	Loans [2]	
Public deposits	$ —	$ 293,169	$ 7,407	$ —	$
Repurchase agreements	—	55,269	—	—	
FHLB advances	—	488	—	3,337,289	
Derivatives	13,509	1,938	—	—	
Other purposes	—	23,217	—	—	
Total pledged assets	$ 13,509	$ 374,081	$ 7,407	$ 3,337,289	$

(1) *Balance represents book value.*
(2) *Balance represents market value.*

9. 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 consisting of customer accommodation loan swaps and interest rate lock commitments that do not qualify for hedge accounting.

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.

Effective January 1, 2019, as required under the Dodd-Frank Act, the Company clears eligible derivative transactions through CCPs such as the CME and LCH, which are often referred to as "central clearinghouses". The Company clears certain OTC derivatives with central clearinghouses through FCMs as part of the regulatory requirement. The use of the CCPs and the FCMs reduces the Company's bilateral counterparty credit exposures while it increases the Company's credit exposures to CCPs and FCMs. The Company is required by CCPs to post initial and variation margin to mitigate the risk of non-payment through the Company's FCMs. The Company's FCM agreements governing these derivative transactions generally include provisions that may require the Company to post more collateral or otherwise change terms in the Company's agreements under certain circumstances. For CME and LCH-cleared OTC derivatives, the Company characterizes variation margin cash payments as settlements.

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.

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 and range in length with a maximum hedging time through January 2021. 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 believes that the credit risk inherent in the contract is not significant.

The Company assesses the effectiveness of each hedging relationship on a periodic basis using statistical regression analysis. The Company also measures the ineffectiveness of each hedging relationship using the change in variable cash flows method which compares the cumulative changes in cash flows of the hedging instrument relative to cumulative changes in the hedged item's cash flows. In accordance with ASC 815, *Derivatives and Hedging*, the effective portions of the derivatives' unrealized gains or losses are recorded as a component of other comprehensive income. Based on the Company's assessment, its cash flow hedges are highly effective.

During the quarter ended September 30, 2019, the Company terminated four interest rate swaps designated as cash flow hedges prior to their respective maturity dates. The net amount of losses reclassified into earnings totaled $9.0 million for the quarter ended September 30, 2019. This loss is immediately recognized into earnings as the forecasted transaction will not occur.

Fair Value Hedge
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. For the periods ended September 30, 2019 and December 31, 2018, the aggregate notional amount of the related hedged items for certain long-term fixed rate loans totaled $84.1 million and $87.6 million, respectively, and the fair value of the related hedged items was an unrealized loss of $3.3 million and $1.6 million, respectively.

AFS Securities: The Company has entered into a swap agreement to hedge the interest rate risk on a portion of its fixed rate available for sale securities. For the periods ended September 30, 2019 and December 31, 2018, the aggregate notional amount of the related hedged items of the available for sale securities totaled $50 million and the fair value of the related hedged items was an unrealized loss of $5.2 million and $1.4 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. Statistical regression analysis is used to assess hedge effectiveness, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic change in fair value of the hedging instrument against the periodic changes in fair value of the asset being hedged due to changes in the hedged risk. The Company's fair value hedges continue to be highly effective and had no material impact on the Consolidated Statements of Income, but if any ineffectiveness exists, portions of the unrealized gains or losses would be recorded in interest income or interest expense on the Company's Consolidated Statements of Income.

Loan Swaps
During the normal course of business, the Company enters into interest rate swap loan relationships ("loan swaps") with borrowers to meet their financing needs. Upon entering into the loan swaps, the Company enters into offsetting positions with a third party in order to minimize interest rate risk. These back-to-back loan swaps qualify as financial derivatives with fair values as reported in "Other Assets" and "Other Liabilities" on the Company's Consolidated Balance Sheets.

Mortgage Banking Derivatives
During the normal course of business, the Company enters into commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding ("rate lock commitments"). The Company commits to deliver the loan if settlement occurs ("best efforts") or commits to deliver the locked loan in a binding ("mandatory") delivery program with an investor. Certain loans under interest rate lock commitments are covered under forward sales contracts of MBS. Rate lock commitments on mortgage loans that are intended to be sold in the secondary market and commitments to deliver loans to investors are considered to be derivatives. The Company uses these derivatives as part of an overall strategy to manage market risk primarily due to fluctuations in interest rates, and to capture improved margins resulting from the mandatory delivery of loans. Mortgage banking derivatives as of September 30, 2019 did not have a material impact on the Company's Consolidated Financial Statements.

The market values of rate lock commitments and best efforts forward delivery commitments is not readily ascertainable with precision because rate lock commitments and best efforts contracts are not actively traded in stand-alone markets. The Company determines the fair value of rate lock commitments, delivery contracts, and forward sales contracts of MBS by measuring the change in the value of the underlying asset, while taking into consideration the probability that the rate lock commitments will close or will be funded. Certain risks arise from the forward delivery contracts in that the counterparties to the contracts may not be able to meet the terms of the contracts. Additional risks inherent in mandatory delivery programs include the risk that, if the Company does not close the loans subject to rate lock commitments, it will still be obligated to deliver MBS to the counterparty under the forward sales agreement.

The following table summarizes key elements of the Company's derivative instruments as of September 30, 2019 and December 31, 2018, segregated by derivatives that are considered accounting hedges and those that are not (dollars in thousands):

	September 30, 2019			December 31, 201	
		Derivative [2]			De
	Notional or Contractual Amount [1]	Assets	Liabilities	Notional or Contractual Amount [1]	Assets
Derivatives designated as accounting hedges:					
Interest rate contracts:					
Cash flow hedges	$ **100,000**	$ —	$ **1,323**	$ 152,500	$ –
Fair value hedges	**134,175**	—	**8,527**	137,596	1,87
Derivatives not designated as accounting hedges:					
Loan Swaps :					
Pay fixed - receive floating interest rate swaps	**1,392,662**	**105**	**74,317**	878,446	10,12
Pay floating - receive fixed interest rate swaps	**1,392,662**	**74,317**	**105**	878,446	9,3(

(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.*

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 September 30, 2019 and December 31, 2018 (dollars in thousands):

	September 30, 2019		December 31, 2018	
	Carrying Amount of Hedged Assets/(Liabilities) Amount [1]	Cumulative Amount of Basis Adjustments Included in the Carrying Amount of the Hedged Assets/(Liabilities)	Carrying Amount of Hedged Assets/(Liabilities) Amount [1]	A
Line items on the Consolidated Balance Sheets in which the hedged item is included:				
Securities available-for-sale [1] [2]	$ **213,177**	$ **5,236**	$ **224,241**	$
Loans	**84,175**	**3,285**	**87,596**	

(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 er relationship. For the periods ended September 30, 2019 and December 31, 2018, the amortized cost basis of this portfolio was $213 million and $224 million, respectively and the cumulativ associated with this hedge was $5.2 million and $1.4 million, respectively. The amount of the designated hedged item was $50 million.
(2) Carrying value represents amortized cost.

10. STOCKHOLDERS' EQUITY

Serial Preferred Stock
The Company has the authority to issue up to 500,000 shares of serial preferred stock with a par value of $10.00 per share. As of September 30, 2019 and December 31, 2018, the Company had no shares issued or outstanding.

Accumulated Other Comprehensive Income (Loss)
The change in accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2019 is summarized as follows, net of tax (dollars in thousands):

	Unrealized Gains (Losses) on AFS Securities	Unrealized Gains (Losses) for AFS Securities Transferred to HTM	Change in Fair Value of Cash Flow Hedge	Unrealized Gains (Losses) on BOLI	
Balance - June 30, 2019	$ 36,125	$ 85	$ (7,155)	$ (988)	$
Other comprehensive income (loss):					
Other comprehensive income (loss) before reclassification	12,364	—	6,025	(647)	
Amounts reclassified from AOCI into earnings	(5,612)	(5)	158	19	
Net current period other comprehensive income (loss)	6,752	(5)	6,183	(628)	
Balance - September 30, 2019	$ 42,877	$ 80	$ (972)	$ (1,616)	$

	Unrealized Gains (Losses) on AFS Securities	Unrealized Gains (Losses) for AFS Securities Transferred to HTM	Change in Fair Value of Cash Flow Hedge	Unrealized Gains (Losses) on BOLI	
Balance - December 31, 2018	$ (5,949)	$ 95	$ (3,393)	$ (1,026)	$
Other comprehensive income (loss):					
Other comprehensive income (loss) before reclassification	54,598	—	1,970	(647)	
Amounts reclassified from AOCI into earnings	(5,772)	(15)	451	57	
Net current period other comprehensive income (loss)	48,826	(15)	2,421	(590)	
Balance - September 30, 2019	$ 42,877	$ 80	$ (972)	$ (1,616)	$

The change in accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2018 is summarized as follows, net of tax (dollars in thousands):

	Unrealized Gains (Losses) on AFS Securities	Unrealized Gain (Losses) for AFS Securities Transferred to HTM	Change in Fair Value of Cash Flow Hedge	Unrealized Gains (Losses) on BOLI	
Balance - June 30, 2018	$ (10,813)	$ 105	$ (2,273)	$ (1,064)	$
Other comprehensive income (loss):					
Other comprehensive income (loss) before reclassification	(11,310)	—	575	—	
Amounts reclassified from AOCI into earnings	(77)	(5)	227	19	
Net current period other comprehensive income (loss)	(11,387)	(5)	802	19	
Balance - September 30, 2018	$ (22,200)	$ 100	$ (1,471)	$ (1,045)	$

	Unrealized Gains (Losses) on AFS Securities	Unrealized Gain (Losses) for AFS Securities Transferred to HTM	Change in Fair Value of Cash Flow Hedge	Unrealized Gains (Losses) on BOLI	
Balance - December 31, 2017	$ 1,874	$ 2,705	$ (4,361)	$ (1,102)	$
Transfers of HTM securities to AFS securities [1]	2,785	(2,785)	—	—	
Cumulative effects from adoption of new accounting standard [2]	404	583	(1,094)	—	
Other comprehensive income (loss):					
Other comprehensive income (loss) before reclassification [1]	(27,087)	—	3,214	—	
Amounts reclassified from AOCI into earnings	(176)	(403)	770	57	
Net current period other comprehensive income (loss)	(27,263)	(403)	3,984	57	
Balance - September 30, 2018	$ (22,200)	$ 100	$ (1,471)	$ (1,045)	$

(1) *During the second quarter of 2018, the Company adopted ASU No. 2017-12,"Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities". As part of this adoption, the Company made a one-time election to transfer eligible HTM securities to the AFS category. The transfer of these securities resulted in an increase of approximately $400,000 to AOCI and is included as unrealized gains (losses) on AFS securities above.*

(2) *During the second quarter of 2018, the Company adopted ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." As part of this adoption, the Company reclassified approximately $107,000 from AOCI to retained earnings.*

11. FAIR VALUE MEASUREMENTS

The Company follows ASC 820, *Fair Value Measurements and Disclosures*, 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 9 "Derivatives", 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. 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 Bloomberg Valuation Service's derivative pricing functions. No material differences were identified during the validation as of September 30, 2019 and December 31, 2018. 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. Mortgage banking derivatives as of September 30, 2019 did not have a material impact on the Company's Consolidated Financial Statements.

During the ordinary course of business, the Company enters into interest rate lock commitments related to the origination of mortgage loans held for sale, as well as best efforts or mandatory delivery programs and forward sales contracts of MBS. These instruments are used to mitigate interest rate risk. The Company determines the fair value of these instruments by measuring the fair value of the underlying asset, which in turn is based on quoted prices for similar loans in the secondary market. This value, however, is adjusted by a pull-through rate applied at the loan level, which considers the likelihood that the loan in a lock position will ultimately close. The pull-through rate is derived from the Company's internal data, as well as input from third party sources, and is adjusted using significant management judgment. It is largely dependent on the loan processing stage that a loan is currently in and the change in prevailing interest rates from the time of the rate lock. As such, interest rate lock commitments are classified as Level 3. An increase in the pull-through rate utilized in the fair value measurement of the interest rate lock commitment derivative will result in positive fair value adjustments, while a decrease in the pull-through rate will result in a negative fair value adjustment. As of September 30, 2019, the weighted average pull-through rate was approximately 90%. As a result of the UMG wind-down, at December 31, 2018, the Company had no interest rate locks.

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 IDC, which evaluates securities based on market data. IDC 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.

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 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 material differences between valuation sources are researched by further analyzing the various inputs that are utilized by each pricing source. No material differences were identified during the validation as of September 30, 2019 and December 31, 2018.

The carrying value of restricted Federal Reserve Bank 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
Loans held for sale are carried at fair value. These loans currently consist of residential loans originated for sale in the secondary market. 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 banking income, net" 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 September 30, 2019 and December 31, 2018 (dollars in thousands):

	Fair Value Measurements at September 30, 2019 using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
ASSETS				
AFS securities:				
U.S. government and agency securities	$ —	$ 4,490	$ —	$
Obligations of states and political subdivisions	—	438,613	—	
Corporate and other bonds	—	229,524	—	
Mortgage-backed securities	—	1,243,165	—	
Other securities	—	3,067	—	
Loans held for sale	—	72,208	—	
Derivatives:				
Interest rate swap	—	74,422	—	
LIABILITIES				
Derivatives:				
Interest rate swap	$ —	$ 74,422	$ —	$
Cash flow hedges	—	1,323	—	
Fair value hedges	—	8,527	—	

	Fair Value Measurements at December 31, 2018 using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
ASSETS				
AFS securities:				
Obligations of states and political subdivisions	$ —	$ 468,491	$ —	$
Corporate and other bonds	—	167,696	—	
Mortgage-backed securities	—	1,129,865	—	
Other securities	—	8,769	—	
Derivatives:				
Interest rate swap	—	19,426	—	
Fair value hedges	—	1,872	—	
LIABILITIES				
Derivatives:				
Interest rate swap	$ —	$ 19,426	$ —	$
Cash flow hedges	—	4,786	—	
Fair value hedges	—	1,684	—	

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

Impaired loans
Loans are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreements will not be collected. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan or the fair value of the collateral. Collateral dependent loans are reported at the fair value of the underlying collateral if repayment is solely from the underlying value of the collateral. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The vast majority of the Company's collateral is real estate. The value of real estate collateral is determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser using observable market data. When evaluating the fair value, management may discount the appraisal further if, based on their understanding of the market conditions, it is determined the collateral is further impaired below the appraised value (Level 3). At September 30, 2019 and December 31, 2018, the Level 3 weighted average adjustments related to impaired loans were 0.0% and 5.3%, respectively. The value of business equipment is based upon an outside appraisal, of one year or less, if deemed significant, or the net book value on the applicable business's financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3). Collateral dependent impaired loans allocated to the ALL are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the Company's Consolidated Statements of Income.

Foreclosed Properties & Former Bank Premises
Foreclosed properties and former bank premises are evaluated for impairment at least quarterly by the Bank's Special Asset Loan Committee and any necessary write downs to fair values are recorded as impairment and included as a component of noninterest expense. Foreclosed properties and former bank premises are carried at fair value less selling costs. Fair value is based upon independent market prices, appraised values of the collateral, or management's estimation of the value of the collateral. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the foreclosed asset as Level 3 valuation. The Level 3 weighted average adjustments related to foreclosed property were approximately 3.7% for both September 30, 2019 and December 31, 2018. At September 30, 2019 and December 31, 2018, there were no Level 3 weighted average adjustments related to former bank premises.

Total valuation expenses related to foreclosed properties for the three and nine months ended September 30, 2019 and 2018 totaled $62,000, $546,000, $42,000 and $1.2 million, respectively. Total valuation expenses related to former bank premises for the three and nine months ended September 30, 2019 totaled $247,000 and $615,000. There were no valuation expenses related to former bank premises for the three and nine months ended September 30, 2018.

The following tables summarize the Company's financial assets that were measured at fair value on a nonrecurring basis at September 30, 2019 and December 31, 2018 (dollars in thousands):

	Fair Value Measurements at September 30, 2019 using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	
ASSETS				
Impaired loans	$ —	$ —	$ 1,837	$
Foreclosed properties	—	—	6,385	
Former bank premises	—	—	5,533	

	Fair Value Measurements at December 31, 2018 using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	
ASSETS				
Impaired loans	$ —	$ —	$ 3,734	$
Foreclosed properties	—	—	6,722	
Former bank premises	—	—	2,090	

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 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 IDC, which evaluates securities based on market data. IDC 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.

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 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 material differences between valuation sources are researched by further analyzing the various inputs that are utilized by each pricing source. No material differences were identified during the validation as of September 30, 2019 and December 31, 2018. The Company's level 3 securities are a result of the Access 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 considerations for the complexity of the instrument, likelihood it will be called and credit ratings. The Company reviews the valuation of both security types for reasonableness in the context of market conditions and to similar bonds in the Company's portfolio. Any material differences between valuation sources are researched by further analyzing the various inputs that are utilized by each pricing source. No material differences were identified during the validation as of September 30, 2019.

Loans

With the adoption of ASU No. 2016-01 in 2018, the fair value of loans at September 30, 2019 were estimated using an exit price, representing the amount that would be expected to be received if the Company sold the loans. Beginning in the first quarter of 2019, the fair value of performing loans were estimated by utilizing two data sources for the selection of discount rates: either the recent origination rates from the Company over a 12-month period or an index to use recent originations from the market over a three-month period. At December 31, 2018, the fair value of performing loans were estimated by discounting expected future cash flows using a yield curve that was constructed by adding a loan spread to a market yield curve. Loan spreads were based on spreads observed in the market for loans of similar type and structure.

Fair value for impaired loans and their respective level within the fair value hierarchy are described in the previous disclosure related to fair value measurements of assets that are measured on a nonrecurring basis.

BOLI
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, 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 September 30, 2019 and December 31, 2018 are as follows (dollars in thousands):

		Fair Value Measurements at September 30, 2019 using			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Carrying Value	Level 1	Level 2	Level 3	
ASSETS					
Cash and cash equivalents	$ 591,920	$ 591,920	$ —	$ —	$
AFS securities	1,918,859	—	1,918,859	—	
HTM securities	556,579	—	589,884	17,832	
Restricted stock	132,310	—	132,310	—	
Loans held for sale	72,208	—	72,208	—	
Net loans	12,263,177	—	—	12,112,840	
Derivatives:					
Interest rate swap	74,422	—	74,422	—	
Accrued interest receivable	51,606	—	51,606	—	
BOLI	320,779	—	320,779	—	
LIABILITIES					
Deposits	$ 13,044,712	$ —	$ 13,083,351	$ —	$
Borrowings	1,549,181	—	1,520,708	—	
Accrued interest payable	8,919	—	8,919	—	
Derivatives:					
Interest rate swap	74,422	—	74,422	—	
Cash flow hedges	1,323	—	1,323	—	
Fair value hedges	8,527	—	8,527	—	

	Carrying Value	Fair Value Measurements at December 31, 2018 using: Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
ASSETS					
Cash and cash equivalents	$ 261,199	$ 261,199	$ —	$ —	$
AFS securities	1,774,821	—	1,774,821	—	
HTM securities	492,272	—	499,501	—	
Restricted stock	124,602	—	124,602	—	
Net loans	9,675,162	—	—	9,534,717	
Derivatives:					
Interest rate swap	19,426	—	19,426	—	
Fair value hedges	1,872	—	1,872	—	
Accrued interest receivable	46,062	—	46,062	—	
BOLI	263,034	—	263,034	—	
LIABILITIES					
Deposits	$ 9,970,960	$ —	$ 9,989,788	$ —	$
Borrowings	1,756,278	—	1,742,038	—	
Accrued interest payable	5,284	—	5,284	—	
Derivatives:					
Interest rate swap	19,426	—	19,426	—	
Cash flow hedges	4,786	—	4,786	—	
Fair value hedges	1,684	—	1,684	—	

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.

12. REVENUE

The majority of the Company's noninterest income comes from short term contracts associated with fees for services provided on deposit accounts, credit cards, and wealth management accounts and is being accounted for in accordance with Topic 606. Typically, the duration of a contract does not extend beyond the services performed; therefore, the Company concluded that discussion regarding contract balances is immaterial.

The Company's performance obligations on revenue from interchange fees and deposit accounts are generally satisfied immediately, when the transaction occurs or by month-end. Performance obligations on revenue from fiduciary and asset management fees are generally satisfied monthly or quarterly. For a majority of fee income on deposit accounts the Company is a principal controlling the promised good or service before transferring it to the customer. However, for income related to most wealth management income, the Company is an agent responsible for arranging for the provision of goods and services by another party.

Noninterest income disaggregated by major source, for the three and nine months ended September 30, 2019 and 2018, consisted of the following (dollars in thousands):

	Three Months Ended		**Nine Months**	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	
Noninterest income:				
Deposit Service Charges [1]:				
Overdraft fees, net	**$ 6,021**	$ 5,345	**$ 17,847**	$
Maintenance fees & other	**1,654**	1,138	**4,484**	
Other service charges and fees [1]	**1,513**	1,625	**4,879**	
Interchange fees, net [1]	**2,108**	4,882	**12,765**	
Fiduciary and asset management fees [1]:				
Trust asset management fees	**2,661**	1,321	**5,977**	
Registered advisor management fees, net	**2,219**	2,110	**7,919**	
Brokerage management fees, net	**1,202**	980	**2,938**	
Mortgage banking income, net	**3,374**	—	**7,614**	
Gains (losses) on securities transactions, net	**7,104**	97	**7,306**	
Bank owned life insurance income	**2,062**	1,732	**6,191**	
Loan-related interest rate swap fees, net	**5,480**	562	**10,656**	
Gain on Shore Premier sale	**—**	(933)	**—**	
Other operating income [2]	**12,708**	1,028	**15,045**	
Total noninterest income [3]	**$ 48,106**	$ 19,887	**$ 103,621**	$

(1) *Income within scope of Topic 606.*

(2) *Includes income within the scope of Topic 606 of $343,000 and $946,000 for the three months ended September 30, 2019 and 2018, respectively, and $2.2 million and $2.5 million for the nine months ended September 30, 2019 and 2018, respectively. The remaining balance is outside the scope of Topic 606 and includes $9.3 million from life insurance proceeds received during the three months ended September 30, 2019 related to a Xenith acquired loan that had been charged off prior to the Company's acquisition of Xenith.*

(3) *Noninterest income for the discontinued mortgage segment is reported in Note 14 "Segment Reporting & Discontinued Operations."*

13. EARNINGS PER SHARE

Basic EPS is computed by dividing net income available to common stockholders 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 and warrants.

The following table presents EPS from continuing operations, discontinued operations and total net income available to common shareholders for the three and nine months ended September 30, 2019 and 2018 (dollars in thousands except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Net Income:				
Income from continuing operations	**$ 53,196**	$ 38,762	**$ 137,820**	$ 105,13
Income (loss) from discontinued operations	**42**	(565)	**(128)**	(2,97
Net income available to common shareholders	**$ 53,238**	$ 38,197	**$ 137,692**	$ 102,16
Weighted average shares outstanding, basic	**81,769**	65,975	**80,121**	65,81
Dilutive effect of stock awards and warrants	**64**	38	**63**	5
Weighted average shares outstanding, diluted	**81,833**	66,013	**80,184**	65,87
Basic EPS:				
EPS from continuing operations	**$ 0.65**	$ 0.59	**$ 1.72**	$ 1.6
EPS from discontinued operations	**—**	(0.01)	**—**	(0.0
EPS available to common shareholders	**$ 0.65**	$ 0.58	**$ 1.72**	$ 1.5
Diluted EPS:				
EPS from continuing operations	**$ 0.65**	$ 0.59	**$ 1.72**	$ 1.6
EPS from discontinued operations	**—**	(0.01)	**—**	(0.0
EPS available to common shareholders	**$ 0.65**	$ 0.58	**$ 1.72**	$ 1.5

14. SEGMENT REPORTING & DISCONTINUED OPERATIONS

On May 23, 2018, the Bank announced that it had entered into an agreement with a third party mortgage company TFSB to allow TFSB to offer residential mortgages from certain Bank locations on the terms and conditions set forth in the agreement. Concurrently with this arrangement, the Bank began the process of winding down the operations of UMG, the Company's reportable mortgage segment. Effective at the close of business June 1, 2018, UMG was no longer originating mortgages in its name. The decision to wind down the operations of UMG was based on a number of strategic priorities and other factors, including the additional investment in the business required to achieve the necessary scale to be competitive. As a result of this decision, the community bank segment is the only remaining reportable segment and does not require separate reporting disclosures.

On May 30, 2019, the Bank notified TFSB that the Bank was terminating its primary agreement with TFSB and would no longer allow TFSB to offer residential mortgages from Bank locations. UMG operations remain discontinued, although the Company continues to offer residential mortgages through a division of the Bank.

As of September 30, 2019, the Company's Consolidated Balance Sheets included assets and liabilities from discontinued operations of $863,000 and $763,000, respectively. As of December 31, 2018, the Company's Consolidated Balance Sheets included assets and liabilities from discontinued operations of $1.5 million and $1.7 million, respectively. Management believes there are no material on-going obligations with respect to UMG's business that have not been recorded in the Company's consolidated financial statements.

The following table presents summarized operating results of the discontinued mortgage segment for the three and nine months ended September 30, 2019 and 2018, respectively (dollars in thousands):

	Three Months Ended September 30,		Nine Mo Septem
	2019	2018	2019
Net interest income	**$ —**	$ 207	**$ —**
Provision for credit losses	**—**	83	**—**
Net interest income after provision for credit losses	—	124	—
Noninterest income	**—**	181	**1**
Noninterest expenses	**(56)**	1,066	**174**
Income before income taxes	**56**	(761)	**(173)**
Income tax expense (benefit)	**14**	(196)	**(45)**
Net income (loss) on discontinued operations	**$ 42**	$ (565)	**$ (128)**

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 (the Company) as of September 30, 2019, the related consolidated statements of income and comprehensive income for the three and nine-month periods ended September 30, 2019 and 2018, the consolidated statements of changes in stockholders' equity and cash flows for the nine-month periods ended September 30, 2019 and 2018, 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, 2018, the related consolidated statements of income, comprehensive 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 27, 2019, 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, 2018, 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
November 5, 2019

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 financial condition and results of operations of the Company. This discussion and analysis should be read 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 2018 Form 10-K, including management's discussion and analysis. Highlighted in the discussion are material changes from prior reporting periods and any identifiable trends 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.

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 include, without limitation, projections, predictions, expectations, or beliefs about future events or results that are not statements of historical fact. Such forward-looking statements are based on various assumptions as of the time they are made, and are inherently subject to known and unknown risks, uncertainties, and other factors 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 accompanied by words that convey projected future events or outcomes such as "expect," "believe," "estimate," "plan," "project," "anticipate," "intend," "will," "may," "view," "opportunity," "potential," or words of similar meaning or other statements concerning opinions or judgment of the Company and its management about future events. Although the Company believes that its expectations with respect to forward-looking statements are based upon reasonable assumptions within the bounds of its existing knowledge of its business and operations, there can be no assurance that actual results, performance, or achievements of, or trends affecting, the Company 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:

- changes in interest rates;
- general economic and financial market conditions, in the United States generally and particularly in the markets in which the Company operates and which its loans are concentrated, includi declines in real estate values, an increase in unemployment levels and slowdowns in economic growth;
- the Company's ability to manage its growth or implement its growth strategy;
- the introduction of new lines of business or new products and services;
- the possibility that any of the anticipated benefits of the acquisition of Access will not be realized or will not be realized within the expected time period, the expected revenue synergies and the acquisition may not be fully realized or realized within the expected time frame, revenues following the acquisition may be lower than expected, or customer and employee relationships a operations may be disrupted by the acquisition;
- the Company's ability to recruit and retain key employees;
- the incremental cost and/or decreased revenues associated with exceeding $10 billion in assets;
- real estate values in the Bank's lending area;
- an insufficient ALL;
- the quality or composition of the loan or investment portfolios;
- concentrations of loans secured by real estate, particularly commercial real estate;
- the effectiveness of the Company's credit processes and management of the Company's credit risk;
- demand for loan products and financial services in the Company's market area;
- the Company's ability to compete in the market for financial services;
- technological risks and developments, and cyber threats, attacks, or events;
- performance by the Company's counterparties or vendors;
- deposit flows;

- the availability of financing and the terms thereof;
- the level of prepayments on loans and mortgage-backed securities;
- legislative or regulatory changes and requirements;
- the effects of changes in federal, state or local tax laws and regulations;
- monetary and fiscal policies of the U.S. government including policies of the U.S. Department of the Treasury and the Federal Reserve;
- changes to applicable accounting principles and guidelines; and
- other factors, many of which are beyond the control of the Company.

Please refer to the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 and comparable sections of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 and related disclosures in other filings, which have been filed with the SEC and are and are available on the SEC’s website at www.sec.gov. All of the forward-looking statements made in this Quarterly Report are expressly qualified by the cautionary statements contained or referred to herein.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 its businesses or operations. Readers are cautioned not to rely too heavily on the forward-looking statements contained in this Quarterly Report. Forward-looking statements speak only as of the date they are made and the Company does not undertake any obligation to update, revise, or clarify these forward-looking statements whether as a result of new information, future events or otherwise.

CRITICAL ACCOUNTING POLICIES

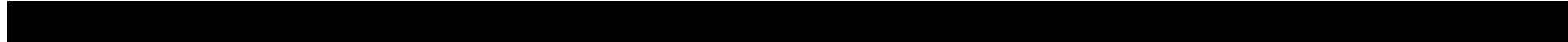
The accounting and reporting policies of the Company are in accordance with U.S. GAAP and conform to general practices within the banking industry. The Company’s financial position and results of operations are affected by management’s application of accounting policies, including estimates, assumptions, and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues, expenses, and related disclosures. Different assumptions in the application of these policies could result in material changes in the Company’s consolidated financial position and/or results of operations. The Company evaluates its critical accounting estimates and assumptions on an ongoing basis and updates them, as needed. Management has discussed the Company’s critical accounting policies and estimates with the Audit Committee of the Board of Directors of the Company.

The critical accounting and reporting policies include the Company’s accounting for the ALL, acquired loans, business combinations and divestitures, and goodwill and intangible assets. The Company’s accounting policies are fundamental to understanding the Company’s consolidated financial position and consolidated results of operations. Accordingly, 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 2018 Form 10-K.

The Company provides additional information on its critical accounting policies and estimates listed above under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies” in its 2018 Form 10-K.

RECENT ACCOUNTING PRONOUNCEMENTS (ISSUED BUT NOT ADOPTED)

In June 2016, the FASB issued ASU No. 2016-13, “*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*” This ASU contains significant differences from existing GAAP and is effective for the Company on January 1, 2020. This ASU updates the existing guidance to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. This ASU replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The CECL model will replace the Company’s current accounting for PCI and impaired loans. This ASU also amends the AFS debt securities OTTI model. The lifetime expected credit losses will be determined using macroeconomic forecast



assumptions and management judgements applicable to and through the expected lives of the portfolios. While the implementation of the standard changes the measurement of the allowance for credit losses, it does not change the credit risk of the Company’s lending portfolios or the losses of these portfolios.

The Company has established a cross-functional governance structure for the implementation of CECL. Upon adoption of the standard, assuming the economic outlook and portfolio characteristic are consistent with recent periods, the Company estimates that the allowance for credit losses will increase to approximately $90 million to $100 million. A majority of the estimated increase is driven by the acquired loan portfolio and the consumer loan portfolio. The ultimate impact on the Company’s allowance for credit losses will depend on the characteristics of the Company’s portfolios as well as the macroeconomic conditions and forecasts upon adoption, the ultimate validation of the models and methodologies, and other management judgments.

ABOUT ATLANTIC UNION BANKSHARES CORPORATION

Headquartered in Richmond, Virginia, Atlantic Union Bankshares Corporation (Nasdaq: AUB) is the holding company for Atlantic Union Bank. Atlantic Union Bank has 149 branches and approximately 170 ATMs located throughout Virginia, and in portions of Maryland and North Carolina. Middleburg Financial is a brand name used by Atlantic Union Bank and certain affiliates when providing trust, wealth management, private banking, and investment advisory products and services. Certain non-bank affiliates of Atlantic Union Bank include: Old Dominion Capital Management, Inc., and its subsidiary, Outfitter Advisors, Ltd., Dixon, Hubard, Feinour, & Brown, Inc., and Middleburg Investment Services, LLC, which provide investment advisory and/or 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 Nasdaq Global Select Market 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 report.

RESULTS OF OPERATIONS

Executive Overview

On February 1, 2019, the Company completed the acquisition of Access, a bank holding company based in Reston, Virginia.

On May 20, 2019, the Company re-branded to Atlantic Union Bankshares Corporation and successfully completed the integration of Access National Bank branches and operations into Atlantic Union Bank. Rebranding-related costs amounted to $1.1 million during the third quarter of 2019 and $5.6 million for the nine months ended September 30, 2019.

Third Quarter Net Income and Performance Metrics

- Net income was $53.2 million and EPS was $0.65 for the third quarter of 2019 compared to net income of $38.2 million and EPS of $0.58 for the third quarter of 2018.
- Net operating earnings[(1)], which excluded $1.9 million in after-tax merger and $895,000 in after-tax rebranding-related costs, were $56.1 million and operating EPS[(1)] was $0.69 for the third quar compared to $39.3 million, or $0.60, for the third quarter of 2018.
- ROA was 1.23% for the third quarter of 2019 compared to 1.17% for the third quarter of 2018; operating ROA[(1)] was 1.29% for the third quarter of 2019 compared to 1.21% for the third quarter
- ROE was 8.35% for the third quarter of 2019 compared to 8.06% for the third quarter of 2018; operating ROE[(1)] was 8.80% for the third quarter of 2019 compared to 8.30% for the third quarter
- Operating ROTCE[(1)] was 15.64% for the third quarter of 2019 compared to 15.13% for the third quarter of 2018.

Nine Month Net Income and Performance Metrics

- Net income was $137.7 million and EPS was $1.72 for the nine months ended September 30, 2019 compared to net income of $102.2 million and EPS of $1.55 for the nine months ended Septem
- Net operating earnings[1], which excluded $21.6 million in after-tax merger and $4.4 million in after-tax rebranding-related costs, were $163.7 million and operating EPS[1] was $2.04 for the nine September 30, 2019 compared to $132.1 million, or $2.01, for the nine months ended September 30, 2018.
- ROA was 1.11% for the nine months ended September 30, 2019 compared to 1.05% for the nine months ended September 30, 2018; operating ROA[1] was 1.32% for the nine months ended Sep compared to 1.35% for the nine months ended September 30, 2018.
- ROE was 7.58% for the nine months ended September 30, 2019 compared to 7.38% for the nine months ended September 30, 2018; operating ROE[1] was 9.01% for the nine months ended Sept compared to 9.54% for the nine months ended September 30, 2018.
- Operating ROTCE[1] was 16.18% for the nine months ended September 30, 2019 compared to 17.41% for the nine months ended September 30, 2018.

Balance Sheet

- Loans held for investment (net of deferred fees and costs) were $12.3 billion at September 30, 2019, an increase of $2.6 billion, or 26.7%, from December 31, 2018.
- Total deposits were $13.0 billion at September 30, 2019, an increase of $3.1 billion, or 30.8%, from December 31, 2018.

(1) 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 financial measures in accordance with GAAP.

Net Interest Income

	For the Three Months Ended September 30,		
	2019	2018	Ch
	(Dollars in thousands)		
Average interest-earning assets	$ 15,191,792	$ 11,383,320	$
Interest and dividend income	$ 178,345	$ 131,363	$
Interest and dividend income (FTE) [(1)]	$ 181,149	$ 133,377	$
Yield on interest-earning assets	4.66 %	4.58 %	
Yield on interest-earning assets (FTE) [(1)]	4.73 %	4.65 %	
Average interest-bearing liabilities	$ 11,427,305	$ 8,790,803	$
Interest expense	$ 41,744	$ 25,400	$
Cost of interest-bearing liabilities	1.45 %	1.15 %	
Cost of funds	1.09 %	0.89 %	
Net interest income	$ 136,601	$ 105,963	$
Net interest income (FTE) [(1)]	$ 139,405	$ 107,977	$
Net interest margin	3.57 %	3.69 %	
Net interest margin (FTE) [(1)]	3.64 %	3.76 %	

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

For the third quarter of 2019, net interest income was $136.6 million, an increase of $30.6 million from the third quarter of 2018. For the third quarter of 2019, net interest income (FTE) was $139.4 million, an increase of $31.4 million from the third quarter of 2018. The increases in both net interest income and net interest income (FTE) were primarily the result of a $3.8 billion increase in average interest-earning assets and a $2.6 billion increase in average interest-bearing liabilities from the impact of the Access acquisition during the first quarter of 2019. Net accretion related to acquisition accounting increased $1.2 million from the third quarter of 2018 to $5.1 million in the third quarter of 2019. In the third quarter of 2019, net interest margin decreased 12 basis points to 3.57% from 3.69% in the third quarter of 2018, and net interest margin (FTE) decreased 12 basis points compared to the third quarter of 2018. The net decline in net interest margin and net interest margin (FTE) measures were primarily driven by an increase in the cost of funds, partially offset by a smaller increase in interest-earning asset yields.

	For the Nine Months Ended September 30,		
	2019	2018	Cha
	(Dollars in thousands)		
Average interest-earning assets	$ 14,700,019	$ 11,506,200	$
Interest and dividend income	$ 525,122	$ 388,151	$
Interest and dividend income (FTE) [1]	$ 533,590	$ 394,011	$
Yield on interest-earning assets	4.78 %	4.51 %	
Yield on interest-earning assets (FTE) [1]	4.85 %	4.58 %	
Average interest-bearing liabilities	$ 11,161,458	$ 9,019,738	$
Interest expense	$ 122,379	$ 70,549	$
Cost of interest-bearing liabilities	1.47 %	1.05 %	
Cost of funds	1.11 %	0.82 %	
Net interest income	$ 402,743	$ 317,602	$
Net interest income (FTE) [1]	$ 411,211	$ 323,462	$
Net interest margin	3.66 %	3.69 %	
Net interest margin (FTE) [1]	3.74 %	3.76 %	

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

For the first nine months of 2019, net interest income was $402.7 million, an increase of $85.1 million from the same period of 2018. For the first nine months of 2019, net interest income (FTE) was $411.2 million, an increase of $87.7 million from the same period of 2018. The increases in both net interest income and net interest income (FTE) were primarily the result of a $3.2 billion increase in average interest-earning assets and a $2.1 billion increase in average interest-bearing liabilities from the impact of the Access acquisition. Net accretion related to acquisition accounting increased $3.3 million from the first nine months of 2018 to $18.7 million for the first nine months of 2019. In the first nine months of 2019, net interest margin decreased 3 basis points to 3.66% from 3.69% in the first nine months of 2018, and net interest margin (FTE) decreased 2 basis points compared to the first nine months of 2018. The net decreases in net interest margin and net interest margin (FTE) measures were primarily driven by increase in the cost of funds, partially offset by a smaller increase in interest-earning asset yields.

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:

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

	For the Three Months Ended September 30,				
	2019			2018	
	Average Balance	Interest Income / Expense [1]	Yield / Rate [1][2]	Average Balance	Interest Income / Expense [1]
			(Dollars in thousands)		
Assets:					
Securities:					
Taxable	**$ 1,670,270**	**$ 12,625**	**3.00 %**	$ 1,333,960	$ 10,145
Tax-exempt	**990,000**	**10,181**	**4.08 %**	632,050	6,214
Total securities	**2,660,270**	**22,806**	**3.40 %**	1,966,010	16,359
Loans, net [3] [4]	**12,240,254**	**156,471**	**5.07 %**	9,297,213	116,266
Other earning assets	**291,268**	**1,872**	**2.55 %**	120,097	752
Total earning assets	**15,191,792**	**$ 181,149**	**4.73 %**	11,383,320	$ 133,377
Allowance for loan losses	**(46,229)**			(41,799)	
Total non-earning assets	**2,057,765**			1,605,831	
Total assets	**$ 17,203,328**			$ 12,947,352	
Liabilities and Stockholders' Equity:					
Interest-bearing deposits:					
Transaction and money market accounts	**$ 6,290,112**	**$ 16,389**	**1.03 %**	$ 4,915,070	$ 8,789
Regular savings	**743,938**	**266**	**0.14 %**	640,954	209
Time deposits [5]	**2,769,574**	**14,194**	**2.03 %**	2,079,686	6,930
Total interest-bearing deposits	**9,803,624**	**30,849**	**1.25 %**	7,635,710	15,928
Other borrowings [6]	**1,623,681**	**10,895**	**2.66 %**	1,155,093	9,472
Total interest-bearing liabilities	**11,427,305**	**$ 41,744**	**1.45 %**	8,790,803	$ 25,400
Noninterest-bearing liabilities:					
Demand deposits	**3,008,587**			2,167,765	
Other liabilities	**239,001**			108,202	
Total liabilities	**14,674,893**			11,066,770	
Stockholders' equity	**2,528,435**			1,880,582	
Total liabilities and stockholders' equity	**$ 17,203,328**			$ 12,947,352	
Net interest income		**$ 139,405**			$ 107,977
Interest rate spread			**3.28 %**		
Cost of funds			**1.09 %**		
Net interest margin			**3.64 %**		

(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.
(4) Interest income on loans includes $5.0 million and $3.5 million for the three months ended September 30, 2019 and 2018, respectively, in accretion of the fair market value adjustments related to acquisitions.
(5) Interest expense on time deposits includes $179,000 and $592,000 for the three months ended September 30, 2019 and 2018, respectively, in accretion of the fair market value adjustments related to acquisitions.
(6) Interest expense on borrowings includes $97,000 and $143,000 for the three months ended September 30, 2019 and 2018, respectively, in amortization of the fair market value adjustments related to acquisitions.

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

	For the Nine Months Ended September 30,				
	2019			2018	
	Average Balance	Interest Income / Expense [1]	Yield / Rate [1][2]	Average Balance	Interest Income / Expense [1]
	(Dollars in thousands)				
Assets:					
Securities:					
Taxable	**$ 1,680,570**	**$ 39,059**	**3.11 %**	$ 1,145,250	$ 25,229
Tax-exempt	**1,000,893**	**30,916**	**4.13 %**	575,728	16,580
Total securities	**2,681,463**	**69,975**	**3.49 %**	1,720,978	41,809
Loans, net [3] [4]	**11,821,612**	**459,905**	**5.20 %**	9,594,094	349,439
Other earning assets	**196,944**	**3,710**	**2.52 %**	191,128	2,763
Total earning assets	**14,700,019**	**$ 533,590**	**4.85 %**	11,506,200	$ 394,011
Allowance for loan losses	**(43,480)**			(41,104)	
Total non-earning assets	**1,982,502**			1,596,357	
Total assets	**$ 16,639,041**			$ 13,061,453	
Liabilities and Stockholders' Equity:					
Interest-bearing deposits:					
Transaction and money market accounts	**$ 6,102,783**	**$ 46,895**	**1.03 %**	$ 4,837,648	$ 21,135
Regular savings	**751,341**	**1,083**	**0.19 %**	645,084	636
Time deposits [5]	**2,554,058**	**36,110**	**1.89 %**	2,076,321	18,416
Total interest-bearing deposits	**9,408,182**	**84,088**	**1.19 %**	7,559,053	40,187
Other borrowings [6]	**1,753,276**	**38,291**	**2.92 %**	1,460,685	30,362
Total interest-bearing liabilities	**11,161,458**	**$ 122,379**	**1.47 %**	9,019,738	$ 70,549
Noninterest-bearing liabilities:					
Demand deposits	**2,842,017**			2,079,645	
Other liabilities	**205,654**			110,998	
Total liabilities	**14,209,129**			11,210,381	
Stockholders' equity	**2,429,912**			1,851,072	
Total liabilities and stockholders' equity	**$ 16,639,041**			$ 13,061,453	
Net interest income		**$ 411,211**			$ 323,462
Interest rate spread			**3.38 %**		
Cost of funds			**1.11 %**		
Net interest margin			**3.74 %**		

(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.*
(4) *Interest income on loans includes $18.2 million and $13.7 million for the nine months ended September 30, 2019 and 2018, respectively, in accretion of the fair market value adjustments related to acquisitions.*
(5) *Interest expense on time deposits includes $684,000 and $2.1 million for the nine months ended September 30, 2019 and 2018, respectively, in accretion of the fair market value adjustments related to acquisitions.*
(6) *Interest expense on borrowings includes $237,000 and $345,000 for the nine months ended September 30, 2019 and 2018, respectively, in amortization of the fair market value adjustments related to acquisitions.*

The table below presents changes in interest income 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 (dollars in thousands):

	Three Months Ended September 30, 2019 vs. September 30, 2018 Increase (Decrease) Due to Change in:			Nine Months Ended September 30, 2019 vs. Septembe[r] Increase (Decrease) Due to Ch[a]	
	Volume	Rate	Total	Volume	Rate
Earning Assets:					
Securities:					
Taxable	$ 2,542	$ (62)	$ 2,480	$ 12,373	$ 1,457
Tax-exempt	3,669	298	3,967	13,053	1,283
Total securities	6,211	236	6,447	25,426	2,740
Loans, net [(1)]	37,568	2,637	40,205	85,405	25,061
Other earning assets	1,100	20	1,120	87	860
Total earning assets	$ 44,879	$ 2,893	$ 47,772	$ 110,918	$ 28,661
Interest-Bearing Liabilities:					
Interest-bearing deposits:					
Transaction and money market accounts	$ 2,886	$ 4,714	$ 7,600	$ 6,602	$ 19,158
Regular savings	35	22	57	118	329
Time Deposits [(2)]	2,771	4,493	7,264	4,940	12,754
Total interest-bearing deposits	5,692	9,229	14,921	11,660	32,241
Other borrowings [(3)]	3,361	(1,938)	1,423	6,328	1,601
Total interest-bearing liabilities	9,053	7,291	16,344	17,988	33,842
Change in net interest income	$ 35,826	$ (4,398)	$ 31,428	$ 92,930	$ (5,181)

(1) The rate-related change in interest income on loans includes the impact of higher accretion of the acquisition-related fair market value adjustments of $1.5 million and $4.6 million for the three- and nine-month change, respectively.
(2) *The rate-related change in interest expense on deposits includes the impact of lower accretion of the acquisition-related fair market value adjustments of $413,000 and $1.4 million for the three- and nine-month change, respectively.*
(3) *The rate-related change in interest expense on other borrowings includes the impact of lower amortization of the acquisition-related fair market value adjustments of $46,000 and $108,000 for the three- and nine-month change, respectively.*

The Company's net interest margin (FTE) includes the impact of acquisition accounting fair value adjustments. The net accretion for the first three quarters of 2019, as well as the remaining estimated net accretion impact are reflected in the following table (dollars in thousands):

	Loan Accretion	Deposit Accretion (Amortization)	Borrowings Accretion (Amortization)
For the quarter ended March 31, 2019	$ 5,557	$ 292	$ (70)
For the quarter ended June 30, 2019	7,659	213	(70)
For the quarter ended September 30, 2019	5,018	179	(97)
For the remaining three months of 2019 (estimated)	4,596	149	(123)
For the years ending (estimated):			
2020	16,737	132	(633)
2021	11,914	14	(807)
2022	9,560	(43)	(829)
2023	6,777	(32)	(852)
2024	4,973	(4)	(877)
Thereafter	18,176	(1)	(10,773)

The following table excludes discontinued operations. Refer to Note 14 "Segment Reporting & Discontinued Operations" in Item 1 "Financial Statements", of this Form 10-Q for further discussion regarding discontinued operations.

Noninterest Income

	For the Three Months Ended September 30,		Chang
	2019	2018	$
	(Dollars in thousands)		
Noninterest income:			
Service charges on deposit accounts	$ 7,675	$ 6,483	$ 1,192
Other service charges and fees	1,513	1,625	(112)
Interchange fees, net	2,108	4,882	(2,774)
Fiduciary and asset management fees	6,082	4,411	1,671
Mortgage banking income, net	3,374	—	3,374
Gains (losses) on securities transactions, net	7,104	97	7,007
Bank owned life insurance income	2,062	1,732	330
Loan-related interest rate swap fees, net	5,480	562	4,918
Gain on Shore Premier sale	—	(933)	933
Other operating income	12,708	1,028	11,680
Total noninterest income	**$ 48,106**	**$ 19,887**	**$ 28,219**

NM - Not meaningful

Noninterest income increased $28.2 million, or 141.9%, to $48.1 million for the quarter ended September 30, 2019 compared to the quarter ended September 30, 2018. The increase in noninterest income was primarily driven by approximately $9.3 million in life insurance proceeds received during the quarter related to a Xenith-acquired loan that had been charged off prior to the Company’s acquisition of Xenith and a gain on sale of investment securities of approximately $7.1 million recorded during the quarter. Fiduciary and asset management fees increased $1.7 million and mortgage banking income increased $3.4 million primarily related to the acquisition of Access. In addition, loan related interest rate swap income increased $4.9 million from the quarter ended September 30, 2018. Partially offsetting these increases was a decline of $2.8 million in net interchange income primarily due to reduced debit card interchange transaction fees as a result of the Durbin Amendment which was effective for the Company on July 1, 2019.

	For the Nine Months Ended September 30,		Chang
	2019	2018	$
	(Dollars in thousands)		
Noninterest income:			
Service charges on deposit accounts	$ 22,331	$ 18,566	$ 3,765
Other service charges and fees	4,879	4,137	742
Interchange fees, net	12,765	14,163	(1,398)
Fiduciary and asset management fees	16,834	11,507	5,327
Mortgage banking income, net	7,614	—	7,614
Gains (losses) on securities transactions, net	7,306	222	7,084
Bank owned life insurance income	6,191	5,126	1,065
Loan-related interest rate swap fees, net	10,656	2,178	8,478
Gain on Shore Premier sale	—	19,966	(19,966)
Other operating income	15,045	4,887	10,158
Total noninterest income	**$ 103,621**	**$ 80,752**	**$ 22,869**

NM - Not meaningful

Noninterest income increased $22.9 million, or 28.3%, to $103.6 million for the nine months ended September 30, 2019 from $80.7 million for the nine months ended September 30, 2018, primarily driven by approximately $9.3 million in life insurance proceeds received during the third quarter of 2019 related to a Xenith-acquired loan that had been charged off prior to the Company's acquisition of Xenith and a gain on sale of investment securities of approximately $7.1 million recorded during the third quarter of 2019. Fiduciary and asset management fees increased $5.3 million and mortgage banking income increased $7.6 million primarily related to the acquisition of Access. In addition, loan related interest rate swap income increased $8.5 million. These increases were partially offset by the net gain on the Shore Premier sale of $20.0 million recognized during the first nine months of 2018 and a decline of $1.4 million in net interchange income primarily due to reduced debit card interchange transaction fees as a result of the Durbin Amendment which was effective for the Company on July 1, 2019.

The following table excludes discontinued operations. Refer to Note 14 "Segment Reporting & Discontinued Operations" in Item 1 "Financial Statements", of this Form 10-Q for further discussion regarding discontinued operations.

Noninterest Expense

	For the Three Months Ended September 30,		Cha
	2019	2018	$
	(Dollars in thousands)		
Noninterest expense:			
Salaries and benefits	$ 49,718	$ 39,279	$ 10,439
Occupancy expenses	7,493	6,551	942
Furniture and equipment expenses	3,719	2,983	736
Printing, postage, and supplies	1,268	1,183	85
Communications expense	1,037	872	165
Technology and data processing	5,787	4,841	946
Professional services	2,681	2,875	(194)
Marketing and advertising expense	2,600	3,109	(509)
FDIC assessment premiums and other insurance	381	1,363	(982)
Other taxes	3,971	2,878	1,093
Loan-related expenses	2,566	1,939	627
OREO and credit-related expenses	1,005	452	553
Amortization of intangible assets	4,764	3,490	1,274
Training and other personnel costs	1,618	1,024	594
Merger-related costs	2,435	1,429	1,006
Rebranding expense	1,133	—	1,133
Loss on debt extinguishment	16,397	—	16,397
Other expenses	3,114	2,081	1,033
Total noninterest expense	**$ 111,687**	**$ 76,349**	**$ 35,338**

NM - Not meaningful

Noninterest expense increased $35.3 million, or 46.3%, to $111.7 million for the quarter ended September 30, 2019 compared to $76.3 million for the quarter ended September 30, 2018. Excluding merger-related costs, amortization of intangible assets, and rebranding-related costs, operating noninterest expense [(1)] for the quarter ended September 30, 2019 increased $31.9 million, or 44.7%, compared to the third quarter of 2018. The increase in operating noninterest expense was primarily related to the acquisition of Access, the recognition of approximately $16.4 million loss on debt extinguishment resulting from the repayment of approximately $140.0 million in FHLB advances and the termination of the related cash flow hedges. In addition, operating noninterest expense included approximately $309,000 in OREO valuation adjustments driven by updated appraisals received during the third quarter of 2019, $275,000 in recruiting costs related to the new equipment finance division, $1.0 million in support of a community development initiative as well as an FDIC small bank assessment expense credit of approximately $2.4 million as the deposit insurance fund reserve ratio exceeded 1.38% in the second quarter of 2019.

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

	For the Nine Months Ended September 30,		Cha
	2019	2018	$
		(Dollars in thousands)	
Noninterest expense:			
Salaries and benefits	$ 148,116	$ 120,797	$ 27,31
Occupancy expenses	22,427	18,778	3,64
Furniture and equipment expenses	10,656	9,024	1,63
Printing, postage, and supplies	3,763	3,525	23
Communications expense	3,199	2,976	22
Technology and data processing	17,203	13,722	3,48
Professional services	8,269	8,101	16
Marketing and advertising expense	7,891	7,834	5
FDIC assessment premiums and other insurance	5,620	5,430	19
Other taxes	11,779	8,660	3,11
Loan-related expenses	7,250	5,097	2,15
OREO and credit-related expenses	3,162	3,106	5
Amortization of intangible assets	13,919	9,885	4,03
Training and other personnel costs	4,240	3,155	1,08
Merger-related costs	26,928	37,414	(10,48
Rebranding expense	5,553	—	5,55
Loss on debt extinguishment	16,397	—	16,39
Other expenses	7,650	5,730	1,92
Total noninterest expense	**$ 324,022**	**$ 263,234**	**$ 60,78**

NM - Not meaningful

Noninterest expense increased $60.8 million, or 23.1%, to $324.0 million for the nine months ended September 30, 2019 compared to $263.2 million for the nine months ended September 30, 2018. Excluding merger-related costs, amortization of intangible assets, and rebranding-related costs, operating noninterest expense [(1)] for the nine months ended September 30, 2019 increased $61.7 million, or 28.6%, compared to the same period in 2018. The increase in operating noninterest expense was primarily related to the acquisition of Access, the recognition of approximately $16.4 million loss on debt extinguishment resulting from the repayment of approximately $140.0 million in FHLB advances, and the termination of the related cash flow hedges. In addition, operating noninterest expense included $275,000 in recruiting costs related to the new equipment finance division, $1.0 million in support of a community development initiative as well as an FDIC small bank assessment expense credit of approximately $2.4 million as the deposit insurance fund reserve ratio exceeded 1.38% in the second quarter of 2019.

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

Income Taxes

The provision for income taxes is based upon the results of operations, adjusted for the effect of certain tax-exempt income and non-deductible expenses. In addition, certain items of income and expense are reported in different periods for financial reporting and tax return purposes. The tax effects of these temporary differences are recognized currently in the deferred income tax provision or benefit. Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the applicable enacted marginal tax rate.

The Bank is not subject to a state income tax in its primary place of business (Virginia). The Company's other subsidiaries are subject to state income taxes and have historically generated losses for state income tax purposes. State net operating loss carryovers will begin to expire after 2026.

The effective tax rate for the three months ended September 30, 2019 and 2018 was 16.8% and 15.9%, respectively; the effective tax rate for the nine months ended September 30, 2019 and 2018 was 16.0% and 16.6%, respectively. The change in the effective tax rates is primarily due to the proportion of tax-exempt income to pre-tax income.

BALANCE SHEET

Assets

At September 30, 2019, total assets were $17.4 billion, an increase of $3.6 billion from $13.8 billion at December 31, 2018, reflecting the impact of the Access acquisition.

On February 1, 2019, the Company completed its acquisition of Access. Below is a summary of the transaction and related impact on the Company's balance sheet.

- The fair value of assets acquired equaled $2.856 billion, and the fair value of the liabilities assumed equaled $2.559 billion
- Total loans acquired totaled $2.217 billion with a fair value of $2.173 billion
- Total deposits assumed totaled $2.228 billion with a fair value of $2.227 billion
- Total goodwill arising from the transaction equaled $202.6 million
- Core deposit intangibles acquired totaled $40.9 million

Fair values are preliminary and subject to refinement for up to one year after the closing date of the acquisition, in accordance with ASC 805, *Business Combinations*.

Loans held for investment, net of deferred fees and costs, were $12.3 billion at September 30, 2019, an increase of $2.6 billion, or 26.7%, from December 31, 2018. Quarterly average loans increased $2.9 billion, or 31.7%, for the quarter ended September 30, 2019 compared to the quarter ended September 30, 2018 primarily due to the Access acquisition. Refer to "Loan Portfolio" within Item 2 and Note 4 "Loans and Allowance for Loan Losses" in Part I of Item I for additional information on the Company's loan activity.

Liabilities and Stockholders' Equity

At September 30, 2019, total liabilities were $14.9 billion, an increase of $3.1 billion from December 31, 2018.

Total deposits were $13.0 billion at September 30, 2019, an increase of $3.1 billion, or 30.8%, from December 31, 2018. Quarterly average deposits increased $3.0 billion, or 30.7%, for the quarter ended September 30, 2019 compared to the quarter ended September 30, 2018 primarily due to the Access acquisition. Refer to "Deposits" within this Item 2 for further discussion on this topic.

At September 30, 2019, stockholders’ equity was $2.5 billion, an increase of $600.5 million from December 31, 2018. The Company’s capital ratios continue to exceed the minimum capital requirements for regulatory purposes. Refer to “Capital Resources” within this Item 2 for additional information on the Company’s capital ratios.

The Company declared and paid a cash dividend of $0.25 per share during the third quarter of 2019, an increase of $0.02 per share, or 8.7%, compared to the dividend paid during the third quarter of 2018. Dividends for the nine months ended September 30, 2019 were $0.71, an increase of $0.06 per share, or 9.2% compared to the nine months ended September 30, 2018.

Securities

At September 30, 2019, the Company had total investments in the amount of $2.6 billion, or 15.0% of total assets, as compared to $2.4 billion, or 17.4% of total assets, at December 31, 2018. The Company seeks to diversify its portfolio to minimize risk. It focuses on purchasing mortgage-backed securities 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 mortgage-backed securities are agency-backed securities, which have a government guarantee. The investment portfolio has a high percentage of municipals and mortgage-backed securities; therefore, the Company earns a higher taxable equivalent yield on its portfolio as compared to many of its peers. During the fourth quarter of 2018, the Company entered into a swap agreement to hedge the interest rate on a portion of its fixed rate available for sale securities. For information regarding the hedge transaction related to available for sale securities, see Note 9 "Derivatives" in Part I of Item I of this Form 10-Q.

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

	September 30, 2019	
Available for Sale:		
U.S. government and agency securities	**$ 4,490**	$
Obligations of states and political subdivisions	**438,613**	
Corporate and other bonds	**229,524**	
Mortgage-backed securities	**1,243,165**	
Other securities	**3,067**	
Total AFS securities, at fair value	**1,918,859**	
Held to Maturity:		
Obligations of states and political subdivisions, at carrying value	**546,515**	
Mortgage-backed securities	**10,064**	
Total held to maturity securities	**556,579**	
Restricted Stock:		
Federal Reserve Bank stock	**66,964**	
FHLB stock	**65,346**	
Total restricted stock, at cost	**132,310**	
Total investments	**$ 2,607,748**	$

During each quarter and at year end, the Company conducts an assessment of the securities portfolio for OTTI consideration. No OTTI was recognized during the three months ended September 30, 2019. The Company monitors the portfolio, which is subject to liquidity needs, market rate changes, and credit risk changes, to determine whether adjustments are needed. 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.

The following table summarizes the contractual maturity of AFS securities at fair value and their weighted average yields as of September 30, 2019 (dollars in thousands):

	1 Year or Less	1 - 5 Years	5 – 10 Years	Over 10 Years	
U.S. government and agency securities					
Amortized cost	$ 4,475	$ —	$ —	$ —	$
Fair value	4,490	—	—	—	
Weighted average yield [1]	2.53 %	— %	— %	— %	
Mortgage backed securities:					
Amortized cost	$ 9,053	$ 141,213	$ 134,856	$ 930,141	$
Fair value	9,092	143,356	138,276	952,441	
Weighted average yield [1]	3.19 %	2.53 %	2.67 %	3.04 %	
Obligations of states and political subdivisions:					
Amortized cost	$ 6,087	$ 10,154	$ 34,277	$ 361,172	$
Fair value	6,156	10,362	35,421	386,674	
Weighted average yield [1]	5.35 %	4.47 %	3.90 %	3.68 %	
Corporate bonds and other securities:					
Amortized cost	$ 3,067	$ 9,922	$ 94,355	$ 120,577	$
Fair value	3,067	10,190	96,060	123,274	
Weighted average yield [1]	2.23 %	4.56 %	4.48 %	3.33 %	
Total AFS securities:					
Amortized cost	$ 22,682	$ 161,289	$ 263,488	$ 1,411,890	$
Fair value	22,805	163,908	269,757	1,462,389	
Weighted average yield [1]	3.51 %	2.78 %	3.48 %	3.23 %	

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

The following table summarizes the contractual maturity of HTM securities at carrying value and their weighted average yields as of September 30, 2019 (dollars in thousands):

	1 Year or Less	1 - 5 Years	5 – 10 Years	Over 10 Years	
Obligations of states and political subdivisions:					
Carrying value	$ 504	$ 7,309	$ 1,954	$ 536,748	$
Fair value	507	7,515	2,026	587,469	
Weighted average yield [1]	3.27 %	2.45 %	3.24 %	4.09 %	
Mortgage backed securities:					
Carrying value	$ —	$ 1,625	$ 1,206	$ 7,233	$
Fair value	—	1,650	1,221	7,328	
Weighted average yield [1]	—	4.97 %	4.12 %	5.76 %	
Total HTM securities:					
Carrying value	$ 504	$ 8,934	$ 3,160	543,981	
Fair value	507	9,165	3,247	594,797	
Weighted average yield [1]	3.27 %	2.91 %	3.58 %	4.12 %	

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

As of September 30, 2019, the Company maintained a diversified municipal bond portfolio with approximately 63% of its holdings in general obligation issues and the majority of the remainder backed by revenue bonds. Issuances within the State of Texas represented 19% of the 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. Liquid assets include cash, interest-bearing deposits with banks, money market investments, federal funds sold, loans held for sale, 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 purchase of brokered certificates of deposit, and a corporate line of credit with a large correspondent bank. Management considers the Company’s overall liquidity to be sufficient to satisfy its depositors’ requirements and to meet its customers’ credit needs.

As of September 30, 2019, liquid assets totaled $5.5 billion, or 31.7%, of total assets, and liquid earning assets totaled $5.3 billion, or 34.6% of total earning assets. Asset liquidity is also provided by managing loan and securities maturities and cash flows. As of September 30, 2019, approximately $4.5 billion, or 36.7% of total loans, are scheduled to mature within one year based on contractual maturity, adjusted for expected prepayments, and approximately $342.3 million, or 13.1% of total securities, are scheduled to mature within one year.

Additional sources of liquidity available to the Company include its capacity to borrow additional funds when necessary. Refer to Note 7 “Borrowings” in Part I of Item 1 for additional information and the available balances on various lines of credit. 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. Refer to “Deposits” within this Item 2 for additional information and outstanding balances on purchased certificates of deposits.

Loan Portfolio

Loans held for investment, net of deferred fees and costs, were $12.3 billion at September 30, 2019, $9.7 billion at December 31, 2018, and $9.4 billion at September 30, 2018. Commercial real estate - non-owner occupied loans continue to represent the Company's largest category, comprising 26.0% of the total loan portfolio at September 30, 2019.

The following table presents the Company's composition of loans held for investment, net of deferred fees and costs, in dollar amounts and as a percentage of total gross loans as of the quarter ended (dollars in thousands):

	September 30, 2019		June 30, 2019		March 31, 2019		December 31, 2018		Septer
Construction and Land Development	**$ 1,201,149**	**9.8 %**	$ 1,267,712	10.4 %	$ 1,326,679	11.1 %	$ 1,194,821	12.3 %	$ 1,17
Commercial Real Estate - Owner Occupied	**1,979,052**	**16.1 %**	1,966,776	16.1 %	1,921,464	16.1 %	1,337,345	13.8 %	1,28
Commercial Real Estate - Non-Owner Occupied	**3,198,580**	**26.0 %**	3,104,823	25.4 %	2,970,453	24.9 %	2,467,410	25.4 %	2,42
Multifamily Real Estate	**659,946**	**5.4 %**	602,115	4.9 %	591,431	5.0 %	548,231	5.6 %	54
Commercial & Industrial	**2,058,133**	**16.7 %**	2,032,799	16.6 %	1,866,625	15.6 %	1,317,135	13.6 %	1,15
Residential 1-4 Family - Commercial	**721,185**	**5.9 %**	723,636	6.0 %	743,101	6.2 %	640,419	6.6 %	64
Residential 1-4 Family - Consumer	**913,245**	**7.4 %**	928,130	7.6 %	937,710	7.8 %	673,909	6.9 %	68
Auto	**328,456**	**2.7 %**	311,858	2.6 %	300,631	2.5 %	301,943	3.1 %	30
HELOC	**660,963**	**5.4 %**	660,621	5.4 %	672,087	5.6 %	613,383	6.3 %	61
Consumer	**386,848**	**3.1 %**	383,653	3.1 %	397,491	3.3 %	379,694	3.9 %	34
Other Commercial	**199,440**	**1.5 %**	238,391	1.9 %	224,638	1.9 %	241,917	2.5 %	23
Total loans held for investment	**$ 12,306,997**	**100.0 %**	$ 12,220,514	100.0 %	$ 11,952,310	100.0 %	$ 9,716,207	100.0 %	$ 9,41

The following table presents the remaining maturities, based on contractual maturity, by loan type and by rate type (variable or fixed), as of September 30, 2019 (dollars in thousands):

			Variable Rate			Fixed Rate	
	Total Maturities	Less than 1 year	Total	1-5 years	More than 5 years	Total	1-5 years
Construction and Land Development	**$ 1,201,149**	$ 549,680	$ 375,467	$ 279,204	$ 96,263	$ 276,002	$ 217,705
Commercial Real Estate - Owner Occupied	**1,979,052**	196,254	480,038	102,389	377,649	1,302,760	705,158
Commercial Real Estate - Non-Owner Occupied	**3,198,580**	373,332	1,225,208	370,102	855,106	1,600,040	1,165,446
Multifamily Real Estate	**659,946**	103,292	290,449	80,082	210,367	266,205	216,181
Commercial & Industrial	**2,058,133**	613,940	874,111	695,546	178,565	570,082	358,597
Residential 1-4 Family - Commercial	**721,185**	141,766	125,502	14,712	110,790	453,917	395,703
Residential 1-4 Family - Consumer	**913,245**	22,319	407,008	6,210	400,798	483,918	23,052
Auto	**328,456**	2,401	2	2	—	326,053	160,241
HELOC	**660,963**	63,675	588,946	83,545	505,401	8,342	778
Consumer	**386,848**	12,097	17,612	15,655	1,957	357,139	213,975
Other Commercial	**199,440**	33,803	38,251	5,866	32,385	127,386	62,504
Total loans held for investment	**$ 12,306,997**	$ 2,112,559	$ 4,422,594	$ 1,653,313	$ 2,769,281	$ 5,771,844	$ 3,519,340

The Company remains committed to originating soundly underwritten loans to qualifying borrowers within its markets. The Company is focused on providing community-based financial services and discourages the origination of portfolio loans outside of its principal trade areas. As reflected in the loan table, at September 30, 2019, the largest components of the Company's loan portfolio consisted of commercial real estate, commercial & industrial, and construction and land development loans. The risks attributable to these concentrations are mitigated by the Company's credit underwriting and monitoring processes, including oversight by a centralized credit administration function and credit policy and risk management committee, as well as seasoned bankers focusing their lending to borrowers with proven track records in markets with which the Company is familiar.

Asset Quality

Overview

At September 30, 2019, the Company had higher levels of NPAs compared to December 31, 2018, primarily due to nonaccrual additions of commercial real estate – owner occupied, residential 1-4 family - consumer, and construction and land development which were attributable to several smaller credit relationships. NPAs as a percentage of total outstanding loans held for investment decreased from December 31, 2018. Past due loan levels as a percentage of total loans held for investment at September 30, 2019 were lower than past due loan levels at December 31, 2018. As the Company's NPAs and past due loan levels have been at or near historic lows over the last several quarters, certain changes from quarter to quarter might stand out in comparison to one another but have an insignificant impact on the Company's overall asset quality position.

Net charge-offs increased for nine months ended September 30, 2019 compared to nine months ended September 30, 2018. Total net charge-offs as a percentage of total average loans on an annualized basis also increased for nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. The increase in net charge-offs is primarily from the Company's consumer lending portfolio and a construction and land development loan. At September 30, 2019, the allowance and the provision for loan losses for the nine months ended September 30, 2019 increased from the nine months ended September 30, 2018 due to an increase in net charge-offs and loan growth during 2019.

All nonaccrual and past due loan metrics discussed below exclude PCI loans totaling $89.7 million (net of fair value mark of $24.0 million) at September 30, 2019.

Troubled Debt Restructurings

The total recorded investment in TDRs as of September 30, 2019 was $18.7 million, a decrease of $7.9 million or 29.7% from $26.6 million at December 31, 2018 and a decrease of $9.6 million or 33.9% from $28.3 million at September 30, 2018. Of the $18.7 million of TDRs at September 30, 2019, $15.1 million or 80.7% were considered performing while the remaining $3.6 million were considered nonperforming.

Nonperforming Assets

At September 30, 2019, NPAs totaled $36.4 million, an increase of $2.7 million or 8.1% from December 31, 2018 and an increase of $1.5 million or 4.3% from September 30, 2018. NPAs as a percentage of total outstanding loans at September 30, 2019 were 0.30%, a decline of 5 basis points from 0.35% at December 31, 2018 and a decline of 7 basis points from 0.37% at September 30, 2018.

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

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	S
Nonaccrual loans, excluding PCI loans	$ 30,032	$ 27,462	$ 24,841	$ 26,953	$
Foreclosed properties	6,385	6,506	7,353	6,722	
Total NPAs	36,417	33,968	32,194	33,675	
Loans past due 90 days and accruing interest	12,036	8,828	10,953	8,856	
Total NPAs and loans past due 90 days and accruing interest	$ 48,453	$ 42,796	$ 43,147	$ 42,531	$
Performing TDRs	$ 15,156	$ 19,144	$ 20,808	$ 19,201	$
PCI loans	89,735	101,301	99,932	90,221	
Balances					
Allowance for loan losses	$ 43,820	$ 42,463	$ 40,827	$ 41,045	$
Average loans, net of deferred fees and costs	12,240,254	12,084,961	11,127,390	9,584,785	
Loans, net of deferred fees and costs	12,306,997	12,220,514	11,952,310	9,716,207	
Ratios					
NPAs to total loans	0.30 %	0.28 %	0.27 %	0.35 %	
NPAs & loans 90 days past due to total loans	0.39 %	0.35 %	0.36 %	0.44 %	
NPAs to total loans & foreclosed property	0.30 %	0.28 %	0.27 %	0.35 %	
NPAs & loans 90 days past due to total loans & foreclosed property	0.39 %	0.35 %	0.36 %	0.44 %	
ALL to nonaccrual loans	145.91 %	154.62 %	164.35 %	152.28 %	
ALL to nonaccrual loans & loans 90 days past due	104.16 %	117.01 %	114.06 %	114.62 %	

NPAs at September 30, 2019 included $30.0 million in nonaccrual loans, a net increase of $3.1 million or 11.4% from December 31, 2018 and a net increase of $1.9 million or 6.8% from September 30, 2018. The following table shows the activity in nonaccrual loans for the quarters ended (dollars in thousands):

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	
Beginning Balance	$ 27,462	$ 24,841	$ 26,953	$ 28,110	$
Net customer payments	(3,612)	(3,108)	(2,314)	(3,077)	
Additions	8,327	6,321	3,297	4,659	
Charge-offs	(884)	(592)	(1,626)	(2,069)	
Loans returning to accruing status	(1,103)	—	(952)	(420)	
Transfers to foreclosed property	(158)	—	(517)	(250)	
Ending Balance	$ 30,032	$ 27,462	$ 24,841	$ 26,953	$

The following table presents the composition of nonaccrual loans at the quarters ended (dollars in thousands):

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Construction and Land Development	$ 7,785	$ 5,619	$ 5,513	$ 8,018
Commercial Real Estate - Owner Occupied	5,684	4,062	3,307	3,636
Commercial Real Estate - Non-owner Occupied	381	1,685	1,787	1,789
Commercial & Industrial	1,585	1,183	721	1,524
Residential 1-4 Family - Commercial	3,879	4,135	4,244	2,481
Residential 1-4 Family - Consumer	8,292	8,677	7,119	7,276
Auto	604	449	523	576
HELOC	1,641	1,432	1,395	1,518
Consumer and all other	181	220	232	135
Total	$ 30,032	$ 27,462	$ 24,841	$ 26,953

NPAs at September 30, 2019 also included $6.4 million in foreclosed property, a decrease of $337,000 or 5.0%, from December 31, 2018 and a decrease of $415,000 or 6.1%, from September 30, 2018. The following table shows the activity in foreclosed property for the quarters ended (dollars in thousands):

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Beginning Balance	$ 6,506	$ 7,353	$ 6,722	$ 6,800
Additions of foreclosed property	645	271	900	432
Valuation adjustments	(62)	(433)	(51)	(140)
Proceeds from sales	(737)	(638)	(171)	(286)
Gains (losses) from sales	33	(47)	(47)	(84)
Ending Balance	$ 6,385	$ 6,506	$ 7,353	$ 6,722

The following table presents the composition of the foreclosed property portfolio at the quarter ended (dollars in thousands):

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Land	$ 1,842	$ 1,842	$ 2,216	$ 2,306
Land Development	2,788	2,809	2,809	2,809
Residential Real Estate	1,214	1,304	1,925	1,204
Commercial Real Estate	541	551	403	403
Total	$ 6,385	$ 6,506	$ 7,353	$ 6,722

Past Due Loans

At September 30, 2019, total accruing past due loans were $55.1 million or 0.45% of total loans held for investment, compared to $61.9 million or 0.64% of total loans held for investment at December 31, 2018 and $46.6 million or 0.49% of total loans held for investment at September 30, 2018. Of the total past due loans still accruing interest at September 30, 2019, $12.0 million or 0.10% of total loans held for investment were past due 90 days or more, compared to $8.9 million or 0.09% of total loans held for investment at December 31, 2018 and $9.5 million or 0.10% of total loans held for investment at September 30, 2018.

Net Charge-offs

For the quarter ended September 30, 2019, net charge-offs were $7.7 million or 0.25% of average loans on an annualized basis, compared to $3.2 million or 0.13% for the same quarter last year. For the nine months ended September 30, 2019, net charge-offs were $16.2 million or 0.18% of total average loans on annualized basis, compared to $6.0 million or

0.08% for the same period in 2018. The majority of net charge-offs in 2019 have been related to consumer loans and a construction and land development loan.

Provision for Loan Losses

The provision for loan losses for the quarter ended September 30, 2019 was $9.1 million, an increase of $6.0 million compared with the same quarter last year. The provision for loan losses for the nine months ended September 30, 2019 was $19.0 million compared to $9.3 million for the nine months ended September 30, 2018. The increase in the provision for loan losses compared to the third quarter of 2018 and the nine months ended September 30, 2018 was primarily driven by an increase in net charge-offs and loan growth.

Allowance for Loan Losses

The ALL of $43.8 million at September 30, 2019 is an increase of $2.8 million compared to the ALL at December 31, 2018 primarily due to loan growth. The current level of the ALL reflects specific reserves related to nonperforming loans, current risk ratings on loans, net charge-off activity, loan growth, delinquency trends, and other credit risk factors that the Company considers important in assessing the adequacy of the ALL. The ALL as a percentage of the total loans held for investment was 0.36% at September 30, 2019, 0.42% at December 31, 2018, and 0.44% at September 30, 2018. The decline in the allowance ratio was primarily attributable to the acquisition of Access in the first quarter of 2019. In acquisition accounting, there is no carryover of previously established ALL.

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

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	S
Balance, beginning of period	$ 42,463	$ 40,827	$ 41,045	$ 41,294	$
Loans charged-off:					
Commercial	304	878	980	141	
Real estate	3,998	765	1,093	2,806	
Consumer	5,015	4,291	3,866	3,184	
Total loans charged-off	9,317	5,934	5,939	6,131	
Recoveries:					
Commercial	255	321	360	121	
Real estate	548	553	555	391	
Consumer	771	796	781	574	
Total recoveries	1,574	1,670	1,696	1,086	
Net charge-offs	7,743	4,264	4,243	5,045	
Provision for loan losses - continuing operations	9,100	5,900	4,025	4,800	
Provision for loan losses - discontinued operations	—	—	—	(4)	
Balance, end of period	$ 43,820	$ 42,463	$ 40,827	$ 41,045	$
ALL to loans	0.36 %	0.35 %	0.34 %	0.42 %	
Net charge-offs to average loans	0.25 %	0.14 %	0.15 %	0.21 %	
Provision to average loans	0.29 %	0.20 %	0.15 %	0.20 %	

The following table shows both an allocation of the ALL among loan categories based upon the loan portfolio's composition and the ratio of the related outstanding loan balances to total loans held for investment as of the quarters ended (dollars in thousands):

	September 30, 2019		June 30, 2019		March 31, 2019		December 31, 2018		Se
	$	% [(1)]	$	% [(1)]	$	% [(1)]	$	% [(1)]	$
Commercial	$ 9,149	16.7 %	$ 7,696	16.6 %	$ 7,411	15.6 %	$ 7,636	13.6 %	$
Real estate	24,916	76.0 %	25,120	75.8 %	24,848	76.7 %	24,821	76.9 %	
Consumer	9,755	7.3 %	9,647	7.6 %	8,568	7.7 %	8,588	9.5 %	
Total	$ 43,820	100.0 %	$ 42,463	100.0 %	$ 40,827	100.0 %	$ 41,045	100.0 %	$

(1) Represents the loan balance divided by total loans held for investment.

Deposits

As of September 30, 2019, total deposits were $13.0 billion, an increase of $3.1 billion, or 30.8%, from December 31, 2018. Total interest-bearing deposits consist of NOW, money market, savings, and time deposit account balances. Total time deposit balances of $2.9 billion accounted for 29.3% of total interest-bearing deposits at September 30, 2019.

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

	September 30, 2019		December 3
Deposits:	**Amount**	**% of total deposits**	**Amount**
Non-interest bearing	**$ 3,155,174**	**24.2 %**	$ 2,094,607
NOW accounts	**2,515,777**	**19.3 %**	2,288,523
Money market accounts	**3,737,426**	**28.6 %**	2,875,301
Savings accounts	**739,505**	**5.7 %**	622,823
Time deposits of $100,000 and over[(1)]	**1,770,707**	**13.6 %**	1,067,181
Other time deposits	**1,126,123**	**8.6 %**	1,022,525
Total Deposits	**$ 13,044,712**	**100.0 %**	$ 9,970,960

(1) Includes time deposits of $250,000 and over of $717,090 and $292,224 as of September 30, 2019 and December 31, 2018, respectively.

The Company may also borrow additional funds by purchasing certificates of deposit through a nationally recognized network of financial institutions. The Company utilizes this funding source when rates are more favorable than other funding sources. As of September 30, 2019 and December 31, 2018, there were $194.2 million and $188.5 million, respectively, purchased certificates of deposit included in certificates of deposit on the Company's Consolidated Balance Sheets.

Maturities of time deposits as of September 30, 2019 were as follows (dollars in thousands):

	Amount
Within 3 Months	**$ 527,931**
3 - 12 Months	**1,114,970**
Over 12 Months	**1,253,929**
Total	**$ 2,896,830**

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.

In July 2013, the Federal Reserve issued final rules to include technical changes to its market risk capital rules to align them with the Basel III regulatory capital framework and meet certain requirements of the Dodd-Frank Act. Effective January 1, 2015, the final rules require the Company and the Bank to comply with the following minimum capital ratios: (i) a new common equity Tier 1 capital ratio of 4.5% of risk-weighted assets; (ii) a Tier 1 capital ratio of 6.0% of risk-weighted assets (increased from the prior requirement of 4.0%); (iii) a total capital ratio of 8.0% of risk-weighted assets (unchanged from the prior requirement); and (iv) a leverage ratio of 4.0% of total assets (unchanged from the prior requirement). These capital requirements will be phased in over a four-year period. The rules were fully phased in on January 1, 2019, and now require the Company and the Bank to maintain (i) a minimum ratio of common equity Tier 1 to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% common equity Tier 1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of common equity Tier 1 to risk-weighted assets of at least 7.0% upon full implementation), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the 2.5% capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of total capital to risk-weighted assets of at least 8.0%, plus the 2.5% capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation), and (iv) a minimum leverage ratio of 4.0%, calculated as the ratio of Tier 1 capital to average assets.

Beginning January 1, 2016, the capital conservation buffer requirement began to be phased in at 0.625% of risk-weighted assets, and increased by the same amount each year and was fully implemented at 2.5% on January 1, 2019. The capital conservation buffer 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 February 1, 2019, the Company completed its acquisition of Access. As a result, as of September 30, 2019, the Company's assets exceeded $15.0 billion and the trust preferred capital notes qualify for Tier 2 capital for regulatory purposes.

On July 10, 2019, the Company announced that its Board of Directors has authorized a share repurchase program to purchase up to $150.0 million of the Company's common stock through June 30, 2021 in open market transactions or privately negotiated transactions. Authority remained to repurchase approximately $92.0 million and $115 million of the Company's common stock as of November 1, 2019 and September 30, 2019, respectively.

The table summarizes the Company's capital and related ratios for the periods presented [3] (dollars in thousands):

	September 30, 2019	December 31, 2018	Septe 2
Common equity Tier 1 capital	$ 1,441,259	$ 1,106,871	
Tier 1 capital	1,441,259	1,236,709	
Tier 2 capital	337,436	199,002	
Total risk-based capital	1,778,695	1,435,711	
Risk-weighted assets	13,752,804	11,146,898	
Capital ratios:			
Common equity Tier 1 capital ratio	10.48%	9.93%	
Tier 1 capital ratio	10.48%	11.09%	
Total capital ratio	12.93%	12.88%	
Leverage ratio (Tier 1 capital to average assets)	8.94%	9.71%	
Capital conservation buffer ratio [1]	4.48%	4.88%	
Common equity to total assets	14.48%	13.98%	
Tangible common equity to tangible assets [2]	9.23%	8.84%	

(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 represents the Company's capital conservation buffer ratio.*

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

(3) *All ratios and amounts at September 30, 2019 are estimates and subject to change pending the Company's filing of its FR Y9-C. All other periods are presented as filed.*

NON-GAAP FINANCIAL MEASURES

In reporting the results of the three and nine months ended September 30, 2019, the Company has provided supplemental performance measures on a tax-equivalent, tangible, and/or operating 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.

Net interest income (FTE), which is used in computing net interest margin (FTE) and efficiency ratio (FTE), provides valuable additional insight into the net interest margin and the efficiency ratio by adjusting for differences in tax treatment of interest income sources. The entire FTE adjustment is attributable to interest income on earning assets, which is used in computing 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 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. Tangible common equity is used in the calculation of certain profitability, capital, and per share ratios. The Company believes tangible common equity and 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.

Operating measures exclude merger and rebranding-related costs unrelated to the Company's normal operations. The Company believes these measures are useful to investors as they exclude certain costs resulting from acquisition activity and allow investors to more clearly see the combined economic results of the organization's operations.

The operating efficiency ratio (FTE) excludes the amortization of intangible assets and merger-related costs. This measure is similar to the measure utilized by the Company when analyzing corporate performance and is also similar to the measure utilized for incentive compensation. The Company believes this measure is useful to investors as it excludes certain costs resulting from acquisition activity allowing for greater comparability with others in the industry and allowing investors to more clearly see the combined economic results of the organization's operations. In prior periods, the Company has not excluded the amortization of intangibles from noninterest expense when calculating the operating efficiency ratio (FTE). The Company has adjusted its presentation for all periods in this release to exclude the amortization of intangibles from noninterest expense.

The Company believes that operating ROTCE is a meaningful supplement to GAAP financial measures and useful to investors because it measures the performance of a business consistently across time without regard to whether components of the business were acquired or developed internally.

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The following table reconciles these 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 September 30,		Nine Months I September
	2019	2018	2019
Interest Income (FTE)			
Interest and dividend income (GAAP)	$ 178,345	$ 131,363	$ 525,122
FTE adjustment	2,804	2,014	8,468
Interest and dividend income FTE (non-GAAP)	$ 181,149	$ 133,377	$ 533,590
Average earning assets	$ 15,191,792	$ 11,383,320	$ 14,700,019
Yield on interest-earning assets (GAAP)	4.66 %	4.58 %	4.78 %
Yield on interest-earning assets (FTE) (non-GAAP)	4.73 %	4.65 %	4.85 %
Net Interest Income (FTE)			
Net Interest Income (GAAP)	$ 136,601	$ 105,963	$ 402,743
FTE adjustment	2,804	2,014	8,468
Net Interest Income FTE (non-GAAP)	139,405	107,977	411,211
Average earning assets	$ 15,191,792	$ 11,383,320	$ 14,700,019
Net interest margin (GAAP)	3.57 %	3.69 %	3.66 %
Net interest margin (FTE) (non-GAAP)	3.64 %	3.76 %	3.74 %
Tangible Assets			
Ending Assets (GAAP)	$ 17,441,035	$ 13,371,742	$ 17,441,035
Less: Ending goodwill	929,815	727,699	929,815
Less: Ending amortizable intangibles	78,241	51,563	78,241
Ending tangible assets (non-GAAP)	$ 16,432,979	$ 12,592,480	$ 16,432,979
Tangible Common Equity			
Ending Equity (GAAP)	$ 2,525,031	$ 1,880,029	$ 2,525,031
Less: Ending goodwill	929,815	727,699	929,815
Less: Ending amortizable intangibles	78,241	51,563	78,241
Ending tangible common equity (non-GAAP)	$ 1,516,975	$ 1,100,767	$ 1,516,975
Average equity (GAAP)	$ 2,528,435	$ 1,880,582	$ 2,429,912
Less: Average goodwill	930,525	723,785	906,476
Less: Average amortizable intangibles	80,510	53,267	80,605
Average tangible common equity (non-GAAP)	$ 1,517,400	$ 1,103,530	$ 1,442,831
ROE (GAAP)	8.35 %	8.06 %	7.58 %
Common equity to assets (GAAP)	14.48 %	14.06 %	14.48 %
Tangible common equity to tangible assets (non-GAAP)	9.23 %	8.74 %	9.23 %
Book value per share (GAAP)	$ 31.29	$ 28.68	$ 31.29
Tangible book value per share (non-GAAP)	$ 18.80	$ 16.79	$ 18.80
Operating Measures			
Net income (GAAP)	$ 53,238	$ 38,197	$ 137,692
Merger-related costs, net of tax	2,819	1,129	25,973
Net operating earnings (non-GAAP)	$ 56,057	$ 39,326	$ 163,665
Weighted average common shares outstanding, diluted	81,832,868	66,013,152	80,183,113
Earnings per common share, diluted (GAAP)	$ 0.65	$ 0.58	$ 1.72
Operating earnings per share, diluted (non-GAAP)	$ 0.69	$ 0.60	$ 2.04
Average assets (GAAP)	$ 17,203,328	$ 12,947,352	$ 16,639,041
ROA (GAAP)	1.23 %	1.17 %	1.11 %
Operating ROA (non-GAAP)	1.29 %	1.21 %	1.32 %
Average common equity (GAAP)	$ 2,528,435	$ 1,880,582	$ 2,429,912
ROE (GAAP)	8.35 %	8.06 %	7.58 %
Operating ROE (non-GAAP)	8.80 %	8.30 %	9.01 %
Noninterest expense (GAAP)	$ 111,687	$ 76,349	$ 324,022
Less: Merger-related costs	2,435	1,429	26,928
Less: Rebranding-related costs	1,133	—	5,553
Less: Amortization of intangible assets	4,764	3,490	13,919
Operating noninterest expense (non-GAAP)	$ 103,355	$ 71,430	$ 277,622
Net interest income (GAAP)	$ 136,601	$ 105,963	$ 402,743
Net interest income (FTE) (non-GAAP)	$ 139,405	$ 107,977	$ 411,211
Noninterest income (GAAP)	$ 48,106	$ 19,887	$ 103,621
Efficiency ratio (GAAP)	60.47 %	60.67 %	63.99 %
Operating efficiency ratio (FTE) (non-GAAP)	55.12 %	58.59 %	53.92 %
Operating ROTCE			
Operating Net Income (non-GAAP)	$ 56,057	$ 39,326	$ 163,665
Plus: Amortization of intangibles, tax effected	3,764	2,757	10,996
Net Income before amortization of intangibles (non-GAAP)	$ 59,821	$ 42,083	$ 174,661
Average tangible common equity (non-GAAP)	$ 1,517,400	$ 1,103,530	$ 1,442,831
Operating return on average tangible common equity (non-GAAP)	15.64 %	15.13 %	16.18 %

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 ALCO of the Company is responsible for reviewing the interest rate sensitivity position of the Company and establishing policies to monitor and limit exposure to this risk. The Company's Board of Directors reviews and approves the guidelines established by ALCO.

Interest rate risk is monitored 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 interest rate risk in the Company, 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. Static gap, which measures aggregate re-pricing values, is less utilized because it does not effectively measure the options risk impact on the Company and is not addressed here. Earnings simulation and economic value models, which more effectively measure the cash flow and optionality impacts, are utilized by management on a regular basis and are explained 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 Analysis

Management uses simulation analysis 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 it provides a better analysis of the sensitivity of earnings to changes in interest rates than other analyses, such as the static gap analysis discussed above.

Assumptions used in the model are derived from historical trends and management's outlook and include loan and deposit growth rates and projected yields and rates. These assumptions may not materialize and unanticipated events and circumstances may occur. The model also does not take into account any future actions of management to mitigate the impact of interest rate changes. Such assumptions are monitored by management and periodically adjusted as appropriate. All maturities, calls, and prepayments in the securities portfolio are assumed to be reinvested in like instruments. Mortgage loans and mortgage-backed securities prepayment assumptions are based on industry estimates of prepayment speeds for portfolios with similar coupon ranges and seasoning. Different interest rate scenarios and yield curves are used to measure the sensitivity of earnings to changing interest rates. Interest rates on different asset and liability accounts move differently when the prime rate changes and are reflected in the different rate scenarios.

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 basis points up to 300 basis points. The model, under all scenarios, does not drop the index below zero.

The following table represents the interest rate sensitivity on net interest income for the Company across the rate paths modeled for balances as of September 30, 2019 and 2018 (dollars in thousands):

	Change In Net Interest Income September 30,		
	2019		20
	%	$	%
Change in Yield Curve:			
+300 basis points	**13.16**	**73,140**	**7.34**
+200 basis points	**8.71**	**48,405**	**5.41**
+100 basis points	**4.48**	**24,893**	**2.76**
Most likely rate scenario	**—**	**—**	**—**
-100 basis points	**(5.39)**	**(29,980)**	**(3.40)**
-200 basis points	**(8.71)**	**(48,423)**	**(7.52)**

Asset sensitivity indicates that in a rising interest rate environment the Company's net interest income would increase and in a decreasing interest rate environment the Company's net interest income would decrease. Liability sensitivity indicates that in a rising interest rate environment the Company's net interest income would decrease and in a decreasing interest rate environment the Company's net interest income would increase.

From a net interest income perspective, the Company was more asset sensitive as of September 30, 2019, compared to its position as of September 30, 2018. This shift is in part due to the changing market characteristics of certain 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 at lower rates and interest-bearing deposits remain near their floors.

Economic Value Simulation
Economic value simulation is used to calculate the estimated fair value of assets and liabilities over different interest rate environments. Economic values are calculated 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 same assumptions are used in the economic value simulation as in the earnings simulation. The economic value simulation 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 September 30, 2019 and 2018 (dollars in thousands):

	Change In Economic Value of Equity September 30,		
	2019		2(
	%	$	%
Change in Yield Curve:			
+300 basis points	**(4.13)**	**(132,210)**	**(4.48)**
+200 basis points	**(2.44)**	**(78,042)**	**(2.64)**
+100 basis points	**(0.97)**	**(31,031)**	**(1.03)**
Most likely rate scenario	**—**	**—**	**—**
-100 basis points	**(3.43)**	**(109,752)**	**(0.96)**
-200 basis points	**(9.63)**	**(307,914)**	**(3.59)**

As of September 30, 2019, the Company's economic value of equity is less sensitive in a rising interest rate environment compared to September 30, 2018 primarily due to the composition of the Consolidated Balance Sheets and due in part to the market characteristics of certain deposits.

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 September 30, 2019. 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 provide reasonable assurance 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 September 30, 2019, 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
There was no change in the internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2019 that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

In the ordinary course of its operations, the Company and its subsidiaries are parties 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.

ITEM 1A – RISK FACTORS

There have been no material changes with respect to the risk factors disclosed in the Company’s 2018 Form 10-K.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Sales of Unregistered Securities – None

(b) Use of Proceeds – Not Applicable.

(c) Issuer Purchases of Securities

Stock Repurchase Program; Other

The following information describes the Company’s common stock repurchases for the three months ended September 30, 2019:

Period	Total number of shares purchased[(1)]	Average price paid per share ($)	Total number of shares purchased as part of publicly announced plans or programs	Approximat remaining that under t
July 1 - July 31, 2019	2,308	35.49	-	150,
August 1 - August 31, 2019	556,745	35.90	556,365	130,
September 1 - September 30, 2019	413,762	37.01	412,900	114,
Total	972,815	36.37	969,265	

(1) *Effective July 8, 2019, the Company’s Board of Directors authorized a share repurchase program to purchase up to $150.0 million worth of the Company’s common stock in open market transactions or privately negotiated transactions, including pursuant to a trading plan in accordance with Rule 10b5-1 and/or Rule 10b-18 under the Exchange Act. The repurchase program is authorized through June 30, 2021. During the three months ended September 30, 2019, 3,550 shares were withheld upon the vesting of restricted shares granted to employees of the Company in order to satisfy tax withholding obligations.*

ITEM 6 – EXHIBITS

The following exhibits are filed as part of this Form 10-Q and this list includes the Exhibit Index:

Exhibit No.	Description
2.01	Agreement and Plan of Reorganization, dated as of May 19, 2017, by and between Union Bankshares Corporation and Xenith Bankshares, Inc. (incorporated by reference to Exh Report on Form 8-K filed on May 23, 2017).
2.02	Agreement and Plan of Reorganization, dated as of October 4, 2018, as amended on December 7, 2018, by and between Union Bankshares Corporation and Access National Cor (incorporated by reference to Annex A to Form S-4/A Registration Statement filed on December 10, 2018; SEC file no. 333-228455).
3.01	Articles of Incorporation of Atlantic Union Bankshares Corporation, as amended April 25, 2014 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on
3.02	Amendment to Articles of Incorporation of Atlantic Union Bankshares Corporation, effective May 17, 2019 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8 2019).
3.03	Amended and Restated Bylaws of Atlantic Union Bankshares Corporation, effective May 17, 2019 (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K filed
15.01	Letter regarding unaudited interim financial information.
31.01	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certification of Principal Executive Officer and Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.00	Interactive data files formatted in Inline eXtensible Business Reporting Language for the quarter ended September 30, 2019 pursuant to Rule 405 of Regulation S-T (1): (i) the C Sheets, (ii) the Consolidated Statements of Income (unaudited), (iii) the Consolidated Statements of Comprehensive Income (unaudited), (iv) the Consolidated Statements of Ch Stockholders' Equity (unaudited), (v) the Consolidated Statements of Cash Flows (unaudited) and (vi) the Notes to Consolidated Financial Statements (unaudited).
104.00	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline eXtensible Business Reporting Language (incl 101).

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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: November 5, 2019

By: /s/ John C. Asbury
John C. Asbury,
President and Chief Executive Officer
(principal executive officer)

Date: November 5, 2019

By: /s/ Robert M. Gorman
Robert M. Gorman,
Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)

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Section 2: EX-15.01 (EX-15.01)

Exhibit 15.01

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

We are aware of the incorporation by reference in the Registration Statements (Form S-3 No. 333-220398, Form S-3 No. 333-156946, Form S-3 No. 333-102012, Form S-3 No. 333-81199, 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 November 5, 2019 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 September 30, 2019.

Under Rule 436(c) of the Securities Act of 1933 our report is not a part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the 1933 Act.

/s/ Ernst & Young LLP

Richmond, Virginia
November 5, 2019

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Section 3: EX-31.01 (EX-31.01)

Exhibit 31.01

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: November 5, 2019

/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-OxleyAct 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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Section 4: EX-31.02 (EX-31.02)

Exhibit 31.02

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: November 5, 2019

/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-OxleyAct 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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Section 5: EX-32.01 (EX-32.01)

Exhibit 32.01

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 September 30, 2019 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

November 5, 2019

/s/ Robert M. Gorman

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

November 5, 2019

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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