TRICO BANCSHARES ANNOUNCES QUARTERLY RESULTS

CHICO, CA – (October 26, 2020) – TriCo Bancshares (NASDAQ: TCBK) (the “Company”), parent company of Tri Counties Bank, today announced net income of $17,606,000 for the quarter ended September 30, 2020, compared to $7,430,000 during the trailing quarter ended June 30, 2020 and $23,395,000 during the quarter ended September 30, 2019. Diluted earnings per share were $0.59 for the third quarter of 2020, compared to $0.25 for the second quarter of 2020 and $0.76 for the third quarter of 2019.

Financial Highlights

Performance highlights and other developments for the Company as of or for the three and nine months ended September 30, 2020 included the following:

- For the three and nine months ended September 30, 2020, the Company’s return on average assets was 0.95% and 0.79%, respectively, and the return on average equity was 7.79% and 6.13%, respectively.
- As of September 30, 2020, the Company reported total loans, total assets and total deposits of $4.83 billion, $7.45 billion and $6.34 billion, respectively.
- The loan to deposit ratio was 76.12% as of September 30, 2020, as compared to 76.84% at June 30, 2020 and 78.98% at September 30, 2019.
- For the current quarter, net interest margin was 3.72% on a tax equivalent basis as compared to 4.44% in the quarter ended September 30, 2019, and a decrease of 38 basis points from the 4.10% in the trailing quarter.
- Non-interest bearing deposits as a percentage of total deposits were 39.71% at September 30, 2020, as compared to 39.81% at June 30, 2020 and 33.56% at September 30, 2019.
- The average rate of interest paid on deposits, including non-interest-bearing deposits, decreased to 0.09% for the third quarter of 2020 as compared with 0.12% for the trailing quarter, and also decreased by 14 basis points from the average rate paid of 0.23% during the same quarter of the prior year.
- Non-performing assets to total assets were 0.34% at September 30, 2020, as compared to 0.31% as of June 30, 2020, and 0.31% at September 30, 2019.
- Credit provision expense for loans and debt securities was $7.6 million during the quarter ended September 30, 2020, as compared to provision expense of $22.2 million during the trailing quarter ended June 30, 2020, and a reversal of provision totaling ($0.3) million for the three month period ended September 30, 2019.
- Gain on sale of loans for the three and nine months ended September 30, 2020 totaled $3.0 million and $5.7 million, as compared to $1.2 million and $2.2 million for the equivalent periods ended September 30, 2019, respectively.
- The efficiency ratio was 59.44% for the third quarter of 2020, as compared to 59.69% in the trailing quarter and 58.82% in the same quarter of the 2019 year.

President and CEO, Rick Smith commented, “While we continue to operate in a very difficult interest rate environment, there were several positive areas of performance during the quarter. In addition to having non-PPP loan growth, we continue to experience strong deposit growth while at the same time making reductions to our cost of funds. Most importantly, credit quality remained stable if not improved over the prior quarter as illustrated by deferred loans outstanding decreasing from $341 million to $131 million and the Bank’s credit loss reserves now stand at 1.81% of total loans. Our non-interest income, driven by continued mortgage banking gains and card usage, increased significantly from the prior quarter as economic activity improved in California and in most of our service areas customers continued to find ways to keep their businesses open while COVID-19 mandates remain in place. Operating expense management remains a priority for the Company and significant progress was made to the benefit of our forward-looking expense management strategy, including reductions in staffing and preparing for certain branch closures.”

Smith added, “In addition to normal banking efforts, we continue to operate effectively under the current COVID-19 environment. Our branches are open, and we have made operational enhancements to allow employees the ability to continue to work effectively from either the office or from home. We also experienced numerous wildfires during the quarter burning millions of acres of land around us. Fortunately, our bank and our customers have experienced minimal damage from those fires and currently the fires are controlled.”

Financial results reported in this document are preliminary. Final financial results and other disclosures will be reported in our Quarterly Report on Form 10-Q for the period ended September 30, 2020, and may differ materially from the results and disclosures in this document due to, among other things, the completion of final review procedures, the occurrence of subsequent events, or the discovery of additional information.
Summary Results

For the three and nine months ended September 30, 2020 the Company’s return on average assets was 0.95% and 0.79%, respectively, and the return on average equity was 7.79% and 6.13%, respectively. For the three and nine months ended September 30, 2019, the Company’s return on average assets was 1.44% and 1.44%, respectively, and the return on average equity was 10.42% and 10.67%, respectively.

The following is a summary of the components of the Company's operating results and performance ratios for the periods indicated:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2020</td>
<td>June 30, 2020</td>
<td>$ Change</td>
<td>% Change</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income</td>
<td>$63,454</td>
<td>$64,659</td>
<td>$(1,205)</td>
<td>(1.9)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>(7,649)</td>
<td>(22,244)</td>
<td>14,595</td>
<td>(65.6)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noninterest income</td>
<td>15,137</td>
<td>11,657</td>
<td>3,480</td>
<td>29.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noninterest expense</td>
<td>(46,714)</td>
<td>(45,550)</td>
<td>(1,164)</td>
<td>2.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>(6,622)</td>
<td>(1,092)</td>
<td>(5,530)</td>
<td>506.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$17,606</td>
<td>$7,430</td>
<td>$10,176</td>
<td>137.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$0.59</td>
<td>$0.25</td>
<td>$0.34</td>
<td>136.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends per share</td>
<td>$0.22</td>
<td>$0.22</td>
<td>—</td>
<td>—%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average common shares</td>
<td>29,764</td>
<td>29,754</td>
<td>10</td>
<td>0.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average diluted common shares</td>
<td>29,844</td>
<td>29,883</td>
<td>(39)</td>
<td>(0.1)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average total assets</td>
<td>0.95 %</td>
<td>0.43 %</td>
<td>—</td>
<td>—%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average equity</td>
<td>7.79 %</td>
<td>3.39 %</td>
<td>—</td>
<td>—%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency ratio</td>
<td>59.44%</td>
<td>59.69%</td>
<td>—</td>
<td>—%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2019</td>
<td>2019</td>
<td>$ Change</td>
<td>% Change</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income</td>
<td>$63,454</td>
<td>$64,688</td>
<td>$(1,234)</td>
<td>(1.9)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Provision for) reversal of loan losses</td>
<td>(7,649)</td>
<td>329</td>
<td>(7,978)</td>
<td>(2,424.9)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noninterest income</td>
<td>15,137</td>
<td>14,108</td>
<td>1,029</td>
<td>7.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noninterest expense</td>
<td>(46,714)</td>
<td>(46,344)</td>
<td>(370)</td>
<td>0.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>(6,622)</td>
<td>(9,386)</td>
<td>2,764</td>
<td>(29.4)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$17,606</td>
<td>$23,395</td>
<td>$(5,789)</td>
<td>(24.7)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$0.59</td>
<td>$0.76</td>
<td>$(0.17)</td>
<td>(22.4)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends per share</td>
<td>$0.22</td>
<td>$0.22</td>
<td>—</td>
<td>—%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average common shares</td>
<td>29,764</td>
<td>30,509</td>
<td>(745)</td>
<td>(2.4)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average diluted common shares</td>
<td>29,844</td>
<td>30,629</td>
<td>(785)</td>
<td>(2.6)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average total assets</td>
<td>0.95 %</td>
<td>1.44 %</td>
<td>—</td>
<td>—%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average equity</td>
<td>7.79 %</td>
<td>10.42 %</td>
<td>—</td>
<td>—%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency ratio</td>
<td>59.44%</td>
<td>58.82%</td>
<td>—</td>
<td>—%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Nine months ended</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2020</td>
<td>2019</td>
<td>$ Change</td>
<td>% Change</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income</td>
<td>$191,305</td>
<td>$192,873</td>
<td>$(1,568)</td>
<td>(0.8)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Provision for) reversal of loan losses</td>
<td>(37,963)</td>
<td>1,392</td>
<td>(39,355)</td>
<td>(2,827.2)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noninterest income</td>
<td>38,615</td>
<td>39,334</td>
<td>(719)</td>
<td>(1.8)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noninterest expense</td>
<td>(137,014)</td>
<td>(138,493)</td>
<td>1,479</td>
<td>(1.1)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>(13,786)</td>
<td>(25,924)</td>
<td>12,138</td>
<td>(46.8)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$41,157</td>
<td>$69,182</td>
<td>$(28,025)</td>
<td>(40.5)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$1.37</td>
<td>$2.25</td>
<td>$(0.88)</td>
<td>(39.2)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends per share</td>
<td>$0.66</td>
<td>$0.60</td>
<td>0.06</td>
<td>10.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average common shares</td>
<td>29,971</td>
<td>30,464</td>
<td>(493)</td>
<td>(1.6)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average diluted common shares</td>
<td>30,083</td>
<td>30,643</td>
<td>(560)</td>
<td>(1.8)%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average total assets</td>
<td>0.79 %</td>
<td>1.44 %</td>
<td>—</td>
<td>—%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average equity</td>
<td>6.13 %</td>
<td>10.67 %</td>
<td>—</td>
<td>—%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency ratio</td>
<td>59.59%</td>
<td>59.64%</td>
<td>—</td>
<td>—%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SBA Paycheck Protection Program

In March 2020, the SBA Paycheck Protection Program ("PPP") was created to help small businesses keep workers employed during the COVID-19 crisis. As a Small Business Administration (SBA) Preferred Lender, the Company was able to provide PPP loans to small business customers. As of the quarter ended September 30, 2020, the total balance outstanding of PPP loans was $437,793,000 (approximately 2,900 loans) as compared to total PPP originations of $438,510,000. Included in the balance of outstanding PPP loans as of September 30, 2020 are approximately 1,420 loans with outstanding balances of less than $50,000 each and with a total balance outstanding of approximately $32,296,000. In connection with the origination of these loans, the Company earned approximately $15,735,000 in loan fees, offset by deferred loan costs of approximately $763,000, the net of which will be recognized over the earlier of loan maturity, repayment or receipt of forgiveness confirmation. As of September 30, 2020 there was approximately $11,846,000 in net deferred fee income expected to be recognized. During the three and nine months ended September 30, 2020, the Company recognized $2,603,000 and $4,959,000, respectively, in interest and fees on PPP loans.

COVID Deferrals

Following the passage of the CARES Act legislation, the "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus" was issued by federal bank regulators, which offers temporary relief from troubled debt restructuring accounting for loan payment deferrals for certain customers whose businesses are experiencing economic hardship due to Coronavirus. The Company is closely monitoring the effects of the pandemic on our loan and deposit customers. Our management team continues to be focused on assessing the risks in our loan portfolio and working with our customers to mitigate where possible, the risk of potential losses. The Company implemented loan programs to allow certain consumers and businesses impacted by the pandemic to defer loan principal and interest payments.

The following is a summary of COVID related loan customer modifications with outstanding balances as of September 30, 2020:

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Modified Loan Balances Outstanding</th>
<th>% of Total Category of Loans</th>
<th>Modification Type</th>
<th>Deferral Term</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>90 Days</td>
<td>180 Days</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRE non-owner occupied</td>
<td>$80,314</td>
<td>5.0%</td>
<td>96.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>CRE owner occupied</td>
<td>$12,959</td>
<td>2.2%</td>
<td>64.3%</td>
<td>35.7%</td>
</tr>
<tr>
<td>Multifamily</td>
<td>$8,996</td>
<td>1.5%</td>
<td>75.7%</td>
<td>24.3%</td>
</tr>
<tr>
<td>Farmland</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total commercial real estate loans</td>
<td>$102,269</td>
<td>3.5%</td>
<td>90.2%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Consumer:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SFR 1-4 1st lien</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SFR HELOCs and junior liens</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total consumer loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial and industrial</td>
<td>$4,493</td>
<td>0.7%</td>
<td>98.8%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Construction</td>
<td>$24,176</td>
<td>8.5%</td>
<td>100.0%</td>
<td>—%</td>
</tr>
<tr>
<td>Agriculture production</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leases</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total modifications</td>
<td>$130,938</td>
<td>2.71%</td>
<td>92.32%</td>
<td>7.68%</td>
</tr>
</tbody>
</table>

Total loan modifications associated with CARES Act legislation made during the nine months ended September 30, 2020 totaled approximately $422.53 million of which $130.94 million remained outstanding under their modified terms as of September 30, 2020. Approximately $95.33 million and $35.61 million of the remaining balance of loans with modified terms are expected to conclude their modification period during the quarters ended December 31, 2020 and March 31, 2021, respectively. However, as long as the current pandemic and recessionary economic conditions continue, it is anticipated that additional borrowers may request an initial or subsequent modification to their loan terms.

The total loan modifications made under the CARES Act during 2020 are inclusive of seven borrowers with loan balances totaling approximately $26.52 million who requested and were granted a second modification and deferral. Six of these second modifications and deferrals were for a period of three additional months. As of September 30, 2020 the second deferral period had concluded and the loans returned to their regular payment terms. The remaining borrower whom received a second loan modification was granted a six month deferral on an outstanding loan balance of $597,000 and is scheduled to return to payment status in January 2021.

Management believes that its analysis of each borrower receiving a loan modification supports the ability of that borrower to return to their normal payment terms at the conclusion of the modification period. As such management determined that a risk downgrade to each credit receiving a deferral modification was prudent until such time that the borrower's actual payment performance supported an upgrade to the pre-modification risk grade.
Balance Sheet

Total loans outstanding grew to $4.83 billion as of September 30, 2020, an increase of 15.4% over the same quarter of the prior year, and an annualized increase of 2.1% over the trailing quarter. Investments outstanding increased to $1.47 billion as of September 30, 2020, an increase of 35.5% annualized over the trailing quarter. Average earning assets to total average assets continued to increase slightly to 92.3% at September 30, 2020, as compared to 90.6% and 90.0% at June 30, 2020, and September 30, 2019, respectively. The Company’s loan to deposit ratio was 76.1% at September 30, 2020, as compared to 76.8% and 79.0% at June 30, 2020, and September 30, 2019, respectively.

Total shareholders’ equity increased by $16,576,000 during the quarter ended September 30, 2020 primarily as a result of net income of $17,606,000 and an increase in accumulated other comprehensive income of $4,957,000, partially offset by $6,549,000 in cash dividends paid on common stock. As a result, the Company’s book value increased to $22.24 per share at September 30, 2020 as compared to $29.76 and $29.39 at June 30, 2020, and September 30, 2019, respectively. The Company’s tangible book value per share, a non-GAAP measure, calculated by subtracting goodwill and other intangible assets from total shareholders’ equity and dividing that sum by total shares outstanding, was $22.24 per share at September 30, 2020 as compared to $21.64 and $21.33 at June 30, 2020, and September 30, 2019, respectively.

Trailing Quarter Balance Sheet Change

<table>
<thead>
<tr>
<th>Ending balances (dollars in thousands)</th>
<th>As of September 30, 2020</th>
<th>As of June 30, 2020</th>
<th>$ Change</th>
<th>Annualized % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$7,449,799</td>
<td>$7,360,071</td>
<td>$89,728</td>
<td>4.9%</td>
</tr>
<tr>
<td>Total loans</td>
<td>4,826,338</td>
<td>4,801,405</td>
<td>24,933</td>
<td>2.1%</td>
</tr>
<tr>
<td>Total loans, excluding PPP</td>
<td>4,400,390</td>
<td>4,377,974</td>
<td>22,416</td>
<td>0.2%</td>
</tr>
<tr>
<td>Total investments</td>
<td>1,473,935</td>
<td>1,353,728</td>
<td>120,207</td>
<td>35.5%</td>
</tr>
<tr>
<td>Total deposits</td>
<td>$6,340,588</td>
<td>$6,248,258</td>
<td>$92,330</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

The growth of deposit balances continued during the third quarter of 2020, increasing by $92,330,000 or 5.9% annualized. The available liquidity from deposit growth was largely allocated to fund investment growth during the period, which increased by $120,207,000, or 35.5% annualized. Loan growth continued during the third quarter of 2020, increasing by $24,933,000 or 2.1% on an annualized basis. This was primarily attributed to organic non-PPP loan originations of $22,416,000 or 2.0% of loan balances, excluding PPP, during the quarter ended September 30, 2020.

Average Trailing Quarter Balance Sheet Change

<table>
<thead>
<tr>
<th>Qtrly avg balances (dollars in thousands)</th>
<th>As of September 30, 2020</th>
<th>As of June 30, 2020</th>
<th>$ Change</th>
<th>Annualized % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$7,380,961</td>
<td>$7,027,735</td>
<td>$353,226</td>
<td>20.1%</td>
</tr>
<tr>
<td>Total loans</td>
<td>4,827,564</td>
<td>4,656,050</td>
<td>171,514</td>
<td>14.7%</td>
</tr>
<tr>
<td>Total loans, excluding PPP</td>
<td>4,389,672</td>
<td>4,363,481</td>
<td>26,191</td>
<td>2.4%</td>
</tr>
<tr>
<td>Total investments</td>
<td>1,376,212</td>
<td>1,371,733</td>
<td>4,479</td>
<td>1.3%</td>
</tr>
<tr>
<td>Total deposits</td>
<td>$6,278,638</td>
<td>$5,937,294</td>
<td>$341,344</td>
<td>23.0%</td>
</tr>
</tbody>
</table>

The growth in average loans of $171,514,000, or 14.7% on an annualized basis, during the third quarter of 2020 was generally consistent with the annual year over year growth rate of 15.4%, but well above the annualized quarterly growth of 2.1%. The significant volume of PPP loans originated late in the second quarter, the majority of which remain outstanding as of September 30, 2020, are the most significant driver for the quarterly average increase. The Company also generated core loan growth, with the average balance of non-PPP loans by increasing by $26,191,000, or an annualized change of 2.4% during the period.

Year Over Year Balance Sheet Change

<table>
<thead>
<tr>
<th>Ending balances (dollars in thousands)</th>
<th>As of September 30, 2020</th>
<th>As of June 30, 2019</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$7,449,799</td>
<td>$6,384,883</td>
<td>$1,064,916</td>
<td>16.7%</td>
</tr>
<tr>
<td>Total loans</td>
<td>4,826,338</td>
<td>4,182,348</td>
<td>643,990</td>
<td>15.4%</td>
</tr>
<tr>
<td>Total loans, excluding PPP</td>
<td>4,400,390</td>
<td>4,182,348</td>
<td>218,042</td>
<td>5.2%</td>
</tr>
<tr>
<td>Total investments</td>
<td>1,473,935</td>
<td>1,397,753</td>
<td>76,182</td>
<td>5.5%</td>
</tr>
<tr>
<td>Total deposits</td>
<td>$6,340,588</td>
<td>$5,295,407</td>
<td>$1,045,181</td>
<td>19.7%</td>
</tr>
</tbody>
</table>

As discussed above, the PPP program generated significant increases in volume during the nine months ended September 30, 2020 for loan and deposit balances. Excess deposit proceeds have been temporarily allocated to cash and due from banks, which increased to $652,582,000 at September 30, 2020 from $259,047,000 as of September 30, 2019. Investment securities increased to $1,473,935,000, a change of $76,182,000 or 5.5% from $1,397,753,000 at September 30, 2019. The Company purchased approximately $196,118,000 in securities during the three months ended September 30, 2020, offset largely by an accelerated rate of prepayment or maturity of these debt instruments totaling $79,621,000 correlating with the historically low interest rate environment. Total average loans as a percentage of total earning assets were 70.8% for the quarter ended September 30, 2020, a decrease of 0.5% over the September 30, 2019 ratio of 71.3%.
Net Interest Income and Net Interest Margin

The following is a summary of the components of net interest income for the periods indicated:

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Three months ended</th>
<th></th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30,</td>
<td>June 30,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$ 65,438</td>
<td>$ 67,148</td>
<td>$ (1,710)</td>
<td>(2.5)%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,984)</td>
<td>(2,489)</td>
<td>505</td>
<td>(20.3)%</td>
</tr>
<tr>
<td>Fully tax-equivalent adjustment (FTE)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1)</td>
<td>254</td>
<td>286</td>
<td>(32)</td>
<td>(11.2)%</td>
</tr>
<tr>
<td>Net interest income (FTE)</td>
<td>$ 63,708</td>
<td>$ 64,945</td>
<td>$ (1,237)</td>
<td>(1.9)%</td>
</tr>
<tr>
<td>Net interest margin (FTE)</td>
<td>3.72 %</td>
<td>4.10 %</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Acquired loans discount accretion, net:
- Amount (included in interest income) $ 1,876 $ 2,587 $ (711) (0.33)%
- Net interest margin less effect of acquired loan discount accretion 3.61 % 3.94 % (0.33)%

PPP loans yield, net:
- Amount (included in interest income) $ 2,603 $ 2,356 $ 247 (12.1)%
- Net interest margin less effect of PPP loan yield (1) 3.81 % 4.14 % (0.33)%

Acquired loans discount accretion and PPP loan yield, net: (1)
- Amount (included in interest income) $ 4,479 $ 4,943 $ (464) (0.28)%
- Net interest margin less effect of acquired loan discount accretion and PPP loan yield (1) 3.69 % 3.97 % (0.28)%

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Three months ended</th>
<th></th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$ 65,438</td>
<td>$ 68,889</td>
<td>$ (3,451)</td>
<td>(5.0)%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,984)</td>
<td>(4,201)</td>
<td>2,217</td>
<td>(52.8)%</td>
</tr>
<tr>
<td>Fully tax-equivalent adjustment (FTE)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1)</td>
<td>254</td>
<td>289</td>
<td>(35)</td>
<td>(12.1)%</td>
</tr>
<tr>
<td>Net interest income (FTE)</td>
<td>$ 63,708</td>
<td>$ 64,977</td>
<td>$ (1,269)</td>
<td>(2.0)%</td>
</tr>
<tr>
<td>Net interest margin (FTE)</td>
<td>3.72 %</td>
<td>4.44 %</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Acquired loans discount accretion, net:
- Amount (included in interest income) $ 1,876 $ 2,360 $ (484) (0.67)%
- Net interest margin less effect of acquired loan discount accretion 3.61 % 4.28 % (0.67)%

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Nine months ended</th>
<th></th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$ 199,103</td>
<td>$ 204,526</td>
<td>$ (5,423)</td>
<td>(2.7)%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(7,798)</td>
<td>(11,653)</td>
<td>3,855</td>
<td>(33.1)%</td>
</tr>
<tr>
<td>Fully tax-equivalent adjustment (FTE)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1)</td>
<td>811</td>
<td>929</td>
<td>(118)</td>
<td>(12.7)%</td>
</tr>
<tr>
<td>Net interest income (FTE)</td>
<td>$ 192,116</td>
<td>$ 193,802</td>
<td>$ (1,686)</td>
<td>(0.9)%</td>
</tr>
<tr>
<td>Net interest margin (FTE)</td>
<td>4.02 %</td>
<td>4.48 %</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Acquired loans discount accretion, net:
- Amount (included in interest income) $ 6,211 $ 5,919 $ 292 (0.58)%
- Net interest margin less effect of acquired loan discount accretion 3.82 % 4.40 % (0.58)%

PPP loans yield, net:
- Amount (included in interest income) $ 4,959 — $ 4,959
- Net interest margin less effect of PPP loan yield (1) 4.08 % — 4.08 %

Acquired loans discount accretion and PPP loan yield, net:
- Amount (included in interest income) $ 11,170 $ 5,919 $ 5,251
- Net interest margin less effect of acquired loans discount and PPP loan yield (1) 3.88 % 4.40 % (0.52)%

(1) Information is presented on a fully tax-equivalent (FTE) basis. The Company believes the use of this non-generally accepted accounting principles (non-GAAP) measure provides additional clarity in assessing its results, and the presentation of these measures on a FTE basis is a common practice within the banking industry.
Loans may be acquired at a premium or discount to par value, in which case, the premium is amortized (subtracted from) or accreted (added to) interest income over the remaining life of the loan. Generally, as time goes on, the effects of loan discount accretion and loan premium amortization decrease as the purchased loans mature or pay off early. Upon the early pay off of a loan, any remaining (unaccrued) discount or (unamortized) premium is immediately taken into interest income; and as loan payoffs may vary significantly from quarter to quarter, so may the impact of discount accretion and premium amortization on interest income. As a result of the uncertain economic environment and corresponding rate volatility, the prepayment rate of portfolio loans, inclusive of those acquired at a premium or discount, increased during the third quarter of 2020. During the three months ended September 30, 2020, June 30, 2020, March 31, 2020, and December 31, 2019, purchased loan discount accretion was $1,876,000, $2,587,000, $1,748,000, and $2,218,000, respectively.

The following table shows the components of net interest income and net interest margin on a fully tax-equivalent (FTE) basis for the quarterly periods indicated:

<table>
<thead>
<tr>
<th>ANALYSIS OF CHANGE IN NET INTEREST MARGIN ON EARNING ASSETS</th>
<th>(unaudited, dollars in thousands)</th>
<th>Three months ended</th>
<th>Three months ended</th>
<th>Three months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2020</td>
<td>September 30, 2019</td>
<td>June 30, 2020</td>
<td>September 30, 2019</td>
</tr>
<tr>
<td>Assets, excluding PPP</td>
<td>$4,389,672</td>
<td>$55,436</td>
<td>$4,363,481</td>
<td>$56,053</td>
</tr>
<tr>
<td>Loans, excluding PPP</td>
<td>437,892</td>
<td>2,603</td>
<td>2,356</td>
<td>2,929,569</td>
</tr>
<tr>
<td>Investments-taxable</td>
<td>1,261,793</td>
<td>6,376</td>
<td>2,01%</td>
<td>1,251,873</td>
</tr>
<tr>
<td>Investments-nontaxable</td>
<td>114,419</td>
<td>1,102</td>
<td>3.83%</td>
<td>119,860</td>
</tr>
<tr>
<td>Total investments</td>
<td>1,376,212</td>
<td>7,478</td>
<td>2.16%</td>
<td>1,371,733</td>
</tr>
<tr>
<td>Cash at Federal Reserve and other banks</td>
<td>611,719</td>
<td>175</td>
<td>0.11%</td>
<td>338,082</td>
</tr>
<tr>
<td>Total earning assets</td>
<td>6,815,495</td>
<td>65,692</td>
<td>3.83%</td>
<td>6,365,865</td>
</tr>
<tr>
<td>Other assets, net</td>
<td>565,466</td>
<td>661,870</td>
<td>568</td>
<td>800,000</td>
</tr>
<tr>
<td>Total assets</td>
<td>$7,380,961</td>
<td>$7,027,735</td>
<td>$7,027,735</td>
<td>$6,452,470</td>
</tr>
</tbody>
</table>

| Liabilities and shareholders’ equity                      |                     |                     |                 |                     |                     |
| Interest-bearing demand deposits                         | $1,339,797          | 56                  | 0.02%          | $1,293,007          | 64                  | 0.02%              | $1,240,548          | 284                 |
| Savings deposits                                          | 2,075,077           | 484                 | 0.09%          | 1,968,374           | 644                 | 0.13%              | 1,861,166           | 1,192               |
| Time deposits                                             | 387,922             | 872                 | 0.89%          | 409,242             | 1,105               | 1.09%              | 447,669             | 1,574               |
| Total interest-bearing deposits                          | 3,802,796           | 1,412               | 0.15%          | 3,670,623           | 1,813               | 0.20%              | 3,549,383           | 3,050               |
| Other borrowings                                          | 33,750              | 4                   | 0.05%          | 26,313              | 4                   | 0.06%              | 73,350              | 334                 |
| Junior subordinated debt                                 | 57,475              | 568                 | 3.93%          | 57,372              | 672                 | 4.71%              | 57,156              | 817                 |
| Total interest-bearing liabilities                        | 3,894,021           | 1,984               | 0.20%          | 3,754,308           | 2,489               | 0.27%              | 3,679,889           | 4,201               |
| Noninterest-bearing deposits                              | 2,475,842           | 2,266,671           | 1,777,852     | 104,062             |                     |                    |
| Other liabilities                                        | 112,112             | 126,351             | 104,062       |                     |                     |                    |
| Shareholders’ equity                                     | 898,986             | 880,405             | 890,667       |                     |                     |                    |
| Total liabilities and shareholders’ equity                | $7,380,961          | $7,027,735          | $6,452,470    |                     |                     |                    |
| Net interest rate spread(1)(2)                           | 3.63%               | 3.99%               | 4.27%         |                     |                     |                    |
| Net interest income and margin(1)(3)                     | $63,708             | 3.72%               | $64,945        | 4.10%               | $64,977             | 4.44%              |

(1) Fully taxable equivalent (FTE). All yields and rates are calculated using specific day counts for the period and year as applicable.
(2) Net interest spread is the average yield earned on interest-earning assets minus the average rate paid on interest-bearing liabilities.
(3) Net interest margin is computed by calculating the difference between interest income and interest expense, divided by the average balance of interest-earning assets.

Net interest income (FTE) during the three months ended September 30, 2020 decreased $1,237,000 or 1.9% to $63,708,000 compared to $64,945,000 during the three months ended June 30, 2020. Over the same period net interest margin declined 38 basis points to 3.72% as compared to 4.10% in the trailing quarter. The decline in net interest income (FTE) was due primarily to a decline in yield on interest earning assets, which was 3.83% for the quarter ended September 30, 2020, which represents a decrease of 43 basis points over the trailing quarter and a decrease of 89 basis points over the same quarter in the prior year. The index utilized in a significant portion of the Company’s variable rate loans, Wall Street Journal Prime, remained unchanged at 3.25% during the quarter ended September 30, 2020 as compared to 3.25% at March 31, 2020, but decreased from 4.75% at December 31, 2019 and 5.00% at September 30, 2019.
As compared to the same quarter in the prior year, average loan yields, excluding PPP, decreased 44 basis points from 5.46% during the three months ended September 30, 2019 to 5.02% during the three months ended September 30, 2020. Of the 44 basis point decrease in yields on loans during the comparable three month periods ended September 30, 2020 and 2019, 38 basis points was attributable to decreases in market yields while 6 basis points was lost from the accretion of purchased loan discounts.

The decline in interest expense when compared to the trailing quarter is primarily attributed to the reduction in the cost of interest bearing liabilities, which decreased by 7 basis points as of September 30, 2020 to 0.20% from 0.27% at June 30, 2020, as a direct result of the aforementioned declining interest rate environment.

### Analysis of Change in Net Interest Margin on Earning Assets

**Analysis of Change in Net Interest Margin on Earning Assets** *(unaudited, dollars in thousands)*

<table>
<thead>
<tr>
<th>Assets</th>
<th>Average Balance</th>
<th>Income/Expense</th>
<th>Yield/Rate</th>
<th>Average Balance</th>
<th>Income/Expense</th>
<th>Yield/Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans, excluding PPP</td>
<td>$ 4,360,942</td>
<td>$ 167,747</td>
<td>5.14%</td>
<td>$ 4,070,568</td>
<td>$ 166,888</td>
<td>5.48%</td>
</tr>
<tr>
<td>PPP loans</td>
<td>244,196</td>
<td>4,959</td>
<td>2.71%</td>
<td>—</td>
<td>—</td>
<td>—%</td>
</tr>
<tr>
<td>Investments-taxable</td>
<td>1,249,823</td>
<td>22,637</td>
<td>2.42%</td>
<td>1,420,426</td>
<td>31,849</td>
<td>3.00%</td>
</tr>
<tr>
<td>Investments-nontaxable</td>
<td>117,745</td>
<td>3,515</td>
<td>3.99%</td>
<td>138,580</td>
<td>4,024</td>
<td>3.88%</td>
</tr>
<tr>
<td>Total investments</td>
<td>1,367,568</td>
<td>26,152</td>
<td>2.55%</td>
<td>1,559,006</td>
<td>35,873</td>
<td>3.08%</td>
</tr>
<tr>
<td>Cash at Federal Reserve and other banks</td>
<td>403,252</td>
<td>1,056</td>
<td>0.35%</td>
<td>148,995</td>
<td>2,694</td>
<td>2.42%</td>
</tr>
<tr>
<td>Total earning assets</td>
<td>6,735,958</td>
<td>199,914</td>
<td>4.19%</td>
<td>5,778,569</td>
<td>205,455</td>
<td>4.75%</td>
</tr>
<tr>
<td>Other assets, net</td>
<td>595,617</td>
<td></td>
<td></td>
<td>643,130</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 6,971,575</td>
<td></td>
<td></td>
<td>$ 6,421,699</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities and shareholders’ equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing demand deposits</td>
<td>$1,293,071</td>
<td>289</td>
<td>0.03%</td>
<td>$1,263,312</td>
<td>860</td>
<td>0.09%</td>
</tr>
<tr>
<td>Savings deposits</td>
<td>1,971,348</td>
<td>2,190</td>
<td>0.15%</td>
<td>1,892,122</td>
<td>3,631</td>
<td>0.26%</td>
</tr>
<tr>
<td>Time deposits</td>
<td>409,005</td>
<td>3,297</td>
<td>0.8%</td>
<td>443,546</td>
<td>4,277</td>
<td>1.29%</td>
</tr>
<tr>
<td>Total interest-bearing deposits</td>
<td>3,673,424</td>
<td>5,776</td>
<td>0.21%</td>
<td>3,598,980</td>
<td>8,768</td>
<td>0.33%</td>
</tr>
<tr>
<td>Other borrowings</td>
<td>26,223</td>
<td>13</td>
<td>0.07%</td>
<td>35,814</td>
<td>384</td>
<td>1.43%</td>
</tr>
<tr>
<td>Junior subordinated debt</td>
<td>57,374</td>
<td>2,009</td>
<td>0.48%</td>
<td>57,109</td>
<td>2,501</td>
<td>5.86%</td>
</tr>
<tr>
<td>Total interest-bearing liabilities</td>
<td>3,757,021</td>
<td>7,798</td>
<td>0.28%</td>
<td>3,691,903</td>
<td>11,653</td>
<td>0.42%</td>
</tr>
<tr>
<td>Noninterest-bearing deposits</td>
<td>2,197,315</td>
<td></td>
<td></td>
<td>1,761,037</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>120,486</td>
<td></td>
<td></td>
<td>101,947</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>896,753</td>
<td></td>
<td></td>
<td>866,812</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities and shareholders’ equity</td>
<td>$ 6,971,575</td>
<td></td>
<td></td>
<td>$ 6,421,699</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest rate spread(1)(2)</td>
<td>3.91%</td>
<td></td>
<td></td>
<td>4.33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income and margin(1)(3)</td>
<td>$ 192,116</td>
<td>4.02%</td>
<td></td>
<td>$ 193,802</td>
<td>4.48%</td>
<td></td>
</tr>
</tbody>
</table>

(1) Fully taxable equivalent (FTE). All yields and rates are calculated using specific day counts for the period and year as applicable.
(2) Net interest spread is the average yield earned on interest-earning assets minus the average rate paid on interest-bearing liabilities.
(3) Net interest margin is computed by calculating the difference between interest income and interest expense, divided by the average balance of interest-earning assets.

### Interest Rates and Loan Portfolio Composition

During 2020, declines in several market interest rates, including many rates that serve as reference indices for variable rate loans declined markedly from previous levels. As of September 30, 2020 the Company's loan portfolio consisted of approximately $4,869,000,000 in outstanding principal with a weighted average coupon rate of 4.34%, inclusive of the PPP program loans. Excluding these loans, the Company's loan portfolio has approximately $4,431,000,000 outstanding with a weighted average coupon rate of 4.66% as of September 30, 2020. Included in this September 30, 2020 loan total exclusive of PPP loans, are variable rate loans totaling $2,991,000,000 of which 87.7% or $2,622,000,000 were at their floor rate. The remaining variable rate loans totaling $369,000,000, which carried a weighted average coupon rate of 5.07% as of September 30, 2020, are subject to further rate adjustment. If those remaining variable rate loans were to collectively, through future rate adjustments, be reduced to their respective floors, they would have a weighted average coupon rate of approximately 4.36% which would result in the reduction of the weighted average coupon rate of the total loan portfolio, exclusive of PPP loans, from 4.66% to approximately 4.61%.
As of June 30, 2020 the Company's loan portfolio consisted of approximately $4,854,000,000 in outstanding principal balances with weighted average coupon rate of 4.37%, inclusive of the PPP program loans. Excluding these loans, the Company's loan portfolio has approximately $4,417,000,000 outstanding with a weighted average coupon rate of 4.70% as of June 30, 2020. Included in this June 30, 2020 loan total exclusive of PPP loans, are variable rate loans totaling $2,984,000,000 of which 86.3% or $2,582,000,000 were at their floor rate. The remaining variable rate loans totaling $402,000,000, which carried a weighted average coupon rate of 5.13% as of June 30, 2020, are subject to further rate adjustment. If those remaining variable rate loans were to collectively, through future rate adjustments, be reduced to their respective floors, they would have a weighted average coupon rate of approximately 4.37% which would result in the reduction of the weighted average coupon rate of the total loan portfolio, exclusive of PPP loans, from 4.70% to approximately 4.61%.

**Asset Quality and Credit Loss Provisioning**

The Company adopted CECL on January 1, 2020. During the three months ended September 30, 2020, the Company recorded a provision for credit losses of $7,649,000, as compared to $22,244,000 for the trailing quarter, and a reversal of provision expense of ($329,000) during the third quarter of 2019.

The following table presents details of the provision for credit losses for the periods indicated:

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>September 30, 2020</th>
<th>June 30, 2020</th>
<th>March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addition to allowance for credit losses</td>
<td>7,649</td>
<td>22,089</td>
<td>8,000</td>
</tr>
<tr>
<td>Addition to reserve for unfunded loan commitments</td>
<td>—</td>
<td>155</td>
<td>70</td>
</tr>
<tr>
<td>Total provision for credit losses</td>
<td>7,649</td>
<td>22,244</td>
<td>8,070</td>
</tr>
</tbody>
</table>

The allowance for credit losses (ACL) was $87,575,000 as of quarter ended September 30, 2020, a net increase of $7,836,000 over the immediately preceding quarter. More specifically, the changes in loan volume and changes in credit quality associated with levels of classified, past due and non-performing loans, in addition to changes in qualitative factors, resulted in the need for a provision for credit losses of $7,649,000 and net recoveries totaled $187,000 during the current quarter. The portfolio-wide qualitative indicators for changes in California Unemployment and US Policy uncertainty contributed to the majority of the increase in credit reserves on loans as of September 30, 2020 as compared to the trailing quarter, adding approximately $9,556,000 to the required reserves. These increases were partially offset with a reduced need for reserves for concentration risks totaling $1,472,000 and reductions in specific reserves on individually evaluated loans of $321,000. The Company utilizes a forecast period of approximately eight quarters and obtains the forecast data from publicly available sources as of the balance sheet date. This forecast data continues to evolve and included significant shifts in the magnitude of changes for both the unemployment and GDP factors leading up to the balance sheet date. Management noted that the majority of economic forecasts utilized in the ACL calculation have continued to identify an expanded duration of the current recessionary period as caused by the global pandemic and partially offset by the governmental stimulus that has been provided to date.

Loans past due 30 days or more decreased by $6,100,000 during the quarter ended September 30, 2020 to $10,522,000, as compared to $16,622,000 at June 30, 2020. Non-performing loans were $22,963,000 at September 30, 2020 and $20,730,000 at June 30, 2020, a slight increase compared to the $16,864,000 and $18,565,000 as of December 31, 2019 and September 30, 2019, respectively.

The following table presents risk ratings for the periods indicated:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>September 30, 2020</th>
<th>% of Total Loans</th>
<th>June 30, 2020</th>
<th>% of Total Loans</th>
<th>December 31, 2019</th>
<th>% of Total Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Rating:</td>
<td>% of Total Loans</td>
<td>% of Total Loans</td>
<td>% of Total Loans</td>
<td>% of Total Loans</td>
<td>% of Total Loans</td>
<td></td>
</tr>
<tr>
<td>Pass</td>
<td>95.9 %</td>
<td>97.9 %</td>
<td>98.2 %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Mention</td>
<td>3.1 %</td>
<td>1.3 %</td>
<td>1.0 %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substandard</td>
<td>1.0 %</td>
<td>0.9 %</td>
<td>0.8 %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.0 %</td>
<td>100.0 %</td>
<td>100.0 %</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Company's loan portfolio for non-classified loans (loans graded special mention or better) remains generally consistent for the quarter ended September 30, 2020, as compared to the trailing quarter June 30, 2020, representing 99.0% and 99.1% of total loans outstanding, respectively. Loans risk graded special mention increased by approximately $89,918,000 during the quarter ended September 30, 2020 as compared to the trailing quarter. These downgrades to special mention were largely focused in one relationship of eight loans totaling approximately $56,600,000, secured by several commercial real estate properties which remain current as to payment status and are believed to have more than sufficient collateral support. The downgrade is related to recent management and oversight changes within the borrowing entity. Other components of the loan population downgraded to special mention during the quarter includes approximately $7,900,000 in COVID-19 related restructured loans, shared between two relationships. Total loans greater than 30 days past due downgraded to special mention during the quarter equaled approximately $501,000.
There was one insignificant addition and no sales of other real estate owned during the three month period ended September 30, 2020. As of September 30, 2020, other real estate owned consisted of four properties with a carrying value of $2,057,000.

**Allocation of Credit Loss Reserves by Loan**

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>As of September 30, 2020</th>
<th>As of June 30, 2020</th>
<th>As of March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>% of Loans Outstanding</td>
<td>Amount</td>
</tr>
<tr>
<td>Commercial real estate:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRE - Non Owner Occupied</td>
<td>$28,847</td>
<td>1.80 %</td>
<td>$26,091</td>
</tr>
<tr>
<td>CRE - Owner Occupied</td>
<td>9,625</td>
<td>1.66 %</td>
<td>8,710</td>
</tr>
<tr>
<td>Multifamily</td>
<td>10,032</td>
<td>1.67 %</td>
<td>8,581</td>
</tr>
<tr>
<td>Farmland</td>
<td>1,790</td>
<td>1.17 %</td>
<td>1,468</td>
</tr>
<tr>
<td><strong>Total commercial real estate loans</strong></td>
<td><strong>50,294</strong></td>
<td><strong>1.71 %</strong></td>
<td><strong>44,850</strong></td>
</tr>
<tr>
<td>Consumer:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SFR 1-4 1st Liens</td>
<td>8,937</td>
<td>1.72 %</td>
<td>8,015</td>
</tr>
<tr>
<td>SFR HELOCs and Junior Liens</td>
<td>11,676</td>
<td>3.51 %</td>
<td>12,108</td>
</tr>
<tr>
<td>Other</td>
<td>3,394</td>
<td>4.18 %</td>
<td>3,042</td>
</tr>
<tr>
<td><strong>Total consumer loans</strong></td>
<td><strong>24,007</strong></td>
<td><strong>2.57 %</strong></td>
<td><strong>23,165</strong></td>
</tr>
<tr>
<td>Commercial and Industrial</td>
<td>4,534</td>
<td>0.72 %</td>
<td>4,018</td>
</tr>
<tr>
<td>Construction</td>
<td>7,640</td>
<td>2.68 %</td>
<td>6,775</td>
</tr>
<tr>
<td>Agricultural Production</td>
<td>1,093</td>
<td>2.69 %</td>
<td>919</td>
</tr>
<tr>
<td>Leases</td>
<td>7</td>
<td>0.19 %</td>
<td>12</td>
</tr>
<tr>
<td><strong>Allowance for credit losses</strong></td>
<td><strong>87,575</strong></td>
<td><strong>1.81 %</strong></td>
<td><strong>79,739</strong></td>
</tr>
<tr>
<td>Reserve for unfunded loan commitments</td>
<td>3,000</td>
<td>3,000</td>
<td>2,845</td>
</tr>
<tr>
<td><strong>Total allowance for credit losses</strong></td>
<td><strong>$90,575</strong></td>
<td><strong>1.88 %</strong></td>
<td><strong>$82,739</strong></td>
</tr>
</tbody>
</table>

As of September 30, 2020 and June 30, 2020, total loans includes PPP loans which are fully guaranteed and therefore would not require any loss reserve allocation. In the table above, PPP loans are included in the segment "Commercial and Industrial" for the periods ended September 30, 2020 and June 30, 2020. There were no PPP loans outstanding as of March 31, 2020. Excluding PPP loan outstanding balances from the ratio of the ACL to total loans results in a reserve ratio of approximately 2.0% as of September 30, 2020. In addition to the allowance for credit losses above, the Company has acquired various performing loans whose fair value as of the acquisition date was determined to be less than the principal balance owed on those loans. This difference represents the collective discount of credit, interest rate and liquidity measurements which is expected to be amortized over the life of the loans. As of September 30, 2020, the unamortized discount associated with acquired loans totaled $28,570,000 and if aggregated with the ACL would collectively represent 2.39% of total gross loans and 2.63% total loans less PPP loans.

**Non-interest Income**

The following table presents the key components of non-interest income for the current and trailing quarterly periods indicated:

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Three months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2020</td>
</tr>
<tr>
<td>ATM and interchange fees</td>
<td>$5,637</td>
</tr>
<tr>
<td>Service charges on deposit accounts</td>
<td>3,334</td>
</tr>
<tr>
<td>Other service fees</td>
<td>805</td>
</tr>
<tr>
<td>Mortgage banking service fees</td>
<td>457</td>
</tr>
<tr>
<td>Change in value of mortgage servicing rights</td>
<td>236</td>
</tr>
<tr>
<td><strong>Total service charges and fees</strong></td>
<td><strong>10,469</strong></td>
</tr>
<tr>
<td>Increase in cash value of life insurance</td>
<td>773</td>
</tr>
<tr>
<td>Asset management and commission income</td>
<td>667</td>
</tr>
<tr>
<td>Gain on sale of loans</td>
<td>3,035</td>
</tr>
<tr>
<td>Lease brokerage income</td>
<td>175</td>
</tr>
<tr>
<td>Sale of customer checks</td>
<td>91</td>
</tr>
<tr>
<td>Gain on sale of investment securities</td>
<td>7</td>
</tr>
<tr>
<td>Gain on marketable equity securities</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>(80)</td>
</tr>
<tr>
<td><strong>Total other non-interest income</strong></td>
<td><strong>4,668</strong></td>
</tr>
<tr>
<td><strong>Total non-interest income</strong></td>
<td><strong>$15,137</strong></td>
</tr>
</tbody>
</table>
Non-interest income increased $3,480,000 or 29.9% to $15,137,000 during the three months ended September 30, 2020 compared to $11,657,000 during the trailing quarter June 30, 2020. Mortgage loan origination volume demand increased during the period ended September 30, 2020 as a result of the continued favorable interest rate environment, leading to an additional $1,299,000 gain on sale of loans, as compared to the trailing quarter. Additionally, the change in valuation of mortgage servicing rights increased modestly by $236,000 during the quarter, which represented an improvement of $1,472,000 as compared to the trailing quarter ended June 30, 2020.

The following table presents the key components of non-interest income for the periods indicated:

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Three months ended September 30,</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>ATM and interchange fees</td>
<td>$ 5,637</td>
<td>$ 5,427</td>
<td>$ 210</td>
</tr>
<tr>
<td>Service charges on deposit accounts</td>
<td>3,334</td>
<td>4,327</td>
<td>(993)</td>
</tr>
<tr>
<td>Other service fees</td>
<td>805</td>
<td>808</td>
<td>(3)</td>
</tr>
<tr>
<td>Mortgage banking service fees</td>
<td>457</td>
<td>483</td>
<td>(26)</td>
</tr>
<tr>
<td>Change in value of mortgage servicing rights</td>
<td>236</td>
<td>(455)</td>
<td>691</td>
</tr>
<tr>
<td>Total service charges and fees</td>
<td>10,469</td>
<td>10,590</td>
<td>(121)</td>
</tr>
<tr>
<td>Increase in cash value of life insurance</td>
<td>773</td>
<td>773</td>
<td>—</td>
</tr>
<tr>
<td>Asset management and commission income</td>
<td>667</td>
<td>721</td>
<td>(54)</td>
</tr>
<tr>
<td>Gain on sale of loans</td>
<td>3,035</td>
<td>1,236</td>
<td>1,799</td>
</tr>
<tr>
<td>Lease brokerage income</td>
<td>175</td>
<td>172</td>
<td>3</td>
</tr>
<tr>
<td>Sale of customer checks</td>
<td>91</td>
<td>126</td>
<td>(35)</td>
</tr>
<tr>
<td>Gain on sale of investment securities</td>
<td>7</td>
<td>107</td>
<td>(100)</td>
</tr>
<tr>
<td>Gain on marketable equity securities</td>
<td>22</td>
<td>(22)</td>
<td>n/m</td>
</tr>
<tr>
<td>Other</td>
<td>(80)</td>
<td>361</td>
<td>(441)</td>
</tr>
<tr>
<td>Total other non-interest income</td>
<td>4,668</td>
<td>3,518</td>
<td>1,150</td>
</tr>
<tr>
<td>Total non-interest income</td>
<td>$ 15,137</td>
<td>$ 14,108</td>
<td>$ 1,029</td>
</tr>
</tbody>
</table>

In addition to the discussion above within the non-interest income for the three months ended September 30, 2020 and trailing June 30, 2020, fee generating deposit account activity remains depressed as a result of the COVID-19 pandemic, while volumes of e-commerce activity showed improvement from the trailing quarter, the same quarter of the prior year and for the nine month year to date periods (illustrated below).

The following table presents the key components of non-interest income for the current and prior year nine-month periods indicated:

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Nine months ended September 30,</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>ATM and interchange fees</td>
<td>$ 15,913</td>
<td>$ 15,412</td>
<td>$ 501</td>
</tr>
<tr>
<td>Service charges on deposit accounts</td>
<td>10,426</td>
<td>12,389</td>
<td>(1,963)</td>
</tr>
<tr>
<td>Other service fees</td>
<td>2,296</td>
<td>2,198</td>
<td>98</td>
</tr>
<tr>
<td>Mortgage banking service fees</td>
<td>1,386</td>
<td>1,441</td>
<td>(55)</td>
</tr>
<tr>
<td>Change in value of mortgage servicing rights</td>
<td>(2,258)</td>
<td>(1,652)</td>
<td>(606)</td>
</tr>
<tr>
<td>Total service charges and fees</td>
<td>27,763</td>
<td>29,788</td>
<td>(2,025)</td>
</tr>
<tr>
<td>Increase in cash value of life insurance</td>
<td>2,203</td>
<td>2,294</td>
<td>(91)</td>
</tr>
<tr>
<td>Asset management and commission income</td>
<td>2,244</td>
<td>2,102</td>
<td>142</td>
</tr>
<tr>
<td>Gain on sale of loans</td>
<td>5,662</td>
<td>2,223</td>
<td>3,439</td>
</tr>
<tr>
<td>Lease brokerage income</td>
<td>495</td>
<td>631</td>
<td>(136)</td>
</tr>
<tr>
<td>Sale of customer checks</td>
<td>303</td>
<td>401</td>
<td>(98)</td>
</tr>
<tr>
<td>Gain on sale of investment securities</td>
<td>7</td>
<td>107</td>
<td>(100)</td>
</tr>
<tr>
<td>Gain on marketable equity securities</td>
<td>72</td>
<td>100</td>
<td>(28)</td>
</tr>
<tr>
<td>Other</td>
<td>(135)</td>
<td>1,688</td>
<td>(1,823)</td>
</tr>
<tr>
<td>Total other non-interest income</td>
<td>10,851</td>
<td>9,546</td>
<td>1,305</td>
</tr>
<tr>
<td>Total non-interest income</td>
<td>$ 38,614</td>
<td>$ 39,334</td>
<td>$ (720)</td>
</tr>
</tbody>
</table>
Non-interest income decreased $720,000 or 1.8% to $38,614,000 during the nine months ended September 30, 2020 compared to $39,334,000 during the comparable nine month period in 2019. Non-interest income for the nine months ended September 30, 2020 as compared to the same period in 2019 was negatively impacted by changes in the fair value of the Company’s mortgage servicing assets, as noted above, which contributed to a $606,000 decline, and the aforementioned decline in service charges on deposit accounts, which is down $1,963,000 during the nine month period in 2020 as compared to the same period in 2019. Other non-interest income declined by $1,823,000, partially from decreases in the fair value of assets used to fund acquired deferred compensation plans totaling $718,000 for the nine months ended September 30, 2020 as compared to the same period in 2019, as well as from an absence of one-time death benefits totaling $728,000 realized during the nine months ended September 30, 2019. The declines noted above were partially offset by $3,439,000 in gains from the sale of mortgage loans, which resulted from both increased volume and profit margins during the nine months ended September 30, 2020.

**Non-interest Expense**

The following table presents the key components of non-interest expense for the current and trailing quarterly periods indicated:

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Three Months Ended</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salaries, net of deferred loan origination costs</td>
<td>$18,754</td>
<td>$1,477</td>
<td>8.5%</td>
</tr>
<tr>
<td>Incentive compensation</td>
<td>2,184</td>
<td>(211)</td>
<td>(8.8)%</td>
</tr>
<tr>
<td>Benefits and other compensation costs</td>
<td>8,383</td>
<td>1,000</td>
<td>13.5%</td>
</tr>
<tr>
<td>Total salaries and benefits expense</td>
<td>29,321</td>
<td>2,266</td>
<td>8.4%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>3,440</td>
<td>42</td>
<td>1.2%</td>
</tr>
<tr>
<td>Data processing and software</td>
<td>3,561</td>
<td>(96)</td>
<td>(2.6)%</td>
</tr>
<tr>
<td>Equipment</td>
<td>1,549</td>
<td>199</td>
<td>14.7%</td>
</tr>
<tr>
<td>Intangible amortization</td>
<td>1,431</td>
<td>—</td>
<td>—%</td>
</tr>
<tr>
<td>Advertising</td>
<td>869</td>
<td>338</td>
<td>33.7%</td>
</tr>
<tr>
<td>ATM and POS network charges</td>
<td>1,314</td>
<td>104</td>
<td>8.6%</td>
</tr>
<tr>
<td>Professional fees</td>
<td>955</td>
<td>214</td>
<td>28.9%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>619</td>
<td>(20)</td>
<td>(3.1)%</td>
</tr>
<tr>
<td>Regulatory assessments and insurance</td>
<td>538</td>
<td>178</td>
<td>49.4%</td>
</tr>
<tr>
<td>Postage</td>
<td>118</td>
<td>(165)</td>
<td>(49.4)%</td>
</tr>
<tr>
<td>Operational losses</td>
<td>154</td>
<td>(30)</td>
<td>(16.3)%</td>
</tr>
<tr>
<td>Courier service</td>
<td>345</td>
<td>8</td>
<td>2.4%</td>
</tr>
<tr>
<td>Gain on sale of foreclosed assets</td>
<td>—</td>
<td>16</td>
<td>(100)%</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>22</td>
<td>7</td>
<td>46.7%</td>
</tr>
<tr>
<td>Other miscellaneous expense</td>
<td>2,478</td>
<td>(1,897)</td>
<td>(34.4)%</td>
</tr>
<tr>
<td>Total other non-interest expense</td>
<td>17,393</td>
<td>(1,102)</td>
<td>(6.0)%</td>
</tr>
<tr>
<td>Total non-interest expense</td>
<td>$46,714</td>
<td>$1,164</td>
<td>2.6%</td>
</tr>
<tr>
<td>Average full-time equivalent staff</td>
<td>1,105</td>
<td>(34)</td>
<td>(3.0)%</td>
</tr>
</tbody>
</table>

Non-interest expense for the quarter ended September 30, 2020 increased $1,164,000 or 2.6% to $46,714,000 as compared to $45,550,000 during the trailing quarter ended June 30, 2020. Salaries, net of deferred loan origination costs increased by $1,477,000 to $18,754,000 for the three-months ended September 30, 2020 due to a decrease in loan origination activity and therefore a reduction in deferred loan costs of $745,000 as well as employee severance costs of $400,000 associated with reductions in personnel. Benefits related expenses increased by $1,000,000 to $8,383,000 during the quarter primarily as a result of increases in expenses associated with retirement obligations and insurance costs. The decrease in other miscellaneous expenses was primarily a rebound from the elevated indirect loan documentation and administrative costs incurred in conjunction with the PPP loan program during the quarter ended June 30, 2020, which totaled $1,479,000.
The following table presents the key components of non-interest expense for the current and prior year quarterly periods indicated:

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>2020</th>
<th>2019</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salaries, net of deferred loan origination costs</td>
<td>$18,754</td>
<td>$17,656</td>
<td>$1,098</td>
<td>6.2%</td>
</tr>
<tr>
<td>Incentive compensation</td>
<td>2,184</td>
<td>3,791</td>
<td>(1,607)</td>
<td>(42.4%)</td>
</tr>
<tr>
<td>Benefits and other compensation costs</td>
<td>8,383</td>
<td>5,452</td>
<td>2,931</td>
<td>53.8%</td>
</tr>
<tr>
<td><strong>Total salaries and benefits expense</strong></td>
<td>29,321</td>
<td>26,899</td>
<td>2,422</td>
<td>9.0%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>3,440</td>
<td>3,711</td>
<td>(271)</td>
<td>(7.3%)</td>
</tr>
<tr>
<td>Data processing and software</td>
<td>3,561</td>
<td>3,411</td>
<td>150</td>
<td>4.4%</td>
</tr>
<tr>
<td>Equipment</td>
<td>1,549</td>
<td>1,679</td>
<td>(130)</td>
<td>(7.7%)</td>
</tr>
<tr>
<td>Intangible amortization</td>
<td>1,431</td>
<td>1,431</td>
<td>—</td>
<td>—%</td>
</tr>
<tr>
<td>Advertising</td>
<td>869</td>
<td>1,358</td>
<td>(489)</td>
<td>(36.0%)</td>
</tr>
<tr>
<td>ATM and POS network charges</td>
<td>1,314</td>
<td>1,343</td>
<td>(29)</td>
<td>(2.2%)</td>
</tr>
<tr>
<td>Professional fees</td>
<td>955</td>
<td>999</td>
<td>(44)</td>
<td>(4.4%)</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>619</td>
<td>867</td>
<td>(248)</td>
<td>(28.6%)</td>
</tr>
<tr>
<td>Regulatory assessments and insurance</td>
<td>538</td>
<td>94</td>
<td>444</td>
<td>472.3%</td>
</tr>
<tr>
<td>Postage</td>
<td>118</td>
<td>438</td>
<td>(320)</td>
<td>(73.1%)</td>
</tr>
<tr>
<td>Operational losses</td>
<td>154</td>
<td>228</td>
<td>(74)</td>
<td>(32.5%)</td>
</tr>
<tr>
<td>Courier service</td>
<td>345</td>
<td>357</td>
<td>(12)</td>
<td>(3.4%)</td>
</tr>
<tr>
<td>Gain on sale of foreclosed assets</td>
<td>—</td>
<td>(50)</td>
<td>50</td>
<td>(100.0%)</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>22</td>
<td>2</td>
<td>20</td>
<td>1000.0%</td>
</tr>
<tr>
<td>Other miscellaneous expense</td>
<td>2,478</td>
<td>3,577</td>
<td>(1,099)</td>
<td>(30.7%)</td>
</tr>
<tr>
<td><strong>Total other non-interest expense</strong></td>
<td>17,393</td>
<td>19,445</td>
<td>(2,052)</td>
<td>(10.6%)</td>
</tr>
<tr>
<td><strong>Total non-interest expense</strong></td>
<td>$46,714</td>
<td>$46,344</td>
<td>$370</td>
<td>0.8%</td>
</tr>
<tr>
<td>Average full-time equivalent staff</td>
<td>1,105</td>
<td>1,160</td>
<td>(55)</td>
<td>(4.7%)</td>
</tr>
</tbody>
</table>

Non-interest expense increased by $370,000 or 0.8% to $46,714,000 during the three months ended September 30, 2020 as compared to $46,344,000 for the three months ended September 30, 2019. For reasons similar to those discussed above salary and benefit expense increased by $2,422,000 or 9.0% to $29,321,000 during the three months ended September 30, 2020 as compared to $26,899,000 for the same period in 2019. Partially offsetting this increase were declines in miscellaneous expenses, which decreased during the period by $1,099,000 or 30.7% to $2,478,000, and were specifically attributed to a $614,000 reduction in travel and outside training expenses as associated with the precautionary and restricted travel environment associated with the pandemic. Further, reductions in advertising expense totaled $489,000 or 36.0%, to $869,000 during the three months ended September 30, 2020 as compared to $1,358,000 for the same period in 2019.

The following table presents the key components of non-interest income for the current and prior year nine-month periods indicated:

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>2020</th>
<th>2019</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salaries, net of deferred loan origination costs</td>
<td>$53,654</td>
<td>$51,624</td>
<td>$2,030</td>
<td>3.9%</td>
</tr>
<tr>
<td>Incentive compensation</td>
<td>7,680</td>
<td>10,064</td>
<td>(2,384)</td>
<td>(23.7%)</td>
</tr>
<tr>
<td>Benefits and other compensation costs</td>
<td>22,314</td>
<td>17,058</td>
<td>5,256</td>
<td>30.8%</td>
</tr>
<tr>
<td><strong>Total salaries and benefits expense</strong></td>
<td>83,648</td>
<td>78,746</td>
<td>4,902</td>
<td>6.2%</td>
</tr>
<tr>
<td>Occupancy</td>
<td>10,713</td>
<td>11,223</td>
<td>(510)</td>
<td>(4.5%)</td>
</tr>
<tr>
<td>Data processing and software</td>
<td>10,585</td>
<td>10,114</td>
<td>471</td>
<td>4.7%</td>
</tr>
<tr>
<td>Equipment</td>
<td>4,411</td>
<td>5,298</td>
<td>(887)</td>
<td>(16.7%)</td>
</tr>
<tr>
<td>Intangible amortization</td>
<td>4,293</td>
<td>4,293</td>
<td>—</td>
<td>—%</td>
</tr>
<tr>
<td>Advertising</td>
<td>2,065</td>
<td>4,222</td>
<td>(2,157)</td>
<td>(51.1%)</td>
</tr>
<tr>
<td>ATM and POS network charges</td>
<td>3,897</td>
<td>3,936</td>
<td>(39)</td>
<td>(1.0%)</td>
</tr>
<tr>
<td>Professional fees</td>
<td>2,399</td>
<td>2,895</td>
<td>(496)</td>
<td>(17.1%)</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>1,983</td>
<td>2,437</td>
<td>(454)</td>
<td>(18.6%)</td>
</tr>
<tr>
<td>Regulatory assessments and insurance</td>
<td>993</td>
<td>1,095</td>
<td>(102)</td>
<td>(9.3%)</td>
</tr>
<tr>
<td>Postage</td>
<td>691</td>
<td>1,063</td>
<td>(372)</td>
<td>(35.0%)</td>
</tr>
<tr>
<td>Operational losses</td>
<td>559</td>
<td>679</td>
<td>(120)</td>
<td>(17.7%)</td>
</tr>
<tr>
<td>Courier service</td>
<td>1,013</td>
<td>1,039</td>
<td>(26)</td>
<td>(2.5%)</td>
</tr>
<tr>
<td>Gain on sale of foreclosed assets</td>
<td>(57)</td>
<td>(246)</td>
<td>189</td>
<td>(76.8%)</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>37</td>
<td>82</td>
<td>(45)</td>
<td>(54.9%)</td>
</tr>
<tr>
<td>Other miscellaneous expense</td>
<td>9,783</td>
<td>11,617</td>
<td>(1,834)</td>
<td>(15.8%)</td>
</tr>
<tr>
<td><strong>Total other non-interest expense</strong></td>
<td>53,365</td>
<td>59,747</td>
<td>(6,382)</td>
<td>(10.7%)</td>
</tr>
<tr>
<td><strong>Total non-interest expense</strong></td>
<td>$137,013</td>
<td>$138,493</td>
<td>$(1,480)</td>
<td>(1.1%)</td>
</tr>
<tr>
<td>Average full-time equivalent staff</td>
<td>1,105</td>
<td>1,160</td>
<td>(55)</td>
<td>(4.7%)</td>
</tr>
</tbody>
</table>
Non-interest expense decreased by $1,480,000 or 1.1% to $137,013,000 during the nine months ended September 30, 2020 as compared to $138,493,000 for the same period in 2019. Reductions in advertising expenses totaling $2,157,000 or 51.1% to $2,065,000 contributed to this beneficial change, as did declines in miscellaneous expenses totaling $1,834,000 or 15.8% attributed primarily to a $1,681,000 reduction in travel and training expenses as a result of state-wide shelter-in-place restrictions and a reduction of $418,000 in third party services, which were partially offset by the indirect loan documentation and administrative costs associated with PPP lending activity. These declines were offset by a net increase in salaries and benefits expense by $4,902,000 or 6.2% to $83,648,000 during the nine months ended September 30, 2020 as compared to $78,746,000 for the same period in 2019.

**Provision for Income Taxes**

The Company’s effective tax rate was 25.1% for the nine months ended September 30, 2020, as compared to 27.4% for the year ended December 31, 2019. The reduction in effective tax rate was made possible through the provisions of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) which provided the Company with an opportunity to file amended tax returns and generate proposed refunds of approximately $805,000. Other differences between the Company’s effective tax rate and applicable federal and state statutory rates are due to the proportion of non-taxable revenue and low income housing tax credits as compared to the levels of pre-tax earnings.

**About TriCo Bancshares**

Established in 1975, Tri Counties Bank is a wholly-owned subsidiary of TriCo Bancshares (NASDAQ: TCBK) headquartered in Chico, California, providing a unique brand of customer Service with Solutions available in traditional stand-alone and in-store bank branches in communities throughout Northern and Central California. Tri Counties Bank provides an extensive and competitive breadth of consumer, small business and commercial banking financial services, along with convenient around-the-clock ATM, online and mobile banking access. Brokerage services are provided by Tri Counties Advisors through affiliation with Raymond James Financial Services, Inc. Visit www.Tri CountiesBank.com to learn more.

**Forward-Looking Statement**

The statements contained herein that are not historical facts are forward-looking statements based on management’s current expectations and beliefs concerning future developments and their potential effects on the Company. Such statements involve inherent risks and uncertainties, many of which are difficult to predict and are generally beyond our control. There can be no assurance that future developments affecting us will be the same as those anticipated by management. We caution readers that a number of important factors could cause actual results to differ materially from those expressed in, or implied or projected by, such forward-looking statements. These risks and uncertainties include, but are not limited to, the following: the strength of the United States economy in general and the strength of the local economies in which we conduct operations; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; inflation, interest rate, market and monetary fluctuations; the impact of changes in financial services policies, laws and regulations; technological changes; weather, natural disasters and other catastrophic events that may or may not be caused by climate change and their effects on economic and business environments in which the Company operates; the continuing adverse impact on the U.S. economy, including the markets in which we operate, due to the COVID-19 global pandemic, and the impact of a slowing U.S. economy and increased unemployment on the performance of our loan portfolio, the market value of our investment securities, the availability of sources of funding and the demand for our products; the costs or effects of mergers, acquisitions or dispositions we may make; the future operating or financial performance of the Company, including our outlook for future growth, changes in the level of our nonperforming assets and charge-offs; the appropriateness of the allowance for credit losses including the timing and effects of the implementation of the current expected credit losses model; any deterioration in values of California real estate, both residential and commercial; the effect of changes in accounting standards and practices; possible other-than-temporary impairment of securities held by us; changes in consumer spending, borrowing and savings habits; our ability to attract deposits and other sources of liquidity; changes in the financial performance and/or condition of our borrowers; our noninterest expense and the efficiency ratio; competition and innovation with respect to financial products and services by banks, financial institutions and non-traditional providers including retail businesses and technology companies; the challenges of integrating and retaining key employees; the costs and effects of litigation and of unexpected or adverse outcomes in such litigation; a failure in or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers, including as a result of cyber-attacks and the cost to defend against such attacks; the effect of a fall in stock market prices on our brokerage and wealth management businesses; and our ability to manage the risks involved in the foregoing. Additional factors that could cause results to differ materially from those described above can be found in our Annual Report on Form 10-K for the year ended December 31, 2019, which is on file with the Securities and Exchange Commission (the “SEC”) and available in the “Investor Relations” section of our website, https://www.tcbk.com/investor-relations and in other documents we file with the SEC. Annualized, pro forma, projections and estimates are not forecasts and may not reflect actual results.
## TRICO BANCSHARES—CONDENSED CONSOLIDATED FINANCIAL DATA
(Unaudited. Dollars in thousands, except share data)

### Revenue and Expense Data

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income</strong></td>
<td>$ 65,438</td>
<td>$ 67,148</td>
<td>$ 66,517</td>
<td>$ 67,918</td>
<td>$ 68,889</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>1,984</td>
<td>2,489</td>
<td>3,325</td>
<td>3,722</td>
<td>4,201</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td>63,454</td>
<td>64,659</td>
<td>63,192</td>
<td>64,196</td>
<td>64,688</td>
</tr>
<tr>
<td><strong>Provision for (benefit from) credit losses</strong></td>
<td>7,649</td>
<td>22,244</td>
<td>8,070</td>
<td>(298)</td>
<td>(329)</td>
</tr>
<tr>
<td><strong>Noninterest income:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service charges and fees</td>
<td>10,469</td>
<td>8,168</td>
<td>9,126</td>
<td>10,629</td>
<td>10,590</td>
</tr>
<tr>
<td>Gain on sale of investment securities</td>
<td>7</td>
<td>—</td>
<td>—</td>
<td>3</td>
<td>107</td>
</tr>
<tr>
<td>Other income</td>
<td>4,661</td>
<td>3,489</td>
<td>2,694</td>
<td>3,554</td>
<td>3,411</td>
</tr>
<tr>
<td><strong>Total noninterest income</strong></td>
<td>15,137</td>
<td>11,657</td>
<td>11,820</td>
<td>14,186</td>
<td>14,108</td>
</tr>
<tr>
<td><strong>Noninterest expense:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>29,321</td>
<td>27,055</td>
<td>27,272</td>
<td>27,319</td>
<td>26,899</td>
</tr>
<tr>
<td>Occupancy and equipment</td>
<td>4,989</td>
<td>4,748</td>
<td>5,387</td>
<td>5,394</td>
<td>5,390</td>
</tr>
<tr>
<td>Data processing and network</td>
<td>4,875</td>
<td>4,867</td>
<td>4,740</td>
<td>4,914</td>
<td>4,754</td>
</tr>
<tr>
<td>Other noninterest expense</td>
<td>7,529</td>
<td>8,880</td>
<td>7,350</td>
<td>9,337</td>
<td>9,301</td>
</tr>
<tr>
<td><strong>Total noninterest expense</strong></td>
<td>46,714</td>
<td>45,550</td>
<td>44,749</td>
<td>46,964</td>
<td>46,344</td>
</tr>
<tr>
<td><strong>Total income before taxes</strong></td>
<td>24,228</td>
<td>8,522</td>
<td>22,193</td>
<td>31,716</td>
<td>32,781</td>
</tr>
<tr>
<td><strong>Provision for (benefit from) income taxes</strong></td>
<td>6,622</td>
<td>1,092</td>
<td>6,072</td>
<td>8,826</td>
<td>9,386</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$ 17,606</td>
<td>$ 7,430</td>
<td>$ 16,121</td>
<td>$ 22,890</td>
<td>$ 23,395</td>
</tr>
</tbody>
</table>

### Share Data

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic earnings per share</strong></td>
<td>$ 0.59</td>
<td>$ 0.25</td>
<td>$ 0.53</td>
<td>$ 0.75</td>
<td>$ 0.77</td>
</tr>
<tr>
<td><strong>Diluted earnings per share</strong></td>
<td>$ 0.59</td>
<td>$ 0.25</td>
<td>$ 0.53</td>
<td>$ 0.75</td>
<td>$ 0.76</td>
</tr>
<tr>
<td><strong>Dividends per share</strong></td>
<td>$ 0.22</td>
<td>$ 0.22</td>
<td>$ 0.22</td>
<td>$ 0.22</td>
<td>$ 0.22</td>
</tr>
<tr>
<td><strong>Book value per common share</strong></td>
<td>$ 30.31</td>
<td>$ 29.76</td>
<td>$ 28.91</td>
<td>$ 29.70</td>
<td>$ 29.39</td>
</tr>
<tr>
<td><strong>Tangible book value per common share (1)</strong></td>
<td>$ 22.24</td>
<td>$ 21.64</td>
<td>$ 20.80</td>
<td>$ 21.69</td>
<td>$ 21.33</td>
</tr>
<tr>
<td><strong>Shares outstanding</strong></td>
<td>29,769,389</td>
<td>29,759,209</td>
<td>29,973,516</td>
<td>30,523,824</td>
<td>30,512,187</td>
</tr>
<tr>
<td><strong>Weighted average shares</strong></td>
<td>29,763,898</td>
<td>29,753,699</td>
<td>30,394,904</td>
<td>30,520,490</td>
<td>30,509,057</td>
</tr>
<tr>
<td><strong>Weighted average diluted shares</strong></td>
<td>29,844,396</td>
<td>29,883,193</td>
<td>30,522,842</td>
<td>30,650,071</td>
<td>30,629,027</td>
</tr>
</tbody>
</table>

### Credit Quality

<table>
<thead>
<tr>
<th></th>
<th>1.81 %</th>
<th>1.66 %</th>
<th>1.32 %</th>
<th>0.71 %</th>
<th>0.75 %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Allowance for credit losses to gross loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Loans past due 30 days or more</strong></td>
<td>$ 10,522</td>
<td>$ 16,622</td>
<td>$ 28,693</td>
<td>$ 9,024</td>
<td>$ 8,089</td>
</tr>
<tr>
<td><strong>Total nonperforming loans</strong></td>
<td>$ 22,963</td>
<td>$ 20,730</td>
<td>$ 17,955</td>
<td>$ 16,864</td>
<td>$ 18,565</td>
</tr>
<tr>
<td><strong>Total nonperforming assets</strong></td>
<td>$ 25,020</td>
<td>$ 22,652</td>
<td>$ 20,184</td>
<td>$ 19,405</td>
<td>$ 20,111</td>
</tr>
<tr>
<td><strong>Loans charged-off</strong></td>
<td>$ 194</td>
<td>$ 491</td>
<td>$ 510</td>
<td>$ 1,098</td>
<td>$ 1,522</td>
</tr>
<tr>
<td><strong>Loans recovered</strong></td>
<td>$ 381</td>
<td>$ 230</td>
<td>$ 892</td>
<td>$ 475</td>
<td>$ 520</td>
</tr>
</tbody>
</table>

### Selected Financial Ratios

<table>
<thead>
<tr>
<th></th>
<th>0.95 %</th>
<th>0.43 %</th>
<th>1.00 %</th>
<th>1.40 %</th>
<th>1.44 %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Return on average total assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Return on average equity</strong></td>
<td>7.79 %</td>
<td>3.39 %</td>
<td>7.14 %</td>
<td>10.03 %</td>
<td>10.42 %</td>
</tr>
<tr>
<td><strong>Average yield on loans, excluding PPP</strong></td>
<td>5.02 %</td>
<td>5.17 %</td>
<td>5.23 %</td>
<td>5.33 %</td>
<td>5.46 %</td>
</tr>
<tr>
<td><strong>Average yield on interest-earning assets</strong></td>
<td>3.83 %</td>
<td>4.26 %</td>
<td>4.57 %</td>
<td>4.65 %</td>
<td>4.72 %</td>
</tr>
<tr>
<td><strong>Average rate on interest-bearing deposits</strong></td>
<td>0.15 %</td>
<td>0.20 %</td>
<td>0.29 %</td>
<td>0.33 %</td>
<td>0.34 %</td>
</tr>
<tr>
<td><strong>Average cost of total deposits</strong></td>
<td>0.09 %</td>
<td>0.12 %</td>
<td>0.19 %</td>
<td>0.22 %</td>
<td>0.23 %</td>
</tr>
<tr>
<td><strong>Average rate on borrowings &amp; subordinated debt</strong></td>
<td>2.49 %</td>
<td>3.25 %</td>
<td>3.89 %</td>
<td>3.96 %</td>
<td>3.50 %</td>
</tr>
<tr>
<td><strong>Average rate on interest-bearing liabilities</strong></td>
<td>0.20 %</td>
<td>0.27 %</td>
<td>0.37 %</td>
<td>0.41 %</td>
<td>0.45 %</td>
</tr>
<tr>
<td><strong>Net interest margin (fully tax-equivalent) (1)</strong></td>
<td>3.72 %</td>
<td>4.10 %</td>
<td>4.34 %</td>
<td>4.39 %</td>
<td>4.44 %</td>
</tr>
<tr>
<td><strong>Loans to deposits</strong></td>
<td>76.12 %</td>
<td>76.84 %</td>
<td>81.05 %</td>
<td>80.26 %</td>
<td>78.98 %</td>
</tr>
<tr>
<td><strong>Efficiency ratio</strong></td>
<td>59.44 %</td>
<td>59.69 %</td>
<td>59.66 %</td>
<td>59.92 %</td>
<td>58.82 %</td>
</tr>
</tbody>
</table>

### Supplemental Loan Interest Income Data

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Discount accretion on acquired loans</strong></td>
<td>$ 1,876</td>
<td>$ 2,587</td>
<td>$ 1,748</td>
<td>$ 2,218</td>
<td>$ 2,360</td>
</tr>
<tr>
<td><strong>All other loan interest income</strong></td>
<td>$ 53,560</td>
<td>$ 53,466</td>
<td>$ 54,510</td>
<td>$ 54,644</td>
<td>$ 54,639</td>
</tr>
<tr>
<td><strong>Total loan interest income</strong></td>
<td>$ 55,436</td>
<td>$ 56,053</td>
<td>$ 56,258</td>
<td>$ 56,862</td>
<td>$ 56,999</td>
</tr>
</tbody>
</table>

(1) Non-GAAP measure
## TRICO BANCSHARES—CONDENSED CONSOLIDATED FINANCIAL DATA
(Unaudited. Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and due from banks</td>
<td>$652,582</td>
<td>$705,852</td>
<td>$185,466</td>
<td>$276,507</td>
<td>$259,047</td>
</tr>
<tr>
<td>Securities, available for sale, net</td>
<td>1,145,989</td>
<td>999,313</td>
<td>1,005,006</td>
<td>953,098</td>
<td>987,054</td>
</tr>
<tr>
<td>Securities, held to maturity, net</td>
<td>310,696</td>
<td>337,165</td>
<td>359,770</td>
<td>375,606</td>
<td>393,449</td>
</tr>
<tr>
<td>Restricted equity securities</td>
<td>17,250</td>
<td>17,250</td>
<td>17,250</td>
<td>17,250</td>
<td>17,250</td>
</tr>
<tr>
<td>Loans held for sale</td>
<td>6,570</td>
<td>8,352</td>
<td>2,695</td>
<td>5,265</td>
<td>7,604</td>
</tr>
<tr>
<td>Loans:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial loans</td>
<td>673,281</td>
<td>667,263</td>
<td>285,830</td>
<td>283,707</td>
<td>278,458</td>
</tr>
<tr>
<td>Consumer loans</td>
<td>400,711</td>
<td>416,490</td>
<td>428,313</td>
<td>445,542</td>
<td>442,539</td>
</tr>
<tr>
<td>Real estate mortgage loans</td>
<td>3,466,307</td>
<td>3,437,960</td>
<td>3,422,440</td>
<td>3,328,290</td>
<td>3,247,156</td>
</tr>
<tr>
<td>Real estate construction loans</td>
<td>286,039</td>
<td>279,692</td>
<td>242,479</td>
<td>249,827</td>
<td>214,195</td>
</tr>
<tr>
<td>Total loans, gross</td>
<td>4,826,338</td>
<td>4,801,405</td>
<td>4,379,062</td>
<td>4,307,366</td>
<td>4,182,348</td>
</tr>
<tr>
<td>Allowance for credit losses</td>
<td>(87,575)</td>
<td>(79,739)</td>
<td>(57,911)</td>
<td>(30,616)</td>
<td>(31,537)</td>
</tr>
<tr>
<td>Total loans, net</td>
<td>4,738,763</td>
<td>4,721,666</td>
<td>4,321,151</td>
<td>4,276,750</td>
<td>4,150,811</td>
</tr>
<tr>
<td>Premises and equipment</td>
<td>84,856</td>
<td>85,292</td>
<td>86,304</td>
<td>87,086</td>
<td>87,424</td>
</tr>
<tr>
<td>Cash value of life insurance</td>
<td>120,026</td>
<td>119,254</td>
<td>118,543</td>
<td>117,823</td>
<td>117,088</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>19,557</td>
<td>20,337</td>
<td>18,575</td>
<td>18,897</td>
<td>18,205</td>
</tr>
<tr>
<td>Goodwill</td>
<td>220,872</td>
<td>220,872</td>
<td>220,872</td>
<td>220,872</td>
<td>220,872</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>19,264</td>
<td>20,694</td>
<td>22,126</td>
<td>23,557</td>
<td>24,988</td>
</tr>
<tr>
<td>Operating leases, right-of-use</td>
<td>28,879</td>
<td>29,842</td>
<td>30,221</td>
<td>27,879</td>
<td>28,957</td>
</tr>
<tr>
<td>Other assets</td>
<td>84,495</td>
<td>74,182</td>
<td>86,330</td>
<td>70,591</td>
<td>72,134</td>
</tr>
<tr>
<td>Total assets</td>
<td>$7,449,799</td>
<td>$7,360,071</td>
<td>$6,474,309</td>
<td>$6,471,181</td>
<td>$6,384,883</td>
</tr>
<tr>
<td>Deposits:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noninterest-bearing demand deposits</td>
<td>$2,517,819</td>
<td>$2,487,120</td>
<td>$1,883,143</td>
<td>$1,832,665</td>
<td>$1,777,357</td>
</tr>
<tr>
<td>Interest-bearing demand deposits</td>
<td>1,346,716</td>
<td>1,318,951</td>
<td>1,243,192</td>
<td>1,242,274</td>
<td>1,222,955</td>
</tr>
<tr>
<td>Savings deposits</td>
<td>2,099,780</td>
<td>2,043,593</td>
<td>1,857,684</td>
<td>1,851,549</td>
<td>1,843,873</td>
</tr>
<tr>
<td>Time certificates</td>
<td>376,273</td>
<td>398,594</td>
<td>418,679</td>
<td>440,506</td>
<td>451,222</td>
</tr>
<tr>
<td>Total deposits</td>
<td>6,340,588</td>
<td>6,248,258</td>
<td>5,402,698</td>
<td>5,366,994</td>
<td>5,295,407</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>1,571</td>
<td>1,734</td>
<td>1,986</td>
<td>2,407</td>
<td>2,847</td>
</tr>
<tr>
<td>Operating lease liability</td>
<td>28,894</td>
<td>29,743</td>
<td>30,007</td>
<td>27,540</td>
<td>28,494</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>91,902</td>
<td>98,684</td>
<td>96,560</td>
<td>91,984</td>
<td>87,867</td>
</tr>
<tr>
<td>Other borrowings</td>
<td>27,055</td>
<td>38,544</td>
<td>19,309</td>
<td>18,454</td>
<td>16,423</td>
</tr>
<tr>
<td>Junior subordinated debt</td>
<td>57,527</td>
<td>57,422</td>
<td>57,323</td>
<td>57,232</td>
<td>57,180</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>6,547,537</td>
<td>6,474,385</td>
<td>5,607,835</td>
<td>5,564,611</td>
<td>5,488,218</td>
</tr>
<tr>
<td>Common stock</td>
<td>531,075</td>
<td>530,426</td>
<td>534,623</td>
<td>543,998</td>
<td>543,415</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>365,611</td>
<td>354,645</td>
<td>356,935</td>
<td>367,794</td>
<td>351,751</td>
</tr>
<tr>
<td>Accum. other comprehensive income (loss)</td>
<td>5,576</td>
<td>619</td>
<td>(25,132)</td>
<td>(5,222)</td>
<td>1,499</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>$902,262</td>
<td>$885,686</td>
<td>$866,426</td>
<td>$906,570</td>
<td>$896,665</td>
</tr>
</tbody>
</table>

### Quarterly Average Balance Data

| Average loans, excluding PPP | $4,389,672 | $4,363,481 | $4,329,357 | $4,231,347 | $4,142,602 |
| Average interest-earning assets | $6,815,495 | $6,365,865 | $5,883,750 | $5,823,795 | $5,810,248 |
| Average total assets | $7,380,961 | $7,027,735 | $6,506,587 | $6,482,832 | $6,452,470 |
| Average deposits | $6,278,638 | $5,937,294 | $5,395,933 | $5,385,190 | $5,327,235 |
| Average borrowings and subordinated debt | $91,225 | $83,685 | $80,062 | $77,452 | $130,506 |
| Average total equity | $898,986 | $880,405 | $908,633 | $905,585 | $890,667 |

### Capital Ratio Data

| Total risk based capital ratio | 15.2 % | 15.1 % | 15.1 % | 15.1 % | 15.2 % |
| Tier 1 capital ratio | 14.0 % | 13.9 % | 13.9 % | 14.4 % | 14.5 % |
| Tier 1 common equity ratio | 12.9 % | 12.8 % | 12.8 % | 13.3 % | 13.4 % |
| Tier 1 leverage ratio | 10.0 % | 10.3 % | 11.2 % | 11.6 % | 11.3 % |
| Tangible capital ratio (1) | 9.2 % | 9.1 % | 10.0 % | 10.6 % | 10.6 % |

(1) Non-GAAP measure
In addition to results presented in accordance with generally accepted accounting principles in the United States of America (GAAP), this press release contains certain non-GAAP financial measures. Management has presented these non-GAAP financial measures in this press release because it believes that they provide useful and comparative information to assess trends in the Company's core operations reflected in the current quarter's results, and facilitate the comparison of our performance with the performance of our peers. However, these non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP. Where applicable, comparable earnings information using GAAP financial measures is also presented. Because not all companies use the same calculations, our presentation may not be comparable to other similarly titled measures as calculated by other companies. For a reconciliation of these non-GAAP financial measures, see the tables below:

### Net interest margin

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Three months ended</th>
<th>Nine months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2020</td>
<td>June 30, 2020</td>
</tr>
<tr>
<td><strong>Acquired loans discount accretion, net:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount (included in interest income)</td>
<td>$ 1,876</td>
<td>$ 2,587</td>
</tr>
<tr>
<td>Effect on average loan yield</td>
<td>0.17 %</td>
<td>0.24 %</td>
</tr>
<tr>
<td>Effect on net interest margin (FTE)</td>
<td>0.11 %</td>
<td>0.16 %</td>
</tr>
<tr>
<td>Net interest margin (FTE)</td>
<td>3.72 %</td>
<td>4.10 %</td>
</tr>
<tr>
<td>Net interest margin less effect of acquired loan discount accretion (Non-GAAP)</td>
<td>3.61 %</td>
<td>3.94 %</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Three months ended</th>
<th>Nine months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2020</td>
<td>June 30, 2020</td>
</tr>
<tr>
<td><strong>PPP loans yield, net:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount (included in interest income)</td>
<td>$ 2,603</td>
<td>$ 2,356</td>
</tr>
<tr>
<td>Effect on net interest margin (FTE)</td>
<td>(0.09)%</td>
<td>(0.04)%</td>
</tr>
<tr>
<td>Net interest margin less effect of PPP loan yield (Non-GAAP)</td>
<td>3.81 %</td>
<td>4.14 %</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Three months ended</th>
<th>Nine months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2020</td>
<td>June 30, 2020</td>
</tr>
<tr>
<td><strong>Acquired loan discount accretion and PPP loan yield, net:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount (included in interest income)</td>
<td>$ 4,479</td>
<td>$ 4,943</td>
</tr>
<tr>
<td>Effect on net interest margin (FTE)</td>
<td>0.02 %</td>
<td>0.12 %</td>
</tr>
<tr>
<td>Net interest margin less effect of acquired loan discount accretion and PPP yields, net (Non-GAAP)</td>
<td>3.70 %</td>
<td>3.98 %</td>
</tr>
</tbody>
</table>

### Pre-tax pre-provision return on average assets or equity

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Three months ended</th>
<th>Nine months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2020</td>
<td>June 30, 2020</td>
</tr>
<tr>
<td><strong>Net income (GAAP)</strong></td>
<td>$ 17,606</td>
<td>7,430</td>
</tr>
<tr>
<td>Exclude income tax expense</td>
<td>6,622</td>
<td>1,092</td>
</tr>
<tr>
<td>Exclude provision (benefit) for credit losses</td>
<td>7,649</td>
<td>22,244</td>
</tr>
<tr>
<td>Net income before income tax and provision expense (Non-GAAP)</td>
<td>$ 31,877</td>
<td>$ 30,766</td>
</tr>
<tr>
<td>Average assets (GAAP)</td>
<td>$ 7,380,961</td>
<td>$ 7,027,735</td>
</tr>
<tr>
<td>Average equity (GAAP)</td>
<td>898,986</td>
<td>880,405</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>Three months ended</th>
<th>Nine months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2020</td>
<td>June 30, 2020</td>
</tr>
<tr>
<td>Return on average assets (GAAP) (annualized)</td>
<td>0.95 %</td>
<td>0.43 %</td>
</tr>
<tr>
<td>Pre-tax pre-provision return on average assets (Non-GAAP) (annualized)</td>
<td>1.72 %</td>
<td>1.76 %</td>
</tr>
<tr>
<td>Return on average equity (GAAP) (annualized)</td>
<td>7.79 %</td>
<td>3.39 %</td>
</tr>
<tr>
<td>Pre-tax pre-provision return on average equity (Non-GAAP) (annualized)</td>
<td>14.11 %</td>
<td>4.67 %</td>
</tr>
</tbody>
</table>
### Return on tangible common equity

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th>Nine months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2020</td>
<td>June 30, 2020</td>
</tr>
<tr>
<td>Average total shareholders' equity</td>
<td>$898,986</td>
<td>$880,405</td>
</tr>
<tr>
<td>Exclude average goodwill</td>
<td>(220,872)</td>
<td>(220,872)</td>
</tr>
<tr>
<td>Exclude average other intangibles</td>
<td>(19,979)</td>
<td>(21,410)</td>
</tr>
<tr>
<td>Average tangible common equity (Non-GAAP)</td>
<td>$658,135</td>
<td>$638,123</td>
</tr>
<tr>
<td>Net income (GAAP)</td>
<td>$17,606</td>
<td>$7,430</td>
</tr>
<tr>
<td>Exclude amortization of intangible assets, net of tax effect</td>
<td>1,008</td>
<td>1,008</td>
</tr>
<tr>
<td>Tangible net income available to common shareholders (Non-GAAP)</td>
<td>$18,614</td>
<td>$8,438</td>
</tr>
<tr>
<td>Return on average equity</td>
<td>7.79 %</td>
<td>3.39 %</td>
</tr>
<tr>
<td>Return on average tangible common equity (Non-GAAP)</td>
<td>11.25 %</td>
<td>5.32 %</td>
</tr>
</tbody>
</table>

### Tangible common shareholders' equity to tangible assets

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2020</td>
<td>June 30, 2020</td>
</tr>
<tr>
<td>Shareholders' equity (GAAP)</td>
<td>$902,262</td>
<td>$885,686</td>
</tr>
<tr>
<td>Exclude goodwill and other intangible assets, net</td>
<td>240,136</td>
<td>241,566</td>
</tr>
<tr>
<td>Tangible s/h equity (Non-GAAP)</td>
<td>$662,126</td>
<td>$644,120</td>
</tr>
<tr>
<td>Total assets (GAAP)</td>
<td>$7,449,799</td>
<td>$7,360,071</td>
</tr>
<tr>
<td>Exclude goodwill and other intangible assets, net</td>
<td>240,136</td>
<td>241,566</td>
</tr>
<tr>
<td>Total tangible assets (Non-GAAP)</td>
<td>$7,209,663</td>
<td>$7,118,505</td>
</tr>
<tr>
<td>Common s/h equity to total assets (GAAP)</td>
<td>12.11 %</td>
<td>12.03 %</td>
</tr>
<tr>
<td>Tangible common s/h equity to tangible assets (Non-GAAP)</td>
<td>9.18 %</td>
<td>9.05 %</td>
</tr>
</tbody>
</table>

### Tangible common shareholders' equity per share

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2020</td>
<td>June 30, 2020</td>
</tr>
<tr>
<td>Tangible s/h equity (Non-GAAP)</td>
<td>$662,126</td>
<td>$644,120</td>
</tr>
<tr>
<td>Tangible assets (Non-GAAP)</td>
<td>7,209,663</td>
<td>7,118,505</td>
</tr>
<tr>
<td>Common shares outstanding at end of period</td>
<td>29,769,389</td>
<td>29,759,209</td>
</tr>
<tr>
<td>Common s/h equity (book value) per share (GAAP)</td>
<td>$30.31</td>
<td>$29.76</td>
</tr>
<tr>
<td>Tangible common shareholders' equity (tangible book value) per share (Non-GAAP)</td>
<td>$22.24</td>
<td>$21.64</td>
</tr>
</tbody>
</table>

***************