

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, 2022**

OR

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

Commission File Number: 001-39325

ATLANTIC UNION BANKSHARES CORPORATION

(Exact name of registrant as specified in its charter)

Virginia  
(State or other jurisdiction of  
incorporation or organization)

54-1598552  
(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
<b>Common Stock, par value \$1.33 per share Depository Shares, Each Representing a 1/400<sup>th</sup> Interest in a Share of 6.875% Perpetual Non-Cumulative Preferred Stock, Series A</b>	<b>AUB</b>	<b>The NASDAQ Global Select Market</b>
	<b>AUBAP</b>	<b>The NASDAQ Global Select Market</b>

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

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

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

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

Yes  No

The number of shares of common stock outstanding as of October 27, 2022 was 74,711,507.

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

2021 Form 10-K	- Annual Report on Form 10-K for the year ended December 31, 2021
2031 Notes	- \$250.0 million of 2.875% fixed-to-floating rate subordinate notes issued by the Company during the fourth quarter of 2021 with a maturity date of December 15, 2031
Access	- Access National Corporation and its subsidiaries
ACL	- Allowance for credit losses
AFS	- Available for sale
ALCO	- Asset Liability Committee
ALLL	- Allowance for loan and lease losses, a component of ACL
AOCI	- Accumulated other comprehensive income (loss)
ASC	- Accounting Standards Codification
ASC 820	- ASC 820, <i>Fair Value Measurements and Disclosures</i>
ASU	- Accounting Standards Update
ATM	- Automated teller machine
AUB	- Atlantic Union Bankshares Corporation
AUBAP	- Atlantic Union Bankshares Corporation trading symbol
the Bank	- Atlantic Union Bank (formerly, Union Bank & Trust)
BOLI	- Bank owned life insurance
bps	- Basis points
BVAL	- Bloomberg Valuation Service
CAA	- Consolidated Appropriations Act, 2021
CARES Act	- Coronavirus Aid, Relief, and Economic Security Act
CECL	- Current expected credit losses
CODM	- Chief operating decision maker
the Company	- Atlantic Union Bankshares Corporation (formerly, Union Bankshares Corporation) and its subsidiaries
COVID-19	- COVID-19 global pandemic
CSP	- Cary Street Partners Financial LLC
depository shares	- Depository shares, each representing a 1/400th ownership interest in a share of the Company's Series A preferred stock, with a liquidation preference of \$10,000 per share of Series A preferred stock (equivalent to \$25 per depository share)
DHFB	- Dixon, Hubbard, Feinour & Brown, Inc.
EPS	- Earnings per common share
Exchange Act	- Securities Exchange Act of 1934, as amended
FASB	- Financial Accounting Standards Board
FCMs	- Futures Commission Merchants
FDIC	- Federal Deposit Insurance Corporation
Federal Reserve	- Board of Governors of the Federal Reserve System
FRB	- Federal Reserve Bank of Richmond
FHLB	- Federal Home Loan Bank of Atlanta
FHLMC	- Federal Home Loan Mortgage Corporation
FNB	- FNB Corporation
FNMA	- Federal National Mortgage Association
FOMC	- Federal Open Markets Committee
FR Y9-C	- Consolidated financial statements for a U.S. bank holding company, a savings and loan holding company, a U.S. intermediate holding company, and a securities holding company
FTE	- Fully taxable equivalent
GAAP or U.S. GAAP	- Accounting principles generally accepted in the United States
GNMA	- Government National Mortgage Association
HTM	- Held to maturity
ICE	- Intercontinental Exchange Data Services

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the Joint Guidance	– The five federal bank regulatory agencies and the Conference of State Bank Supervisors guidance Issued on March 22, 2020 (subsequently revised on April 7, 2020)
LHFI	– Loans held for investment
LHFS	– Loans held for sale
LIBOR	– London Interbank Offered Rate
MBS	– Mortgage-Backed Securities
MFC	– Middleburg Financial Corporation
NASDAQ	– National Association of Securities Dealers Automated Quotation exchange
NM	– Not meaningful
NOW	– Negotiable order of withdrawal
NPA	– Nonperforming assets
OCI	– Other comprehensive income
OREO	– Other real estate owned
OTC	– Over-the-counter
PD/LGD	– Probability of default/loss given default
PPP	– Paycheck Protection Program
Quarterly Report	– Quarterly Report on Form 10-Q for the quarter ended September 30, 2022
Repurchase Program	– The share repurchase program, approved on December 10, 2021 by the Company’s Board of Directors, which authorizes the Company to purchase up to \$100.0 million worth of the Company’s common stock
ROU asset	– Right of Use Asset
RPA	– Risk Participation Agreements
RUC	– Reserve for unfunded commitments
RVI	– Residual value insurance
SBA	– Small Business Administration
SEC	– Securities and Exchange Commission
Series A preferred stock	– 6.875% Perpetual Non-Cumulative Preferred Stock, Series A, par value \$10.00 per share
SOFR	– Secured Overnight Financing Rate
SSFA	– Simplified supervisory formula approach
TDR	– Troubled debt restructuring
Topic 606	– ASU No. 2014-09, “Revenue from Contracts with Customers: Topic 606” ASU 2020-04, “Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting”
Topic 848	– Reporting”
VFG	– Virginia Financial Group, Inc.

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PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 AS OF SEPTEMBER 30, 2022 AND DECEMBER 31, 2021

(Dollars in thousands, except share data)

	September 30, 2022 <i>(unaudited)</i>	December 31, 2021 <i>(audited)</i>
<b>ASSETS</b>		
<b>Cash and cash equivalents:</b>		
Cash and due from banks	\$ 177,969	\$ 180,963
Interest-bearing deposits in other banks	211,785	618,714
Federal funds sold	1,188	2,824
<b>Total cash and cash equivalents</b>	<b>390,942</b>	<b>802,501</b>
Securities available for sale, at fair value	2,717,323	3,481,650
Securities held to maturity, at carrying value	841,349	628,000
Restricted stock, at cost	82,050	76,825
Loans held for sale, at fair value	12,889	20,861
Loans held for investment, net of deferred fees and costs	13,918,720	13,195,843
Less: allowance for loan and lease losses	108,009	99,787
<b>Total loans held for investment, net</b>	<b>13,810,711</b>	<b>13,096,056</b>
Premises and equipment, net	126,374	134,808
Goodwill	925,211	935,560
Amortizable intangibles, net	29,142	43,312
Bank owned life insurance	437,988	431,517
Other assets	576,252	413,706
<b>Total assets</b>	<b>\$ 19,950,231</b>	<b>\$ 20,064,796</b>
<b>LIABILITIES</b>		
Noninterest-bearing demand deposits	\$ 5,290,938	\$ 5,207,324
Interest-bearing deposits	11,255,278	11,403,744
<b>Total deposits</b>	<b>16,546,216</b>	<b>16,611,068</b>
Securities sold under agreements to repurchase	146,182	117,870
Other short-term borrowings	133,800	—
Long-term borrowings	389,576	388,724
Other liabilities	453,307	237,063
<b>Total liabilities</b>	<b>17,669,081</b>	<b>17,354,725</b>
Commitments and contingencies (Note 7)		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$10.00 par value	173	173
Common stock, \$1.33 par value	98,845	100,101
Additional paid-in capital	1,769,858	1,807,368
Retained earnings	874,393	783,794
Accumulated other comprehensive (loss) income	(462,119)	18,635
<b>Total stockholders' equity</b>	<b>2,281,150</b>	<b>2,710,071</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 19,950,231</b>	<b>\$ 20,064,796</b>
<b>Common shares outstanding</b>	<b>74,703,774</b>	<b>75,663,648</b>
<b>Common shares authorized</b>	<b>200,000,000</b>	<b>200,000,000</b>
<b>Preferred shares outstanding</b>	<b>17,250</b>	<b>17,250</b>
<b>Preferred shares authorized</b>	<b>500,000</b>	<b>500,000</b>

See accompanying notes to consolidated financial statements.

**ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**  
**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**  
*(Dollars in thousands, except share and per share data)*

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Interest and dividend income:</b>				
Interest and fees on loans	\$ 144,673	\$ 124,999	\$ 382,139	\$ 383,575
Interest on deposits in other banks	941	291	1,229	454
Interest and dividends on securities:				
Taxable	14,750	11,230	43,110	32,102
Nontaxable	10,792	9,859	31,889	28,773
<b>Total interest and dividend income</b>	<b>171,156</b>	<b>146,379</b>	<b>458,367</b>	<b>444,904</b>
<b>Interest expense:</b>				
Interest on deposits	15,386	5,837	25,966	22,203
Interest on short-term borrowings	1,229	22	1,805	91
Interest on long-term borrowings	3,826	3,032	10,183	9,676
<b>Total interest expense</b>	<b>20,441</b>	<b>8,891</b>	<b>37,954</b>	<b>31,970</b>
<b>Net interest income</b>	<b>150,715</b>	<b>137,488</b>	<b>420,413</b>	<b>412,934</b>
<b>Provision for credit losses</b>	<b>6,412</b>	<b>(18,850)</b>	<b>12,771</b>	<b>(59,888)</b>
<b>Net interest income after provision for credit losses</b>	<b>144,303</b>	<b>156,338</b>	<b>407,642</b>	<b>472,822</b>
<b>Noninterest income:</b>				
Service charges on deposit accounts	6,784	7,198	22,421	19,314
Other service charges, commissions and fees	1,770	1,534	5,134	4,970
Interchange fees	2,461	2,203	6,539	6,252
Fiduciary and asset management fees	4,134	7,029	18,329	20,323
Mortgage banking income	1,390	4,818	6,707	17,692
Bank owned life insurance income	3,445	2,727	8,858	8,202
Loan-related interest rate swap fees	2,050	1,102	8,510	4,176
Other operating income	3,550	3,327	17,525	8,459
<b>Total noninterest income</b>	<b>25,584</b>	<b>29,938</b>	<b>94,023</b>	<b>89,388</b>
<b>Noninterest expenses:</b>				
Salaries and benefits	56,600	53,534	170,203	156,959
Occupancy expenses	6,408	7,251	19,685	21,705
Furniture and equipment expenses	3,673	4,040	10,860	11,919
Technology and data processing	8,273	7,534	23,930	21,657
Professional services	3,504	3,792	12,274	13,161
Marketing and advertising expense	2,343	2,548	7,008	7,330
FDIC assessment premiums and other insurance	3,094	2,172	8,344	6,798
Franchise and other taxes	4,507	4,432	13,506	13,303
Loan-related expenses	1,575	1,503	5,218	5,289
Amortization of intangible assets	2,480	3,381	8,434	10,679
Loss on debt extinguishment	—	—	—	14,695
Other expenses	7,466	5,156	24,550	15,756
<b>Total noninterest expenses</b>	<b>99,923</b>	<b>95,343</b>	<b>304,012</b>	<b>299,251</b>
Income from continuing operations before income taxes	69,964	90,933	197,653	262,959
Income tax expense	11,894	16,368	33,667	46,821
<b>Net income</b>	<b>58,070</b>	<b>74,565</b>	<b>163,986</b>	<b>216,138</b>
Dividends on preferred stock	2,967	2,967	8,901	8,901
<b>Net income available to common shareholders</b>	<b>\$ 55,103</b>	<b>\$ 71,598</b>	<b>\$ 155,085</b>	<b>\$ 207,237</b>
Basic earnings per common share	\$ 0.74	\$ 0.94	\$ 2.07	\$ 2.66
Diluted earnings per common share	\$ 0.74	\$ 0.94	\$ 2.07	\$ 2.66
Dividends declared per common share	\$ 0.30	\$ 0.28	\$ 0.86	\$ 0.81
Basic weighted average number of common shares outstanding	74,703,699	76,309,355	75,029,000	77,988,151
Diluted weighted average number of common shares outstanding	74,705,054	76,322,736	75,034,084	78,007,543

See accompanying notes to consolidated financial statements.

**ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)**  
**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**  
*(Dollars in thousands)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Net income</b>	<b>\$ 58,070</b>	<b>\$ 74,565</b>	<b>\$ 163,986</b>	<b>\$ 216,138</b>
Other comprehensive (loss) income:				
<b>Cash flow hedges:</b>				
Change in fair value of cash flow hedges (net of tax, \$6,417 and \$145 for the three months and \$15,691 and \$169 for the nine months ended September 30, 2022 and 2021, respectively)	(24,142)	(545)	(59,027)	634
Reclassification adjustment for (gains) included in net income (net of tax, \$0 and \$0 for the three months and \$0 and \$12 for the nine months ended September 30, 2022 and 2021, respectively) <sup>(1)</sup>	—	—	—	(47)
<b>AFS securities:</b>				
Unrealized holding (losses) arising during period (net of tax, \$32,388 and \$6,178 for the three months and \$112,226 and \$11,311 for the nine months ended September 30, 2022 and 2021, respectively)	(121,841)	(23,242)	(422,183)	(42,549)
Reclassification adjustment for (gains) losses included in net income (net of tax, \$0 and \$2 for the three months and \$0 and \$18 for the nine months ended September 30, 2022 and 2021, respectively) <sup>(2)</sup>	—	(7)	2	(69)
<b>HTM securities:</b>				
Reclassification adjustment for accretion of unrealized (gain) on AFS securities transferred to HTM (net of tax, \$1 and \$1 for the three months and \$4 and \$4 for the nine months ended September 30, 2022 and 2021, respectively) <sup>(3)</sup>	(4)	(5)	(14)	(15)
<b>Bank owned life insurance:</b>				
Reclassification adjustment for losses included in net income <sup>(4)</sup>	151	150	468	454
<b>Other comprehensive (loss) income:</b>	<b>(145,836)</b>	<b>(23,649)</b>	<b>(480,754)</b>	<b>(41,592)</b>
<b>Comprehensive (loss) income</b>	<b>\$ (87,766)</b>	<b>\$ 50,916</b>	<b>\$ (316,768)</b>	<b>\$ 174,546</b>

<sup>(1)</sup> The gross amounts are generally reported in the interest income and interest expense sections of the Company's Consolidated Statements of Income with the corresponding income tax effect being reflected as a component of income tax expense.

<sup>(2)</sup> The gross amounts reclassified into earnings are reported as "Other operating income" on the Company's Consolidated Statements of Income with the corresponding income tax effect being reflected as a component of income tax expense.

<sup>(3)</sup> The gross amounts reclassified into earnings are reported within interest income on the Company's Consolidated Statements of Income with the corresponding income tax effect being reflected as a component of income tax expense.

<sup>(4)</sup> 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, 2022**

(Dollars in thousands, except share and per share amounts)

	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance - December 31, 2021</b>	<u>\$ 100,101</u>	<u>\$ 173</u>	<u>\$ 1,807,368</u>	<u>\$ 783,794</u>	<u>\$ 18,635</u>	<u>\$ 2,710,071</u>
Net Income				43,690		43,690
Other comprehensive loss (net of taxes of \$49,701)					(210,118)	(210,118)
Dividends on common stock (\$0.28 per share)				(21,163)		(21,163)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)
Stock purchased under stock repurchase plan (629,691 shares)	(837)		(24,181)			(25,018)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (291,723 shares)	387		1,044			1,431
Stock-based compensation expense			2,409			2,409
<b>Balance - March 31, 2022</b>	<u>\$ 99,651</u>	<u>\$ 173</u>	<u>\$ 1,786,640</u>	<u>\$ 803,354</u>	<u>\$ (191,483)</u>	<u>\$ 2,498,335</u>
Net Income				62,226		62,226
Other comprehensive loss (net of taxes of \$33,214)					(124,800)	(124,800)
Dividends on common stock (\$0.28 per share)				(20,912)		(20,912)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)
Stock purchased under stock repurchase plan (649,208 shares)	(863)		(22,350)			(23,213)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (25,955 shares)	34		(154)			(120)
Stock-based compensation expense			2,927			2,927
<b>Balance - June 30, 2022</b>	<u>\$ 98,822</u>	<u>\$ 173</u>	<u>\$ 1,767,063</u>	<u>\$ 841,701</u>	<u>\$ (316,283)</u>	<u>\$ 2,391,476</u>
Net Income				58,070		58,070
Other comprehensive loss (net of taxes of \$38,806)					(145,836)	(145,836)
Dividends on common stock (\$0.30 per share)				(22,411)		(22,411)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (17,048 shares)	23		66			89
Stock-based compensation expense			2,729			2,729
<b>Balance - September 30, 2022</b>	<u>\$ 98,845</u>	<u>\$ 173</u>	<u>\$ 1,769,858</u>	<u>\$ 874,393</u>	<u>\$ (462,119)</u>	<u>\$ 2,281,150</u>



**ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)**  
**NINE MONTHS ENDED SEPTEMBER 30, 2021**

*(Dollars in thousands, except share and per share amounts)*

	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance - December 31, 2020</b>	\$ 104,169	\$ 173	\$ 1,917,081	\$ 616,052	\$ 71,015	\$ 2,708,490
Net Income				56,189		56,189
Other comprehensive loss (net of taxes of \$8,835)					(34,514)	(34,514)
Dividends on common stock (\$0.25 per share)				(19,700)		(19,700)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (243,884 shares)	324		(289)			35
Stock-based compensation expense			2,199			2,199
<b>Balance - March 31, 2021</b>	\$ 104,493	\$ 173	\$ 1,918,991	\$ 649,574	\$ 36,501	\$ 2,709,732
Net Income				85,384		85,384
Other comprehensive income (net of taxes of \$3,672)					16,571	16,571
Dividends on common stock (\$0.28 per share)				(22,125)		(22,125)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)
Stock purchased under stock repurchase plan (1,090,169 shares)	(1,450)		(40,913)			(42,363)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (35,693 shares)	48		663			711
Stock-based compensation expense			2,654			2,654
<b>Balance - June 30, 2021</b>	\$ 103,091	\$ 173	\$ 1,881,395	\$ 709,866	\$ 53,072	\$ 2,747,597
Net Income				74,565		74,565
Other comprehensive loss (net of taxes of \$6,181)					(23,649)	(23,649)
Dividends on common stock (\$0.28 per share)				(21,300)		(21,300)
Dividends on preferred stock (\$171.88 per share)				(2,967)		(2,967)
Stock purchased under stock repurchase plan (2,288,961 shares)	(3,045)		(79,592)			(82,637)
Issuance of common stock under Equity Compensation Plans, stock issuance for services rendered, and vesting of restricted stock, net of shares held for taxes (11,953 shares)	16		175			191
Stock-based compensation expense			2,639			2,639
<b>Balance - September 30, 2021</b>	\$ 100,062	\$ 173	\$ 1,804,617	\$ 760,164	\$ 29,423	\$ 2,694,439

*See accompanying notes to consolidated financial statements.*

**ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**  
*(Dollars in thousands)*

	2022	2021
<b>Operating activities:</b>		
Net income	\$ 163,986	\$ 216,138
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	10,652	11,992
Writedown of ROU assets, foreclosed properties, and equipment	4,768	1,119
Amortization, net	23,838	24,397
Amortization (accretion) related to acquisitions, net	2,271	(1,792)
Provision for credit losses	12,771	(59,888)
Gain on sale of DHFB	(9,082)	—
BOLI income	(8,858)	(8,202)
Originations and purchases of LHFS	(263,162)	(491,895)
Proceeds from sales of LHFS	270,853	550,683
(Gains) losses on sales of foreclosed properties and former bank premises, net	(507)	638
Losses on debt extinguishment	—	14,695
Stock-based compensation expenses	8,065	7,492
Issuance of common stock for services	611	372
Net (increase) decrease in other assets	(6,489)	108,590
Net increase (decrease) in other liabilities	117,188	(134,336)
<b>Net cash provided by operating activities</b>	<b>326,905</b>	<b>240,003</b>
<b>Investing activities:</b>		
Purchases of AFS securities, restricted stock, and other investments	(97,518)	(1,142,304)
Purchases of HTM securities	(225,026)	—
Proceeds from sales of AFS securities and restricted stock	29,719	45,436
Proceeds from maturities, calls and paydowns of AFS securities	281,542	392,129
Proceeds from maturities, calls and paydowns of HTM securities	8,223	6,642
Net (increase) decrease in LHFH	(717,591)	891,240
Net increase in premises and equipment	(3,054)	(9,221)
Proceeds from BOLI settlements	2,876	4,843
Purchases of BOLI policies	—	(100,000)
Proceeds from sales of foreclosed properties and former bank premises	5,965	8,632
<b>Net cash (used in) provided by investing activities</b>	<b>(714,864)</b>	<b>97,397</b>
<b>Financing activities:</b>		
Net increase in noninterest-bearing deposits	83,614	960,135
Net decrease in interest-bearing deposits	(148,497)	(60,716)
Net increase (decrease) in short-term borrowings	162,112	(255,707)
Repayments of long-term debt	—	(214,695)
Cash dividends paid - common stock	(64,486)	(63,125)
Cash dividends paid - preferred stock	(8,901)	(8,901)
Repurchase of common stock	(48,231)	(125,000)
Issuance of common stock	3,849	2,955
Vesting of restricted stock, net of shares held for taxes	(3,060)	(2,390)
<b>Net cash (used in) provided by financing activities</b>	<b>(23,600)</b>	<b>232,556</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(411,559)</b>	<b>569,956</b>
<b>Cash, cash equivalents and restricted cash at beginning of the period</b>	<b>802,501</b>	<b>493,294</b>
<b>Cash, cash equivalents and restricted cash at end of the period</b>	<b>\$ 390,942</b>	<b>\$ 1,063,250</b>

**ATLANTIC UNION BANKSHARES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
**NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

*(Dollars in thousands)*

	<u>2022</u>	<u>2021</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash payments for:		
Interest	\$ 34,099	\$ 30,749
Income taxes	1,224	1,260
<b>Supplemental schedule of noncash investing and financing activities</b>		
Transfers from loans to foreclosed properties	404	14
Transfers from bank premises to OREO	—	1,109

*See accompanying notes to consolidated financial statements.*

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***The Company***

Headquartered in Richmond, Virginia, Atlantic Union Bankshares Corporation (Nasdaq: AUB) is the holding company for Atlantic Union Bank. Atlantic Union Bank has 114 branches and approximately 130 ATMs located throughout Virginia, and in portions of Maryland and North Carolina as of September 30, 2022. Certain non-bank financial services affiliates of Atlantic Union Bank include: Atlantic Union Equipment Finance, Inc., which provides equipment financing; Atlantic Union Financial Consultants, LLC, which provides brokerage services; and Union Insurance Group, LLC, which offers various lines of insurance products.

Effective June 30, 2022, the Company completed the sale of DHFB, which was formerly a subsidiary of the Bank.

The unaudited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. The unaudited consolidated financial statements have been prepared in accordance with 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 necessary for a fair presentation of the results of the interim periods presented have been made. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other period.

The unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's 2021 Form 10-K. Certain prior period amounts have been reclassified to conform to current period presentation.

***Adoption of New Accounting Standards***

In March 2020, the FASB issued Topic 848. This guidance provides temporary, optional guidance to ease the potential burden in accounting for reference rate reform associated with the LIBOR transition. LIBOR and other interbank offered rates are widely used benchmark or reference rates that have been used in the valuation of loans, derivatives, and other financial contracts. Topic 848 provides optional expedients and exceptions, subject to meeting certain criteria, for applying current GAAP to contract modifications and hedging relationships, for contracts that reference LIBOR or other reference rates expected to be discontinued. Topic 848 is intended to help stakeholders during the global market-wide reference rate transition period. The amendments are effective as of March 12, 2020 through December 31, 2022 and can be adopted at an instrument level. As of March 31, 2021, the Company utilized the expedient to assert probability of the hedged interest, regardless of any expected modification in terms related to reference rate reform for the newly executed cash flow hedges. The Company expects to incorporate other components of Topic 848 at a later date. This amendment does not have a material impact on the consolidated financial statements.

***Cash and Cash Equivalents***

For purposes of reporting cash flows, the Company defines cash and cash equivalents as cash, cash due from banks, interest-bearing deposits in other banks, short-term money market investments, other interest-bearing deposits, and federal funds sold.

Restricted cash is disclosed in Note 7 "Commitments and Contingencies" in Part I, Item I of this Quarterly Report and is comprised of cash maintained at various correspondent banks as collateral for the Company's derivative portfolio and is included in interest-bearing deposits in other banks in the Company's Consolidated Balance Sheets. In addition, the Company is required to maintain reserve balances with the FRB based on the type and amount of deposits; however, on March 15, 2020 the Federal Reserve announced that reserve requirement ratios would be reduced to zero percent effective March 26, 2020 due to economic conditions, which eliminated the reserve requirement for all depository institutions. The reserve requirement is still at zero percent as of September 30, 2022.

***Accrued Interest Receivable***

The Company has elected to exclude accrued interest from the amortized cost basis in its determination of the ALLL, as well as the ACL reserve for securities. Accrued interest receivable totaled \$48.1 million and \$43.3 million on LHFI, \$6.6 million and \$7.0 million on HTM securities, and \$13.3 million and \$14.5 million on AFS securities at September 30, 2022 and December 31, 2021, respectively, and is included in "Other assets" on the Company's Consolidated Balance Sheets. The

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Company's policy is to write off accrued interest receivable through reversal of interest income when it becomes probable the Company will not be able to collect the accrued interest. For the quarters ended September 30, 2022 and September 30, 2021, accrued interest receivable write offs were not material to the Company's consolidated financial statements.

***Segment Reporting***

Operating segments are components of a business where separate financial information is available and evaluated regularly by the CODMs in deciding how to allocate resources and in assessing performance. *ASC Topic 280, Segment Reporting*, requires information to be reported about a company's operating segments using a "management approach," meaning it is based on the way management organizes segments internally to make operating decisions and assess performance. Based on this guidance, historically, the Company has had only one reportable operating segment, the Bank. However, effective for the third quarter of 2022, the Company completed system conversions that allow its CODMs to evaluate the business, establish the overall business strategy, allocate resources, and assess business performance within two reportable operating segments: Wholesale Banking and Consumer Banking, with corporate support functions such as corporate treasury and others included in Corporate Other. The application and development of management reporting methodologies is a dynamic process subject to periodic enhancements. As these enhancements are made, financial results presented by each reportable segment may be periodically revised. Refer to Note 12 "Segment Reporting and Revenue" in Part I, Item I of this Quarterly Report for additional details on the Company's reportable operating segments.

## 2. SECURITIES

### Available for Sale

The Company's AFS investment portfolio is generally highly-rated or agency backed. All AFS securities were current with no securities past due or on non-accrual as of September 30, 2022 and December 31, 2021.

The amortized cost, gross unrealized gains and losses, and estimated fair values of AFS securities as of September 30, 2022 are summarized as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized		Estimated Fair Value
		Gains	(Losses)	
<b>September 30, 2022</b>				
U.S. government and agency securities	\$ 70,399	\$ —	\$ (8,763)	\$ 61,636
Obligations of states and political subdivisions	961,722	7	(197,186)	764,543
Corporate and other bonds <sup>(1)</sup>	246,411	—	(15,323)	231,088
<b>Commercial MBS</b>				
Agency	247,854	84	(36,739)	211,199
Non-agency	101,460	—	(4,085)	97,375
<b>Total commercial MBS</b>	<b>349,314</b>	<b>84</b>	<b>(40,824)</b>	<b>308,574</b>
<b>Residential MBS</b>				
Agency	1,520,401	68	(238,966)	1,281,503
Non-agency	75,130	—	(6,805)	68,325
<b>Total residential MBS</b>	<b>1,595,531</b>	<b>68</b>	<b>(245,771)</b>	<b>1,349,828</b>
Other securities	1,654	—	—	1,654
<b>Total AFS securities</b>	<b>\$ 3,225,031</b>	<b>\$ 159</b>	<b>\$ (507,867)</b>	<b>\$ 2,717,323</b>

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

The amortized cost, gross unrealized gains and losses, and estimated fair values of AFS securities as of December 31, 2021 are summarized as follows (dollars in thousands):

	Amortized Cost	Gross Unrealized		Estimated Fair Value
		Gains	(Losses)	
<b>December 31, 2021</b>				
U.S. government and agency securities	\$ 73,830	\$ 179	\$ (160)	\$ 73,849
Obligations of states and political subdivisions	971,126	39,343	(2,073)	1,008,396
Corporate and other bonds <sup>(1)</sup>	150,201	3,353	(178)	153,376
<b>Commercial MBS</b>				
Agency	361,806	6,761	(4,215)	364,352
Non-agency	107,087	139	(421)	106,805
<b>Total commercial MBS</b>	<b>468,893</b>	<b>6,900</b>	<b>(4,636)</b>	<b>471,157</b>
<b>Residential MBS</b>				
Agency	1,691,651	15,180	(24,337)	1,682,494
Non-agency	91,443	243	(948)	90,738
<b>Total residential MBS</b>	<b>1,783,094</b>	<b>15,423</b>	<b>(25,285)</b>	<b>1,773,232</b>
Other securities	1,640	—	—	1,640
<b>Total AFS securities</b>	<b>\$ 3,448,784</b>	<b>\$ 65,198</b>	<b>\$ (32,332)</b>	<b>\$ 3,481,650</b>

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

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The following table shows the gross unrealized losses and fair value of the Company's AFS securities with unrealized losses for which an ACL has not been recorded at September 30, 2022 and December 31, 2021 and that are not deemed to be impaired as of those dates. These are aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position (dollars in thousands).

	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value <sup>(2)</sup>	Unrealized Losses	Fair Value	Unrealized Losses
<b>September 30, 2022</b>						
U.S. government and agency securities	\$ 58,670	\$ (8,726)	\$ 2,896	\$ (37)	\$ 61,566	\$ (8,763)
Obligations of states and political subdivisions	601,039	(120,853)	159,773	(76,333)	760,812	(197,186)
Corporate and other bonds <sup>(1)</sup>	219,904	(14,111)	8,788	(1,212)	228,692	(15,323)
<b>Commercial MBS</b>						
Agency	113,687	(15,734)	92,435	(21,005)	206,122	(36,739)
Non-agency	76,779	(2,877)	20,596	(1,208)	97,375	(4,085)
Total commercial MBS	190,466	(18,611)	113,031	(22,213)	303,497	(40,824)
<b>Residential MBS</b>						
Agency	606,805	(88,065)	668,275	(150,901)	1,275,080	(238,966)
Non-agency	56,490	(5,356)	11,724	(1,449)	68,214	(6,805)
Total residential MBS	663,295	(93,421)	679,999	(152,350)	1,343,294	(245,771)
Total AFS securities	\$ 1,733,374	\$ (255,722)	\$ 964,487	\$ (252,145)	\$ 2,697,861	\$ (507,867)
<b>December 31, 2021</b>						
U.S. government and agency securities	\$ 64,474	\$ (115)	\$ 3,900	\$ (45)	\$ 68,374	\$ (160)
Obligations of states and political subdivisions	249,701	(2,020)	2,123	(53)	251,824	(2,073)
Corporate and other bonds <sup>(1)</sup>	21,134	(177)	703	(1)	21,837	(178)
<b>Commercial MBS</b>						
Agency	175,588	(4,053)	3,172	(162)	178,760	(4,215)
Non-agency	33,759	(313)	11,029	(108)	44,788	(421)
Total commercial MBS	209,347	(4,366)	14,201	(270)	223,548	(4,636)
<b>Residential MBS</b>						
Agency	1,140,701	(21,147)	106,104	(3,190)	1,246,805	(24,337)
Non-agency	48,392	(584)	12,716	(364)	61,108	(948)
Total residential MBS	1,189,093	(21,731)	118,820	(3,554)	1,307,913	(25,285)
Total AFS securities	\$ 1,733,749	\$ (28,409)	\$ 139,747	\$ (3,923)	\$ 1,873,496	\$ (32,332)

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

<sup>(2)</sup> Comprised of 302 and 33 individual securities as of September 30, 2022 and December 31, 2021, respectively

The Company has evaluated AFS securities in an unrealized loss position for credit related impairment at September 30, 2022 and December 31, 2021 and concluded no impairment existed based on several factors which included: (1) the majority of these securities are of high credit quality, (2) unrealized losses are primarily the result of market volatility and increases in market interest rates, (3) the contractual terms of the investments do not permit the issuer(s) to settle the securities at a price less than the cost basis of each investment, (4) issuers continue to make timely principal and interest payments, and (5) the Company does not intend to sell any of the investments and the accounting standard of "more likely than not" has not been met for the Company to be required to sell any of the investments before recovery of its amortized cost basis.

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

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The following table presents the amortized cost and estimated fair value of AFS securities as of September 30, 2022 and December 31, 2021, 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, 2022		December 31, 2021	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
<b>Due in one year or less</b>	\$ 31,089	\$ 30,799	\$ 18,247	\$ 18,317
<b>Due after one year through five years</b>	165,998	160,945	180,080	183,981
<b>Due after five years through ten years</b>	338,619	308,149	324,615	331,215
<b>Due after ten years</b>	2,689,325	2,217,430	2,925,842	2,948,137
<b>Total AFS securities</b>	<u>\$ 3,225,031</u>	<u>\$ 2,717,323</u>	<u>\$ 3,448,784</u>	<u>\$ 3,481,650</u>

Refer to Note 7 "Commitments and Contingencies" in Part I, Item I of this Quarterly Report for information regarding the estimated fair value of AFS securities that were pledged to secure public deposits, repurchase agreements, and for other purposes as permitted or required by law as of September 30, 2022 and December 31, 2021.

*Held to Maturity*

The Company's HTM investment portfolio primarily consists of highly-rated municipal securities. The Company's HTM securities were substantially all current at September 30, 2022 and December 31, 2021.

The Company reports HTM securities on the Company's Consolidated Balance Sheets at carrying value. Carrying value is amortized cost, which includes any unamortized unrealized gains and losses recognized in AOCI prior to reclassifying the securities from AFS securities to HTM securities. Investment securities transferred into the HTM category from the AFS category are recorded at fair value at the date of transfer. The unrealized holding gains or losses at the date of transfer are retained in AOCI 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, 2022 are summarized as follows (dollars in thousands):

	Carrying Value	Gross Unrealized		Estimated Fair Value
		Gains	(Losses)	
<b>September 30, 2022</b>				
U.S. government and agency securities	\$ 690	\$ —	\$ (39)	\$ 651
Obligations of states and political subdivisions	724,330	176	(64,366)	660,140
Commercial Agency MBS	29,096	—	(4,360)	24,736
<b>Residential MBS</b>				
Agency	43,080	—	(6,732)	36,348
Non-agency	44,153	—	(548)	43,605
<b>Total residential MBS</b>	<u>87,233</u>	<u>—</u>	<u>(7,280)</u>	<u>79,953</u>
<b>Total HTM securities</b>	<u>\$ 841,349</u>	<u>\$ 176</u>	<u>\$ (76,045)</u>	<u>\$ 765,480</u>

The carrying value, gross unrealized gains and losses, and estimated fair values of HTM securities as of December 31, 2021 are summarized as follows (dollars in thousands):

	Carrying Value	Gross Unrealized		Estimated Fair Value
		Gains	(Losses)	
<b>December 31, 2021</b>				
U.S. government and agency securities	\$ 2,604	\$ —	\$ (29)	\$ 2,575
Obligations of states and political subdivisions	620,873	65,982	(121)	686,734
Commercial Agency MBS	4,523	—	(58)	4,465
<b>Total HTM securities</b>	<u>\$ 628,000</u>	<u>\$ 65,982</u>	<u>\$ (208)</u>	<u>\$ 693,774</u>



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

For HTM securities, the Company evaluates the credit risk of its securities on at least a quarterly basis. The Company estimates expected credit losses on HTM debt securities on an individual basis based on the PD/LGD methodology primarily using security-level credit ratings. The Company's HTM securities ACL was immaterial at September 30, 2022 and December 31, 2021. The primary indicators of credit quality for the Company's HTM portfolio are security type and credit rating, which is influenced by a number of factors including obligor cash flow, geography, seniority, and others. The majority of the Company's HTM securities with credit risk are obligations of states and political subdivisions.

The following table presents the amortized cost of HTM securities as of September 30, 2022 and December 31, 2021 by security type and credit rating (dollars in thousands):

	U.S. Government and Agency securities	Obligations of states and political subdivisions	Mortgage- backed securities	Total HTM securities
<b>September 30, 2022</b>				
Credit Rating:				
AAA/AA/A	\$ —	\$ 700,138	\$ 2,764	\$ 702,902
BBB/BB/B	—	1,192	—	1,192
Not Rated - Agency <sup>(1)</sup>	690	—	72,176	72,866
Not Rated - Non-Agency <sup>(2)</sup>	—	23,000	41,389	64,389
Total	\$ 690	\$ 724,330	\$ 116,329	\$ 841,349
<b>December 31, 2021</b>				
Credit Rating:				
AAA/AA/A	\$ —	\$ 620,873	\$ —	\$ 620,873
Not Rated - Agency <sup>(1)</sup>	2,604	—	4,523	7,127
Total	\$ 2,604	\$ 620,873	\$ 4,523	\$ 628,000

<sup>(1)</sup> Generally considered not to have credit risk given the government guarantees associated with these agencies

<sup>(2)</sup> Non-agency mortgage-backed and asset-backed securities have limited credit risk, supported by most receiving a 20% SSFA rating

The following table presents the amortized cost and estimated fair value of HTM securities as of September 30, 2022 and December 31, 2021, 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, 2022		December 31, 2021	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<b>Due in one year or less</b>	\$ 25,025	\$ 25,016	\$ 3,034	\$ 3,027
<b>Due after one year through five years</b>	35,709	35,656	5,852	6,065
<b>Due after five years through ten years</b>	15,798	15,587	14,019	15,984
<b>Due after ten years</b>	764,817	689,221	605,095	668,698
<b>Total HTM securities</b>	\$ 841,349	\$ 765,480	\$ 628,000	\$ 693,774

Refer to Note 7 "Commitments and Contingencies" in Part I, Item I of this Quarterly Report for information regarding the estimated fair value of HTM securities that were pledged to secure public deposits as permitted or required by law as of September 30, 2022 and December 31, 2021.

**Restricted Stock, at cost**

Due to restrictions placed upon the Bank's common stock investment in the FRB 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. Restricted stock consists of FRB stock in the amount of \$67.0 million for September 30, 2022 and December 31, 2021 and FHLB stock in the amount of \$15.0 million and \$9.8 million as of September 30, 2022 and December 31, 2021, respectively.

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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, 2022 and 2021 (dollars in thousands):

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
<b>Realized gains (losses)<sup>(1)</sup>:</b>		
<b>Gross realized gains</b>	\$ —	\$ —
<b>Gross realized losses</b>	—	(2)
<b>Net realized gains</b>	\$ —	\$ (2)
<b>Proceeds from sales of securities</b>	\$ 17,250	\$ 29,719
	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
<b>Realized gains (losses)<sup>(1)</sup>:</b>		
Gross realized gains	\$ 9	\$ 147
Gross realized losses	—	(60)
<b>Net realized gains</b>	\$ 9	\$ 87
<b>Proceeds from sales of securities</b>	\$ —	\$ 45,436

<sup>(1)</sup> Includes gains (losses) on sales and calls of securities

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

The information included below reflects the impact of the CARES Act, as amended by the CAA, and the Joint Guidance. See Note 1 “Summary of Significant Accounting Policies” in the “Notes to the Consolidated Financial Statements” contained in Item 8 “Financial Statements and Supplementary Data” in the Company’s 2021 Form 10-K for information about COVID-19 and related legislative and regulatory developments.

The Company’s loans are stated at their face amount, net of deferred fees and costs, and consisted of the following at September 30, 2022 and December 31, 2021 (dollars in thousands):

	September 30, 2022	December 31, 2021
Construction and Land Development	\$ 1,068,201	\$ 862,236
Commercial Real Estate - Owner Occupied	1,953,872	1,995,409
Commercial Real Estate - Non-Owner Occupied	3,900,325	3,789,377
Multifamily Real Estate	774,970	778,626
Commercial & Industrial <sup>(1)</sup>	2,709,047	2,542,243
Residential 1-4 Family - Commercial	542,612	607,337
Residential 1-4 Family - Consumer	891,353	816,524
Residential 1-4 Family - Revolving	588,452	560,796
Auto	561,277	461,052
Consumer	172,776	176,992
Other Commercial <sup>(2)</sup>	755,835	605,251
Total LHFI, net of deferred fees and costs <sup>(3)</sup>	<u>13,918,720</u>	<u>13,195,843</u>
Allowance for loan and lease losses	<u>(108,009)</u>	<u>(99,787)</u>
Total LHFI, net	<u>\$ 13,810,711</u>	<u>\$ 13,096,056</u>

<sup>(1)</sup> Commercial & industrial loans included approximately \$12.1 million and \$145.3 million in loans from the PPP at September 30, 2022 and December 31, 2021, respectively.

<sup>(2)</sup> There are no loans from the PPP included in other commercial loans as of September 30, 2022. As of December 31, 2021 other commercial loans included approximately \$5.1 million in loans from the PPP.

<sup>(3)</sup> Total loans include unamortized premiums and discounts, and unamortized deferred fees and costs totaling \$45.7 million and \$49.3 million as of September 30, 2022 and December 31, 2021, respectively.

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The following table shows the aging of the Company's loan portfolio, by class, at September 30, 2022 (dollars in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days and still Accruing	Nonaccrual	Total Loans
Construction and Land Development	\$ 1,067,438	\$ 120	\$ 107	\$ 115	\$ 421	\$ 1,068,201
Commercial Real Estate - Owner						
Occupied	1,937,372	7,337	763	3,517	4,883	1,953,872
Commercial Real Estate - Non-Owner						
Occupied	3,897,324	—	457	621	1,923	3,900,325
Multifamily Real Estate	774,970	—	—	—	—	774,970
Commercial & Industrial	2,702,308	796	3,128	526	2,289	2,709,047
Residential 1-4 Family - Commercial	538,835	1,410	97	308	1,962	542,612
Residential 1-4 Family - Consumer	876,980	1,123	1,449	680	11,121	891,353
Residential 1-4 Family - Revolving	581,418	1,115	1,081	1,255	3,583	588,452
Auto	558,678	1,876	257	148	318	561,277
Consumer	172,180	409	101	86	—	172,776
Other Commercial	755,740	—	—	95	—	755,835
Total LHFI	\$ 13,863,243	\$ 14,186	\$ 7,440	\$ 7,351	\$ 26,500	\$ 13,918,720
% of total loans	99.61 %	0.10 %	0.05 %	0.05 %	0.19 %	100.00 %

The following table shows the aging of the Company's loan portfolio, by class, at December 31, 2021 (dollars in thousands):

	Current	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days and still Accruing	Nonaccrual	Total Loans
Construction and Land Development	\$ 857,883	\$ 1,357	\$ —	\$ 299	\$ 2,697	\$ 862,236
Commercial Real Estate - Owner Occupied	1,987,133	1,230	152	1,257	5,637	1,995,409
Commercial Real Estate - Non-Owner						
Occupied	3,783,211	1,965	127	433	3,641	3,789,377
Multifamily Real Estate	778,429	84	—	—	113	778,626
Commercial & Industrial	2,536,100	1,161	1,438	1,897	1,647	2,542,243
Residential 1-4 Family - Commercial	601,946	1,844	272	990	2,285	607,337
Residential 1-4 Family - Consumer	795,821	3,368	2,925	3,013	11,397	816,524
Residential 1-4 Family - Revolving	554,652	1,493	363	882	3,406	560,796
Auto	458,473	1,866	249	241	223	461,052
Consumer	175,943	689	186	120	54	176,992
Other Commercial	605,214	37	—	—	—	605,251
Total LHFI	\$ 13,134,805	\$ 15,094	\$ 5,712	\$ 9,132	\$ 31,100	\$ 13,195,843
% of total loans	99.54 %	0.11 %	0.04 %	0.07 %	0.24 %	100.00 %

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The following table shows the Company's amortized cost basis of loans on nonaccrual status and loans past due 90 days and still accruing as of September 30, 2022 (dollars in thousands):

	<b>September 30, 2022</b>		
	<b>Nonaccrual</b>	<b>Nonaccrual With No ALLL</b>	<b>90 Days Past due and still Accruing</b>
Construction and Land Development	\$ 421	\$ —	\$ 115
Commercial Real Estate - Owner Occupied	4,883	932	3,517
Commercial Real Estate - Non-Owner Occupied	1,923	—	621
Commercial & Industrial	2,289	1	526
Residential 1-4 Family - Commercial	1,962	—	308
Residential 1-4 Family - Consumer	11,121	—	680
Residential 1-4 Family - Revolving	3,583	—	1,255
Auto	318	—	148
Consumer	—	—	86
Other Commercial	—	—	95
<b>Total LHFI</b>	<b>\$ 26,500</b>	<b>\$ 933</b>	<b>\$ 7,351</b>

The following table shows the Company's amortized cost basis of loans on nonaccrual status and loans past due 90 days and still accruing as of December 31, 2021 (dollars in thousands):

	<b>December 31, 2021</b>		
	<b>Nonaccrual</b>	<b>Nonaccrual With No ALLL</b>	<b>90 Days Past due and still Accruing</b>
Construction and Land Development	\$ 2,697	\$ 1,985	\$ 299
Commercial Real Estate - Owner Occupied	5,637	970	1,257
Commercial Real Estate - Non-Owner Occupied	3,641	1,089	433
Multifamily Real Estate	113	—	—
Commercial & Industrial	1,647	1	1,897
Residential 1-4 Family - Commercial	2,285	—	990
Residential 1-4 Family - Consumer	11,397	—	3,013
Residential 1-4 Family - Revolving	3,406	—	882
Auto	223	—	241
Consumer	54	—	120
<b>Total LHFI</b>	<b>\$ 31,100</b>	<b>\$ 4,045</b>	<b>\$ 9,132</b>

There was no interest income recognized on nonaccrual loans during the three and nine months ended September 30, 2022 and 2021. See Note 1 "Summary of Significant Accounting Policies" in the "Notes to the Consolidated Financial Statements" contained in Item 8 "Financial Statements and Supplementary Data" in the Company's 2021 Form 10-K for additional information on the Company's policies for nonaccrual loans.

**Troubled Debt Restructurings**

As of September 30, 2022, the Company had TDRs totaling \$15.6 million with an estimated \$569,000 of allowance for those loans. As of December 31, 2021, the Company had TDRs totaling \$18.0 million with an estimated \$859,000 of allowance for those loans.

A TDR occurs when a lender, for economic or legal reasons, grants a concession to the borrower related to the borrower's financial difficulties, that it would not otherwise consider. All loans that are considered to be TDRs are evaluated for credit losses in accordance with the Company's ALLL methodology. For the three and nine months ended September 30, 2022 and September 30, 2021, the recorded investment in TDRs prior to modifications was not materially impacted by the modifications.

The following table provides a summary, by class, of TDRs that 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, 2022 and December 31, 2021 (dollars in thousands):

	September 30, 2022			December 31, 2021		
	No. of Loans	Recorded Investment	Outstanding Commitment	No. of Loans	Recorded Investment	Outstanding Commitment
<b>Performing</b>						
Construction and Land Development	3	\$ 159	\$ —	4	\$ 201	\$ —
Commercial Real Estate - Owner Occupied	2	1,000	—	3	572	—
Commercial & Industrial	1	100	—	—	—	—
Residential 1-4 Family - Commercial	1	1,334	—	—	—	—
Residential 1-4 Family - Consumer	81	7,470	—	75	9,021	—
Residential 1-4 Family - Revolving	3	257	5	3	265	4
Consumer	1	13	—	2	15	—
Other Commercial	—	—	—	1	239	—
Total performing	92	\$ 10,333	\$ 5	88	\$ 10,313	\$ 4
<b>Nonperforming</b>						
Commercial Real Estate - Owner Occupied	1	\$ 16	\$ —	2	\$ 830	\$ —
Commercial Real Estate - Non-Owner Occupied	2	242	—	3	1,357	—
Commercial & Industrial	2	481	—	3	729	—
Residential 1-4 Family - Commercial	3	371	—	3	388	—
Residential 1-4 Family - Consumer	24	4,092	—	24	4,239	—
Residential 1-4 Family - Revolving	3	96	—	3	99	—
Total nonperforming	35	\$ 5,298	\$ —	38	\$ 7,642	\$ —
<b>Total performing and nonperforming</b>	<b>127</b>	<b>\$ 15,631</b>	<b>\$ 5</b>	<b>126</b>	<b>\$ 17,955</b>	<b>\$ 4</b>

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, 2022 and 2021, the Company did not have any material loans that went into default that had been restructured in the twelve-month period prior to the time of default.

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The following table shows, by class and modification type, TDRs that occurred during the three and nine months ended September 30, 2022 and 2021 (dollars in thousands):

	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	No. of Loans	Recorded Investment at Period End	No. of Loans	Recorded Investment at Period End
<b>Modified to interest only, at a market rate</b>				
Residential 1-4 Family - Commercial	—	\$ —	1	\$ 1,334
Total interest only at market rate of interest	—	\$ —	1	\$ 1,334
<b>Term modification, at a market rate</b>				
Commercial Real Estate - Owner Occupied	—	\$ —	1	\$ 766
Total loan term extended at a market rate	—	\$ —	1	\$ 766
<b>Term modification, below market rate</b>				
Residential 1-4 Family - Consumer	7	\$ 665	17	\$ 1,166
Total loan term extended at a below market rate	7	\$ 665	17	\$ 1,166
<b>Total</b>	<b>7</b>	<b>\$ 665</b>	<b>19</b>	<b>\$ 3,266</b>
	Three Months Ended September 30, 2021		Nine Months Ended September 30, 2021	
	No. of Loans	Recorded Investment at Period End	No. of Loans	Recorded Investment at Period End
<b>Modified to interest only, at a market rate</b>				
Total interest only at market rate of interest	—	\$ —	—	\$ —
<b>Term modification, at a market rate</b>				
Commercial Real Estate - Non-Owner Occupied	1	\$ 157	1	\$ 157
Residential 1-4 Family - Consumer	—	—	2	102
Total loan term extended at a market rate	1	\$ 157	3	\$ 259
<b>Term modification, below market rate</b>				
Residential 1-4 Family - Consumer	—	\$ —	11	\$ 1,813
Consumer	—	—	1	15
Total loan term extended at a below market rate	—	\$ —	12	\$ 1,828
<b>Interest rate modification, below market rate</b>				
Residential 1-4 Family - Commercial	—	\$ —	1	\$ 45
Total interest only at below market rate of interest	—	\$ —	1	\$ 45
<b>Total</b>	<b>1</b>	<b>\$ 157</b>	<b>16</b>	<b>\$ 2,132</b>

**Allowance for Loan and Lease Losses**

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

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

The following tables show the ALLL activity by loan segment for the three and nine months ended September 30, 2022 and 2021 (dollars in thousands):

	Three Months Ended September 30, 2022			Nine Months Ended September 30, 2022		
	Commercial	Consumer	Total	Commercial	Consumer	Total
<b>Balance at beginning of period</b>	\$ 77,413	\$ 26,771	\$ 104,184	\$ 77,902	\$ 21,885	\$ 99,787
Loans charged-off	(1,086)	(715)	(1,801)	(2,852)	(2,415)	(5,267)
Recoveries credited to allowance	605	609	1,214	1,723	2,022	3,745
Provision charged to operations	6,969	(2,557)	4,412	7,128	2,616	9,744
<b>Balance at end of period</b>	<b>\$ 83,901</b>	<b>\$ 24,108</b>	<b>\$ 108,009</b>	<b>\$ 83,901</b>	<b>\$ 24,108</b>	<b>\$ 108,009</b>

	Three Months Ended September 30, 2021			Nine Months Ended September 30, 2021		
	Commercial	Consumer	Total	Commercial	Consumer	Total
<b>Balance at beginning of period</b>	\$ 89,837	\$ 28,424	\$ 118,261	\$ 117,403	\$ 43,137	\$ 160,540
Loans charged-off	(967)	(1,299)	(2,266)	(3,832)	(4,020)	(7,852)
Recoveries credited to allowance	1,281	872	2,153	3,929	2,569	6,498
Provision charged to operations	(15,173)	(1,177)	(16,350)	(42,522)	(14,866)	(57,388)
<b>Balance at end of period</b>	<b>\$ 74,978</b>	<b>\$ 26,820</b>	<b>\$ 101,798</b>	<b>\$ 74,978</b>	<b>\$ 26,820</b>	<b>\$ 101,798</b>



## **Credit Quality Indicators**

Credit quality indicators are utilized to help estimate the collectability of each loan class within the Commercial and Consumer loan segments. For classes of loans within the Commercial segment, the primary credit quality indicator used for evaluating credit quality and estimating the ALLL is risk rating categories of Pass, Watch, Special Mention, Substandard, and Doubtful. For classes of loans within the Consumer segment, the primary credit quality indicator used for evaluating credit quality and estimating the ALLL is delinquency bands of Current, 30-59, 60-89, 90+, and Nonaccrual. While other credit quality indicators are evaluated and analyzed as part of the Company's credit risk management activities, these indicators are primarily used in estimating the ALLL. The Company evaluates the credit risk of its loan portfolio on at least a quarterly basis.

### ***Commercial Loans***

The Company uses a risk rating system as the primary credit quality indicator for classes of loans within the Commercial segment. The risk rating system on a scale of 0 through 9 is used to determine risk level as used in the calculation of the ACL. 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 loan.

Watch 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.

Special Mention is determined by the following criteria:

- 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 credit position.

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 weaknesses that jeopardize the liquidation of the debt with the distinct possibility the Company will sustain some loss if the deficiencies are not corrected.

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 status is determined;
- 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.

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The table below details the amortized cost of the classes of loans within the Commercial segment by risk level and year of origination as of September 30, 2022 (dollars in thousands):

	September 30, 2022							Revolving Loans	Total
	Term Loans Amortized Cost Basis by Origination Year								
	2022	2021	2020	2019	2018	Prior			
<b>Construction and Land Development</b>									
Pass	\$ 278,751	\$ 522,332	\$ 139,003	\$ 16,527	\$ 35,327	\$ 36,153	\$ 22,434	\$ 1,050,527	
Watch	—	855	—	3,842	120	2,736	—	7,553	
Special Mention	921	1,491	338	—	—	174	—	2,924	
Substandard	1,261	2,359	40	214	1,345	1,978	—	7,197	
Total Construction and Land Development	\$ 280,933	\$ 527,037	\$ 139,381	\$ 20,583	\$ 36,792	\$ 41,041	\$ 22,434	\$ 1,068,201	
<b>Commercial Real Estate - Owner Occupied</b>									
Pass	\$ 193,743	\$ 204,645	\$ 256,490	\$ 290,697	\$ 233,459	\$ 663,420	\$ 15,089	\$ 1,857,543	
Watch	1,069	178	2,463	8,293	12,375	26,383	1,149	51,910	
Special Mention	641	—	—	1,479	914	18,816	42	21,892	
Substandard	—	2,826	—	4,370	1,610	13,256	465	22,527	
Total Commercial Real Estate - Owner Occupied	\$ 195,453	\$ 207,649	\$ 258,953	\$ 304,839	\$ 248,358	\$ 721,875	\$ 16,745	\$ 1,953,872	
<b>Commercial Real Estate - Non-Owner Occupied</b>									
Pass	\$ 339,274	\$ 671,073	\$ 397,814	\$ 508,462	\$ 375,951	\$ 1,392,787	\$ 31,971	\$ 3,717,332	
Watch	—	2,151	818	26,793	40,466	27,259	—	97,487	
Special Mention	234	—	—	6,084	2,609	18,771	—	27,698	
Substandard	—	—	10,501	22,797	18,930	5,580	—	57,808	
Total Commercial Real Estate - Non-Owner Occupied	\$ 339,508	\$ 673,224	\$ 409,133	\$ 564,136	\$ 437,956	\$ 1,444,397	\$ 31,971	\$ 3,900,325	
<b>Commercial &amp; Industrial</b>									
Pass	\$ 529,915	\$ 576,070	\$ 321,669	\$ 191,789	\$ 86,424	\$ 144,362	\$ 746,107	\$ 2,596,336	
Watch	1,401	794	17,955	5,204	12,546	2,283	22,057	62,240	
Special Mention	—	182	416	2,500	373	2,031	20,174	25,676	
Substandard	98	536	112	3,912	14,253	1,375	4,509	24,795	
Total Commercial & Industrial	\$ 531,414	\$ 577,582	\$ 340,182	\$ 203,405	\$ 113,596	\$ 150,051	\$ 792,847	\$ 2,709,047	
<b>Multifamily Real Estate</b>									
Pass	\$ 84,683	\$ 79,629	\$ 216,676	\$ 62,386	\$ 76,761	\$ 247,444	\$ 2,225	\$ 769,804	
Watch	—	—	—	4,209	446	423	—	5,078	
Special Mention	—	—	—	—	—	88	—	88	
Total Multifamily Real Estate	\$ 84,683	\$ 79,629	\$ 216,676	\$ 66,595	\$ 77,207	\$ 247,955	\$ 2,225	\$ 774,970	
<b>Residential 1-4 Family - Commercial</b>									
Pass	\$ 35,383	\$ 91,966	\$ 79,004	\$ 53,298	\$ 38,421	\$ 208,616	\$ 949	\$ 507,637	
Watch	—	1,344	545	8,561	2,985	5,093	114	18,642	
Special Mention	—	—	1,495	71	4,800	2,717	—	9,083	
Substandard	—	—	—	2,464	478	4,009	299	7,250	
Total Residential 1-4 Family - Commercial	\$ 35,383	\$ 93,310	\$ 81,044	\$ 64,394	\$ 46,684	\$ 220,435	\$ 1,362	\$ 542,612	
<b>Other Commercial</b>									
Pass	\$ 168,290	\$ 216,249	\$ 156,770	\$ 118,283	\$ 3,683	\$ 70,833	\$ 13,209	\$ 747,317	
Watch	5,367	—	—	—	—	3,056	—	8,423	
Substandard	—	—	—	—	—	—	95	95	
Total Other Commercial	\$ 173,657	\$ 216,249	\$ 156,770	\$ 118,283	\$ 3,683	\$ 73,889	\$ 13,304	\$ 755,835	
<b>Total Commercial</b>									
Pass	\$ 1,630,039	\$ 2,361,964	\$ 1,567,426	\$ 1,241,442	\$ 850,026	\$ 2,763,615	\$ 831,984	\$ 11,246,496	
Watch	7,837	5,322	21,781	56,902	68,938	67,233	23,320	251,333	
Special Mention	1,796	1,673	2,249	10,134	8,696	42,597	20,216	87,361	
Substandard	1,359	5,721	10,653	33,757	36,616	26,198	5,368	119,672	
Total Commercial	\$ 1,641,031	\$ 2,374,680	\$ 1,602,109	\$ 1,342,235	\$ 964,276	\$ 2,899,643	\$ 880,888	\$ 11,704,862	

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The table below details the amortized cost of the classes of loans within the Commercial segment by risk level and year of origination as of December 31, 2021 (dollars in thousands):

<b>December 31, 2021</b>								
Term Loans Amortized Cost Basis by Origination Year								
	2021	2020	2019	2018	2017	Prior	Revolving Loans	Total
<b>Construction and Land Development</b>								
Pass	\$ 430,764	\$ 218,672	\$ 39,937	\$ 40,128	\$ 11,299	\$ 50,908	\$ 22,996	\$ 814,704
Watch	395	185	12,923	129	349	4,026	—	18,007
Special Mention	—	—	—	—	—	735	—	735
Substandard	3,541	1	221	19,264	198	5,565	—	28,790
Total Construction and Land Development	<u>\$ 434,700</u>	<u>\$ 218,858</u>	<u>\$ 53,081</u>	<u>\$ 59,521</u>	<u>\$ 11,846</u>	<u>\$ 61,234</u>	<u>\$ 22,996</u>	<u>\$ 862,236</u>
<b>Commercial Real Estate - Owner Occupied</b>								
Pass	\$ 222,079	\$ 279,165	\$ 321,503	\$ 263,422	\$ 179,994	\$ 555,540	\$ 19,705	\$ 1,841,408
Watch	185	18	7,959	10,875	14,648	57,466	702	91,853
Special Mention	—	932	11,826	610	1,052	19,480	507	34,407
Substandard	200	153	7,455	2,538	1,935	14,834	626	27,741
Total Commercial Real Estate - Owner Occupied	<u>\$ 222,464</u>	<u>\$ 280,268</u>	<u>\$ 348,743</u>	<u>\$ 277,445</u>	<u>\$ 197,629</u>	<u>\$ 647,320</u>	<u>\$ 21,540</u>	<u>\$ 1,995,409</u>
<b>Commercial Real Estate - Non-Owner Occupied</b>								
Pass	\$ 642,386	\$ 421,063	\$ 520,035	\$ 377,176	\$ 374,949	\$ 1,102,193	\$ 36,568	\$ 3,474,370
Watch	2,152	841	35,721	39,356	18,242	101,797	14	198,123
Special Mention	—	10,609	25,691	20,119	12,741	4,775	—	73,935
Substandard	—	—	23,376	11,369	—	7,952	252	42,949
Total Commercial Real Estate - Non-Owner Occupied	<u>\$ 644,538</u>	<u>\$ 432,513</u>	<u>\$ 604,823</u>	<u>\$ 448,020</u>	<u>\$ 405,932</u>	<u>\$ 1,216,717</u>	<u>\$ 36,834</u>	<u>\$ 3,789,377</u>
<b>Commercial &amp; Industrial</b>								
Pass	\$ 770,662	\$ 450,478	\$ 287,926	\$ 110,710	\$ 38,395	\$ 170,857	\$ 619,583	\$ 2,448,611
Watch	1,233	9,641	2,766	31,635	1,370	4,405	17,220	68,270
Special Mention	206	935	8,477	1,023	564	561	3,249	15,015
Substandard	379	575	3,636	1,965	463	1,639	1,690	10,347
Total Commercial & Industrial	<u>\$ 772,480</u>	<u>\$ 461,629</u>	<u>\$ 302,805</u>	<u>\$ 145,333</u>	<u>\$ 40,792</u>	<u>\$ 177,462</u>	<u>\$ 641,742</u>	<u>\$ 2,542,243</u>
<b>Multifamily Real Estate</b>								
Pass	\$ 63,431	\$ 187,616	\$ 108,402	\$ 114,077	\$ 66,562	\$ 228,013	\$ 1,548	\$ 769,649
Watch	—	—	359	459	—	522	—	1,340
Special Mention	44	2,248	624	4,517	—	91	—	7,524
Substandard	—	—	—	—	—	113	—	113
Total Multifamily Real Estate	<u>\$ 63,475</u>	<u>\$ 189,864</u>	<u>\$ 109,385</u>	<u>\$ 119,053</u>	<u>\$ 66,562</u>	<u>\$ 228,739</u>	<u>\$ 1,548</u>	<u>\$ 778,626</u>
<b>Residential 1-4 Family - Commercial</b>								
Pass	\$ 108,259	\$ 94,184	\$ 65,682	\$ 46,267	\$ 55,995	\$ 196,052	\$ 550	\$ 566,989
Watch	—	2,041	4,887	7,483	2,415	7,573	311	24,710
Special Mention	—	96	—	436	391	4,126	—	5,049
Substandard	93	—	3,494	536	1,291	4,876	299	10,589
Total Residential 1-4 Family - Commercial	<u>\$ 108,352</u>	<u>\$ 96,321</u>	<u>\$ 74,063</u>	<u>\$ 54,722</u>	<u>\$ 60,092</u>	<u>\$ 212,627</u>	<u>\$ 1,160</u>	<u>\$ 607,337</u>
<b>Other Commercial</b>								
Pass	\$ 226,595	\$ 167,497	\$ 98,848	\$ 5,620	\$ 25,723	\$ 44,114	\$ 30,445	\$ 598,842
Watch	—	—	—	581	1,246	4,341	—	6,168
Special Mention	—	—	—	—	2	—	—	2
Substandard	—	—	—	—	—	239	—	239
Total Other Commercial	<u>\$ 226,595</u>	<u>\$ 167,497</u>	<u>\$ 98,848</u>	<u>\$ 6,201</u>	<u>\$ 26,971</u>	<u>\$ 48,694</u>	<u>\$ 30,445</u>	<u>\$ 605,251</u>
<b>Total Commercial</b>								
Pass	\$ 2,464,176	\$ 1,818,675	\$ 1,442,333	\$ 957,400	\$ 752,917	\$ 2,347,677	\$ 731,395	\$ 10,514,573
Watch	3,965	12,726	64,615	90,518	38,270	180,130	18,247	408,471
Special Mention	250	14,820	46,618	26,705	14,750	29,768	3,756	136,667
Substandard	4,213	729	38,182	35,672	3,887	35,218	2,867	120,768
Total Commercial	<u>\$ 2,472,604</u>	<u>\$ 1,846,950</u>	<u>\$ 1,591,748</u>	<u>\$ 1,110,295</u>	<u>\$ 809,824</u>	<u>\$ 2,592,793</u>	<u>\$ 756,265</u>	<u>\$ 11,180,479</u>

**Consumer Loans**

For Consumer loans, the Company evaluates credit quality based on the delinquency status of the loan. The following table details the amortized cost of the classes of loans within the Consumer segment based on their delinquency status and year of origination as of September 30, 2022 (dollars in thousands):

<b>September 30, 2022</b>								
<b>Term Loans Amortized Cost Basis by Origination Year</b>								
	2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
<b>Residential 1-4 Family - Consumer</b>								
Current	\$ 163,110	\$ 250,861	\$ 161,913	\$ 38,668	\$ 23,633	\$ 238,782	\$ 13	\$ 876,980
30-59 Days Past Due	—	—	90	142	174	717	—	1,123
60-89 Days Past Due	—	—	—	104	—	1,345	—	1,449
90+ Days Past Due	—	—	—	45	—	635	—	680
Nonaccrual	—	429	—	268	957	9,467	—	11,121
<b>Total Residential 1-4 Family - Consumer</b>	<b>\$ 163,110</b>	<b>\$ 251,290</b>	<b>\$ 162,003</b>	<b>\$ 39,227</b>	<b>\$ 24,764</b>	<b>\$ 250,946</b>	<b>\$ 13</b>	<b>\$ 891,353</b>
<b>Residential 1-4 Family - Revolving</b>								
Current	\$ 58,864	\$ 14,630	\$ 5,825	\$ 1,715	\$ 826	\$ 478	\$ 499,080	\$ 581,418
30-59 Days Past Due	—	—	—	—	—	—	1,115	1,115
60-89 Days Past Due	—	—	—	—	—	—	1,081	1,081
90+ Days Past Due	—	—	—	—	—	—	1,255	1,255
Nonaccrual	—	149	57	—	14	—	3,363	3,583
<b>Total Residential 1-4 Family - Revolving</b>	<b>\$ 58,864</b>	<b>\$ 14,779</b>	<b>\$ 5,882</b>	<b>\$ 1,715</b>	<b>\$ 840</b>	<b>\$ 478</b>	<b>\$ 505,894</b>	<b>\$ 588,452</b>
<b>Auto</b>								
Current	\$ 221,446	\$ 168,008	\$ 89,869	\$ 49,923	\$ 19,147	\$ 10,285	\$ —	\$ 558,678
30-59 Days Past Due	310	653	292	375	119	127	—	1,876
60-89 Days Past Due	3	79	78	55	—	42	—	257
90+ Days Past Due	—	108	13	6	12	9	—	148
Nonaccrual	—	90	107	89	8	24	—	318
<b>Total Auto</b>	<b>\$ 221,759</b>	<b>\$ 168,938</b>	<b>\$ 90,359</b>	<b>\$ 50,448</b>	<b>\$ 19,286</b>	<b>\$ 10,487</b>	<b>\$ —</b>	<b>\$ 561,277</b>
<b>Consumer</b>								
Current	\$ 36,208	\$ 17,683	\$ 12,001	\$ 26,271	\$ 19,195	\$ 21,475	\$ 39,347	\$ 172,180
30-59 Days Past Due	10	6	40	150	109	51	43	409
60-89 Days Past Due	—	1	19	39	39	2	1	101
90+ Days Past Due	—	13	28	9	14	1	21	86
<b>Total Consumer</b>	<b>\$ 36,218</b>	<b>\$ 17,703</b>	<b>\$ 12,088</b>	<b>\$ 26,469</b>	<b>\$ 19,357</b>	<b>\$ 21,529</b>	<b>\$ 39,412</b>	<b>\$ 172,776</b>
<b>Total Consumer</b>								
Current	\$ 479,628	\$ 451,182	\$ 269,608	\$ 116,577	\$ 62,801	\$ 271,020	\$ 538,440	\$ 2,189,256
30-59 Days Past Due	320	659	422	667	402	895	1,158	4,523
60-89 Days Past Due	3	80	97	198	39	1,389	1,082	2,888
90+ Days Past Due	—	121	41	60	26	645	1,276	2,169
Nonaccrual	—	668	164	357	979	9,491	3,363	15,022
<b>Total Consumer</b>	<b>\$ 479,951</b>	<b>\$ 452,710</b>	<b>\$ 270,332</b>	<b>\$ 117,859</b>	<b>\$ 64,247</b>	<b>\$ 283,440</b>	<b>\$ 545,319</b>	<b>\$ 2,213,858</b>

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The following table details the amortized cost of the classes of loans within the Consumer segment based on their delinquency status and year of origination as of December 31, 2021 (dollars in thousands):

<b>December 31, 2021</b>								
Term Loans Amortized Cost Basis by Origination Year								
	2021	2020	2019	2018	2017	Prior	Revolving Loans	Total
<b>Residential 1-4 Family - Consumer</b>								
Current	\$ 248,904	\$ 174,459	\$ 47,905	\$ 33,809	\$ 44,179	\$ 246,554	\$ 11	\$ 795,821
30-59 Days Past Due	—	157	143	807	460	1,801	—	3,368
60-89 Days Past Due	—	—	—	624	107	2,194	—	2,925
90+ Days Past Due	—	—	46	20	304	2,643	—	3,013
Nonaccrual	444	—	117	884	1,330	8,622	—	11,397
<b>Total Residential 1-4 Family - Consumer</b>	<b>\$ 249,348</b>	<b>\$ 174,616</b>	<b>\$ 48,211</b>	<b>\$ 36,144</b>	<b>\$ 46,380</b>	<b>\$ 261,814</b>	<b>\$ 11</b>	<b>\$ 816,524</b>
<b>Residential 1-4 Family - Revolving</b>								
Current	\$ 16,546	\$ 9,511	\$ 2,230	\$ 1,056	\$ —	\$ 484	\$ 524,825	\$ 554,652
30-59 Days Past Due	—	—	—	—	—	—	1,493	1,493
60-89 Days Past Due	—	—	—	—	—	—	363	363
90+ Days Past Due	—	—	—	—	—	—	882	882
Nonaccrual	—	63	—	18	—	—	3,325	3,406
<b>Total Residential 1-4 Family - Revolving</b>	<b>\$ 16,546</b>	<b>\$ 9,574</b>	<b>\$ 2,230</b>	<b>\$ 1,074</b>	<b>\$ —</b>	<b>\$ 484</b>	<b>\$ 530,888</b>	<b>\$ 560,796</b>
<b>Auto</b>								
Current	\$ 207,229	\$ 123,848	\$ 72,427	\$ 31,745	\$ 16,020	\$ 7,204	\$ —	\$ 458,473
30-59 Days Past Due	299	382	518	259	245	163	—	1,866
60-89 Days Past Due	45	29	95	33	36	11	—	249
90+ Days Past Due	55	101	42	20	23	—	—	241
Nonaccrual	—	81	55	27	27	33	—	223
<b>Total Auto</b>	<b>\$ 207,628</b>	<b>\$ 124,441</b>	<b>\$ 73,137</b>	<b>\$ 32,084</b>	<b>\$ 16,351</b>	<b>\$ 7,411</b>	<b>\$ —</b>	<b>\$ 461,052</b>
<b>Consumer</b>								
Current	\$ 25,084	\$ 16,059	\$ 38,594	\$ 30,890	\$ 12,853	\$ 16,929	\$ 35,534	\$ 175,943
30-59 Days Past Due	31	94	201	186	63	26	88	689
60-89 Days Past Due	11	13	62	60	34	—	6	186
90+ Days Past Due	1	4	33	72	8	—	2	120
Nonaccrual	—	—	—	—	—	54	—	54
<b>Total Consumer</b>	<b>\$ 25,127</b>	<b>\$ 16,170</b>	<b>\$ 38,890</b>	<b>\$ 31,208</b>	<b>\$ 12,958</b>	<b>\$ 17,009</b>	<b>\$ 35,630</b>	<b>\$ 176,992</b>
<b>Total Consumer</b>								
Current	\$ 497,763	\$ 323,877	\$ 161,156	\$ 97,500	\$ 73,052	\$ 271,171	\$ 560,370	\$ 1,984,889
30-59 Days Past Due	330	633	862	1,252	768	1,990	1,581	7,416
60-89 Days Past Due	56	42	157	717	177	2,205	369	3,723
90+ Days Past Due	56	105	121	112	335	2,643	884	4,256
Nonaccrual	444	144	172	929	1,357	8,709	3,325	15,080
<b>Total Consumer</b>	<b>\$ 498,649</b>	<b>\$ 324,801</b>	<b>\$ 162,468</b>	<b>\$ 100,510</b>	<b>\$ 75,689</b>	<b>\$ 286,718</b>	<b>\$ 566,529</b>	<b>\$ 2,015,364</b>

The Company did not have any material revolving loans convert to term during the nine months ended September 30, 2022 or the year ended December 31, 2021.

#### 4. GOODWILL AND INTANGIBLE ASSETS

The Company's intangible assets consist of core deposits, goodwill, and other intangibles arising from acquisitions. The Company has determined that core deposit intangibles have finite lives and amortizes them over their estimated useful lives. Core deposit intangibles are being amortized over the period of expected benefit, which ranges from 4 to 10 years, using an accelerated method. Other amortizable intangible assets are being amortized over the period of expected benefit, which ranges from 4 to 10 years, using various methods. In the normal course of business, the Company routinely monitors the impact of the changes in the financial markets and includes these assessments in the Company's impairment process. The Company concluded there was no impairment to the Company's goodwill or intangible assets as of the balance sheet date.

Effective June 30, 2022, the Company, the Bank, and CSP completed the sale of DHFB, which was formerly a subsidiary of the Bank, resulting in a reduction in both the Company's goodwill of \$10.3 million and intangible assets of \$5.7 million.

In the third quarter of 2022, the Company moved from one reportable operating segment, the Bank, to two reportable operating segments, Wholesale Banking and Consumer Banking, which resulted in goodwill being allocated between the two reportable operating segments based on their relative fair values. The Company determined that there was no impairment to the Bank's goodwill prior to reallocating goodwill.

The following table presents the Company's goodwill and intangible assets by operating segment as of September 30, 2022 and December 31, 2021 (dollars in thousands):

	Wholesale Banking	Consumer Banking	Corporate Other	Total
<b>As of September 30, 2022</b>				
Goodwill	\$ 642,256	\$ 282,955	\$ —	\$ 925,211
Intangible assets	—	1,704	27,438	29,142
<b>As of December 31, 2021</b>				
Goodwill	\$ 642,256	\$ 293,304	\$ —	\$ 935,560
Intangible assets	—	8,327	34,985	43,312

Refer to Note 12 "Segment Reporting and Revenue" in Part I, Item 1 "Financial Statements" of this Quarterly Report for more information on the Company's reportable operating segment changes.

Amortization expense of intangibles for the three months ended September 30, 2022 and 2021 totaled \$2.5 million and \$3.4 million, respectively. Amortization expense of intangibles for the nine months ended September 30, 2022 and 2021 totaled \$8.4 million and \$10.7 million, respectively.

As of September 30, 2022, the estimated remaining amortization expense of intangibles is as follows for the years ending (dollars in thousands):

<b>For the remaining three months of 2022</b>	<b>\$ 2,382</b>
<b>2023</b>	<b>8,518</b>
<b>2024</b>	<b>6,753</b>
<b>2025</b>	<b>5,154</b>
<b>2026</b>	<b>3,559</b>
<b>Thereafter</b>	<b>2,776</b>
<b>Total estimated amortization expense</b>	<b>\$ 29,142</b>

## 5. LEASES

The Company enters into both lessor and lessee arrangements and determines if an arrangement is a lease at inception. As both a lessee and lessor, the Company elected the practical expedient permitted under the transition guidance within the standard to account for lease and non-lease components as a single lease component for all asset classes.

### Lessor Arrangements

The Company's lessor arrangements consist of sales-type and direct financing leases for equipment. Lease payment terms are fixed and are typically payable in monthly installments with terms ranging from 14 months to 125 months. The lease arrangements may contain renewal options and purchase options that allow the lessee to purchase the leased equipment at the end of the lease term. The leases generally do not contain non-lease components.

At lease inception the Company estimates the expected residual value of the leased property at the end of the lease term by considering both internal and third-party appraisals. In certain cases, the Company obtains lessee-provided residual value guarantees and third-party RVI to reduce its residual asset risk. At September 30, 2022 and December 31, 2021, the carrying value of residual assets covered by residual value guarantees and RVI was \$36.7 million and \$23.0 million, respectively.

The net investment in sales-type and direct financing leases consists of the carrying amount of the lease receivables plus unguaranteed residual assets, net of unearned income and any deferred selling profit on direct financing leases. The lease receivables include the lessor's right to receive lease payments and the guaranteed residual asset value the lessor expects to derive from the underlying assets at the end of the lease term. The Company's net investment in sales-type and direct financing leases are included in "Loans held for investment, net of deferred fees and costs" on the Company's Consolidated Balance Sheets. Lease income is recorded in "Interest and fees on loans" on the Company's Consolidated Statements of Income.

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
<b>Sales-type and direct financing leases:</b>		
Lease receivables, net of unearned income and deferred selling profit	\$ 254,773	\$ 199,423
Unguaranteed residual values, net of unearned income and deferred selling profit	12,219	8,911
<b>Total net investment in sales-type and direct financing leases</b>	<b>\$ 266,992</b>	<b>\$ 208,334</b>

### Lessee Arrangements

The Company's lessee arrangements consist of operating and finance leases; however, the majority of the leases have been classified as non-cancellable operating leases and are primarily for real estate leases with remaining lease terms of up to 23 years. The Company's real estate lease agreements do not contain residual value guarantees and most agreements do not contain restrictive covenants. The Company does not have any material arrangements where the Company is in a sublease contract.

Lessee arrangements with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets. The ROU assets and lease liabilities associated with operating and finance leases greater than 12 months are recorded in the Company's Consolidated Balance Sheets; ROU assets within "Other assets" and lease liabilities within "Other liabilities." ROU assets represent the Company's right to use an underlying asset over the course of the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The initial measurement of lease liabilities and ROU assets are the same for operating and finance leases. 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. ROU assets are 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. Most of the Company's operating leases include one or more options to renew and if the Company is reasonably certain to exercise those options, it would be included in the measurement of the operating ROU assets and lease liabilities.

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Lease expense for operating lease payments is recognized on a straight-line basis over the lease term and recorded in “Occupancy expenses” on the Company’s Consolidated Statements of Income. Finance lease expenses consist of straight-line amortization expense of the ROU Assets recognized over the lease term and interest expense on the lease liability. Total finance lease expenses for the amortization of the ROU assets are recorded in “Occupancy expenses” on the Company’s Consolidated Statements of Income and interest expense on the finance lease liability is recorded in “Interest on long-term borrowings” on the Company’s Consolidated Statements of Income.

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

	September 30, 2022		December 31, 2021	
	Operating	Finance	Operating	Finance
<b>ROU assets</b>	\$ 31,821	\$ 5,817	\$ 40,653	\$ 6,506
<b>Lease liabilities</b>	44,145	8,593	50,742	9,477
<b>Lease Term and Discount Rate of Operating leases:</b>				
Weighted-average remaining lease term (years)	6.44	6.33	6.75	7.08
Weighted-average discount rate <sup>(1)</sup>	2.63 %	1.17 %	2.57 %	1.17 %

<sup>(1)</sup> An incremental borrowing rate is used based on information available at commencement date of lease or at remeasurement date

	Nine months ended September 30,	
	2022	2021
<b>Cash paid for amounts included in measurement of lease liabilities:</b>		
Operating Cash Flows from Finance Leases	\$ 79	\$ 89
Operating Cash Flows from Operating Leases	8,514	8,961
Financing Cash Flows from Finance Leases	885	851
<b>ROU assets obtained in exchange for lease obligations:</b>		
Operating leases	\$ 1,268	\$ 2,412

  

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Net Operating Lease Cost</b>	\$ 2,117	\$ 2,535	\$ 6,658	\$ 7,615
<b>Finance Lease Cost:</b>				
Amortization of right-of-use assets	230	230	689	689
Interest on lease liabilities	25	29	79	89
<b>Total Lease Cost</b>	\$ 2,372	\$ 2,794	\$ 7,426	\$ 8,393

The maturities of lessor and lessee arrangements outstanding at September 30, 2022 are presented in the table below (dollars in thousands):

	September 30, 2022			
	Lessor		Lessee	
	Sales-type and Direct Financing		Operating	Finance
<b>For the remaining three months of 2022</b>	\$ 16,842	\$ 2,806	\$ 329	
<b>2023</b>	65,059	10,388	1,325	
<b>2024</b>	62,282	9,441	1,358	
<b>2025</b>	48,508	7,297	1,392	
<b>2026</b>	36,606	4,826	1,427	
<b>Thereafter</b>	50,030	13,642	3,088	
<b>Total undiscounted cash flows</b>	279,327	48,400	8,919	
<b>Less: Adjustments <sup>(1)</sup></b>	24,554	4,255	326	
<b>Total <sup>(2)</sup></b>	\$ 254,773	\$ 44,145	\$ 8,593	

<sup>(1)</sup> Lessor – unearned income and unearned guaranteed residual value; Lessee – imputed interest

<sup>(2)</sup> Represents lease receivables for lessor arrangements and lease liabilities for lessee arrangements



## 6. BORROWINGS

### Short-term Borrowings

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

Total short-term borrowings consist of the following as of September 30, 2022 and December 31, 2021 (dollars in thousands):

	September 30, 2022	December 31, 2021
<b>Securities sold under agreements to repurchase</b>	<b>\$ 146,182</b>	<b>\$ 117,870</b>
<b>FHLB Advances</b>	<b>133,800</b>	<b>—</b>
<b>Total short-term borrowings</b>	<b>\$ 279,982</b>	<b>\$ 117,870</b>
<b>Average outstanding balance during the period</b>	<b>\$ 262,782</b>	<b>\$ 113,030</b>
<b>Average interest rate during the period</b>	<b>0.92 %</b>	<b>0.10 %</b>
<b>Average interest rate at end of period</b>	<b>1.54 %</b>	<b>0.07 %</b>

The Bank maintains federal funds lines with several correspondent banks, the available balance was \$1.0 billion and \$997.0 million at September 30, 2022 and December 31, 2021 respectively. The Company maintains an alternate line of credit at a correspondent bank; the available balance was \$25.0 million at both September 30, 2022 and December 31, 2021. The Company has certain restrictive covenants related to certain asset quality, capital, and profitability metrics associated with these lines and is in compliance with these covenants as of September 30, 2022 and December 31, 2021. Additionally, the Company had a collateral dependent line of credit with the FHLB of up to \$5.9 billion and \$6.0 billion at September 30, 2022 and December 31, 2021 respectively.

### Long-term Borrowings

During the fourth quarter of 2021, the Company issued the 2031 Notes. The 2031 Notes were sold at par resulting in net proceeds, after underwriting discounts and offering expenses, of approximately \$246.9 million. The Company used a portion of the net proceeds from the 2031 Notes issuance to repay its outstanding \$150 million of 5.00% fixed-to-floating rate subordinated notes that were due in 2026.

In connection with several previous bank acquisitions, the Company issued \$58.5 million and acquired \$92.0 million of trust preferred capital notes. The remaining fair value discount on all acquired trust preferred capital notes was \$12.7 million and \$13.3 million at September 30, 2022 and December 31, 2021, respectively.

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Total long-term borrowings consist of the following as of September 30, 2022 (dollars in thousands):

	Principal	Spread to 3-Month LIBOR	Rate <sup>(1)</sup>	Maturity	Investment <sup>(2)</sup>
<b>Trust Preferred Capital Securities</b>					
Trust Preferred Capital Note - Statutory Trust I	\$ 22,500	2.75 %	6.50 %	6/17/2034	\$ 696
Trust Preferred Capital Note - Statutory Trust II	36,000	1.40 %	5.15 %	6/15/2036	1,114
VFG Limited Liability Trust I Indenture	20,000	2.73 %	6.48 %	3/18/2034	619
FNB Statutory Trust II Indenture	12,000	3.10 %	6.85 %	6/26/2033	372
Gateway Capital Statutory Trust I	8,000	3.10 %	6.85 %	9/17/2033	248
Gateway Capital Statutory Trust II	7,000	2.65 %	6.40 %	6/17/2034	217
Gateway Capital Statutory Trust III	15,000	1.50 %	5.25 %	5/30/2036	464
Gateway Capital Statutory Trust IV	25,000	1.55 %	5.30 %	7/30/2037	774
MFC Capital Trust II	5,000	2.85 %	6.60 %	1/23/2034	155
Total Trust Preferred Capital Securities	\$ 150,500				\$ 4,659
<b>Subordinated Debt<sup>(3)(4)</sup></b>					
2031 Subordinated Debt	250,000	-	2.875 %	12/15/2031	
Total Subordinated Debt <sup>(5)</sup>	\$ 250,000				
Fair Value Discount <sup>(6)</sup>	(15,583)				
Investment in Trust Preferred Capital Securities	4,659				
<b>Total Long-term Borrowings</b>	<b>\$ 389,576</b>				

<sup>(1)</sup> Rate as of September 30, 2022. Calculated using non-rounded numbers.

<sup>(2)</sup> 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 maturities and like interest rates to the capital securities. The Company's investment in the trusts is reported in "Other assets" on the Company's Consolidated Balance Sheets.

<sup>(3)</sup> The remaining issuance discount as of September 30, 2022 is \$2.9 million.

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

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

<sup>(6)</sup> Remaining discounts of \$12.7 million and \$2.9 million on Trust Preferred Capital Securities and Subordinated Debt, respectively.

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Total long-term borrowings consist of the following as of December 31, 2021 (dollars in thousands):

	Principal	Spread to 3-Month LIBOR	Rate <sup>(1)</sup>	Maturity	Investment <sup>(2)</sup>
<b>Trust Preferred Capital Securities</b>					
Trust Preferred Capital Note - Statutory Trust I	\$ 22,500	2.75 %	2.96 %	6/17/2034	\$ 696
Trust Preferred Capital Note - Statutory Trust II	36,000	1.40 %	1.61 %	6/15/2036	1,114
VFG Limited Liability Trust I Indenture	20,000	2.73 %	2.94 %	3/18/2034	619
FNB Statutory Trust II Indenture	12,000	3.10 %	3.31 %	6/26/2033	372
Gateway Capital Statutory Trust I	8,000	3.10 %	3.31 %	9/17/2033	248
Gateway Capital Statutory Trust II	7,000	2.65 %	2.86 %	6/17/2034	217
Gateway Capital Statutory Trust III	15,000	1.50 %	1.71 %	5/30/2036	464
Gateway Capital Statutory Trust IV	25,000	1.55 %	1.76 %	7/30/2037	774
MFC Capital Trust II	5,000	2.85 %	3.06 %	1/23/2034	155
Total Trust Preferred Capital Securities	\$ 150,500				\$ 4,659
<b>Subordinated Debt<sup>(3)(4)</sup></b>					
2031 Subordinated Debt	250,000	- %	2.875 %	12/15/2031	
Total Subordinated Debt <sup>(5)</sup>	\$ 250,000				
Fair Value Discount <sup>(6)</sup>	(16,435)				
Investment in Trust Preferred Capital Securities	4,659				
<b>Total Long-term Borrowings</b>	<b>\$ 388,724</b>				

<sup>(1)</sup> Rate as of December 31, 2021. Calculated using non-rounded numbers.

<sup>(2)</sup> 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 maturities and like interest rates to the capital securities. The Company's investment in the trusts is reported in "Other assets" on the Company's Consolidated Balance Sheets.

<sup>(3)</sup> The remaining issuance discount as of December 31, 2021 is \$3.1 million.

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

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

<sup>(6)</sup> Remaining discounts of \$13.3 million and \$3.1 million on Trust Preferred Capital Securities and Subordinated Debt, respectively.

As of September 30, 2022, the contractual maturities of long-term debt are as follows for the years ending (dollars in thousands):

	Trust Preferred Capital Notes	Subordinated Debt	Fair Value Discount <sup>(1)</sup>	Total Long-term Borrowings
<b>For the remaining three months of 2022</b>	\$ —	\$ —	\$ (287)	\$ (287)
<b>2023</b>	—	—	(1,162)	(1,162)
<b>2024</b>	—	—	(1,187)	(1,187)
<b>2025</b>	—	—	(1,211)	(1,211)
<b>2026</b>	—	—	(1,236)	(1,236)
<b>Thereafter</b>	155,159	250,000	(10,500)	394,659
<b>Total long-term borrowings</b>	<b>\$ 155,159</b>	<b>\$ 250,000</b>	<b>\$ (15,583)</b>	<b>\$ 389,576</b>

<sup>(1)</sup> Includes discount on issued subordinated notes.

## 7. COMMITMENTS AND CONTINGENCIES

### Litigation Matters

In the ordinary course of its operations, the Company and its subsidiaries are involved in various legal and regulatory proceedings. The amount, if any, of the ultimate liability with respect to such matters cannot be determined. Despite the uncertainties of such litigation and investigations, and 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, subject to the potential outcomes of disclosed matters. There have been no material changes with respect to the Company's previously disclosed proceedings.

### Financial Instruments with Off-Balance Sheet Risk

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

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and letters of credit written is represented by the contractual amount of these instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The Company considers credit losses related to off-balance sheet commitments by undergoing a similar process in evaluating losses for loans that are carried on the balance sheet. The Company considers historical loss and funding information, current and future economic conditions, risk ratings, and past due status among other factors in the consideration of expected credit losses in the Company's off-balance sheet commitments to extend credit. The Company also records an indemnification reserve based on historical statistics and loss rates related to mortgage loans previously sold. At both September 30, 2022 and December 31, 2021, the Company's RUC and indemnification reserve totaled \$11.4 million and \$8.4 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 as of the following dates (dollars in thousands):

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
<b>Commitments with off-balance sheet risk:</b>		
Commitments to extend credit <sup>(1)</sup>	\$ 3,411,234	\$ 5,825,557
Letters of credit	150,649	152,506
<b>Total commitments with off-balance sheet risk</b>	<b>\$ 3,561,883</b>	<b>\$ 5,978,063</b>

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

As of September 30, 2022, the Company had approximately \$287.5 million in deposits in other financial institutions of which \$237.5 million served as collateral for cash flow and loan swap derivatives. As of December 31, 2021, the Company had approximately \$187.4 million in deposits in other financial institutions of which \$82.3 million served as collateral for the Company's derivative interest rate contracts. The Company had approximately \$46.4 million and \$102.0 million in deposits in other financial institutions that were uninsured at September 30, 2022 and December 31, 2021, respectively. At least annually, the Company's management evaluates the loss risk of its uninsured deposits in financial counterparties.

For asset/liability management purposes, the Company uses interest rate contracts to hedge various exposures or to modify the interest rate characteristics of various balance sheet accounts. For the OTC derivatives cleared with the central clearinghouses,

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the variation margin is treated as a settlement of the related derivatives fair values. Refer to Note 8 “Derivatives” in Part I, Item I of this Quarterly Report for additional information.

The Company pledges collateral to secure various financing and other activities that occur during the normal course of business as part of the liquidity management strategy. The following tables present the types of collateral pledged at September 30, 2022 and December 31, 2021 (dollars in thousands):

	Pledged Assets as of September 30, 2022				Total
	Cash	AFS Securities <sup>(1)</sup>	HTM Securities <sup>(1)</sup>	Loans <sup>(2)</sup>	
Public deposits	\$ —	\$ 576,066	\$ 483,284	\$ —	\$ 1,059,350
Repurchase agreements	—	151,237	—	—	151,237
FHLB advances	—	37,188	—	2,545,915	2,583,103
Derivatives	237,546	56,593	—	—	294,139
Fed Funds	—	—	—	479,668	479,668
Other purposes	—	26,667	834	—	27,501
Total pledged assets	\$ 237,546	\$ 847,751	\$ 484,118	\$ 3,025,583	\$ 4,594,998

	Pledged Assets as of December 31, 2021				Total
	Cash	AFS Securities <sup>(1)</sup>	HTM Securities <sup>(1)</sup>	Loans <sup>(2)</sup>	
Public deposits	\$ —	\$ 703,489	\$ 472,243	\$ —	\$ 1,175,732
Repurchase agreements	—	130,217	—	—	130,217
FHLB advances	—	43,722	—	4,263,259	4,306,981
Derivatives	82,299	65,053	—	—	147,352
Fed Funds	—	—	—	392,067	392,067
Other purposes	—	22,003	985	—	22,988
Total pledged assets	\$ 82,299	\$ 964,484	\$ 473,228	\$ 4,655,326	\$ 6,175,337

<sup>(1)</sup> Balance represents market value.

<sup>(2)</sup> Balance represents book value.

## 8. DERIVATIVES

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

### **Derivatives Counterparty Credit Risk**

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

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

### **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. Amounts receivable or payable are recognized as accrued under the terms of the agreements.

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

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

At September 30, 2022 and December 31, 2021, the Company had interest rate swaps designated and qualifying as cash flow hedges of the Company's forecasted variable interest receipts on variable rate loans due to changes in the interest rate with a notional amount of \$800 million and \$500 million, respectively. For each agreement, the Company receives interest at a fixed rate and pays at a variable rate.

### **Fair Value Hedges**

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

**Loans:** During the normal course of business, the Company enters into swap agreements to convert certain long-term fixed-rate loans to floating rates to hedge the Company's exposure to interest rate risk. The Company pays a fixed interest rate to the counterparty and receives a floating rate from the same counterparty calculated on the aggregate notional amount. At September 30, 2022 and December 31, 2021, the aggregate notional amount of the related hedged items for certain long-term fixed rate loans totaled \$84.8 million and \$88.6 million, respectively, and the fair value of the swaps associated with the derivative related to hedged items was an unrealized gain of \$11.2 million and an unrealized loss of \$620,000, respectively.

**AFS Securities:** The Company has entered into a swap agreement to hedge the interest rate risk on a portion of its fixed rate AFS securities. At September 30, 2022 and December 31, 2021, the aggregate notional amount of the related hedged items of the AFS securities totaled \$50.0 million and the fair value of the swaps associated with the derivative related to hedged items was an unrealized gain of \$2.1 million and an unrealized loss of \$4.1 million, respectively.

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

**Interest Rate Contracts**

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

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

The following table summarizes key elements of the Company's derivative instruments as of September 30, 2022 and December 31, 2021, segregated by derivatives that are considered accounting hedges and those that are not (dollars in thousands):

	September 30, 2022			December 31, 2021		
	Notional or Contractual Amount <sup>(1)</sup>	Derivative <sup>(2)</sup>		Notional or Contractual Amount <sup>(1)</sup>	Derivative <sup>(2)</sup>	
		Assets	Liabilities		Assets	Liabilities
<b>Derivatives designated as accounting hedges:</b>						
Interest rate contracts: <sup>(3)</sup>						
Cash flow hedges	\$ 800,000	\$ —	\$ 7,735	\$ 500,000	\$ —	\$ —
Fair value hedges	134,792	4,511	—	138,606	—	5,387
<b>Derivatives not designated as accounting hedges:</b>						
Interest rate contracts <sup>(3)(4)</sup>	5,500,163	72,627	242,969	5,017,574	73,696	49,051

<sup>(1)</sup> 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.

<sup>(2)</sup> Balances represent fair value of derivative financial instruments.

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

<sup>(4)</sup> Includes RPAs.

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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, 2022 and December 31, 2021 (dollars in thousands):

	September 30, 2022		December 31, 2021	
	Carrying Amount of Hedged Assets/(Liabilities) Amount <sup>(1)</sup>	Cumulative Amount of Basis Adjustments Included in the Carrying Amount of the Hedged Assets/(Liabilities)	Carrying Amount of Hedged Assets/(Liabilities) Amount <sup>(1)</sup>	Cumulative Amount of Basis Adjustments Included in the Carrying Amount of the Hedged Assets/(Liabilities)
<b>Line items on the Consolidated Balance Sheets in which the hedged item is included:</b>				
Securities available-for-sale <sup>(1)(2)</sup>	\$ 94,494	\$ (2,115)	\$ 112,562	\$ 4,051
Loans	84,792	(11,179)	88,606	546

<sup>(1)</sup> These amounts include the amortized cost basis of the investment securities designated in hedging relationships for which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. At September 30, 2022 and December 31, 2021, the amortized cost basis of this portfolio was \$94 million and \$113 million, respectively, and the cumulative basis adjustment associated with this hedge was \$2.1 million and \$4.1 million, respectively. The amount of the designated hedged item at September 30, 2022 and December 31, 2021 totaled \$50 million.

<sup>(2)</sup> Carrying value represents amortized cost.



## 9. STOCKHOLDERS' EQUITY

### Repurchase Programs

On December 10, 2021, the Company's Board of Directors authorized a share Repurchase Program to purchase up to \$100.0 million of the Company's common stock through December 9, 2022 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. As part of the Repurchase Program, approximately 1.3 million shares (or \$48.2 million) were repurchased during the nine months ended September 30, 2022. No shares were repurchased during the third quarter of 2022. Approximately \$51.8 million of share repurchases remain available under the Repurchase Program at September 30, 2022.

### Accumulated Other Comprehensive Income (Loss)

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

	Unrealized (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	Total
AOCI - June 30, 2022	\$ (277,577)	\$ 25	\$ (36,452)	\$ (2,279)	\$ (316,283)
Other comprehensive (loss) income:					
Other comprehensive loss before reclassification	(121,841)	—	(24,142)	—	(145,983)
Amounts reclassified from AOCI into earnings	—	(4)	—	151	147
Net current period other comprehensive (loss) income	(121,841)	(4)	(24,142)	151	(145,836)
AOCI - September 30, 2022	\$ (399,418)	\$ 21	\$ (60,594)	\$ (2,128)	\$ (462,119)

	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	Total
AOCI - December 31, 2021	\$ 22,763	\$ 35	\$ (1,567)	\$ (2,596)	\$ 18,635
Other comprehensive (loss) income:					
Other comprehensive loss before reclassification	(422,183)	—	(59,027)	—	(481,210)
Amounts reclassified from AOCI into earnings	2	(14)	—	468	456
Net current period other comprehensive (loss) income	(422,181)	(14)	(59,027)	468	(480,754)
AOCI - September 30, 2022	\$ (399,418)	\$ 21	\$ (60,594)	\$ (2,128)	\$ (462,119)

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The change in AOCI for the three and nine months ended September 30, 2021 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	Total
AOCI - June 30, 2021	\$ 54,792	\$ 45	\$ 1,132	\$ (2,897)	\$ 53,072
Other comprehensive (loss) income:					
Other comprehensive income before reclassification	(23,242)	—	(545)	—	(23,787)
Amounts reclassified from AOCI into earnings	(7)	(5)	—	150	138
Net current period other comprehensive (loss) income	(23,249)	(5)	(545)	150	(23,649)
AOCI - September 30, 2021	\$ 31,543	\$ 40	\$ 587	\$ (2,747)	\$ 29,423

	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	Total
AOCI- December 31, 2020	\$ 74,161	\$ 55	\$ —	\$ (3,201)	\$ 71,015
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassification	(42,549)	—	634	—	(41,915)
Amounts reclassified from AOCI into earnings	(69)	(15)	(47)	454	323
Net current period other comprehensive (loss) income	(42,618)	(15)	587	454	(41,592)
AOCI - September 30, 2021	\$ 31,543	\$ 40	\$ 587	\$ (2,747)	\$ 29,423

## 10. FAIR VALUE MEASUREMENTS

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

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

- Level 1 Valuation is based on quoted prices in active markets for identical assets and liabilities.
- Level 2 Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the markets.
- Level 3 Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market. These unobservable inputs reflect the Company's assumptions about what market participants would use and information that is reasonably available under the circumstances without undue cost and effort.

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

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

#### **Derivative Instruments**

As discussed in Note 8 "Derivatives" in Part I, Item I of this Quarterly Report, the Company records derivative instruments at fair value on a recurring basis. The Company utilizes derivative instruments as part of the management of interest rate risk to modify the re-pricing characteristics of certain portions of the Company's interest-bearing assets and liabilities, as well as to manage the Company's exposure to credit risk related to borrower's performance under interest rate derivatives. The Company has contracted with a third-party vendor to provide valuations for derivatives using standard valuation techniques and therefore classifies such valuations as Level 2. Third party valuations are validated by the Company using BVAL derivative pricing functions. No material differences were identified during the validation as of September 30, 2022 and December 31, 2021. 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, 2022 and December 31, 2021 did not have a material impact on the Company's Consolidated Financial Statements.

#### **AFS Securities**

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

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

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

The Company primarily uses BVAL, 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, 2022 and December 31, 2021.

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

**Loans Held for Sale**

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

The following table presents the balances of financial assets and liabilities measured at fair value on a recurring basis at September 30, 2022 and December 31, 2021 (dollars in thousands):

	Fair Value Measurements at September 30, 2022 using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Balance
	Level 1	Level 2	Level 3	
<b>ASSETS</b>				
AFS securities:				
U.S. government and agency securities	\$ 56,073	\$ 5,563	\$ —	\$ 61,636
Obligations of states and political subdivisions	—	764,543	—	764,543
Corporate and other bonds <sup>(1)</sup>	—	231,088	—	231,088
MBS	—	1,658,402	—	1,658,402
Other securities	—	1,654	—	1,654
LHFS	—	12,889	—	12,889
Derivatives:				
Interest rate contracts <sup>(2)</sup>	—	72,627	—	72,627
Fair value hedges	—	4,511	—	4,511
<b>LIABILITIES</b>				
Derivatives:				
Interest rate contracts <sup>(2)</sup>	\$ —	\$ 242,969	\$ —	\$ 242,969
Cash flow hedges	—	7,735	—	7,735

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

<sup>(2)</sup> Includes RPAs.

	Fair Value Measurements at December 31, 2021 using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Balance
	Level 1	Level 2	Level 3	
<b>ASSETS</b>				
AFS securities:				
U.S. government and agency securities	\$ 64,474	\$ 9,375	\$ —	\$ 73,849
Obligations of states and political subdivisions	—	1,008,396	—	1,008,396
Corporate and other bonds <sup>(1)</sup>	—	153,376	—	153,376
MBS	—	2,244,389	—	2,244,389
Other securities	—	1,640	—	1,640
LHFS	—	20,861	—	20,861
Derivatives:				
Interest rate contracts	—	73,696	—	73,696
<b>LIABILITIES</b>				
Derivatives:				
Interest rate contracts	\$ —	\$ 49,051	\$ —	\$ 49,051
Fair value hedges	—	5,387	—	5,387

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

**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 after they are evaluated for impairment. The primary assets accounted for at fair value on a nonrecurring basis are related to foreclosed properties, former bank premises, and collateral-dependent loans that are individually assessed. When the asset is secured by real estate, the Company measures the fair value utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser using observable market data. Management may discount the value from the appraisal in determining the fair value if, based on its understanding of the market conditions, the collateral had been impaired below the appraised value (Level 3). The assets for which a nonrecurring fair value measurement was recorded were \$6.2 million and \$11.3 million during the periods ended September 30, 2022 and December 31, 2021 respectively. The nonrecurring valuation adjustments for these assets did not have a material impact on the Company's consolidated financial statements.

**Fair Value of Financial Instruments**

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

**Cash and Cash Equivalents**

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

**HTM Securities**

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

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

The Company primarily uses BVAL, 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, 2022 and December 31, 2021. 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, 2022 and December 31, 2021.

**Loans and Leases**

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

**Bank Owned Life Insurance**

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

**Deposits**

The fair value of demand deposits, savings accounts, 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.

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The carrying values and estimated fair values of the Company's financial instruments at September 30, 2022 and December 31, 2021 are as follows (dollars in thousands):

	Fair Value Measurements at September 30, 2022 using				
	Carrying Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total Fair Value
		Level 1	Level 2	Level 3	Balance
<b>ASSETS</b>					
Cash and cash equivalents	\$ 390,942	\$ 390,942	\$ —	\$ —	\$ 390,942
AFS securities	2,717,323	56,073	2,661,250	—	2,717,323
HTM securities	841,349	—	762,307	3,173	765,480
Restricted stock	82,050	—	82,050	—	82,050
LHFS	12,889	—	12,889	—	12,889
Net loans	13,810,711	—	—	13,330,986	13,330,986
Derivatives:					
Interest rate contracts <sup>(1)</sup>	72,627	—	72,627	—	72,627
Fair value hedges	4,511	—	4,511	—	4,511
Accrued interest receivable	68,747	—	68,747	—	68,747
BOLI	437,988	—	437,988	—	437,988
<b>LIABILITIES</b>					
Deposits	\$ 16,546,216	\$ —	\$ 16,560,956	\$ —	\$ 16,560,956
Borrowings	669,558	—	605,018	—	605,018
Accrued interest payable	3,910	—	3,910	—	3,910
Derivatives:					
Interest rate contracts <sup>(1)</sup>	242,969	—	242,969	—	242,969
Cash flow hedges	7,735	—	7,735	—	7,735

<sup>(1)</sup> Includes RPAs.

	Fair Value Measurements at December 31, 2021 using				
	Carrying Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Total Fair Value
		Level 1	Level 2	Level 3	Balance
<b>ASSETS</b>					
Cash and cash equivalents	\$ 802,501	\$ 802,501	\$ —	\$ —	\$ 802,501
AFS securities	3,481,650	64,474	3,417,176	—	3,481,650
HTM securities	628,000	—	686,733	7,041	693,774
Restricted stock	76,825	—	76,825	—	76,825
LHFS	20,861	—	20,861	—	20,861
Net loans	13,096,056	—	—	12,861,274	12,861,274
Derivatives:					
Interest rate contracts	73,696	—	73,696	—	73,696
Accrued interest receivable	65,015	—	65,015	—	65,015
BOLI	431,517	—	431,517	—	431,517
<b>LIABILITIES</b>					
Deposits	\$ 16,611,068	\$ —	\$ 16,630,087	\$ —	\$ 16,630,087
Borrowings	506,594	—	488,796	—	488,796
Accrued interest payable	933	—	933	—	933
Derivatives:					
Interest rate contracts	49,051	—	49,051	—	49,051
Fair value hedges	5,387	—	5,387	—	5,387

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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 market interest rates change and that change may be either favorable or unfavorable to the Company. Management seeks 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 seeks to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that are intended to mitigate the Company's overall interest rate risk.



## 11. EARNINGS PER SHARE

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

The following table presents basic and diluted EPS calculations for the three and nine months ended September 30, 2022 and 2021 (dollars in thousands except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Net Income:</b>				
Net Income	\$ 58,070	\$ 74,565	\$ 163,986	\$ 216,138
Less: Preferred Stock Dividends	2,967	2,967	8,901	8,901
<b>Net income available to common shareholders</b>	<b>\$ 55,103</b>	<b>\$ 71,598</b>	<b>\$ 155,085</b>	<b>\$ 207,237</b>
<b>Weighted average shares outstanding, basic</b>	<b>74,704</b>	<b>76,309</b>	<b>75,029</b>	<b>77,989</b>
Dilutive effect of stock awards	1	14	5	19
<b>Weighted average shares outstanding, diluted</b>	<b>74,705</b>	<b>76,323</b>	<b>75,034</b>	<b>78,008</b>
<b>Earnings per common share, basic</b>	<b>\$ 0.74</b>	<b>\$ 0.94</b>	<b>\$ 2.07</b>	<b>\$ 2.66</b>
<b>Earnings per common share, diluted</b>	<b>\$ 0.74</b>	<b>\$ 0.94</b>	<b>\$ 2.07</b>	<b>\$ 2.66</b>

## 12. SEGMENT REPORTING AND REVENUE

### Operating Segments

Historically, the Company has had only one reportable operating segment, the Bank. In the third quarter of 2022, however, the Company completed system conversions that allow its CODMs to evaluate the business, establish the overall business strategy, allocate resources, and assess business performance within two reportable operating segments—Wholesale Banking and Consumer Banking—while corporate support functions such as corporate treasury and others will be included in Corporate Other.

The Company's operating segments now include the following:

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

Prior year information presented has been restated and is shown under the new basis with two reportable operating segments. Goodwill was evaluated for impairment prior to re-allocating to the new reportable operating segments based on relative fair value.

### Segment Reporting Methodology

The Company's segment reporting is based on a "management approach" as described in Note 1 "Summary of Significant Accounting Policies" in Part I, Item 1 "Financial Statements" of this Quarterly Report. Inter-segment transactions are recorded at cost and eliminated as part of the consolidation process. A management fee for operations and administrative support services is charged to all subsidiaries and eliminated in the consolidated totals.

The following is additional information on the methodologies used in preparing the operating segment results:

- **Net interest income:** Interest income from loans held for investment and interest expense from deposits are reflected within respective operating segments. The Company uses a funds transfer pricing methodology which utilizes the matched funding approach to allocate a cost of funds used or credit for funds provided to all operating segment loans and deposits.
- **Provision for credit losses:** Provision for credit losses is assigned to operating segments based on the Company's allowance methodology, driven by loan pool level information.
- **Noninterest income:** Noninterest fees and other revenue associated with loans or customers are included within each operating segment.
- **Noninterest expense:** Certain noninterest expenses incurred by corporate support functions are allocated based on assumptions regarding the extent to which each operating segment actually uses the services.
- **Goodwill:** Goodwill is assigned to reportable operating segments based on the relative fair value of each segment.

**Segment Results**

The following tables present the Company's operating segment results for the three and nine months ended September 30, 2022 and 2021 (dollars in thousands):

	Wholesale Banking	Consumer Banking	Corporate Other	Total
<b><u>Three Months Ended September 30, 2022</u></b>				
Net interest income	\$ 76,109	\$ 60,265	\$ 14,341	\$ 150,715
Provision for credit losses	8,558	(2,146)	—	6,412
Net interest income after provision for credit losses	67,551	62,411	14,341	144,303
Noninterest income	5,483	14,909	5,192	25,584
Noninterest expenses	36,197	59,460	4,266	99,923
Income before income taxes	\$ 36,837	\$ 17,860	\$ 15,267	\$ 69,964
<b><u>Three Months Ended September 30, 2021</u></b>				
Net interest income	\$ 74,121	\$ 56,536	\$ 6,831	\$ 137,488
Provision for credit losses	(16,086)	(2,764)	—	(18,850)
Net interest income after provision for credit losses	90,207	59,300	6,831	156,338
Noninterest income	3,206	21,454	5,278	29,938
Noninterest expenses	31,333	59,824	4,186	95,343
Income before income taxes	\$ 62,080	\$ 20,930	\$ 7,923	\$ 90,933
<b><u>Nine Months Ended September 30, 2022</u></b>				
Net interest income	\$ 217,600	\$ 162,297	\$ 40,516	\$ 420,413
Provision for credit losses	12,833	(89)	27	12,771
Net interest income after provision for credit losses	204,767	162,386	40,489	407,642
Noninterest income	16,438	54,664	22,921	94,023
Noninterest expenses	106,120	180,020	17,872	304,012
Income before income taxes	\$ 115,085	\$ 37,030	\$ 45,538	\$ 197,653
<b><u>Nine Months Ended September 30, 2021</u></b>				
Net interest income	\$ 223,158	\$ 169,680	\$ 20,096	\$ 412,934
Provision for credit losses	(37,702)	(22,186)	—	(59,888)
Net interest income after provision for credit losses	260,860	191,866	20,096	472,822
Noninterest income	10,332	64,341	14,715	89,388
Noninterest expenses	94,393	175,697	29,161	299,251
Income before income taxes	\$ 176,799	\$ 80,510	\$ 5,650	\$ 262,959

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The following table presents the Company's operating segment results for the the key balance sheet metrics as of September 30, 2022 and December 31, 2021 (dollars in thousands):

	Wholesale Banking	Consumer Banking	Corporate Other	Total
<b>As of September 30, 2022</b>				
LHFI, net of deferred fees and costs <sup>(1)</sup>	\$ 10,847,988	\$ 3,089,334	\$ (18,602)	\$ 13,918,720
Goodwill	642,256	282,955	—	925,211
Deposits	6,173,703	10,270,508	102,005	16,546,216
<b>As of December 31, 2021</b>				
LHFI, net of deferred fees and costs <sup>(1)</sup>	\$ 10,242,918	\$ 2,976,200	\$ (23,275)	\$ 13,195,843
Goodwill	642,256	293,304	—	935,560
Deposits	6,114,078	10,366,792	130,198	16,611,068

<sup>(1)</sup> Corporate Other includes acquisition accounting fair value adjustments

### Revenue

The majority of the Company's noninterest income is being accounted for in accordance with Topic 606 and comes from short term contracts associated with fees for services provided on deposit accounts and credit cards from the Consumer and Wholesale Banking segments, as well as fiduciary and asset management fees from the Consumer Banking segment. 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 deposit accounts and interchange fees from the Consumer and Wholesale Banking segments are generally satisfied immediately, when the transaction occurs, or by month-end. Performance obligations on revenue from fiduciary and asset management fees from the Consumer Banking segment 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. For income related to most wealth management income, however, the Company is an agent responsible for arranging for the provision of goods and services by another party.

Mortgage banking income is earned from the Consumer Banking segment when the originated loans are sold to an investor on the secondary market. The loans are classified as LHFS before being sold. Additionally, the changes in fair value of the LHFS, loan commitments, and related derivatives are included in mortgage banking income.

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Noninterest income disaggregated by major source for the three and nine months ended September 30, 2022 and 2021, consisted of the following (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>Noninterest income:</b>				
Deposit Service Charges <sup>(1)</sup> :				
Overdraft fees	\$ 3,831	\$ 4,648	\$ 14,130	\$ 11,864
Maintenance fees & other	2,953	2,550	8,291	7,450
Other service charges, commissions, and fees <sup>(1)</sup>	1,770	1,534	5,134	4,970
Interchange fees <sup>(1)</sup>	2,461	2,203	6,539	6,252
Fiduciary and asset management fees <sup>(1)</sup> :				
Trust asset management fees	3,035	3,233	9,726	9,127
Registered advisor management fees	—	2,510	5,088	7,299
Brokerage management fees	1,099	1,286	3,515	3,897
Mortgage banking income	1,390	4,818	6,707	17,692
Bank owned life insurance income	3,445	2,727	8,858	8,202
Loan-related interest rate swap fees	2,050	1,102	8,510	4,176
Other operating income <sup>(2)</sup>	3,550	3,327	17,525	8,459
<b>Total noninterest income</b>	<b>\$ 25,584</b>	<b>\$ 29,938</b>	<b>\$ 94,023</b>	<b>\$ 89,388</b>

<sup>(1)</sup> Income within scope of Topic 606.

<sup>(2)</sup> Includes a \$9.1 million gain related to the sale of DHFB for the nine months ended September 30, 2022.

The following tables present noninterest income disaggregated by reportable operating segment for the three and nine months ended September 30, 2022 and 2021 (dollars in thousands):

	Wholesale Banking		Consumer Banking		Corporate Other <sup>(1)</sup>	Total
<b>Three Months Ended September 30, 2022</b>						
<b>Noninterest income:</b>						
Deposit service charges	\$ 1,775	\$ 5,009	\$ —	\$ —	\$ —	\$ 6,784
Other service charges and fees	511	1,259	—	—	—	1,770
Fiduciary and asset management fees	—	4,134	—	—	—	4,134
Mortgage banking income	—	1,390	—	—	—	1,390
Other income	3,197	3,117	5,192	—	—	11,506
<b>Total noninterest income</b>	<b>\$ 5,483</b>	<b>\$ 14,909</b>	<b>\$ 5,192</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 25,584</b>
<b>Three Months Ended September 30, 2021</b>						
<b>Noninterest income:</b>						
Deposit service charges	\$ 1,532	\$ 5,666	\$ —	\$ —	\$ —	\$ 7,198
Other service charges and fees	325	1,209	—	—	—	1,534
Fiduciary and asset management fees	—	7,029	—	—	—	7,029
Mortgage banking income	—	4,818	—	—	—	4,818
Other income	1,349	2,732	5,278	—	—	9,359
<b>Total noninterest income</b>	<b>\$ 3,206</b>	<b>\$ 21,454</b>	<b>\$ 5,278</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 29,938</b>

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	Wholesale Banking	Consumer Banking	Corporate Other <sup>(1)(2)</sup>	Total
<b><u>Nine Months Ended September 30, 2022</u></b>				
<b>Noninterest income:</b>				
Deposit service charges	\$ 4,966	\$ 17,455	\$ —	\$ 22,421
Other service charges and fees	1,338	3,796	—	5,134
Fiduciary and asset management fees	—	18,329	—	18,329
Mortgage banking income	—	6,707	—	6,707
Other income	10,134	8,377	22,921	41,432
<b>Total noninterest income</b>	<b>\$ 16,438</b>	<b>\$ 54,664</b>	<b>\$ 22,921</b>	<b>\$ 94,023</b>
<b><u>Nine Months Ended September 30, 2021</u></b>				
<b>Noninterest income:</b>				
Deposit service charges	\$ 4,493	\$ 14,821	\$ —	\$ 19,314
Other service charges and fees	1,252	3,718	—	4,970
Fiduciary and asset management fees	—	20,323	—	20,323
Mortgage banking income	—	17,692	—	17,692
Other income	4,587	7,787	14,715	27,089
<b>Total noninterest income</b>	<b>\$ 10,332</b>	<b>\$ 64,341</b>	<b>\$ 14,715</b>	<b>\$ 89,388</b>

<sup>(1)</sup> Other income primarily consists of income from BOLI and equity investment income.

<sup>(2)</sup> Other income includes a \$9.1 million gain related to the sale of DHFB for the nine months ended September 30, 2022.

### **13. SUBSEQUENT EVENTS**

The Company's management has evaluated subsequent events through November 3, 2022, the date the financial statements were issued.

On October 27, 2022, the Company's Board of Directors declared a quarterly dividend on the outstanding shares of its Series A preferred stock. The Series A preferred stock is represented by depositary shares, each representing a 1/400<sup>th</sup> ownership interest in a share of Series A preferred stock. The dividend of \$171.88 per share (equivalent to \$0.43 per outstanding depositary share) is payable on December 1, 2022 to preferred shareholders of record as of November 16, 2022.

The Company's Board of Directors also declared a quarterly dividend of \$0.30 per share of common stock. The common stock dividend is payable on November 25, 2022 to common shareholders of record as of November 11, 2022.

**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, 2022, the related consolidated statements of income, comprehensive income, and stockholders' equity for the three, six, and nine-month periods ended September 30, 2022 and 2021, the consolidated statements of changes in cash flows for the nine-month periods ended September 30, 2022 and 2021, 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, 2021, 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 25, 2022, 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, 2021, 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 3, 2022



## 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 2021 Form 10-K, including the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section therein. Highlighted in the discussion are material changes from prior reporting periods and identifiable trends materially affecting the Company. Results of operations for the interim periods are not necessarily indicative of results that may be expected for the full year or for any other period. Amounts are rounded for presentation purposes; however, some of the percentages presented are computed based on unrounded amounts.

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

### FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that include, without limitation, statements regarding anticipated changes in the interest rate environments and the related impacts on the Company’s net interest margin, changes in economic conditions, management’s belief regarding liquidity and capital resources, and statements that include other projections, predictions, expectations, or beliefs about future events or results or otherwise are not statements of historical fact. Such forward-looking statements are based on certain assumptions as of the time they are made, and are inherently subject to known and unknown risks, uncertainties, and other factors, some of which cannot be predicted or quantified, that may cause actual results, performance, or achievements to be materially different from those expressed or implied by such forward-looking statements. Forward-looking statements are often characterized by the use of qualified words (and their derivatives) such as “expect,” “believe,” “estimate,” “plan,” “project,” “anticipate,” “intend,” “will,” “may,” “view,” “opportunity,” “potential,” “continue,” “confidence,” or words of similar meaning or other statements concerning opinions or judgment of the Company and 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 future 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 the effects of or changes in:

- market interest rates and the impacts on macroeconomic conditions, customer and client behavior, the Company’s funding costs and the Company’s loan and securities portfolios;
- inflation and its impacts on economic growth and customer and client behavior;
- 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, including the effects of declines in real estate values, an increase in unemployment levels and slowdowns in economic growth;
- monetary and fiscal policies of the U.S. government, including policies of the U.S. Department of the Treasury and the Federal Reserve;
- the quality or composition of the Company’s loan or investment portfolios and changes therein;
- demand for loan products and financial services in the Company’s market areas;

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- the Company's ability to manage its growth or implement its growth strategy;
- the effectiveness of expense reduction plans;
- the introduction of new lines of business or new products and services;
- the Company's ability to recruit and retain key employees;
- real estate values in the Company's lending area;
- an insufficient ACL;
- changes in accounting principles, standards, rules, and interpretations, and the related impact on the Company's financial statements;
- volatility in the ACL resulting from the CECL methodology, either alone or as that may be affected by conditions arising out of the COVID-19 pandemic, inflation, changing interest rates or other factors;
- the Company's liquidity and capital positions;
- 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;
- the Company's ability to compete in the market for financial services and increased competition from fintech companies;
- technological risks and developments, and cyber threats, attacks, or events;
- operational, technological, cultural, regulatory, legal, credit and other risks associated with the exploration, consummation and integration of potential future acquisitions, whether involving stock or cash considerations;
- the potential adverse effects of unusual and infrequently occurring events, such as weather-related disasters, terrorist acts, geopolitical conflicts (such as the ongoing conflict between Russia and Ukraine) or public health events (such as COVID-19), and of governmental and societal responses thereto; these potential adverse effects may include, without limitation, adverse effects on the ability of the Company's borrowers to satisfy their obligations to the Company, on the value of collateral securing loans, on the demand for the Company's loans or its other products and services, on supply chains and methods used to distribute products and services, on incidents of cyberattack and fraud, on the Company's liquidity or capital positions, on risks posed by reliance on third-party service providers, on other aspects of the Company's business operations and on financial markets and economic growth;
- the effect of steps the Company takes in response to the COVID-19 pandemic, the severity and duration of the pandemic, the uncertainty regarding new variants of COVID-19 that have emerged, the speed and efficacy of vaccine and treatment developments, the impact of loosening or tightening of government restrictions, the pace of recovery when the pandemic subsides and the heightened impact it has on many of the risks described herein;
- the discontinuation of LIBOR and its impact on the financial markets, and the Company's ability to manage operational, legal and compliance risks related to the discontinuation of LIBOR and implementation of one or more alternate reference rates;
- performance by the Company's counterparties or vendors;
- deposit flows;
- the availability of financing and the terms thereof;
- the level of prepayments on loans and MBS;
- legislative or regulatory changes and requirements;
- potential claims, damages, and fines related to litigation or government actions;
- the effects of changes in federal, state or local tax laws and regulations;
- any event or development that would cause the Company to conclude that there was an impairment of any asset, including intangible assets, such as goodwill; and
- other factors, many of which are beyond the control of the Company.

Please refer to such other factors as discussed throughout Part I, Item 1A, "Risk Factors" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the 2021 Form 10-K and related disclosures in other filings, which have been filed with the SEC and are available on the SEC's website at [www.sec.gov](http://www.sec.gov). All risk factors and uncertainties described herein and therein should be considered in evaluating forward-looking statements, all of the forward-looking statements made in this report are expressly qualified by the cautionary statements contained or referred to herein and therein. The actual results or developments anticipated may not be realized or, even if substantially realized, they may not have the expected consequences to or effects on the Company or its businesses or operations. Readers are cautioned not to rely too heavily on the forward-looking statements contained in this Quarterly Report, and undue reliance should not be placed on such forward-looking statements. Forward-looking statements speak only as of the date they are made. The Company does not intend or assume any obligation to update, revise or clarify any forward-looking statements that may be made from time to time by or on behalf of the Company, whether as a result of new information, future events or otherwise.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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 ALLL, acquired loans, and goodwill. 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 2021 Form 10-K.

The Company provides additional information on its critical accounting policies and estimates under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in its 2021 Form 10-K and in Note 1 "Summary of Significant Accounting Policies" in Part I, Item 1 of this Quarterly Report.

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

In March 2022, the FASB issued ASU No. 2022-02 *“Financial Instruments- Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.”* This guidance eliminates the accounting guidance for TDRs by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. In addition, for public business entities, the amendments require disclosure of current period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption of the amendments is permitted if ASU 2016-13 has been adopted, including adoption in an interim period. The Company is evaluating the impact ASU No. 2022-02 will have on its consolidated financial statements.

In March 2022, the FASB issued ASU No. 2022-01 *“Derivatives and Hedging (Topic 815): Fair Value Hedging- Portfolio Layer Method”* to allow nonprepayable financial assets to be included in a closed portfolio hedge using the portfolio layer method and to allow multiple hedged layers to be designated for a single closed portfolio of financial assets or one or more beneficial interests secured by a portfolio of financial instruments. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption of the amendments is permitted if the amendments in ASU 2017-12 have been adopted for the corresponding period. The Company is evaluating the impact ASU No. 2022-01 and concluded that it will not have material implications on its consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04 *“Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.”* This guidance provides temporary, optional guidance to ease the potential burden in accounting for reference rate reform associated with the LIBOR transition. LIBOR and other interbank offered rates are widely used benchmark or reference rates that have been used in the valuation of loans, derivatives, and other financial contracts. Global capital markets are going to be required to move away from LIBOR and other interbank offered rates and toward rates that are more observable or transaction based and less susceptible to manipulation. Topic 848 provides optional expedients and exceptions, subject to meeting certain criteria, for applying current GAAP to contract modifications and hedging relationships, for contracts that reference LIBOR or another reference rate expected to be discontinued. Topic 848 is intended to help stakeholders during the global market-wide reference rate transition period. The amendments are effective as of March 12, 2020 through December 31, 2022 and can be adopted at an instrument level. As of March 31, 2021, the Company utilized the expedient to assert probability of hedged interest as detailed 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 2021 Form 10-K. The Company may incorporate other components of Topic 848 at a later date as it continues to evaluate the remaining components of Topic 848 and its impact to the Company.

#### **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 114 branches and approximately 130 ATMs located throughout Virginia, and in portions of Maryland and North Carolina. Certain non-bank financial services affiliates of Atlantic Union Bank include: Atlantic Union Equipment Finance, Inc., which provides equipment financing; Atlantic Union Financial Consultants, LLC, which provides brokerage services; and Union Insurance Group, LLC, which offers various lines of insurance products.

Effective June 30, 2022, the Company transferred its ownership interest in DHFB, which was formerly a subsidiary of the Bank, to CSP in exchange for a minority ownership interest in CSP.

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 Quarterly Report.

## RESULTS OF OPERATIONS

### *SIGNIFICANT ACTIVITIES*

#### **Recent Events**

The Company is continually monitoring the impact of various global and national events on the Company's results of operations and financial condition, including the impact of COVID-19, geopolitical conflicts (such as the ongoing conflict between Russia and Ukraine), inflation, and rising interest rates. Inflation has risen as a result of growth in economic activity and demand for goods and services, as well as labor shortages and supply chain issues. As a result, market interest rates began to rise during 2022 after an extended period at historical lows. On March 16, 2022, the FOMC began to increase its Federal Funds target rates to a range of 0.25% to 0.50%, which was the first increase since December 2018. The FOMC further increased the target rates throughout 2022 to its current range of 3.00% to 3.25%. The FOMC also foreshadowed potential further increases to the target rates throughout the year and also confirmed the continued reduction to the Federal Reserve's holdings of U.S. Treasury securities and agency debt and agency MBS. The Company anticipates that these FOMC actions will result in an expansion on its net interest margin due to the Company's asset-sensitive position at September 30, 2022, as well as an increase in unrealized losses in AFS investments and a decline in purchases of mortgages. The timing and impact of inflation and rising interest rates on the Company's business and results of operations will depend on future developments, which are highly uncertain and difficult to predict. The Company will continue to deploy various asset liability management strategies to seek to manage the Company's risk related to interest rate fluctuations. Refer to "Quantitative and Qualitative Disclosures about Market Risk" in Part II, Item 3 of this Quarterly Report for additional information about the Company's interest rate sensitivity.

#### **Strategic Initiatives**

Effective June 30, 2022, the Company transferred its ownership interest in DHFB, which was formerly a subsidiary of the Bank to CSP in exchange for a minority ownership interest in CSP, resulting in a \$9.1 million pre-tax gain for the quarter ended June 30, 2022.

During the fourth quarter of 2021, the Company took certain actions to reduce expenses in light of the period's prevailing and expected operating environment, including the closure of the Company's operations center and consolidation of 16 branches, all of which were completed in March 2022. These actions resulted in restructuring expenses in the first quarter of 2022 of approximately \$5.5 million, primarily related to lease and other asset write downs, as well as severance costs. There were no significant branch closing and facility consolidation costs throughout the remainder of 2022.

### *SUMMARY OF FINANCIAL RESULTS*

#### **Third Quarter Net Income and Performance Metrics**

- Net income available to common shareholders was \$55.1 million and basic and diluted EPS was \$0.74 for the third quarter of 2022, compared to \$71.6 million and \$0.94 for the third quarter of 2021.

#### **Nine Month Net Income and Performance Metrics**

- Net income available to common shareholders was \$155.1 million and basic and diluted EPS was \$2.07 for the first nine months of 2022, compared to \$207.2 million and \$2.66 for the first nine months of 2021.
- Adjusted operating earnings available to common shareholders<sup>(+)</sup> totaled \$151.5 million and diluted adjusted operating EPS<sup>(+)</sup> was \$2.02 for the first nine months of 2022, compared to adjusted operating earnings available to common shareholders<sup>(+)</sup> of \$219.5 million and diluted adjusted operating EPS<sup>(+)</sup> of \$2.81 for the first nine months of 2021.

#### **Balance Sheet**

- At September 30, 2022, total assets were \$20.0 billion, a decrease of \$114.6 million or approximately 0.8% (annualized) from December 31, 2021. The decrease in total assets was driven by a \$545.8 million decrease in the net investment securities portfolio mainly due to the decline in the AFS portfolio's fair value, reflecting the impact of

market interest rate increases, which were offset by HTM portfolio growth of \$213.3 million, and a \$411.6 million decrease in cash and cash equivalents, which was deployed primarily to fund loans, which increased by \$722.9 million from December 31, 2021.

- LHFII (net of deferred fees and costs) were \$13.9 billion, including \$12.1 million in PPP loans at September 30, 2022, an increase of \$722.9 million or 7.3% (annualized) from December 31, 2021. Excluding the impact of the PPP<sup>(+)</sup>, LHFII (net of deferred fees and costs) increased \$861.1 million or 8.8% (annualized) during this period.
- Total deposits were \$16.5 billion at September 30, 2022, a decrease of \$64.9 million or 0.5% (annualized) from December 31, 2021.

**Net Interest Income**

	For the Three Months Ended		Change	
	September 30,			
	2022	2021		
	<i>(Dollars in thousands)</i>			
Average interest-earning assets	\$ 17,879,222	\$ 17,910,389	\$ (31,167)	
Interest and dividend income	\$ 171,156	\$ 146,379	\$ 24,777	
Interest and dividend income (FTE) <sup>(+)</sup>	\$ 174,998	\$ 149,543	\$ 25,455	
Yield on interest-earning assets	3.80 %	3.24 %	56	bps
Yield on interest-earning assets (FTE) <sup>(+)</sup>	3.88 %	3.31 %	57	bps
Average interest-bearing liabilities	\$ 11,867,217	\$ 11,908,809	\$ (41,592)	
Interest expense	\$ 20,441	\$ 8,891	\$ 11,550	
Cost of interest-bearing liabilities	0.68 %	0.30 %	38	bps
Cost of funds	0.45 %	0.19 %	26	bps
Net interest income	\$ 150,715	\$ 137,488	\$ 13,227	
Net interest income (FTE) <sup>(+)</sup>	\$ 154,557	\$ 140,652	\$ 13,905	
Net interest margin	3.34 %	3.05 %	29	bps
Net interest margin (FTE) <sup>(+)</sup>	3.43 %	3.12 %	31	bps

For the third quarter of 2022, net interest income was \$150.7 million, an increase of \$13.2 million from the third quarter of 2021. For the third quarter of 2022, net interest income (FTE)<sup>(+)</sup> was \$154.6 million, an increase of \$13.9 million from the third quarter of 2021. In the third quarter of 2022, net interest margin increased 29 bps to 3.34% from 3.05% in the third quarter of 2021, and net interest margin (FTE)<sup>(+)</sup> increased 31 bps to 3.43% from 3.12% compared to the same period of 2021. The increases in net interest income and net interest income (FTE)<sup>(+)</sup> were primarily the result of higher interest income on loans due to an increase in average loans held for investment and an increase in loan yields on the Company's variable rate loans due to higher market interest rates. The increase was partially offset by an increase in deposit and borrowing costs primarily due to increases in short-term market rates.

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	For the Nine Months Ended September 30,		Change
	2022	2021 <i>(Dollars in thousands)</i>	
Average interest-earning assets	\$ 17,803,550	\$ 17,824,607	\$ (21,057)
Interest and dividend income	\$ 458,367	\$ 444,904	\$ 13,463
Interest and dividend income (FTE) <sup>(+)</sup>	\$ 469,122	\$ 454,265	\$ 14,857
Yield on interest-earning assets	3.44 %	3.34 %	10 bps
Yield on interest-earning assets (FTE) <sup>(+)</sup>	3.52 %	3.41 %	11 bps
Average interest-bearing liabilities	\$ 11,752,110	\$ 11,939,838	\$ (187,728)
Interest expense	\$ 37,954	\$ 31,970	\$ 5,984
Cost of interest-bearing liabilities	0.43 %	0.36 %	7 bps
Cost of funds	0.28 %	0.24 %	4 bps
Net interest income	\$ 420,413	\$ 412,934	\$ 7,479
Net interest income (FTE) <sup>(+)</sup>	\$ 431,168	\$ 422,295	\$ 8,873
Net interest margin	3.16 %	3.10 %	6 bps
Net interest margin (FTE) <sup>(+)</sup>	3.24 %	3.17 %	7 bps

For the first nine months of 2022, net interest income was \$420.4 million, an increase of \$7.5 million from the same period of 2021. For the first nine months of 2022, net interest income (FTE)<sup>(+)</sup> was \$431.2 million, an increase of \$8.9 million from the same period of 2021. In the first nine months of 2022, net interest margin increased 6 bps to 3.16% from 3.10% for the first nine months of 2021, and net interest margin (FTE)<sup>(+)</sup> increased 7 bps to 3.24% from 3.17% for the same period in 2021. The increases in net interest margin and net interest margin (FTE)<sup>(+)</sup> were primarily the result of higher interest income on investments due to an increase in balances in taxable and tax-exempt securities and an increase in yields on the Company's securities due to higher market interest rates, partially offset by an increase in deposit and borrowing costs due to increases in short-term market rates and additional borrowings related to the 2031 Notes and increased FHLB advances.

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

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

	For the Three Months Ended September 30,					
	2022			2021		
	Average Balance	Interest Income / Expense <sup>(1)</sup>	Yield / Rate <sup>(1)(2)</sup>	Average Balance	Interest Income / Expense <sup>(1)</sup>	Yield / Rate <sup>(1)(2)</sup>
<b>Assets:</b>						
<b>Securities:</b>						
Taxable	\$ 2,193,279	\$ 14,750	2.67 %	\$ 2,248,478	\$ 11,230	1.98 %
Tax-exempt	1,625,328	13,661	3.33 %	1,431,499	12,480	3.46 %
Total securities	3,818,607	28,411	2.95 %	3,679,977	23,710	2.56 %
Loans, net <sup>(3)</sup>	13,733,447	145,433	4.20 %	13,451,674	125,290	3.70 %
Other earning assets	327,168	1,154	1.40 %	778,738	543	0.28 %
<b>Total earning assets</b>	<b>17,879,222</b>	<b>\$ 174,998</b>	<b>3.88 %</b>	<b>17,910,389</b>	<b>\$ 149,543</b>	<b>3.31 %</b>
Allowance for credit losses	(104,746)			(117,414)		
<b>Total non-earning assets</b>	<b>2,206,024</b>			<b>2,263,595</b>		
<b>Total assets</b>	<b>\$ 19,980,500</b>			<b>\$ 20,056,570</b>		
<b>Liabilities and Stockholders' Equity:</b>						
<b>Interest-bearing deposits:</b>						
Transaction and money market accounts	\$ 8,247,650	\$ 11,342	0.55 %	\$ 8,345,410	\$ 1,501	0.07 %
Regular savings	1,171,071	64	0.02 %	1,058,284	55	0.02 %
Time deposits	1,745,224	3,980	0.90 %	2,109,131	4,281	0.81 %
<b>Total interest-bearing deposits</b>	<b>11,163,945</b>	<b>15,386</b>	<b>0.55 %</b>	<b>11,512,825</b>	<b>5,837</b>	<b>0.20 %</b>
Other borrowings	703,272	5,055	2.85 %	395,984	3,054	3.06 %
<b>Total interest-bearing liabilities</b>	<b>11,867,217</b>	<b>\$ 20,441</b>	<b>0.68 %</b>	<b>11,908,809</b>	<b>\$ 8,891</b>	<b>0.30 %</b>
<b>Noninterest-bearing liabilities:</b>						
Demand deposits	5,324,279			5,205,319		
Other liabilities	352,005			224,410		
<b>Total liabilities</b>	<b>17,543,501</b>			<b>17,338,538</b>		
Stockholders' equity	2,436,999			2,718,032		
<b>Total liabilities and stockholders' equity</b>	<b>\$ 19,980,500</b>			<b>\$ 20,056,570</b>		
<b>Net interest income</b>		<b>\$ 154,557</b>			<b>\$ 140,652</b>	
<b>Interest rate spread</b>			<b>3.20 %</b>			<b>3.01 %</b>
<b>Cost of funds</b>			<b>0.45 %</b>			<b>0.19 %</b>
<b>Net interest margin</b>			<b>3.43 %</b>			<b>3.12 %</b>

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

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

<sup>(3)</sup> Nonaccrual loans are included in average loans outstanding.



	For the Nine Months Ended September 30,					
	2022			2021		
	Average Balance	Interest Income / Expense <sup>(1)</sup>	Yield / Rate <sup>(1)(2)</sup>	Average Balance	Interest Income / Expense <sup>(1)</sup>	Yield / Rate <sup>(1)(2)</sup>
	<i>(Dollars in thousands)</i>					
<b>Assets:</b>						
<b>Securities:</b>						
Taxable	\$ 2,375,933	\$ 43,110	2.43 %	\$ 2,062,486	\$ 32,102	2.08 %
Tax-exempt	1,605,375	40,366	3.36 %	1,375,799	36,421	3.54 %
Total securities	3,981,308	83,476	2.80 %	3,438,285	68,523	2.66 %
Loans, net <sup>(3)</sup>	13,521,507	383,799	3.79 %	13,827,002	384,252	3.72 %
Other earning assets	300,735	1,847	0.82 %	559,320	1,490	0.36 %
<b>Total earning assets</b>	<b>17,803,550</b>	<b>\$ 469,122</b>	<b>3.52 %</b>	<b>17,824,607</b>	<b>\$ 454,265</b>	<b>3.41 %</b>
Allowance for credit losses	(102,783)			(137,589)		
<b>Total non-earning assets</b>	<b>2,172,877</b>			<b>2,203,137</b>		
<b>Total assets</b>	<b>\$ 19,873,644</b>			<b>\$ 19,890,155</b>		
<b>Liabilities and Stockholders' Equity:</b>						
<b>Interest-bearing deposits:</b>						
Transaction and money market accounts	\$ 8,203,629	\$ 15,748	0.26 %	\$ 8,189,587	\$ 5,462	0.09 %
Regular savings	1,161,145	175	0.02 %	1,005,537	169	0.02 %
Time deposits	1,726,341	10,043	0.78 %	2,288,530	16,572	0.97 %
<b>Total interest-bearing deposits</b>	<b>11,091,115</b>	<b>25,966</b>	<b>0.31 %</b>	<b>11,483,654</b>	<b>22,203</b>	<b>0.26 %</b>
Other borrowings	660,995	11,988	2.42 %	456,184	9,767	2.86 %
<b>Total interest-bearing liabilities</b>	<b>11,752,110</b>	<b>\$ 37,954</b>	<b>0.43 %</b>	<b>11,939,838</b>	<b>\$ 31,970</b>	<b>0.36 %</b>
<b>Noninterest-bearing liabilities:</b>						
Demand deposits	5,306,675			4,949,816		
Other liabilities	301,337			271,896		
<b>Total liabilities</b>	<b>17,360,122</b>			<b>17,161,550</b>		
Stockholders' equity	2,513,522			2,728,605		
<b>Total liabilities and stockholders' equity</b>	<b>\$ 19,873,644</b>			<b>\$ 19,890,155</b>		
<b>Net interest income</b>		<b>\$ 431,168</b>			<b>\$ 422,295</b>	
<b>Interest rate spread</b>			<b>3.09 %</b>			<b>3.05 %</b>
<b>Cost of funds</b>			<b>0.28 %</b>			<b>0.24 %</b>
<b>Net interest margin</b>			<b>3.24 %</b>			<b>3.17 %</b>

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

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

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

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The Volume Rate Analysis table below presents changes in interest income (FTE)<sup>(+)</sup> 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, 2022 vs. September 30, 2021 Increase (Decrease) Due to Change in:			Nine Months Ended September 30, 2022 vs. September 30, 2021 Increase (Decrease) Due to Change in:		
	Volume	Rate	Total	Volume	Rate	Total
<b>Earning Assets:</b>						
<b>Securities:</b>						
Taxable	\$ (282)	\$ 3,802	\$ 3,520	\$ 5,266	\$ 5,742	\$ 11,008
Tax-exempt	1,641	(460)	1,181	5,843	(1,898)	3,945
<b>Total securities</b>	<b>1,359</b>	<b>3,342</b>	<b>4,701</b>	<b>11,109</b>	<b>3,844</b>	<b>14,953</b>
Loans, net	2,672	17,471	20,143	(8,582)	8,129	(453)
Other earning assets	(475)	1,086	611	(924)	1,281	357
<b>Total earning assets</b>	<b>\$ 3,556</b>	<b>\$ 21,899</b>	<b>\$ 25,455</b>	<b>\$ 1,603</b>	<b>\$ 13,254</b>	<b>\$ 14,857</b>
<b>Interest-Bearing Liabilities:</b>						
<b>Interest-bearing deposits:</b>						
Transaction and money market accounts	\$ (18)	\$ 9,859	\$ 9,841	\$ 9	\$ 10,277	\$ 10,286
Regular savings	6	3	9	25	(19)	6
Time Deposits	(791)	490	(301)	(3,626)	(2,903)	(6,529)
<b>Total interest-bearing deposits</b>	<b>(803)</b>	<b>10,352</b>	<b>9,549</b>	<b>(3,592)</b>	<b>7,355</b>	<b>3,763</b>
Other borrowings	2,222	(221)	2,001	3,885	(1,664)	2,221
<b>Total interest-bearing liabilities</b>	<b>1,419</b>	<b>10,131</b>	<b>11,550</b>	<b>293</b>	<b>5,691</b>	<b>5,984</b>
<b>Change in net interest income (FTE)<sup>(+)</sup></b>	<b>\$ 2,137</b>	<b>\$ 11,768</b>	<b>\$ 13,905</b>	<b>\$ 1,310</b>	<b>\$ 7,563</b>	<b>\$ 8,873</b>

The Company's net interest margin (FTE)<sup>(+)</sup> includes the impact of acquisition accounting fair value adjustments. The impact of net accretion related to acquisition accounting fair value adjustments for the first, second, and third quarters of 2021 and 2022 are reflected in the following table (dollars in thousands):

	Loan Accretion	Deposit Accretion (Amortization)	Borrowings Amortization	Total
For the quarter ended March 31, 2021	\$ 4,287	\$ 20	\$ (198)	\$ 4,109
For the quarter ended June 30, 2021	4,132	12	(202)	3,942
For the quarter ended September 30, 2021	4,176	(8)	(203)	3,965
For the quarter ended March 31, 2022	2,253	(10)	(203)	2,040
For the quarter ended June 30, 2022	2,879	(11)	(207)	2,661
<b>For the quarter ended September 30, 2022</b>	<b>1,326</b>	<b>(11)</b>	<b>(209)</b>	<b>1,106</b>

**Noninterest Income**

	For the Three Months Ended September 30,		Change	
	2022	2021	\$	%
<i>(Dollars in thousands)</i>				
<b>Noninterest income:</b>				
Service charges on deposit accounts	\$ 6,784	\$ 7,198	\$ (414)	(5.8)%
Other service charges, commissions, and fees	1,770	1,534	236	15.4 %
Interchange fees	2,461	2,203	258	11.7 %
Fiduciary and asset management fees	4,134	7,029	(2,895)	(41.2)%
Mortgage banking income	1,390	4,818	(3,428)	(71.1)%
Bank owned life insurance income	3,445	2,727	718	26.3 %
Loan-related interest rate swap fees	2,050	1,102	948	86.0 %
Other operating income	3,550	3,327	223	6.7 %
<b>Total noninterest income</b>	<b>\$ 25,584</b>	<b>\$ 29,938</b>	<b>\$ (4,354)</b>	<b>(14.5)%</b>

Noninterest income decreased \$4.4 million or 14.5% to \$25.6 million for the quarter ended September 30, 2022, compared to \$29.9 million for the quarter ended September 30, 2021. The decrease was primarily driven by a \$3.4 million decrease in mortgage banking income due to a decline in mortgage loan origination volumes and lower gain on sale margins due primarily to rising interest rates, a \$2.9 million decrease in fiduciary and asset management fees due to a decrease in assets under management primarily driven by the DHFB sale in the second quarter of 2022, and a \$414,000 decrease in service charges on deposit accounts, reflective of changes to the Company's overdraft policy. These decreases in noninterest income were partially offset by a \$948,000 increase in loan-related interest rate swap fee income due to higher transaction volumes, a \$718,000 increase in BOLI income due to mortality benefits, and a \$258,000 increase in interchange fees.

	For the Nine Months Ended September 30,		Change	
	2022	2021	\$	%
<i>(Dollars in thousands)</i>				
<b>Noninterest income:</b>				
Service charges on deposit accounts	\$ 22,421	\$ 19,314	\$ 3,107	16.1 %
Other service charges, commissions, and fees	5,134	4,970	164	3.3 %
Interchange fees	6,539	6,252	287	4.6 %
Fiduciary and asset management fees	18,329	20,323	(1,994)	(9.8)%
Mortgage banking income	6,707	17,692	(10,985)	(62.1)%
Bank owned life insurance income	8,858	8,202	656	8.0 %
Loan-related interest rate swap fees	8,510	4,176	4,334	103.8 %
Other operating income	17,525	8,459	9,066	107.2 %
<b>Total noninterest income</b>	<b>\$ 94,023</b>	<b>\$ 89,388</b>	<b>\$ 4,635</b>	<b>5.2 %</b>

Noninterest income increased \$4.6 million or 5.2% to \$94.0 million for the nine months ended September 30, 2022, compared to \$89.4 million for the nine months ended September 30, 2021. Excluding the losses and gains on sale of securities and the gain on sale of DHFB, included within other operating income, adjusted operating noninterest income<sup>(+)</sup> for the nine months ended September 30, 2022 decreased \$4.4 million or 4.9% compared to the nine months ended September 30, 2021. The decrease from the prior year was mainly due to a decrease of \$11.0 million in mortgage banking income due to a decline in mortgage loan origination volumes and a decline in gain on sale margins as 2022 saw a steep increase in interest rates, and a decrease of \$2.0 million in fiduciary and asset management fees due to a decrease in assets under management primarily driven by the DHFB sale. These decreases in noninterest income were partially offset by a \$4.3 million increase in loan-related interest rate swap fee income due to higher transaction volumes, a \$3.1 million increase in service charges on deposit accounts, a \$656,000 increase in BOLI income due to mortality benefits, and a \$287,000 increase in interchange fees.

*Noninterest Expense*

	For the Three Months Ended		Change	
	September 30,		\$	%
	2022	2021		
	<i>(Dollars in thousands)</i>			
<b>Noninterest expense:</b>				
Salaries and benefits	\$ 56,600	\$ 53,534	\$ 3,066	5.7 %
Occupancy expenses	6,408	7,251	(843)	(11.6)%
Furniture and equipment expenses	3,673	4,040	(367)	(9.1)%
Technology and data processing	8,273	7,534	739	9.8 %
Professional services	3,504	3,792	(288)	(7.6)%
Marketing and advertising expense	2,343	2,548	(205)	(8.0)%
FDIC assessment premiums and other insurance	3,094	2,172	922	42.4 %
Franchise and other taxes	4,507	4,432	75	1.7 %
Loan-related expenses	1,575	1,503	72	4.8 %
Amortization of intangible assets	2,480	3,381	(901)	(26.6)%
Other expenses	7,466	5,156	2,310	44.8 %
<b>Total noninterest expense</b>	<b>\$ 99,923</b>	<b>\$ 95,343</b>	<b>\$ 4,580</b>	<b>4.8 %</b>

Noninterest expense increased \$4.6 million or 4.8% to \$99.9 million for the quarter ended September 30, 2022, compared to \$95.3 million for the quarter ended September 30, 2021. Excluding amortization of intangible assets, adjusted operating noninterest expense<sup>(+)</sup> for the quarter ended September 30, 2022 increased \$5.5 million or 6.0% compared to the quarter ended September 30, 2021. The increase from the prior year quarter was mainly due to a \$3.1 million increase in salaries and benefits driven by increases in salaries, wages, and variable incentive compensation, a \$2.3 million increase in other expenses, primarily comprised of \$1.1 million in non-credit related losses on customer transactions and \$440,000 in teammate training and travel costs, a \$922,000 increase in FDIC assessment premiums, and a \$739,000 increase in technology and data processing expenses driven primarily by an increase in software licensing and maintenance expenses. These increases were partially offset by decreases of \$843,000 in occupancy expenses and \$367,000 in furniture and equipment expenses, partially reflecting the impact of the Company's consolidation of 16 branches that was completed in March 2022.

	For the Nine Months Ended September 30,		Change	
	2022	2021	\$	%
<i>(Dollars in thousands)</i>				
<b>Noninterest expense:</b>				
Salaries and benefits	\$ 170,203	\$ 156,959	\$ 13,244	8.4 %
Occupancy expenses	19,685	21,705	(2,020)	(9.3)%
Furniture and equipment expenses	10,860	11,919	(1,059)	(8.9)%
Technology and data processing	23,930	21,657	2,273	10.5 %
Professional services	12,274	13,161	(887)	(6.7)%
Marketing and advertising expense	7,008	7,330	(322)	(4.4)%
FDIC assessment premiums and other insurance	8,344	6,798	1,546	22.7 %
Franchise and other taxes	13,506	13,303	203	1.5 %
Loan-related expenses	5,218	5,289	(71)	(1.3)%
Amortization of intangible assets	8,434	10,679	(2,245)	(21.0)%
Loss on debt extinguishment	—	14,695	(14,695)	(100.0)%
Other expenses	24,550	15,756	8,794	55.8 %
<b>Total noninterest expense</b>	<b>\$ 304,012</b>	<b>\$ 299,251</b>	<b>\$ 4,761</b>	<b>1.6 %</b>

Noninterest expense for the nine months ended September 30, 2022 increased \$4.8 million or 1.6% to \$304.0 million, compared to the nine months ended September 30, 2021. Excluding amortization of intangible assets, losses related to balance sheet repositioning, and branch closing and facility consolidation costs, adjusted operating noninterest expense<sup>(\*)</sup> for the nine months ended September 30, 2022 increased by \$17.1 million or 6.3% compared to the nine months ended September 30, 2021. The increase from the prior year period was mainly due to a \$13.2 million increase in salaries and benefits primarily driven by an increase in salaries, wages, and variable incentive compensation, a \$2.3 million increase in technology and data processing expense driven by an increase in software licensing and maintenance expenses, a \$1.5 million increase in FDIC assessment premiums, and increases within other expenses, including a \$1.5 million increase in non-credit related losses on customer transactions, a \$1.2 million increase in teammate training and travel costs, and a \$1.1 million increase in OREO and credit-related expenses. Partially offsetting these expense increases were decreases of \$2.0 million in occupancy expenses and \$1.1 million in furniture and equipment expenses, reflecting the impact of the Company's consolidation of 16 branches that was completed in March 2022, and a \$887,000 decrease in professional services expenses.

### Segment Results

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

**Wholesale Banking**

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

The following tables present operating results for the three and nine months ended September 30, 2022 and 2021 for the Wholesale Banking segment (dollars in thousands):

	<b>Three Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Net interest income	\$ 76,109	\$ 74,121
Provision for credit losses	8,558	(16,086)
Net interest income after provision for credit losses	67,551	90,207
Noninterest income	5,483	3,206
Noninterest expense	36,197	31,333
Income before income taxes	\$ 36,837	\$ 62,080

Wholesale Banking income before income taxes decreased \$25.3 million to \$36.8 million for the three months ended September 30, 2022, compared to \$62.1 million for the three months ended September 30, 2021. The decrease was predominantly driven by an increase in the provision for credit losses of \$24.6 million, reflecting the increased provision for credit losses in the current quarter due to the changes in the economic outlook and loan growth. In addition, noninterest expense increased by \$4.9 million primarily due to an increase in salaries, benefits, and variable incentive compensation. These increases in provision and noninterest expense were partially offset by an increase in noninterest income of \$2.3 million reflecting the impact of increases in loan swap fees and other operating income related to syndication, foreign exchange, and other capital market transaction fees. In addition, net interest income increased by \$2.0 million compared to the third quarter of 2021, as increases in loan balances and higher market rates were partially offset by higher deposit costs and a decrease in PPP related interest and fee income of \$4.6 million.

	<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Net interest income	\$ 217,600	\$ 223,158
Provision for credit losses	12,833	(37,702)
Net interest income after provision for credit losses	204,767	260,860
Noninterest income	16,438	10,332
Noninterest expense	106,120	94,393
Income before income taxes	\$ 115,085	\$ 176,799

Wholesale Banking income before income taxes decreased \$61.7 million to \$115.1 million for the nine months ended September 30, 2022, compared to \$176.8 million for the nine months ended September 30, 2021. The decrease was predominantly driven by an increase in provision for credit losses of \$50.5 million, reflecting the increased provision for credit losses in the current period due to the changes in the economic outlook and loan growth. In addition, noninterest expense increased \$11.7 million from the same period in 2021, primarily due to an increase in salaries, benefits, and variable incentive compensation. Net interest income for the nine months ended September 30, 2022 decreased \$5.6 million from the same period in 2021, primarily due to a decrease in PPP related interest and fee income of \$15.3 million, offset by increased interest income driven by higher loan balances. Partially offsetting the decreases in net interest income after provision for credit losses and the increase in noninterest expense, noninterest income for the nine months ended September 30, 2022 increased by \$6.1 million from 2021, primarily due to an increase in loan swap fees driven by higher transaction volume and an increase in other operating income related to syndication, foreign exchange, and other capital market transaction fees.

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The following table presents the key balance sheet metrics as of September 30, 2022 and December 31, 2021 for the Wholesale Banking segment (dollars in thousands):

	September 30, 2022	December 31, 2021
LHFI, net of deferred fees and costs	\$ 10,847,988	\$ 10,242,918
Total Deposits	6,173,703	6,114,078

LHFI, net of deferred fees and costs for the Wholesale Banking segment increased \$605.1 million or 7.9% (annualized) to \$10.8 billion at September 30, 2022 compared to December 31, 2021; growth occurred across the construction and land development, other commercial, and commercial and industrial loan portfolios. Growth in the commercial and industrial loan portfolio was primarily driven by an increase in equipment finance loans.

Wholesale banking deposits increased \$59.6 million or 1.3% (annualized) to \$6.2 billion at September 30, 2022 compared to December 31, 2021. This increase was primarily driven by an increase in interest bearing transaction deposits, partially offset by a decrease in money market balances and maturing high cost time deposits.

**Consumer Banking**

The Consumer Banking segment provides loan and deposit services to consumers and small businesses throughout Virginia, Maryland, and North Carolina. Consumer Banking includes the home loan division and the wealth management division, which consists of private banking, trust, and investment management and advisory services.

The following tables present operating results for the three and nine months ended September 30, 2022 and 2021 for the Consumer Banking segment (dollars in thousands):

	Three Months Ended September 30,	
	2022	2021
Net interest income	\$ 60,265	\$ 56,536
Provision for credit losses	(2,146)	(2,764)
Net interest income after provision for credit losses	62,411	59,300
Noninterest income	14,909	21,454
Noninterest expense	59,460	59,824
Income before income taxes	\$ 17,860	\$ 20,930

Consumer Banking income before income taxes decreased \$3.0 million to \$17.9 million for the three months ended September 30, 2022, compared to \$20.9 million for the three months ended September 30, 2021. The decrease was primarily driven by a \$6.5 million decrease in noninterest income mainly driven by a decrease in mortgage banking income due to a decline in mortgage origination volumes, a decrease in fiduciary and asset management fees caused by a decrease in assets under management primarily related to the sale of DHFB in the second quarter of 2022, and a decrease in service charges on deposit accounts, reflective of changes to the Company's overdraft policy. These decreases were partially offset by an increase in net interest income of \$3.7 million driven by higher market rates, partially offset by a decrease in PPP related interest and fee income of \$5.2 million.

	Nine Months Ended September 30,	
	2022	2021
Net interest income	\$ 162,297	\$ 169,680
Provision for credit losses	(89)	(22,186)
Net interest income after provision for credit losses	162,386	191,866
Noninterest income	54,664	64,341
Noninterest expense	180,020	175,697
Income before income taxes	\$ 37,030	\$ 80,510

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Consumer Banking income before income taxes decreased \$43.5 million to \$37.0 million for the nine months ended September 30, 2022, compared to \$80.5 million for the nine months ended September 30, 2021. The decrease was predominantly driven by a \$22.1 million increase in the provision for credit losses, reflecting the changes in the macroeconomic outlook. In addition, noninterest income for the nine months ended September 30, 2022 decreased by \$9.7 million from the nine months ended September 30, 2021, primarily driven by a decrease in mortgage banking income due to a decline in mortgage origination volumes, and a decrease in fiduciary and asset management fees due to a decrease in assets under management primarily driven by the DHFB sale. These decreases were partially offset by an increase in service charges on deposit accounts. Net interest income decreased by \$7.4 million from the same period in 2021 largely due to a decrease in PPP related interest and fee income of \$12.9 million, partially offset by a decrease in interest expense. Noninterest expense for the nine months ended September 30, 2022 increased \$4.3 million from the same period in 2021, primarily driven by technology and other operating expenses.

The following table presents the key balance sheet metrics as of September 30, 2022 and December 31, 2021 for the Consumer Banking segment (dollars in thousands):

	September 30, 2022	December 31, 2021
LHFI, net of deferred fees and costs	\$ 3,089,334	\$ 2,976,200
Total Deposits	10,270,508	10,366,792

LHFI, net of deferred fees and costs for the Consumer Banking segment increased \$113.1 million or 5.1% (annualized) to \$3.1 billion at September 30, 2022 compared to December 31, 2021; growth occurred in the residential 1-4 family and auto loan portfolios.

Consumer Banking deposits decreased \$96.3 million or 1.2% (annualized) to \$10.3 billion at September 30, 2022 compared to December 31, 2021. This decrease was primarily due to a decline in money markets, partially offset by growth in savings accounts.

***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 effective tax rate for the three months ended September 30, 2022 and 2021 was 17.0% and 18.0%, respectively. The effective tax rate for the nine months ended September 30, 2022 and 2021 was 17.0% and 17.8%, respectively. The decrease in the effective tax rates reflects the impacts of the current year's discrete items related to the sale of DHFB and a higher proportion of tax-exempt income to pre-tax income in the 2022 period.



## DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

### *Overview*

#### *Assets*

At September 30, 2022, total assets were \$20.0 billion, a decrease of \$114.6 million or approximately 0.8% (annualized) from \$20.1 billion at December 31, 2021. The decrease in total assets was driven by the net investment securities portfolio decrease of \$545.8 million mainly due to the decline in the AFS portfolio's fair value, reflecting the impact of market interest rate increases which was partially offset by HTM portfolio growth of \$213.3 million, and a decrease in cash and cash equivalents of \$411.6 million, which was deployed primarily to fund loans, which increased by \$722.9 million from December 31, 2021.

LHFI (net of deferred fees and costs) were \$13.9 billion, including \$12.1 million in PPP loans, at September 30, 2022, an increase of \$722.9 million or 7.3% (annualized) from December 31, 2021. Excluding the effects of the PPP<sup>(+)</sup>, LHFI (net of deferred fees and costs) at September 30, 2022 increased \$861.1 million or 8.8% (annualized) from December 31, 2021. At September 30, 2022, quarterly average LHFI (net of deferred fees and costs) increased \$281.8 million or 2.1% from the same period in the prior year. Excluding the effects of the PPP<sup>(+)</sup>, the adjusted quarterly average LHFI (net of deferred fees and costs) at September 30, 2022 increased \$954.8 million or 7.5% from September 30, 2021. Refer to "Loan Portfolio" within this Item 2 and Note 3 "Loans and Allowance for Loan and Lease Losses" in Part I, Item 1 of this Quarterly Report for additional information on the Company's loan activity.

#### *Liabilities and Stockholders' Equity*

At September 30, 2022, total liabilities were \$17.7 billion, an increase of \$314.4 million from \$17.4 billion at December 31, 2021.

Total deposits at September 30, 2022 were \$16.5 billion, a decrease of \$64.9 million or approximately 0.5% (annualized) from December 31, 2021. For the quarter ended September 30, 2022, quarterly average deposits decreased \$229.9 million or 1.4% compared to the quarter ended September 30, 2021. The decrease in deposits from the prior year period were driven by maturing high cost time deposits. Refer to "Deposits" within this Item 2 for further discussion on this topic.

Total short-term and long-term borrowings at September 30, 2022 were \$669.6 million, an increase of \$163.0 million or 32.2% when compared to \$506.6 million at December 31, 2021. Refer to Note 6 "Borrowings" in Part I, Item I of this Quarterly Report for further discussion on this topic.

At September 30, 2022, stockholders' equity was \$2.3 billion, a decrease of \$428.9 million from December 31, 2021. Refer to "Capital Resources" within this Item 2, as well as Note 9 "Stockholders' Equity" in Part I, Item 1 of this Quarterly Report for additional information on the Company's capital resources.

For information related to the Company's stock repurchase activity and the Repurchase Program, please refer to Note 9 "Stockholders' Equity" in Part I, Item 1 and Part II, Item 2 of this Quarterly Report.

During the third quarter of 2022, the Company declared and paid a quarterly dividend on the outstanding shares of Series A preferred stock of \$171.88 per share (equivalent to \$0.43 per outstanding depository share), consistent with the second quarter of 2022 and the third quarter of 2021. During the third quarter of 2022, the Company also declared and paid a cash dividend of \$0.30 per common share, an increase of \$0.02 or approximately 7.1% from the second quarter of 2022 and the third quarter of 2021.

**Securities**

At September 30, 2022, the Company had total investments in the amount of \$3.6 billion, or 18.2% of total assets, as compared to \$4.2 billion, or 20.9% of total assets, at December 31, 2021. This decline in the Company's investment portfolio was primarily due to a decline in the market value of the AFS securities portfolio, which was partially offset by growth in the Company's HTM portfolio. The Company may experience further declines in the AFS portfolio in future periods if market interest rates continue to increase or the FOMC reduces the Federal Reserve's balance sheet more quickly than anticipated. The Company seeks to diversify its portfolio to minimize risk. It focuses on purchasing MBS for cash flow and reinvestment opportunities and securities issued by states and political subdivisions due to the tax benefits and the higher yield offered from these securities. The majority of the Company's MBS are agency-backed securities, which have a government guarantee. For information regarding the hedge transaction related to AFS securities, see Note 8 "Derivatives" in Part I, Item 1 of this Quarterly Report.

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

	September 30, 2022	December 31, 2021
<b>Available for Sale:</b>		
U.S. government and agency securities	\$ 61,636	\$ 73,849
Obligations of states and political subdivisions	764,543	1,008,396
Corporate and other bonds	231,088	153,376
<b>MBS</b>		
Commercial	308,574	471,157
Residential	1,349,828	1,773,232
Total MBS	1,658,402	2,244,389
Other securities	1,654	1,640
<b>Total AFS securities, at fair value</b>	<b>2,717,323</b>	<b>3,481,650</b>
<b>Held to Maturity:</b>		
U.S. government and agency securities	690	2,604
Obligations of states and political subdivisions	724,330	620,873
<b>MBS</b>		
Commercial	29,096	4,523
Residential	87,233	—
Total MBS	116,329	4,523
<b>Total held to maturity securities, at carrying value</b>	<b>841,349</b>	<b>628,000</b>
<b>Restricted Stock:</b>		
FRB stock	67,032	67,032
FHLB stock	15,018	9,793
<b>Total restricted stock, at cost</b>	<b>82,050</b>	<b>76,825</b>
<b>Total investments</b>	<b>\$ 3,640,722</b>	<b>\$ 4,186,475</b>

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The following table summarizes the weighted average yields<sup>(1)</sup> for AFS securities by contractual maturity date of the underlying securities as of September 30, 2022:

	1 Year or Less	1 - 5 Years	5 - 10 Years	Over 10 Years	Total
<b>U.S. government and agency securities</b>	— %	2.59 %	1.46 %	— %	1.48 %
<b>Obligations of states and political subdivisions</b>	3.55 %	2.83 %	2.59 %	2.77 %	2.76 %
<b>Corporate bonds and other securities</b>	3.02 %	3.29 %	3.87 %	3.85 %	3.66 %
<b>MBS:</b>					
<b>Commercial</b>	4.67 %	4.39 %	2.47 %	2.20 %	2.64 %
<b>Residential</b>	2.74 %	2.24 %	2.56 %	2.14 %	2.16 %
<b>Total MBS</b>	4.19 %	3.87 %	2.53 %	2.15 %	2.24 %
<b>Total AFS securities</b>	3.99 %	3.44 %	2.91 %	2.36 %	2.49 %

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

The following table summarizes the weighted average yields<sup>(1)</sup> for HTM securities by contractual maturity date of the underlying securities as of September 30, 2022:

	1 Year or Less	1 - 5 Years	5 - 10 Years	Over 10 Years	Total
<b>U.S. government and agency securities</b>	— %	4.29 %	— %	— %	4.29 %
<b>Obligations of states and political subdivisions</b>	0.88 %	3.87 %	3.85 %	3.66 %	3.57 %
<b>MBS:</b>					
<b>Commercial</b>	— %	— %	— %	2.39 %	2.39 %
<b>Residential</b>	— %	5.36 %	— %	3.46 %	4.02 %
<b>Total MBS</b>	— %	5.36 %	— %	3.12 %	3.61 %
<b>Total HTM securities</b>	0.88 %	4.95 %	3.85 %	3.59 %	3.58 %

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

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

As of September 30, 2022, the Company maintained a diversified municipal bond portfolio with approximately 65% of its holdings in general obligation issues and the majority of the remainder primarily backed by revenue bonds. Issuances within the State of Texas represented 18% of the total municipal portfolio; no other state had a concentration above 10%. Substantially all municipal holdings are considered investment grade. When purchasing municipal securities, the Company focuses on strong underlying ratings for general obligation issuers or bonds backed by essential service revenues.

### Liquidity

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

The Company closely monitors changes in the industry and market conditions that may impact the Company's liquidity. Since the first half of 2020, the Company has seen increased customer deposit balances as a result of the impacts of COVID-19, including as a result of government stimulus programs. The Company considered a portion of the elevated levels in customer deposits to be temporary and has seen, and continues to see declines in certain segments of the Company's deposit portfolio from prior elevated periods; however, the Company will use other borrowing means or other liquidity sources to fund its liquidity needs based on declines in deposit balances. The Company is also closely tracking the potential impacts on the Company's liquidity of declines in the fair value of the Company's securities portfolio due to rising market interest rates.

As of September 30, 2022, liquid assets totaled \$5.7 billion or 28.5% of total assets, and liquid earning assets totaled \$5.5 billion or 31.0% of total earning assets. Asset liquidity is also provided by managing loan and securities maturities and cash flows. As of September 30, 2022, loan payments of approximately \$5.0 billion or 35.9% of total loans are expected within one year based on contractual terms, adjusted for expected prepayments, and approximately \$290.6 million or 8.0% of total securities are scheduled to be paid down within one year based on contractual terms, adjusted for expected prepayments.

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

### Cash Requirements

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

The following table presents the Company's contractual obligations related to its major cash requirements and the scheduled payments due at the various intervals over the next year and beyond as of September 30, 2022 (dollars in thousands):

	Total	Less than 1 year	More than 1 year
Long-term debt <sup>(1)</sup>	\$ 250,000	\$ —	\$ 250,000
Trust preferred capital notes <sup>(1)</sup>	155,159	—	155,159
Leases <sup>(2)</sup>	279,327	16,842	262,485
Repurchase agreements	146,182	146,182	—
<b>Total contractual obligations</b>	<b>\$ 830,668</b>	<b>\$ 163,024</b>	<b>\$ 667,644</b>

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

<sup>(2)</sup> Represents lease payments due on non-cancellable operating leases at September 30, 2022. Excluded from these tables are variable lease payments or renewals.

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

**Loan Portfolio**

LHFI, net of deferred fees and costs, totaled \$13.9 billion at September 30, 2022, and \$13.2 billion at December 31, 2021. Commercial real estate and commercial & industrial loans represented the Company's largest categories at September 30, 2022. Commercial and industrial loans included approximately \$12.1 million and \$145.3 million in loans from the PPP loan program as of September 30, 2022 and December 31, 2021, respectively.

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, 2022 (dollars in thousands):

	Total Maturities	Less than 1 year	Variable Rate				Fixed Rate			
			Total	1-5 years	5-15 years	More than 15 years	Total	1-5 years	5-15 years	More than 15 years
Construction and Land Development	\$ 1,068,201	\$ 308,961	\$ 593,618	\$ 540,703	\$ 51,148	\$ 1,767	\$ 165,622	\$ 74,198	\$ 40,282	\$ 51,142
Commercial Real Estate - Owner Occupied	1,953,872	158,637	604,726	120,860	471,418	12,448	1,190,509	515,150	645,303	30,056
Commercial Real Estate - Non-Owner Occupied	3,900,325	378,759	2,163,016	981,393	1,170,154	11,469	1,358,550	975,937	325,958	56,655
Multifamily Real Estate	774,970	77,515	484,279	117,230	367,049	—	213,176	159,772	53,404	—
Commercial & Industrial	2,709,047	451,271	1,380,757	1,182,179	192,864	5,714	877,019	545,719	323,667	7,633
Residential 1-4 Family - Commercial	542,612	75,146	105,769	29,581	69,387	6,801	361,697	266,936	84,355	10,406
Residential 1-4 Family - Consumer	891,353	5,104	160,256	1,816	27,643	130,797	725,993	7,166	73,246	645,581
Residential 1-4 Family - Revolving	588,452	28,276	481,410	28,416	135,495	317,499	78,766	3,811	25,132	49,823
Auto	561,277	3,290	—	—	—	—	557,987	206,936	351,051	—
Consumer	172,776	15,660	25,819	23,026	2,153	640	131,297	63,603	45,005	22,689
Other Commercial	755,835	26,861	104,737	15,567	57,456	31,714	624,237	216,887	271,911	135,439
Total LHFI	\$ 13,918,720	\$ 1,529,480	\$ 6,104,387	\$ 3,040,771	\$ 2,544,767	\$ 518,849	\$ 6,284,853	\$ 3,036,115	\$ 2,239,314	\$ 1,009,424

The Company remains committed to originating soundly underwritten loans to qualifying borrowers within its markets. As reflected in the loan table, at September 30, 2022 the largest components of the Company's loan portfolio consisted of commercial real estate and commercial & industrial 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.

The Company had no short-term loan modifications related to COVID-19 as of September 30, 2022 and had insignificant short-term loan modifications related to COVID-19 as of December 31, 2021.

**Asset Quality**

*Overview*

At September 30, 2022, the Company experienced decreases in both NPAs and in accruing past due loan levels as a percentage of total LHFI compared to December 31, 2021. Net charge-offs increased \$168,000 to \$1.5 million for the nine months ended September 30, 2022 compared to the same period in the prior year. The ACL at September 30, 2022 increased \$11.2 million from December 31, 2021 to \$119.0 million primarily due to increased uncertainty in the macroeconomic outlook and the impact of loan growth in the first nine months of 2022.

The Company continues to experience historically low levels of NPAs stemming from unprecedented government stimulus during COVID-19, low unemployment levels in the Company's markets, and relatively stable economic conditions in the Company's footprint. However, the economic environment in the Company's footprint could change as persistent inflation and the threat of a recession looms, which could increase NPAs in future periods. The Company continues to refrain from originating or purchasing loans from foreign entities. The Company selectively originates loans to higher risk borrowers. The Company's loan portfolio generally does not include exposure to option adjustable rate mortgage products, high loan-to-value ratio mortgages, interest only mortgage loans, subprime mortgage loans or mortgage loans with initial teaser rates, which are all considered higher risk instruments.

*Nonperforming Assets*

At September 30, 2022, NPAs totaled \$28.6 million, a decrease of \$4.2 million or 12.8% from December 31, 2021. NPAs as a percentage of total outstanding loans at September 30, 2022 were 0.21%, a decrease of 4 bps from December 31, 2021.

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, 2022	December 31, 2021
<b>Nonaccrual loans</b>	\$ 26,500	\$ 31,100
<b>Foreclosed properties</b>	2,087	1,696
<b>Total NPAs</b>	<u>28,587</u>	<u>32,796</u>
<b>Loans past due 90 days and accruing interest</b>	7,351	9,132
<b>Total NPAs and loans past due 90 days and accruing interest</b>	<u>\$ 35,938</u>	<u>\$ 41,928</u>
<b>Performing TDRs</b>	\$ 10,333	\$ 10,313
<b>Balances</b>		
<b>Allowance for loan and lease losses</b>	\$ 108,009	\$ 99,787
<b>Allowance for credit losses</b>	119,009	107,787
<b>Average loans, net of deferred fees and costs</b>	13,733,447	13,082,412
<b>Loans, net of deferred fees and costs</b>	13,918,720	13,195,843
<b>Ratios</b>		
<b>Nonaccrual loans to total loans</b>	0.19 %	0.24 %
<b>NPAs to total loans</b>	0.21 %	0.25 %
<b>NPAs &amp; loans 90 days past due and accruing interest to total loans</b>	0.26 %	0.32 %
<b>NPAs to total loans &amp; foreclosed property</b>	0.21 %	0.25 %
<b>NPAs &amp; loans 90 days past due and accruing interest to total loans &amp; foreclosed property</b>	0.26 %	0.32 %
<b>ALLL to nonaccrual loans</b>	407.58 %	320.86 %
<b>ALLL to nonaccrual loans &amp; loans 90 days past due and accruing interest</b>	319.07 %	248.03 %
<b>ACL to nonaccrual loans</b>	449.09 %	346.58 %

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NPAs at September 30, 2022 included \$26.5 million in nonaccrual loans, a net decrease of \$4.6 million or 14.8% from December 31, 2021. The following table shows the activity in nonaccrual loans for the quarters ended (dollars in thousands):

	September 30, 2022	December 31, 2021
<b>Beginning Balance</b>	<b>\$ 29,070</b>	<b>\$ 35,472</b>
Net customer payments	(3,725)	(5,068)
Additions	1,302	1,294
Charge-offs	(125)	(598)
Transfers to foreclosed property	(22)	—
<b>Ending Balance</b>	<b>\$ 26,500</b>	<b>\$ 31,100</b>

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

	September 30, 2022	December 31, 2021
<b>Construction and Land Development</b>	<b>\$ 421</b>	<b>\$ 2,697</b>
<b>Commercial Real Estate - Owner Occupied</b>	<b>4,883</b>	<b>5,637</b>
<b>Commercial Real Estate - Non-owner Occupied</b>	<b>1,923</b>	<b>3,641</b>
<b>Multifamily Real Estate</b>	<b>—</b>	<b>113</b>
<b>Commercial &amp; Industrial</b>	<b>2,289</b>	<b>1,647</b>
<b>Residential 1-4 Family - Commercial</b>	<b>1,962</b>	<b>2,285</b>
<b>Residential 1-4 Family - Consumer</b>	<b>11,121</b>	<b>11,397</b>
<b>Residential 1-4 Family - Revolving</b>	<b>3,583</b>	<b>3,406</b>
<b>Auto</b>	<b>318</b>	<b>223</b>
<b>Consumer</b>	<b>—</b>	<b>54</b>
<b>Total</b>	<b>\$ 26,500</b>	<b>\$ 31,100</b>
<b>Coverage Ratio<sup>(1)</sup></b>	<b>407.58 %</b>	<b>320.86 %</b>

<sup>(1)</sup> Represents the ALLL divided by nonaccrual loans.

*Past Due Loans*

At September 30, 2022, past due loans still accruing interest totaled \$29.0 million or 0.21% of total LHF, compared to \$29.9 million or 0.23% of total LHF at December 31, 2021. Of the total past due loans still accruing interest, \$7.4 million or 0.05% of total LHF were past due 90 days or more at September 30, 2022, compared to \$9.1 million or 0.07% of total LHF at December 31, 2021.

*Troubled Debt Restructurings*

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. Management strives to identify borrowers in financial difficulty early and work with them to modify their loan to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, extension of terms that are considered to be below market, conversion to interest only, principal forgiveness and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

The total recorded investment in TDRs at September 30, 2022 totaled \$15.6 million, compared to \$18.0 million at December 31, 2021. Of the \$15.6 million of TDRs at September 30, 2022, \$10.3 million or 66.1% were considered performing, while the remaining \$5.3 million were considered nonperforming. Of the \$18.0 million of TDRs at December 31, 2021, \$10.3 million or 57.4% were considered performing, while the remaining \$7.6 million were considered nonperforming. Loans are removed from TDR status in accordance with the established policy described in Note 1 "Summary of Significant Accounting Policies" in Item 8 "Financial Statements and Supplementary Data" in the Company's 2021 Form 10-K.

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*Net Charge-offs*

For the quarter ended September 30, 2022, net charge-offs were \$587,000 or 0.02% of total average loans on an annualized basis, compared to net charge-offs of less than 0.01% for the same quarter last year. For the nine months ended September 30, 2022, net charge-offs were \$1.5 million or 0.02% of total average loans on an annualized basis, compared to \$1.4 million or 0.01% for the same period last year. The net charge-offs of loans continue to be insignificant, driven by continued low levels of NPAs.

*Provision for Credit Losses*

The Company recorded a provision for credit losses of \$6.4 million for the quarter ended September 30, 2022, an increase of \$25.2 million compared to the negative provision for credit losses of \$18.8 million recorded during the same quarter of 2021. The provision for credit losses for the third quarter of 2022 reflected a provision of \$4.4 million for loan losses and a \$2.0 million provision for unfunded commitments. The Company recorded a provision for credit losses of \$12.8 million for the nine months ended September 30, 2022, an increase of \$72.7 million compared to the negative provision for credit losses of \$59.9 million recorded during the same period last year. The provision for credit losses for the nine months ended September 30, 2022 reflected a provision of \$9.7 million for loan and securities losses and a \$3.0 million provision for unfunded commitments. The increased provision for credit losses is due to changes in the macroeconomic forecast and the impact of loan growth in the first nine months of 2022.

*Allowance for Credit Losses*

At September 30, 2022, the ACL was \$119.0 million and included an ALLL of \$108.0 million and a RUC of \$11.0 million. The ACL increased \$11.2 million from December 31, 2021, primarily due to increased uncertainty in the macroeconomic outlook and the impact of loan growth in the first nine months of 2022.

The ACL as a percentage of the total loan portfolio increased to 0.86% at September 30, 2022, compared to 0.82% at December 31, 2021.

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

	September 30, 2022	December 31, 2021
<b>Total ALLL</b>	<b>\$ 108,009</b>	<b>\$ 99,787</b>
<b>Total RUC</b>	<b>11,000</b>	<b>8,000</b>
<b>Total ACL</b>	<b>\$ 119,009</b>	<b>\$ 107,787</b>
<b>ALLL to total loans</b>	<b>0.78 %</b>	<b>0.76 %</b>
<b>ACL to total loans</b>	<b>0.86 %</b>	<b>0.82 %</b>



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

	Three months ended, September 30, 2022			Nine months ended, September 30, 2022		
	Commercial	Consumer	Total	Commercial	Consumer	Total
<b>Loans charged-off</b>	\$ (1,086)	\$ (715)	\$ (1,801)	\$ (2,852)	\$ (2,415)	\$ (5,267)
<b>Recoveries</b>	605	609	1,214	1,723	2,022	3,745
<b>Net (charge-offs) recoveries</b>	\$ (481)	\$ (106)	\$ (587)	\$ (1,129)	\$ (393)	\$ (1,522)
<b>Net charge-offs to average loans<sup>(1)</sup></b>	0.02 %	0.02 %	0.02 %	0.01 %	0.04 %	0.02 %

	Three months ended, September 30, 2021			Nine months ended, September 30, 2021		
	Commercial	Consumer	Total	Commercial	Consumer	Total
<b>Loans charged-off</b>	\$ (967)	\$ (1,299)	\$ (2,266)	\$ (3,832)	\$ (4,020)	\$ (7,852)
<b>Recoveries</b>	1,281	872	2,153	3,929	2,569	6,498
<b>Net (charge-offs) recoveries</b>	\$ 314	\$ (427)	\$ (113)	\$ 97	\$ (1,451)	\$ (1,354)
<b>Net charge-offs to average loans<sup>(1)</sup></b>	NM	0.09 %	0.00 %	NM	0.10 %	0.01 %

<sup>(1)</sup> Annualized

The following table shows the ACL by loan segment and the percentage of the loan portfolio that the related ACL covers as of the quarters ended (dollars in thousands):

	September 30, 2022			December 31, 2021		
	Commercial	Consumer	Total	Commercial	Consumer	Total
<b>ACL</b>	\$ 94,304	\$ 24,705	\$ 119,009	\$ 85,323	\$ 22,464	\$ 107,787
<b>Loan %<sup>(1)</sup></b>	84.1 %	15.9 %	100.0 %	84.7 %	15.3 %	100.0 %
<b>ACL to total loans</b>	0.81 %	1.12 %	0.86 %	0.76 %	1.11 %	0.82 %

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

The increase in the ACL for both loan segments is due to increased uncertainty in the macroeconomic outlook and the impact of loan growth in the first nine months of 2022.

**Deposits**

As of September 30, 2022, total deposits were \$16.5 billion, a decrease of \$64.9 million or 0.5% annualized from December 31, 2021. Total interest-bearing deposits consist of NOW, money market, savings, and time deposit account balances. Total time deposit balances of \$1.8 billion accounted for 15.7% of total interest-bearing deposits at September 30, 2022, compared to \$1.9 billion and 16.3% at December 31, 2021.

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

Deposits:	September 30, 2022		December 31, 2021	
	Amount	% of total deposits	Amount	% of total deposits
Non-interest bearing	\$ 5,290,938	32.0 %	\$ 5,207,324	31.3 %
NOW accounts	4,354,351	26.3 %	4,176,032	25.1 %
Money market accounts	3,962,473	23.9 %	4,249,858	25.6 %
Savings accounts	1,173,566	7.1 %	1,121,297	6.8 %
Time deposits of \$250,000 and over	415,984	2.5 %	452,193	2.7 %
Other time deposits	1,348,904	8.2 %	1,404,364	8.5 %
<b>Total Deposits <sup>(1)</sup></b>	<b>\$ 16,546,216</b>	<b>100.0 %</b>	<b>\$ 16,611,068</b>	<b>100.0 %</b>

<sup>(1)</sup> Includes uninsured deposits of \$6.0 billion and \$5.9 billion as of September 30, 2022 and December 31, 2021, respectively. Amounts are based on estimated amounts of uninsured deposits as of the reported period.

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; however, it had reduced the usage of purchased certificates of deposit, as compared to historical levels, due to increased customer deposit balances since the beginning of COVID-19. Customer deposits have begun to decline in certain segments of the Company's deposit portfolio in the second half of 2022, resulting in the Company purchasing \$21.1 million of certificates of deposit. At December 31, 2021 the Company had no purchased certificates of deposit.

Maturities of uninsured time deposits in excess of FDIC limits as of September 30, 2022 and December 31, 2021 were as follows (dollars in thousands):

	September 30, 2022	December 31, 2021
<b>Within 3 Months</b>	\$ 48,704	\$ 42,696
<b>3 - 6 Months</b>	35,901	30,313
<b>6 - 12 Months</b>	63,320	101,942
<b>Over 12 Months</b>	87,809	104,242
<b>Total</b>	<b>\$ 235,734</b>	<b>\$ 279,193</b>

### ***Capital Resources***

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

On December 10, 2021, the Company's Board of Directors authorized the Repurchase Program to purchase up to \$100.0 million of the Company's common stock through December 9, 2022 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. For information about the Company's stock repurchase activity and the Repurchase Program, please refer to Note 9 "Stockholders' Equity" in Part I, Item 1 and Part II, Item 2 of this Quarterly Report.

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

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
<b>Common equity Tier 1 capital</b>	<b>\$ 1,633,072</b>	<b>\$ 1,569,752</b>	<b>\$ 1,541,325</b>
<b>Tier 1 capital</b>	<b>1,799,428</b>	<b>1,736,108</b>	<b>1,707,681</b>
<b>Tier 2 capital</b>	<b>463,175</b>	<b>437,435</b>	<b>340,464</b>
<b>Total risk-based capital</b>	<b>2,262,604</b>	<b>2,173,543</b>	<b>2,048,146</b>
<b>Risk-weighted assets</b>	<b>16,393,301</b>	<b>15,336,432</b>	<b>14,858,407</b>
<b>Capital ratios:</b>			
<b>Common equity Tier 1 capital ratio</b>	<b>9.96%</b>	<b>10.24%</b>	<b>10.37%</b>
<b>Tier 1 capital ratio</b>	<b>10.98%</b>	<b>11.32%</b>	<b>11.49%</b>
<b>Total capital ratio</b>	<b>13.80%</b>	<b>14.17%</b>	<b>13.78%</b>
<b>Leverage ratio (Tier 1 capital to average assets)</b>	<b>9.32%</b>	<b>9.01%</b>	<b>8.97%</b>
<b>Capital conservation buffer ratio <sup>(1)</sup></b>	<b>4.98%</b>	<b>5.32%</b>	<b>5.49%</b>
<b>Common equity to total assets</b>	<b>10.60%</b>	<b>12.68%</b>	<b>12.68%</b>
<b>Tangible common equity to tangible assets <sup>(4)</sup></b>	<b>6.11%</b>	<b>8.20%</b>	<b>8.16%</b>

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

<sup>(2)</sup> All ratios and amounts at September 30, 2022 are estimates and subject to change pending the Company's filing of its FR Y9-C. All other periods are presented as filed.

<sup>(4)</sup> 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 directly comparable financial measure calculated in accordance with GAAP.

#### NON-GAAP FINANCIAL MEASURES

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Interest Income (FTE)</b>				
Interest and dividend income (GAAP)	\$ 171,156	\$ 146,379	\$ 458,367	\$ 444,904
FTE adjustment	3,842	3,164	10,755	9,361
Interest and dividend income (FTE) (non-GAAP)	\$ 174,998	\$ 149,543	\$ 469,122	\$ 454,265
Average earning assets	\$ 17,879,222	\$ 17,910,389	\$ 17,803,550	\$ 17,824,607
Yield on interest-earning assets (GAAP)	3.80 %	3.24 %	3.44 %	3.34 %
Yield on interest-earning assets (FTE) (non-GAAP)	3.88 %	3.31 %	3.52 %	3.41 %
<b>Net Interest Income (FTE)</b>				
Net interest income (GAAP)	\$ 150,715	\$ 137,488	\$ 420,413	\$ 412,934
FTE adjustment	3,842	3,164	10,755	9,361
Net interest income (FTE) (non-GAAP)	\$ 154,557	\$ 140,652	\$ 431,168	\$ 422,295
Noninterest income (GAAP)	25,584	29,938	94,023	89,388
Total revenue (FTE) (non-GAAP)	\$ 180,141	\$ 170,590	\$ 525,191	\$ 511,683
Average earning assets	\$ 17,879,222	\$ 17,910,389	\$ 17,803,550	\$ 17,824,607
Net interest margin (GAAP)	3.34 %	3.05 %	3.16 %	3.10 %
Net interest margin (FTE) (non-GAAP)	3.43 %	3.12 %	3.24 %	3.17 %

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 and tangible assets are used in the calculation of certain profitability, capital, and per share ratios. The Company believes tangible common equity, tangible assets, and the related ratios are meaningful measures of capital adequacy because they provide a meaningful basis for period-to-period and company-to-company comparisons, which the Company believes will assist investors in assessing the capital of the Company and its ability to absorb potential losses.

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

	Three Months Ended		
	September 30, 2022	December 31, 2021	September 30, 2021
<b>Tangible Assets</b>			
Ending Assets (GAAP)	\$ 19,950,231	\$ 20,064,796	\$ 19,935,657
Less: Ending goodwill	925,211	935,560	935,560
Less: Ending amortizable intangibles	29,142	43,312	46,537
Ending tangible assets (non-GAAP)	\$ 18,995,878	\$ 19,085,924	\$ 18,953,560
<b>Tangible Common Equity</b>			
Ending Equity (GAAP)	\$ 2,281,150	\$ 2,710,071	\$ 2,694,439
Less: Ending goodwill	925,211	935,560	935,560
Less: Ending amortizable intangibles	29,142	43,312	46,537
Less: Perpetual preferred stock	166,357	166,357	166,357
Ending tangible common equity (non-GAAP)	\$ 1,160,440	\$ 1,564,842	\$ 1,545,985
Average equity (GAAP)	\$ 2,436,999	\$ 2,715,610	\$ 2,718,032
Less: Average goodwill	925,211	935,560	935,560
Less: Average amortizable intangibles	30,347	44,866	48,179
Less: Average perpetual preferred stock	166,356	166,356	166,356
Average tangible common equity (non-GAAP)	\$ 1,315,085	\$ 1,568,828	\$ 1,567,937
Common equity to total assets (GAAP)	10.60 %	12.68 %	12.68 %
Tangible common equity to tangible assets (non-GAAP)	6.11 %	8.20 %	8.16 %
Book value per share (GAAP)	\$ 28.46	\$ 33.80	\$ 33.60

Adjusted operating measures exclude the losses related to balance sheet repositioning (principally composed of losses on debt extinguishment), gains or losses on sale of securities, gain on the sale of DHFB, as well as branch closing and facility consolidation costs (principally composed of real estate, leases and other assets write downs, as well as severance associated with branch closing and corporate expense reduction initiatives). The Company believes these non-GAAP adjusted measures provide investors with important information about the continuing economic results of the organization's operations. Prior periods in this Quarterly Report have been adjusted for previously announced branch closing and corporate expense reduction initiatives.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Adjusted Operating Earnings &amp; EPS</b>				
Net income (GAAP)	\$ 58,070	\$ 74,565	\$ 163,986	\$ 216,138
Plus: Net loss related to balance sheet repositioning, net of tax	—	—	—	11,609
Less: (Loss) gain on sale of securities, net of tax	—	7	(2)	69
Less: Gain on sale of DHFB, net of tax	—	—	7,984	—
Plus: Branch closing and facility consolidation costs, net of tax	—	—	4,351	713
Adjusted operating earnings (non-GAAP)	\$ 58,070	\$ 74,558	\$ 160,355	\$ 228,391
Less: Dividends on preferred stock	2,967	2,967	8,901	8,901
Adjusted operating earnings available to common shareholders (non-GAAP)	\$ 55,103	\$ 71,591	\$ 151,454	\$ 219,490
Weighted average common shares outstanding, diluted	74,705,054	76,322,736	75,034,084	78,007,543
Earnings per common share, diluted (GAAP)	\$ 0.74	\$ 0.94	\$ 2.07	\$ 2.66
Adjusted operating earnings per common share, diluted (non-GAAP)	\$ 0.74	\$ 0.94	\$ 2.02	\$ 2.81

Adjusted operating measures exclude the amortization of intangibles, losses related to balance sheet repositioning (principally composed of losses on debt extinguishment), gains or losses on sale of securities, as well as branch closing and facility consolidation costs (principally composed of real estate, leases and other assets write downs, as well as severance associated with branch closing and corporate expense reduction initiatives). The Company believes this adjusted measure provides investors with important information about the continuing economic results of the organization's operations. Net interest income (FTE), which is used in computing net interest margin (FTE) provides valuable additional insight into the net interest margin 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 is not affected by the FTE components.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Adjusted Operating Noninterest Expense &amp; Noninterest Income</b>				
Noninterest expense (GAAP)	\$ 99,923	\$ 95,343	\$ 304,012	\$ 299,251
Less: Amortization of intangible assets	2,480	3,381	8,434	10,679
Less: Losses related to balance sheet repositioning	—	—	—	14,695
Less: Branch closing and facility consolidation costs	—	—	5,508	902
Adjusted operating noninterest expense (non-GAAP)	\$ 97,443	\$ 91,962	\$ 290,070	\$ 272,975
Noninterest income (GAAP)	\$ 25,584	\$ 29,938	\$ 94,023	\$ 89,388
Less: (Loss) gain on sale of securities	—	9	(2)	87
Less: Gain on sale of DHFB	—	—	9,082	—
Adjusted operating noninterest income (non-GAAP)	\$ 25,584	\$ 29,929	\$ 84,943	\$ 89,301

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PPP adjustment impact excludes the unforgiven portion of PPP loans. The Company believes LHF1 (net of deferred fees and costs), excluding PPP is useful to investors as it provides more clarity on the Company's organic growth.

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

	Three Months Ended			Nine Months Ended	
	September 30, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
<b>Adjusted Loans</b>					
Loans held for investment (net of deferred fees and costs)(GAAP)	\$ 13,918,720	\$ 13,195,843	\$ 13,139,586	\$ 13,918,720	\$ 13,139,586
Less: PPP adjustments (net of deferred fees and costs)	12,146	150,363	466,609	12,146	466,609
Total adjusted loans (non-GAAP)	\$ 13,906,574	\$ 13,045,480	\$ 12,672,977	\$ 13,906,574	\$ 12,672,977
<b>Average loans held for investment (net of deferred fees and costs)</b>					
(GAAP)	\$ 13,733,447	\$ 13,082,412	\$ 13,451,674	\$ 13,521,507	\$ 13,827,002
Less: Average PPP adjustments (net of deferred fees and costs)	14,280	288,204	687,259	53,246	1,059,130
Total adjusted average loans (non-GAAP)	\$ 13,719,167	\$ 12,794,208	\$ 12,764,415	\$ 13,468,261	\$ 12,767,872

**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. MBS prepayment assumptions are based on industry estimates of prepayment speeds for portfolios with similar coupon ranges and seasoning.

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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 bps up to 300 bps. 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, 2022, December 31, 2021, and September 30, 2021:

	Change In Net Interest Income		
	September 30, 2022	December 31, 2021	September 30, 2021
	%	%	%
<b>Change in Yield Curve:</b>			
+300 basis points	<b>16.70</b>	30.15	22.43
+200 basis points	<b>11.05</b>	20.39	14.90
+100 basis points	<b>5.54</b>	10.33	7.26
Most likely rate scenario	—	—	—
-100 basis points	<b>(4.99)</b>	(9.20)	(6.50)
-200 basis points	<b>(10.10)</b>	(13.62)	(7.73)

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 less asset sensitive as of September 30, 2022, compared to its position as of September 30, 2021. This shift is in part due to the changing market characteristics of certain loan and deposit products and in part due to various other balance sheet strategies. The Company would expect net interest income to increase with an immediate increase or shock in market rates. In the decreasing interest rate environments, the Company would expect a decline in net interest income as interest-earning assets re-price at lower rates and interest-bearing deposits remain at or 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.



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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, 2022, December 31, 2021, and September 30, 2021:

	Change In Economic Value of Equity		
	September 30, 2022	December 31, 2021	September 30, 2021
	%	%	%
<b>Change in Yield Curve:</b>			
+300 basis points	(6.21)	(6.85)	5.80
+200 basis points	(4.44)	(3.55)	4.86
+100 basis points	(2.49)	(1.22)	3.20
Most likely rate scenario	—	—	—
-100 basis points	1.29	(4.82)	(6.13)
-200 basis points	1.95	(12.89)	(7.92)

As of September 30, 2022, the Company's economic value of equity is generally less asset sensitive in a rising interest rate environment compared to its position as of September 30, 2021 primarily due to the composition of the Consolidated Balance Sheets and due in part to the pricing characteristics and assumptions 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, 2022. The term "disclosure controls and procedures," as defined in Rule 13a-15(e) under the Exchange Act, means controls and other procedures that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and to ensure that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2022, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

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

##### *Changes in Internal Control Over Financial Reporting*

Management has taken measures to maintain the internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2022. There have been no changes during the quarter ended September 30, 2022 that have materially affected, or are 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, subject to the potential outcomes of previously disclosed proceedings. There have been no material changes with respect to the Company's previously disclosed proceedings.

**ITEM 1A – RISK FACTORS**

During the quarter ended September 30, 2022, there have been no material changes from the risk factors previously disclosed under Part I, Item 1A. "Risk Factors" in the Company's 2021 Form 10-K.

An investment in the Company's securities involves risks. In addition to the other information set forth in this Quarterly Report, including the information addressed under "Forward-Looking Statements," investors in the Company's securities should carefully consider the factors discussed in the Company's 2021 Form 10-K. These factors could materially and adversely affect the Company's business, financial condition, liquidity, results of operations, and capital position and could cause the Company's actual results to differ materially from its historical results or the results contemplated by the forward-looking statements contained in this report, in which case the trading price of the Company's securities could decline.

**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 Repurchases**

On December 10, 2021, the Company's Board of Directors authorized a share repurchase program (the "Repurchase Program") to purchase up to \$100.0 million of the Company's common stock through December 9, 2022 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 permits management to repurchase shares of the Company's common stock from time to time at management's discretion. The actual means and timing of any shares purchased under the Repurchase Program will depend on a variety of factors, including the market price of the Company's common stock, general market and economic conditions, and applicable legal and regulatory requirements. The Repurchase Program does not obligate the Company to purchase any particular number of shares.

The following information describes the Company's common stock repurchases for the three months ended September 30, 2022:

Period	Total number of shares purchased <sup>(1)</sup>	Average price paid per share (\$)	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (\$)
July 1 - July 31, 2022	2,098	34.19	—	51,767,983
August 1 - August 31, 2022	824	33.88	—	51,767,983
September 1 - September 30, 2022	1,471	33.67	—	51,767,983
<b>Total</b>	<b>4,393</b>	<b>33.96</b>	<b>—</b>	

<sup>(1)</sup> For the three months ended September 30, 2022, 4,393 shares were withheld upon 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 Quarterly Report and this list includes the Exhibit Index:

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#">Amended and Restated Articles of Incorporation of Atlantic Union Bankshares Corporation, effective May 7, 2020 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on May 7, 2020).</a>
3.1.1	<a href="#">Articles of Amendment designating the 6.875% Perpetual Non-Cumulative Preferred Stock, Series A, effective June 9, 2020 (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on June 9, 2020).</a>
3.2	<a href="#">Amended and Restated Bylaws of Atlantic Union Bankshares Corporation, effective as of December 5, 2019 (incorporated by reference to Exhibit 3.3 to Annual Report on Form 10-K filed on February 25, 2020).</a>
15.1	<a href="#">Letter regarding unaudited interim financial information.</a>
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Principal Executive Officer and Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101	Interactive data files formatted in Inline eXtensible Business Reporting Language for the quarter ended September 30, 2022 pursuant to Rule 405 of Regulation S-T (1): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income (unaudited), (iii) the Consolidated Statements of Comprehensive Income (unaudited), (iv) the Consolidated Statements of Changes in Stockholders' Equity (unaudited), (v) the Consolidated Statements of Cash Flows (unaudited) and (vi) the Notes to Consolidated Financial Statements (unaudited).
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, formatted in Inline eXtensible Business Reporting Language (included with Exhibit 101).

**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 3, 2022

By: /s/ John C. Asbury

John C. Asbury,  
President and Chief Executive Officer  
(principal executive officer)

Date: November 3, 2022

By: /s/ Robert M. Gorman

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

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

We are aware of the incorporation by reference in the Registration Statements (Form S-3 No. 333-248544, Form S-3 No. 333-102012, Form S-3 No. 333-81199, Form S-8 No. 333-255994, Form S-8 No. 333-203580, Form S-8 No. 333-193364, Form S-8 No. 333-175808, Form S-8 No. 333-113842, Form S-8 No. 333-113839 and Form S-8 No. 333-228455) of Atlantic Union Bankshares Corporation of our report dated November 3, 2022 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, 2022.

/s/ Ernst & Young LLP

Richmond, Virginia  
November 3, 2022

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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 3, 2022

/s/ John C. Asbury

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John C. Asbury,  
President and Chief Executive Officer

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

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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 3, 2022

/s/ Robert M. Gorman

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Robert M. Gorman,

Executive Vice President and Chief Financial Officer

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

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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, 2022 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

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John C. Asbury, President and Chief Executive Officer

November 3, 2022

/s/ Robert M. Gorman

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

November 3, 2022

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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