UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

June 1, 2021
Date of Report (Date of earliest event reported)

THE PNC FINANCIAL SERVICES GROUP, INC.
(Exact name of registrant as specified in its charter)

Commission File Number 001-09718

Pennsylvania	**25-1435979**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**

The Tower at PNC Plaza
300 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2401
(Address of principal executive offices, including zip code)

(888) 762-2265
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $5.00	PNC	New York Stock Exchange
Depositary Shares Each Representing a 1/4,000 Interest in a Share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P	PNC P	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company ☐

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

EXPLANATORY NOTE

On June 1, 2021, The PNC Financial Services Group, Inc. ("PNC") filed a Current Report on Form 8-K (the "Original 8-K") to report, among other things, its acquisition of BBVA USA Bancshares, Inc., a financial holding company ("BBVA USA Holdco"), pursuant to a Stock Purchase Agreement, dated as of November 15, 2020, by and between PNC and Banco Bilbao Vizcaya Argentaria, S.A.

This Current Report on Form 8-K/A (this "Amended 8-K") amends and supplements the Original 8-K filed by PNC, and is being filed to provide the historical financial statements and the pro forma financial information pursuant to Items 9.01(a) and 9.01(b) of Form 8-K, respectively. In accordance with the requirements of Items 9.01(a)(3) and 9.01(b)(2) of Form 8-K, this Amended 8-K is being filed within 71 calendar days of the date that the Original 8-K was required to be filed with respect to the above referenced transaction.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of business acquired.

The audited consolidated financial statements of BBVA USA Holdco as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 are incorporated herein by reference to Exhibit 99.1 of PNC's Current Report on Form 8-K filed on April 20, 2021 (as amended on June 4, 2021). The unaudited consolidated financial statements of BBVA USA Holdco as of March 31, 2021 and for the three months ended March 31, 2021 are attached hereto as Exhibit 99.2 and incorporated herein by reference.

(b) Pro forma financial information.

With respect to PNC's acquisition of BBVA USA Holdco, the unaudited pro forma condensed combined financial statements of PNC and BBVA USA Holdco as of and for the year ended December 31, 2020 is incorporated herein by reference to Exhibit 99.2 of PNC's Current Report on Form 8-K filed on April 20, 2021 (as amended June 4, 2021) and the unaudited pro forma condensed combined financial statements of PNC and BBVA USA Holdco as of and for the three months ended March 31, 2021 is attached hereto as Exhibit 99.4 and incorporated herein by reference.

(d) Exhibits.

Number	Description	Method of Filing
99.1	Audited consolidated financial statements of BBVA USA Bancshares, Inc. as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020	Incorporated by reference to Exhibit 99.1 of PNC's Current Report on Form 8-K filed on April 20, 2021 (as amended on June 4, 2021)
99.2	Unaudited consolidated financial statements of BBVA USA Bancshares, Inc. as of March 31, 2021 and for the three months ended March 31, 2021	Filed herewith
99.3	Unaudited pro forma condensed combined financial statements of The PNC Financial Services Group, Inc. and BBVA USA Bancshares, Inc. as of and for the year ended December 31, 2020	Incorporated by reference to Exhibit 99.2 of PNC's Current Report on Form 8-K filed on April 20, 2021 (as amended on June 4, 2021)
99.4	Unaudited pro forma condensed combined financial statements of The PNC Financial Services Group, Inc. and BBVA USA Bancshares, Inc. as of and for the three months ended March 31, 2021	Filed herewith
104	The cover page of this Current Report on Form 8-K, formatted in Inline XBRL	

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE PNC FINANCIAL SERVICES GROUP, INC.
(Registrant)

Date: August 5, 2021

By: /s/ Gregory H. Kozich
Gregory H. Kozich
Senior Vice President and Controller

Exhibit 99.2

PART I FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

BBVA USA BANCSHARES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2021	December 31, 2020
	(In Thousands)	
Assets:		
Cash and due from banks	$ 1,044,788	$ 1,249,954
Federal funds sold, securities purchased under agreements to resell and interest bearing deposits	14,097,936	13,357,954
Cash and cash equivalents	15,142,724	14,607,908
Trading account assets	561,187	762,449
Debt securities available for sale	5,408,087	5,744,919
Debt securities held to maturity, net of allowance for debt securities held to maturity losses of $1,969 and $2,178 at March 31, 2021 and December 31, 2020, respectively (fair value of $12,497,012 and $10,809,461 at March 31, 2021 and December 31, 2020, respectively)	12,339,994	10,549,945
Loans held for sale, at fair value	295,570	236,586
Loans	63,960,242	65,559,767
Allowance for loan losses	(1,498,909)	(1,679,474)
Net loans	62,461,333	63,880,293
Premises and equipment, net	1,028,385	1,055,525
Bank owned life insurance	759,219	757,943
Goodwill	2,328,296	2,328,296
Other assets	3,658,603	2,832,339
Total assets	$ 103,983,398	$ 102,756,203
Liabilities:		
Deposits:		
Noninterest bearing	$ 29,543,118	$ 27,791,421
Interest bearing	56,427,836	58,066,960
Total deposits	85,970,954	85,858,381
FHLB and other borrowings	3,517,567	3,548,492
Federal funds purchased and securities sold under agreements to repurchase	966,336	184,478
Accrued expenses and other liabilities	1,509,486	1,473,490
Total liabilities	91,964,343	91,064,841
Shareholder's Equity:		
Series A Preferred stock — $0.01 par value, liquidation preference $200,000 per share		
Authorized — 30,000,000 shares		
Issued — 1,150 shares at both March 31, 2021 and December 31, 2020	229,475	229,475
Common stock — $0.01 par value:		
Authorized — 300,000,000 shares		
Issued — 222,963,891 shares at both March 31, 2021 and December 31, 2020	2,230	2,230
Surplus	14,039,261	14,032,205
Accumulated deficit	(2,546,271)	(2,931,151)
Accumulated other comprehensive income	264,206	329,105
Total BBVA USA Bancshares, Inc. shareholder's equity	11,988,901	11,661,864
Noncontrolling interests	30,154	29,498
Total shareholder's equity	12,019,055	11,691,362
Total liabilities and shareholder's equity	$ 103,983,398	$ 102,756,203

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BBVA USA BANCSHARES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
	(In Thousands)	
Interest income:		
Interest and fees on loans	$ 606,407	$ 715,476
Interest on debt securities available for sale	24,437	(1,492)
Interest on debt securities held to maturity	63,060	41,102
Interest on trading account assets	1,021	1,122
Interest and dividends on other earning assets	5,169	42,175
Total interest income	700,094	798,383
Interest expense:		
Interest on deposits	20,345	164,742
Interest on FHLB and other borrowings	14,516	21,176
Interest on federal funds purchased and securities sold under agreements to repurchase	576	22,658
Interest on other short-term borrowings	389	352
Total interest expense	35,826	208,928
Net interest income	664,268	589,455
Total provision (credit) for credit losses	(120,142)	356,991
Net interest income after provision (credit) for credit losses	784,410	232,464
Noninterest income:		
Service charges on deposit accounts	54,874	61,531
Card and merchant processing fees	49,245	50,091
Money transfer income	32,040	24,548
Investment services sales fees	29,446	34,407
Investment banking and advisory fees	26,783	26,731
Mortgage banking	14,692	17,451
Corporate and correspondent investment sales	13,683	10,717
Asset management fees	12,587	11,904
Bank owned life insurance	4,691	4,625
Investment securities gains, net	—	19,139
Other	65,660	73,098
Total noninterest income	303,701	334,242
Noninterest expense:		
Salaries, benefits and commissions	338,695	310,136
Professional services	82,002	70,220
Equipment	67,334	64,681
Net occupancy	40,903	39,843
Money transfer expense	23,332	17,136
Goodwill impairment	—	2,185,000
Other	66,724	122,044
Total noninterest expense	618,990	2,809,060
Net income (loss) before income tax expense (benefit)	469,121	(2,242,354)
Income tax expense (benefit)	83,660	(5,069)
Net income (loss)	385,461	(2,237,285)
Less: net income attributable to noncontrolling interests	581	501
Net income (loss) attributable to BBVA USA Bancshares, Inc.	384,880	(2,237,786)
Less: preferred stock dividends	3,143	4,155
Net income (loss) attributable to common shareholder	$ 381,737	$ (2,241,941)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BBVA USA BANCSHARES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
	(In Thousands)	
Net income (loss)	$ 385,461	$ (2,237,285)
Other comprehensive income (loss), net of tax:		
Net unrealized (losses) gains arising during period from debt securities available for sale	(18,139)	99,699
Less: reclassification adjustment for net gains on sale of debt securities available for sale in net income	—	14,572
Net change in net unrealized holding (losses) gains on debt securities available for sale	(18,139)	85,127
Change in unamortized net holding gains on debt securities held to maturity	1,900	1,575
Change in unamortized non-credit related impairment on debt securities held to maturity	140	118
Net change in unamortized holding gains on debt securities held to maturity	2,040	1,693
Unrealized holding (losses) gains arising during period from cash flow hedge instruments	(46,089)	274,837
Change in defined benefit plans	(2,711)	1,754
Other comprehensive (loss) income, net of tax	(64,899)	363,411
Comprehensive income (loss)	320,562	(1,873,874)
Less: comprehensive income attributable to noncontrolling interests	581	501
Comprehensive income (loss) attributable to BBVA USA Bancshares, Inc.	$ 319,981	$ (1,874,375)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BBVA USA BANCSHARES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
(Unaudited)

	Preferred Stock	Common Stock	Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interests	Total Shareholder's Equity
				(In Thousands)			
Three Months Ended March 31,							
Balance, December 31, 2019	$ 229,475	$ 2,230	$ 14,043,727	$ (917,227)	$ (1,072)	$ 29,456	$ 13,386,589
Cumulative effect adjustment related to ASC 326 adoption	—	—	—	(150,213)	—	—	(150,213)
Balance, January 1, 2020	$ 229,475	$ 2,230	$ 14,043,727	$ (1,067,440)	$ (1,072)	$ 29,456	$ 13,236,376
Net (loss) income	—	—	—	(2,237,786)	—	501	(2,237,285)
Other comprehensive income, net of tax	—	—	—	—	363,411	—	363,411
Preferred stock dividends	—	—	(4,155)	—	—	—	(4,155)
Capital contribution	—	—	—	—	—	7	7
Balance, March 31, 2020	$ 229,475	$ 2,230	$ 14,039,572	$ (3,305,226)	$ 362,339	$ 29,964	$ 11,358,354
Balance, December 31, 2020	$ 229,475	$ 2,230	$ 14,032,205	$ (2,931,151)	$ 329,105	$ 29,498	$ 11,691,362
Net income	—	—	—	384,880	—	581	385,461
Other comprehensive loss, net of tax	—	—	—	—	(64,899)	—	(64,899)
Preferred stock dividends	—	—	(3,143)	—	—	—	(3,143)
Capital contribution	—	—	10,199	—	—	75	10,274
Balance, March 31, 2021	$ 229,475	$ 2,230	$ 14,039,261	$ (2,546,271)	$ 264,206	$ 30,154	$ 12,019,055

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

BBVA USA BANCSHARES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(In Thousands)	
Operating Activities:		
Net income (loss)	$ 385,461	$ (2,237,285)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	59,032	104,267
Goodwill impairment	—	2,185,000
Accretion of discount, loan fees and purchase market adjustments, net	(12,868)	(8,070)
(Credit) provision for credit losses	(120,142)	356,991
Net change in trading account assets	201,262	(535,154)
Net change in trading account liabilities	(4,685)	124,326
Originations and purchases of mortgage loans held for sale	(406,497)	(209,524)
Sale of mortgage loans held for sale	365,860	212,605
Deferred tax expense (benefit)	58,622	(66,187)
Investment securities gains, net	—	(19,139)
Net loss (gain) on sale of premises and equipment	1,726	(483)
Gain on sale of mortgage loans held for sale	(18,347)	(8,775)
Net loss on sale of other real estate and other assets	94	625
Increase in other assets	(867,468)	(7,625)
Increase (decrease) in other liabilities	729	111,425
Net cash (used in) provided by operating activities	(357,221)	2,997
Investing Activities:		
Proceeds from sales of debt securities available for sale	—	607,655
Proceeds from prepayments, maturities and calls of debt securities available for sale	1,116,757	1,137,698
Purchases of debt securities available for sale	(806,301)	(769,621)
Proceeds from prepayments, maturities and calls of debt securities held to maturity	713,534	204,481
Purchases of debt securities held to maturity	(2,512,520)	(1,298,774)
Proceeds from sales of equity securities	—	16,479
Purchases of equity securities	(11,312)	(883)
Net change in loan portfolio	1,550,024	(3,702,303)
Purchases of premises and equipment	(18,075)	(25,811)
Proceeds from sales of premises and equipment	20	1,377
Proceeds from settlement of BOLI policies	3,490	442
Proceeds from sales of other real estate owned	2,166	5,301
Net cash provided by (used in) investing activities	37,783	(3,823,959)
Financing Activities:		
Net increase in total deposits	112,852	2,251,788
Net increase in federal funds purchased and securities sold under agreements to repurchase	781,858	236,756
Proceeds from FHLB and other borrowings	—	1,000
Repayment of FHLB and other borrowings	(61)	(1,057)
Capital contribution	10,274	7
Preferred dividends paid	(3,143)	(4,155)
Net cash provided by financing activities	901,780	2,484,339
Net increase (decrease) in cash, cash equivalents and restricted cash	582,342	(1,336,623)
Cash, cash equivalents and restricted cash at beginning of year	14,945,395	7,156,689
Cash, cash equivalents and restricted cash at end of period	$ 15,527,737	$ 5,820,066

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

(1) Basis of Presentation

General

The accounting and reporting policies of the Company and the methods of applying those policies that materially affect the consolidated financial statements conform with U.S. GAAP and with general financial services industry practices. The accompanying unaudited consolidated financial statements include the accounts of BBVA USA Bancshares, Inc. and its subsidiaries and have been prepared in conformity with U.S. GAAP for interim financial information and in accordance with the instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. In the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair presentation of the condensed consolidated financial statements have been included. Operating results for the three months ended March 31, 2021, are not necessarily indicative of the results that may be expected for the year ended December 31, 2021. These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

The Company has evaluated subsequent events for potential recognition and disclosure through the filing date of this Quarterly Report on Form 10-Q to determine if either recognition or disclosure of significant events or transactions is required.

Proposed Acquisition by PNC

On November 15, 2020, PNC entered into a Stock Purchase Agreement with BBVA for the purchase by PNC of 100% of the issued and outstanding shares of the Company for $11.6 billion in cash on hand in a fixed price structure. PNC is not acquiring BSI, Propel Venture Partners Fund I, L.P. and BBVA Processing Services, Inc. Immediately following the closing of the stock purchase, PNC intends to merge the Parent with and into PNC, with PNC continuing as the surviving entity. Post-closing, PNC intends to merge BBVA USA with and into PNC Bank, National Association, an indirect wholly owned subsidiary of PNC, with PNC Bank continuing as the surviving entity. The transaction is subject to regulatory approvals and certain other customary closing conditions.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, the most significant of which relate to the allowance for credit losses and goodwill impairment. Actual results could differ from those estimates. The extent to which the COVID-19 pandemic impacts the results of operations and financial condition, will depend on future developments, which are highly uncertain and cannot be predicted.

Recently Adopted Accounting Standards

Income Taxes

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*. The amendments in this ASU simplify the accounting for income taxes. This ASU is effective for fiscal years beginning after December 15, 2020, and for interim periods within those fiscal years. The adoption of this standard did not have a material impact on the financial condition and results of operations of the Company.

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform - Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The amendments in this ASU provide optional guidance for a limited period of time to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The amendments in this ASU provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if

certain criteria are met. The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship.

This ASU is effective as of March 12, 2020 through December 31, 2022. The adoption of this standard had no impact as the Company has not modified any contracts, hedging relationships, or other transactions.

(2) Debt Securities Available for Sale and Debt Securities Held to Maturity

The following tables present the adjusted cost and approximate fair value of debt securities available for sale and debt securities held to maturity.

	March 31, 2021			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Fair Value
	(In Thousands)			
Debt securities available for sale:				
U.S. Treasury and other U.S. government agencies	$ 2,041,182	$ 37,301	$ 14,273	$ 2,064,210
Agency mortgage-backed securities	774,456	25,452	2,104	797,804
Agency collateralized mortgage obligations	2,503,150	42,993	631	2,545,512
States and political subdivisions	545	16	—	561
Total	$ 5,319,333	$ 105,762	$ 17,008	$ 5,408,087
Debt securities held to maturity:				
U.S. Treasury and other U.S. government agencies	$ 2,550,157	$ 93,298	$ 23,886	$ 2,619,569
Agency mortgage-backed securities	921,354	—	17,323	904,031
Collateralized mortgage obligations:				
Agency	8,353,460	125,129	44,685	8,433,904
Non-agency	27,319	6,047	53	33,313
Asset-backed securities and other	45,437	1,472	419	46,490
States and political subdivisions (1)	444,236	16,387	918	459,705
Total	$ 12,341,963	$ 242,333	$ 87,284	$ 12,497,012

(1) The Company recorded an allowance of $2 million at March 31, 2021, related to state and political subdivisions, which is not included in the table above.

	December 31, 2020			
		Gross Unrealized		
	Amortized Cost	Gains	Losses	Fair Value
	(In Thousands)			
Debt securities available for sale:				
U.S. Treasury and other U.S. government agencies	$ 2,115,915	$ 45,168	$ 14,179	$ 2,146,904
Agency mortgage-backed securities	834,640	32,103	1,095	865,648
Agency collateralized mortgage obligations	2,681,210	50,811	290	2,731,731
States and political subdivisions	617	19	—	636
Total	$ 5,632,382	$ 128,101	$ 15,564	$ 5,744,919
Debt securities held to maturity:				
U.S. Treasury and other U.S. government agencies	$ 1,291,900	$ 112,968	$ —	$ 1,404,868
Agency mortgage-backed securities	570,115	2,491	—	572,606
Collateralized mortgage obligations:				
Agency	8,144,522	147,176	27,234	8,264,464
Non-agency	29,186	5,972	209	34,949
Asset-backed securities and other	48,790	1,217	2,681	47,326
States and political subdivisions (1)	467,610	21,047	3,409	485,248
Total	$ 10,552,123	$ 290,871	$ 33,533	$ 10,809,461

(1) The Company recorded an allowance of $2 million at December 31, 2020, related to state and political subdivisions, which is not included in the table above.

The investments held within the states and political subdivision caption of debt securities held to maturity relate to private placement transactions underwritten as loans by the Company but that meet the definition of a security within ASC Topic 320, *Investments – Debt Securities*.

The following tables disclose the fair value and the gross unrealized losses of the Company's available for sale debt securities that were in a loss position at March 31, 2021 and December 31, 2020, for which an allowance for credit losses has not been recorded. This information is aggregated by investment category and the length of time the individual securities have been in an unrealized loss position.

	March 31, 2021					
	Securities in a loss position for less than 12 months		Securities in a loss position for 12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Debt securities available for sale:						
U.S. Treasury and other U.S. government agencies	$ 28,410	$ 790	$ 319,805	$ 13,483	$ 348,215	$ 14,273
Agency mortgage-backed securities	32,699	1,286	34,710	818	67,409	2,104
Agency collateralized mortgage obligations	416,524	501	102,578	130	519,102	631
Total	$ 477,633	$ 2,577	$ 457,093	$ 14,431	$ 934,726	$ 17,008

	December 31, 2020					
	Securities in a loss position for less than 12 months		Securities in a loss position for 12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Debt securities available for sale:						
U.S. Treasury and other U.S. government agencies	$ 6,041	$ 60	$ 335,296	$ 14,119	$ 341,337	$ 14,179
Agency mortgage-backed securities	25,710	299	35,326	796	61,036	1,095
Agency collateralized mortgage obligations	96,498	114	162,028	176	258,526	290
Total	$ 128,249	$ 473	$ 532,650	$ 15,091	$ 660,899	$ 15,564

As indicated in the previous tables, at March 31, 2021 and December 31, 2020, the Company held debt securities in unrealized loss positions. The Company has not recognized the unrealized losses into income for its securities because they are all backed by the U.S. government or government agencies and management does not intend to sell and it is likely that management will not be required to sell these securities before their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The fair value is expected to recover as the securities approach maturity.

The following table presents the activity in the allowance for debt securities held to maturity losses.

	Three Months Ended March 31,	
	2021	2020
	(In Thousands)	
Allowance for debt securities held to maturity losses:		
Balance at beginning of period	$ 2,178	$ —
Impact of adopting ASC 326	—	1,847
Beginning balance, after adoption of ASC 326	2,178	1,847
(Credit) provision for credit losses	(209)	45
Securities charged off	—	—
Recoveries	—	—
Balance at end of period	$ 1,969	$ 1,892

The Company regularly evaluates each held to maturity debt security for credit losses on a quarterly basis. The Company has not recorded a provision for credit loss related to its agency securities because they are all backed by the U.S. government or government agencies and have been deemed to have zero expected credit loss as of March 31, 2021 and December 31, 2020. These securities are evaluated quarterly to determine if they still qualify as a zero credit loss security. The Company has non-agency securities that have unrealized losses at March 31, 2021 and December 31, 2020. The Company considers such factors as the extent to which the fair value has been below cost and the financial condition of the issuer.

The Company monitors the credit quality of its HTM debt securities through credit ratings. The following tables present the amortized cost of HTM debt securities, aggregated by credit quality indicator.

	March 31, 2021						
		Range of Ratings					
	AAA	AA+ / A -	BBB+ / B-	CCC+ / C	D	NR	Total
	(In Thousands)						
Debt securities held to maturity:							
U.S. Treasury and other U.S. government agencies	$ 2,550,157	$ —	$ —	$ —	$ —	$ —	$ 2,550,157
Agency mortgage-backed securities	921,354	—	—	—	—	—	921,354
Collateralized mortgage obligations:							
Agency	8,353,460	—	—	—	—	—	8,353,460
Non-agency	224	6,357	9,770	3,144	771	7,053	27,319
Asset-backed securities and other	—	44,870	183	384	—	—	45,437
States and political subdivisions (1)	—	236,151	208,085	—	—	—	444,236
	$ 11,825,195	$ 287,378	$ 218,038	$ 3,528	$ 771	$ 7,053	$ 12,341,963

(1) The Company recorded an allowance of $2 million at March 31, 2021, related to state and political subdivisions, which is not included in the table above.

	December 31, 2020						
		Range of Ratings					
	AAA	AA+ / A -	BBB+ / B-	CCC+ / C	D	NR	Total
	(In Thousands)						
Debt securities held to maturity:							
U.S. Treasury and other U.S. government agencies	$ 1,291,900	$ —	$ —	$ —	$ —	$ —	$ 1,291,900
Agency mortgage-backed securities	570,115	—	—	—	—	—	570,115
Collateralized mortgage obligations:							
Agency	8,144,522	—	—	—	—	—	8,144,522
Non-agency	278	6,840	10,517	5,462	2,533	3,556	29,186
Asset-backed securities and other	—	48,127	200	463	—	—	48,790
States and political subdivisions (1)	—	246,210	221,400	—	—	—	467,610
	$ 10,006,815	$ 301,177	$ 232,117	$ 5,925	$ 2,533	$ 3,556	$ 10,552,123

(1) The Company recorded an allowance of $2 million at December 31, 2020, related to state and political subdivisions, which is not included in the table above.

The contractual maturities of the securities portfolios are presented in the following table.

March 31, 2021	Amortized Cost	Fair Value
	(In Thousands)	
Debt securities available for sale:		
Maturing within one year	$ 250,000	$ 250,000
Maturing after one but within five years	1,394,623	1,430,793
Maturing after five but within ten years	4,755	4,828
Maturing after ten years	392,349	379,150
	2,041,727	2,064,771
Agency mortgage-backed securities and agency collateralized mortgage obligations	3,277,606	3,343,316
Total	$ 5,319,333	$ 5,408,087
Debt securities held to maturity:		
Maturing within one year	$ 11,240	$ 11,265
Maturing after one but within five years	1,392,538	1,486,375
Maturing after five but within ten years	1,546,716	1,537,655
Maturing after ten years	89,336	90,469
	3,039,830	3,125,764
Agency mortgage-backed securities and agency and non-agency collateralized mortgage obligations	9,302,133	9,371,248
Total	$ 12,341,963	$ 12,497,012

The gross realized gains and losses recognized on sales of debt securities available for sale are shown in the table below.

	Three Months Ended March 31,	
	2021	2020
	(In Thousands)	
Gross gains	$ —	$ 19,139
Gross losses	—	—
Net realized gains	$ —	$ 19,139

(3) Loans and Allowance for Loan Losses

The following table presents the composition of the loan portfolio.

	March 31, 2021	December 31, 2020
	(In Thousands)	
Commercial loans:		
Commercial, financial and agricultural	$ 25,969,245	$ 26,605,142
Real estate – construction	2,396,004	2,498,331
Commercial real estate – mortgage	13,412,272	13,565,314
Total commercial loans	41,777,521	42,668,787
Consumer loans:		
Residential real estate – mortgage	12,823,641	13,327,774
Equity lines of credit	2,318,208	2,394,894
Equity loans	165,209	179,762
Credit card	812,242	881,702
Consumer direct	1,797,085	1,929,723
Consumer indirect	4,266,336	4,177,125
Total consumer loans	22,182,721	22,890,980
Total loans	$ 63,960,242	$ 65,559,767

Accrued interest receivable totaling $213 million and $224 million at March 31, 2021 and December 31, 2020, respectively, was reported in other assets on the Company's Unaudited Condensed Balance Sheets and is excluded from the related footnote disclosures.

Allowance for Loan Losses and Credit Quality

The following table, which excludes loans held for sale, presents a summary of the activity in the allowance for loan losses. The portion of the allowance that has not been identified by the Company as related to specific loan categories has been allocated to the individual loan categories on a pro rata basis for purposes of the table below:

	Commercial, Financial and Agricultural	Commercial Real Estate (1)	Residential Real Estate (2)	Consumer (3)	Total
			(In Thousands)		
Three months ended March 31, 2021					
Allowance for loan losses:					
Beginning balance	$ 658,228	$ 311,092	$ 214,469	$ 495,685	$ 1,679,474
Provision (credit) for loan losses	(84,950)	(30,150)	(15,382)	10,549	(119,933)
Loans charged-off	(12,942)	(44)	(1,747)	(76,628)	(91,361)
Loan recoveries	11,735	177	1,093	17,724	30,729
Net (charge-offs) recoveries	(1,207)	133	(654)	(58,904)	(60,632)
Ending balance	$ 572,071	$ 281,075	$ 198,433	$ 447,330	$ 1,498,909
Three Months Ended March 31, 2020					
Allowance for loan losses:					
Beginning balance, prior to adoption of ASC 326	$ 408,197	$ 118,633	$ 99,089	$ 295,074	$ 920,993
Impact of adopting ASC 326	18,389	(35,034)	47,390	154,186	184,931
Beginning balance, after adoption of ASC 326	426,586	83,599	146,479	449,260	1,105,924
Provision for loan losses	140,413	24,548	7,032	184,953	356,946
Loan charge-offs	(24,207)	(87)	(1,999)	(115,866)	(142,159)
Loan recoveries	5,193	173	1,423	23,572	30,361
Net (charge-offs) recoveries	(19,014)	86	(576)	(92,294)	(111,798)
Ending balance	$ 547,985	$ 108,233	$ 152,935	$ 541,919	$ 1,351,072

(1) Includes commercial real estate – mortgage and real estate – construction loans.
(2) Includes residential real estate – mortgage, equity lines of credit and equity loans.
(3) Includes credit card, consumer direct and consumer indirect loans.

For the three months ended March 31, 2021, the decrease in the allowance for loan losses was primarily driven by the recognition of the updated macroeconomic scenario, which showed substantial improvement in the outlook for the macroeconomy as well as net negative loan growth.

The following table presents information on nonaccrual loans, by loan class at March 31, 2021 and December 31, 2020.

	March 31, 2021		December 31, 2020	
	Nonaccrual	Nonaccrual With No Recorded Allowance	Nonaccrual	Nonaccrual With No Recorded Allowance
Commercial, financial and agricultural	$ 529,703	$ 172,832	$ 540,741	$ 93,614
Real estate – construction	25,265	—	25,316	—
Commercial real estate – mortgage	418,935	88,910	442,137	77,629
Residential real estate – mortgage	235,441	—	235,463	—
Equity lines of credit	45,744	—	42,606	—
Equity loans	8,844	—	10,167	—
Credit card	—	—	—	—
Consumer direct	13,098	—	10,087	—
Consumer indirect	23,852	—	24,713	—
Total loans	$ 1,300,882	$ 261,742	$ 1,331,230	$ 171,243

The Company monitors the credit quality of its commercial portfolio using an internal dual risk rating, which considers both the obligor and the facility. The obligor risk ratings are defined by ranges of default probabilities of the borrowers, through internally assigned letter grades (AAA through D2) and the facility risk ratings are defined by ranges of the loss given default. The combination of those two approaches results in the assessment of the likelihood of loss and it is mapped to the regulatory classifications. The Company assigns internal risk ratings at loan origination and at regular intervals subsequent to origination. Loan review intervals are dependent on the size and risk grade of the loan, and are generally conducted at least annually. Additional reviews are conducted when information affecting the loan's risk grade becomes available. The general characteristics of the risk grades are as follows:

- The Company's internally assigned letter grades "AAA" through "B-" correspond to the regulatory classification "Pass." These loans do not have any identified potential or well-defined weaknesses and have a high likelihood of orderly repayment. Exceptions exist when either the facility is fully secured by a CD and held at the Company or the facility is secured by properly margined and controlled marketable securities.

- Internally assigned letter grades "CCC+" through "CCC" correspond to the regulatory classification "Special Mention." Loans within this classification have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the institution's credit position at some future date. Special mention loans are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

- Internally assigned letter grades "CCC-" through "D1" correspond to the regulatory classification "Substandard." A loan classified as substandard is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard loans have a well-defined weakness or weaknesses that jeopardize the liquidation of the loan. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

- The internally assigned letter grade "D2" corresponds to the regulatory classification "Doubtful." Loans classified as doubtful have all the weaknesses inherent in a loan classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable or improbable.

The Company considers payment history as the best indicator of credit quality for the consumer portfolio. Nonperforming loans in the tables below include loans classified as nonaccrual, loans 90 days or more past due and loans modified in a TDR 90 days or more past due.

The following tables, which exclude loans held for sale, illustrate the credit quality indicators associated with the Company's loans, by loan class.

	Commercial								
	March 31, 2021								
	Recorded Investment of Term Loans by Origination Year								
	2021	2020	2019	2018	2017	Prior	Recorded Investment of Revolving Loans	Recorded Investment of Revolving Loans Converted to Term Loans	Total
	(In Thousands)								
Commercial, financial and agricultural									
Pass	$ 1,050,720	$ 5,353,169	$ 2,656,762	$ 1,832,641	$ 2,817,125	$ 3,598,179	$ 6,359,264	$ —	$ 23,667,860
Special Mention	63,645	15,593	98,900	216,057	86,212	125,224	471,135	—	1,076,766
Substandard	4,893	68,342	99,186	81,450	71,320	215,564	548,331	—	1,089,086
Doubtful	—	21,308	11,726	1,789	23,150	34,609	42,951	—	135,533
Total commercial, financial and agricultural	$ 1,119,258	$ 5,458,412	$ 2,866,574	$ 2,131,937	$ 2,997,807	$ 3,973,576	$ 7,421,681	$ —	$ 25,969,245
Real estate - construction									
Pass	$ 56,927	$ 554,067	$ 755,562	$ 584,592	$ 151,696	$ 75,301	$ 149,250	$ —	$ 2,327,395
Special Mention	—	—	5,199	8,395	19,506	297	—	—	33,397
Substandard	—	6,218	6,121	726	18,020	4,127	—	—	35,212
Doubtful	—	—	—	—	—	—	—	—	—
Total real estate - construction	$ 56,927	$ 560,285	$ 766,882	$ 593,713	$ 189,222	$ 79,725	$ 149,250	$ —	$ 2,396,004
Commercial real estate - mortgage									
Pass	$ 237,099	$ 1,535,357	$ 2,708,280	$ 3,347,413	$ 1,423,688	$ 2,606,898	$ 178,890	$ —	$ 12,037,625
Special Mention	—	28,911	113,096	192,868	35,808	260,781	30,461	—	661,925
Substandard	—	58,450	105,425	114,971	103,119	312,068	12,949	—	706,982
Doubtful	—	—	—	—	1,836	3,904	—	—	5,740
Total commercial real estate - mortgage	$ 237,099	$ 1,622,718	$ 2,926,801	$ 3,655,252	$ 1,564,451	$ 3,183,651	$ 222,300	$ —	$ 13,412,272

	Commercial								
	December 31, 2020								
	Recorded Investment of Term Loans by Origination Year								
	2020	2019	2018	2017	2016	Prior	Recorded Investment of Revolving Loans	Recorded Investment of Revolving Loans Converted to Term Loans	Total
	(In Thousands)								
Commercial, financial and agricultural									
Pass	$ 5,784,167	$ 2,691,532	$ 1,986,737	$ 3,003,653	$ 754,848	$ 3,030,800	$ 6,861,548	$ —	$ 24,113,285
Special Mention	78,988	166,896	193,552	107,194	26,025	102,208	685,822	—	1,360,685
Substandard	38,516	66,725	69,752	96,059	82,947	179,285	499,317	—	1,032,601
Doubtful	16,286	12,248	5,476	709	7,395	5,085	51,372	—	98,571
Total commercial, financial and agricultural	$ 5,917,957	$ 2,937,401	$ 2,255,517	$ 3,207,615	$ 871,215	$ 3,317,378	$ 8,098,059	$ —	$ 26,605,142
Real estate - construction									
Pass	$ 429,483	$ 785,835	$ 710,403	$ 271,229	$ 44,565	$ 38,470	$ 125,184	$ —	$ 2,405,169
Special Mention	—	9,015	8,414	—	24,059	301	18,223	—	60,012
Substandard	3,973	6,210	551	18,152	—	4,264	—	—	33,150
Doubtful	—	—	—	—	—	—	—	—	—
Total real estate - construction	$ 433,456	$ 801,060	$ 719,368	$ 289,381	$ 68,624	$ 43,035	$ 143,407	$ —	$ 2,498,331
Commercial real estate - mortgage									
Pass	$ 1,571,217	$ 2,796,409	$ 3,430,264	$ 1,371,053	$ 777,906	$ 2,113,980	$ 222,864	$ —	$ 12,283,693
Special Mention	40,501	131,400	190,140	36,834	147,037	110,279	3,996	—	660,187
Substandard	44,201	34,749	106,067	114,290	112,976	195,821	6,630	—	614,734
Doubtful	—	—	—	—	2,758	3,942	—	—	6,700
Total commercial real estate - mortgage	$ 1,655,919	$ 2,962,558	$ 3,726,471	$ 1,522,177	$ 1,040,677	$ 2,424,022	$ 233,490	$ —	$ 13,565,314

	Consumer								
	March 31, 2021								
	Recorded Investment of Term Loans by Origination Year								
	2021	2020	2019	2018	2017	Prior	Recorded Investment of Revolving Loans	Recorded Investment of Revolving Loans Converted to Term Loans	Total
	(In Thousands)								
Residential real estate - mortgage									
Performing	$ 802,011	$ 3,776,523	$ 1,717,121	$ 740,423	$ 805,765	$ 4,704,304	$ —	$ —	$ 12,546,147
Nonperforming	—	5,313	24,607	22,101	23,232	202,241	—	—	277,494
Total residential real estate - mortgage	$ 802,011	$ 3,781,836	$ 1,741,728	$ 762,524	$ 828,997	$ 4,906,545	$ —	$ —	$ 12,823,641
Equity lines of credit									
Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,260,999	$ 9,493	$ 2,270,492
Nonperforming	—	—	—	—	—	—	47,569	147	47,716
Total equity lines of credit	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,308,568	$ 9,640	$ 2,318,208
Equity loans									
Performing	$ 5,681	$ 10,588	$ 9,130	$ 7,946	$ 3,545	$ 119,168	$ —	$ —	$ 156,058
Nonperforming	—	55	107	516	133	8,340	—	—	9,151
Total equity loans	$ 5,681	$ 10,643	$ 9,237	$ 8,462	$ 3,678	$ 127,508	$ —	$ —	$ 165,209
Credit card									
Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ 789,395	$ —	$ 789,395
Nonperforming	—	—	—	—	—	—	22,847	—	22,847
Total credit card	$ —	$ —	$ —	$ —	$ —	$ —	$ 812,242	$ —	$ 812,242
Consumer direct									
Performing	$ 156,787	$ 462,219	$ 351,468	$ 283,514	$ 79,054	$ 43,284	$ 399,322	$ —	$ 1,775,648
Nonperforming	—	4,694	4,131	6,495	1,912	757	3,448	—	21,437
Total consumer direct	$ 156,787	$ 466,913	$ 355,599	$ 290,009	$ 80,966	$ 44,041	$ 402,770	$ —	$ 1,797,085
Consumer indirect									
Performing	$ 568,797	$ 1,667,436	$ 979,931	$ 640,659	$ 259,239	$ 121,830	$ —	$ —	$ 4,237,892
Nonperforming	—	2,841	6,991	9,376	4,968	4,268	—	—	28,444
Total consumer indirect	$ 568,797	$ 1,670,277	$ 986,922	$ 650,035	$ 264,207	$ 126,098	$ —	$ —	$ 4,266,336

	Consumer								
	December 31, 2020								
	Recorded Investment of Term Loans by Origination Year								
	2020	2019	2018	2017	2016	Prior	Recorded Investment of Revolving Loans	Recorded Investment of Revolving Loans Converted to Term Loans	Total
	(In Thousands)								
Residential real estate - mortgage									
Performing	$ 3,881,274	$ 2,013,356	$ 883,919	$ 956,310	$ 1,109,560	$ 4,201,849	$ —	$ —	$ 13,046,268
Nonperforming	4,468	21,702	21,424	21,167	24,964	187,781	—	—	281,506
Total residential real estate - mortgage	$ 3,885,742	$ 2,035,058	$ 905,343	$ 977,477	$ 1,134,524	$ 4,389,630	$ —	$ —	$ 13,327,774
Equity lines of credit									
Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,338,907	$ 10,757	$ 2,349,664
Nonperforming	—	—	—	—	—	—	45,079	151	45,230
Total equity lines of credit	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,383,986	$ 10,908	$ 2,394,894
Equity loans									
Performing	$ 11,894	$ 10,684	$ 8,624	$ 3,960	$ 3,242	$ 130,600	$ —	$ —	$ 169,004
Nonperforming	789	375	484	134	—	8,976	—	—	10,758
Total equity loans	$ 12,683	$ 11,059	$ 9,108	$ 4,094	$ 3,242	$ 139,576	$ —	$ —	$ 179,762
Credit card									
Performing	$ —	$ —	$ —	$ —	$ —	$ —	$ 859,749	$ —	$ 859,749
Nonperforming	—	—	—	—	—	—	21,953	—	21,953
Total credit card	$ —	$ —	$ —	$ —	$ —	$ —	$ 881,702	$ —	$ 881,702
Consumer direct									
Performing	$ 547,417	$ 426,921	$ 349,518	$ 97,085	$ 43,170	$ 14,617	$ 432,167	$ —	$ 1,910,895
Nonperforming	1,220	3,878	7,995	2,325	642	189	2,579	—	18,828
Total consumer direct	$ 548,637	$ 430,799	$ 357,513	$ 99,410	$ 43,812	$ 14,806	$ 434,746	$ —	$ 1,929,723
Consumer indirect									
Performing	$ 1,817,720	$ 1,112,510	$ 745,483	$ 305,658	$ 92,924	$ 73,051	$ —	$ —	$ 4,147,346
Nonperforming	1,821	6,759	10,116	5,791	3,076	2,216	—	—	29,779
Total consumer indirect	$ 1,819,541	$ 1,119,269	$ 755,599	$ 311,449	$ 96,000	$ 75,267	$ —	$ —	$ 4,177,125

The following tables present an aging analysis of the Company's past due loans, excluding loans classified as held for sale.

	March 31, 2021							
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Accruing TDRs	Total Past Due, Nonaccrual or TDR	Not Past Due, Nonaccrual or TDR	Total
	(In Thousands)							
Commercial, financial and agricultural	$ 17,433	$ 19,078	$ 12,609	$ 529,703	$ 77,466	$ 656,289	$ 25,312,956	$ 25,969,245
Real estate – construction	2,538	—	532	25,265	142	28,477	2,367,527	2,396,004
Commercial real estate – mortgage	703	253	7,790	418,935	26,746	454,427	12,957,845	13,412,272
Residential real estate – mortgage	40,315	19,696	41,590	235,441	53,568	390,610	12,433,031	12,823,641
Equity lines of credit	8,325	2,642	1,972	45,744	—	58,683	2,259,525	2,318,208
Equity loans	665	223	134	8,844	19,326	29,192	136,017	165,209
Credit card	8,378	6,442	22,847	—	—	37,667	774,575	812,242
Consumer direct	17,028	9,438	8,339	13,098	23,041	70,944	1,726,141	1,797,085
Consumer indirect	30,024	8,513	4,592	23,852	—	66,981	4,199,355	4,266,336
Total loans	$ 125,409	$ 66,285	$ 100,405	$ 1,300,882	$ 200,289	$ 1,793,270	$ 62,166,972	$ 63,960,242

	December 31, 2020							
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Nonaccrual	Accruing TDRs	Total Past Due, Nonaccrual or TDR	Not Past Due, Nonaccrual or TDR	Total
	(In Thousands)							
Commercial, financial and agricultural	$ 15,862	$ 22,569	$ 35,472	$ 540,741	$ 17,686	$ 632,330	$ 25,972,812	$ 26,605,142
Real estate – construction	3,595	174	532	25,316	145	29,762	2,468,569	2,498,331
Commercial real estate – mortgage	2,113	2,004	1,104	442,137	910	448,268	13,117,046	13,565,314
Residential real estate – mortgage	49,445	20,694	45,761	235,463	53,380	404,743	12,923,031	13,327,774
Equity lines of credit	11,108	4,305	2,624	42,606	—	60,643	2,334,251	2,394,894
Equity loans	1,417	243	317	10,167	19,606	31,750	148,012	179,762
Credit card	12,147	10,191	21,953	—	—	44,291	837,411	881,702
Consumer direct	24,076	17,550	8,741	10,087	23,163	83,617	1,846,106	1,929,723
Consumer indirect	47,174	14,951	5,066	24,713	—	91,904	4,085,221	4,177,125
Total loans	$ 166,937	$ 92,681	$ 121,570	$ 1,331,230	$ 114,890	$ 1,827,308	$ 63,732,459	$ 65,559,767

It is the Company's policy to classify TDRs that are not accruing interest as nonaccrual loans. It is also the Company's policy to classify TDR past due loans that are accruing interest as TDRs and not according to their past due status. The tables above reflect this policy.

In response to the COVID-19 pandemic, beginning in March 2020, the Company began providing financial hardship relief in the form of payment deferrals and forbearances to consumer and commercial customers across a wide array of lending products, as well as the suspension of vehicle repossessions and home foreclosures. The payment deferrals and forbearances generally cover periods of three to six months. In most cases as allowed under the CARES Act, these offers are not classified as TDRs and do not result in loans being placed on nonaccrual status. For loans that receive a payment deferral or forbearance under these hardship relief programs, the Company continues to accrue interest and recognize interest income during the period of the deferral. Depending on the terms of each program, all or a portion of this accrued interest may be paid directly by the borrower (either during the relief period, at the end of the relief period or at maturity of the loan). For certain programs, the maturity date of the

loan may also be extended by the number of payments deferred. Interest income will continue to be recognized at the original contractual interest rate unless that rate is concurrently modified upon entering the relief program (in which case, the modified rate would be used to recognize interest). At March 31, 2021, the Company had deferrals on approximately three thousand loans with an amortized cost of $279 million.

Modifications to borrowers' loan agreements are considered TDRs if a concession is granted for economic or legal reasons related to a borrower's financial difficulties that otherwise would not be considered. Within each of the Company's loan classes, TDRs typically involve modification of the loan interest rate to a below market rate or an extension or deferment of the loan. During the three months ended March 31, 2021, $7.8 million of TDR modifications included an interest rate concession and $325.1 million of TDR modifications resulted from modifications to the loan's structure. During the three months ended March 31, 2020, $5.2 million of TDR modifications included an interest rate concession and $43.6 million of TDR modifications resulted from modifications to the loan's structure.

The following table presents an analysis of the types of loans that were restructured and classified as TDRs, excluding loans classified as held for sale.

	Three Months Ended March 31, 2021		Three Months Ended March 31, 2020	
	Number of Contracts	Post-Modification Outstanding Recorded Investment	Number of Contracts	Post-Modification Outstanding Recorded Investment
	(Dollars in Thousands)			
Commercial, financial and agricultural	10	$ 109,107	10	$ 41,238
Real estate – construction	1	18,056	—	—
Commercial real estate – mortgage	10	196,993	2	1,740
Residential real estate – mortgage	21	6,542	8	844
Equity lines of credit	3	154	1	36
Equity loans	5	554	1	192
Credit card	—	—	—	—
Consumer direct	37	1,527	89	4,762
Consumer indirect	—	—	—	—

The impact to the allowance for loan losses related to modifications classified as TDRs was approximately $(3.3) million and $5.3 million for the three months ended March 31, 2021 and 2020, respectively.

The Company considers TDRs aged 90 days or more past due, charged off or classified as nonaccrual subsequent to modification, where the loan was not classified as a nonperforming loan at the time of modification, as subsequently defaulted.

The following table provides a summary of initial subsequent defaults that occurred within one year of the restructure date. The tables exclude loans classified as held for sale as of period-end and includes loans no longer in default as of period-end.

	Three Months Ended March 31, 2021		Three Months Ended March 31, 2020	
	Number of Contracts	Recorded Investment at Default	Number of Contracts	Recorded Investment at Default
	(Dollars in Thousands)			
Commercial, financial and agricultural	—	$ —	—	$ —
Real estate – construction	—	—	—	—
Commercial real estate – mortgage	—	—	—	—
Residential real estate – mortgage	2	855	1	84
Equity lines of credit	—	—	—	—
Equity loans	1	43	—	—
Credit card	—	—	—	—
Consumer direct	—	—	4	217
Consumer indirect	—	—	—	—

At March 31, 2021 and December 31, 2020, there were $175.6 million and $132.5 million, respectively, of commitments to lend additional funds to borrowers whose terms have been modified in a TDR.

Foreclosure Proceedings

OREO totaled $11 million at both March 31, 2021 and December 31, 2020. OREO included $6 million of foreclosed residential real estate properties at both March 31, 2021 and December 31, 2020. As of March 31, 2021 and December 31, 2020, there were $26 million and $29 million, respectively, of loans secured by residential real estate properties for which formal foreclosure proceedings were in process.

(4) Loan Sales and Servicing

Loans held for sale were $296 million and $237 million at March 31, 2021 and December 31, 2020, respectively, and were comprised entirely of residential real estate - mortgage loans.

There were no loans transferred from held for investment to held for sale during the three months ended March 31, 2021 and 2020. Additionally, excluding loans originated for sale in the secondary market, there were no loans or loans held for sale sold during the three months ended March 31, 2021 and 2020.

The following table summarizes the Company's sales of loans originated for sale in the secondary market.

	Three Months Ended March 31,	
	2021	2020
	(In Thousands)	
Residential real estate loans originated for sale in the secondary market sold (1)	$ 347,513	$ 203,830
Net gains recognized on sales of residential real estate loans originated for sale in the secondary market (2)	18,347	8,775
Servicing fees recognized (2)	2,434	2,608

(1) The Company has retained servicing responsibilities for all loans sold that were originated for sale in the secondary market.
(2) Recorded as a component of mortgage banking income in the Company's Unaudited Condensed Consolidated Statements of Income.

The following table provides the recorded balance of loans sold with retained servicing and the related MSRs.

	March 31, 2021	December 31, 2020
	(In Thousands)	
Recorded balance of residential real estate mortgage loans sold with retained servicing (1)	$ 4,338,556	$ 4,425,180
MSRs (2)	41,432	30,665

(1) These loans are not included in loans on the Company's Unaudited Condensed Consolidated Balance Sheets.
(2) Recorded under the fair value method and included in other assets on the Company's Unaudited Condensed Consolidated Balance Sheets.

The fair value of MSRs is significantly affected by mortgage interest rates available in the marketplace, which influence mortgage loan prepayment speeds. In general, during periods of declining rates, the fair value of MSRs declines due to increasing prepayments attributable to increased mortgage-refinance activity. During periods of rising interest rates, the fair value of MSRs generally increases due to reduced refinance activity. The Company maintains a non-qualifying hedging strategy to manage a portion of the risk associated with changes in the fair value of the MSR portfolio. This strategy includes the purchase of various trading securities. The interest income, mark-to-market adjustments and gain or loss from sale activities associated with these securities are expected to economically hedge a portion of the change in the fair value of the MSR portfolio.

The following table is an analysis of the activity in the Company's MSRs.

	Three Months Ended March 31,	
	2021	2020
	(In Thousands)	
Carrying value, at beginning of period	$ 30,665	$ 42,022
Additions	3,985	1,671
Increase (decrease) in fair value:		
Due to changes in valuation inputs or assumptions	9,832	(10,140)
Due to other changes in fair value (1)	(3,050)	(2,321)
Carrying value, at end of period	$ 41,432	$ 31,232

(1) Represents the realization of expected net servicing cash flows, expected borrower repayments and the passage of time.

See Note 8, Fair Value Measurements, for additional disclosures related to the assumptions and estimates used in determining fair value of MSRs.

At March 31, 2021 and December 31, 2020, the sensitivity of the current fair value of the residential MSRs to immediate 10% and 20% adverse changes in key economic assumptions are included in the following table:

	March 31, 2021	December 31, 2020
	(Dollars in Thousands)	
Fair value of MSRs	$ 41,432	$ 30,665
Composition of residential loans serviced for others:		
Fixed rate mortgage loans	98.7 %	98.5 %
Adjustable rate mortgage loans	1.3	1.5
Total	100.0 %	100.0 %
Weighted average life (in years)	4.4	3.6
Prepayment speed:	29.0 %	30.4 %
Effect on fair value of a 10% increase	$ (1,687)	$ (1,620)
Effect on fair value of a 20% increase	(3,797)	(3,585)
Weighted average option adjusted spread:	6.2 %	6.2 %
Effect on fair value of a 10% increase	$ (1,009)	$ (656)
Effect on fair value of a 20% increase	(1,974)	(1,285)

The sensitivity calculations above are hypothetical and should not be considered to be predictive of future performance. As indicated, changes in fair value based on adverse changes in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of an adverse variation in a particular assumption on the fair value of the MSRs is calculated without changing any other assumption; while in reality, changes in one assumption may result in changes to another, which may magnify or counteract the effect of the change.

(5) Derivatives and Hedging

The Company is a party to derivative instruments in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates and foreign currency exchange rates. The Company has made an accounting policy decision not to offset derivative fair value amounts under master netting agreements. See Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, for additional information on the Company's accounting policies related to derivative instruments and hedging activities. For derivatives cleared through central clearing houses the variation margin payments made are legally characterized as settlements of the derivatives. As a result, these variation margin payments are netted against the fair value of the respective derivative contracts in the balance sheet and related disclosures and there is no fair value presented for

these contracts. The following table reflects the notional amount and fair value of derivative instruments included on the Company's Unaudited Condensed Consolidated Balance Sheets on a gross basis.

	March 31, 2021			December 31, 2020		
		Fair Value			Fair Value	
	Notional Amount	Derivative Assets (1)	Derivative Liabilities (2)	Notional Amount	Derivative Assets (1)	Derivative Liabilities (2)
	(In Thousands)					
Derivatives designated as hedging instruments:						
Fair value hedges:						
Interest rate swaps related to long-term debt	$ 3,496,086	$ 9,656	$ 375	$ 3,496,086	$ 11,635	$ 748
Total fair value hedges		9,656	375		11,635	748
Cash flow hedges:						
Interest rate contracts:						
Swaps related to commercial loans	10,000,000	—	—	10,000,000	—	—
Swaps related to FHLB advances	120,000	—	1,181	120,000	—	2,108
Foreign currency contracts:						
Forwards related to currency fluctuations	3,088	—	64	4,102	—	19
Total cash flow hedges		—	1,245		—	2,127
Total derivatives designated as hedging instruments		$ 9,656	$ 1,620		$ 11,635	$ 2,875
Free-standing derivatives not designated as hedging instruments:						
Interest rate contracts:						
Forward contracts related to held for sale mortgages	$ 834,280	$ 7,726	$ 573	$ 861,061	$ 1,184	$ 5,193
Interest rate lock commitments	421,906	8,091	151	520,481	17,897	—
Equity contracts:						
Purchased equity option related to equity-linked CDs	30,219	304	—	40,253	574	—
Written equity option related to equity-linked CDs	24,259	—	244	32,507	—	468
Foreign exchange contracts:						
Forwards and swaps related to commercial loans	471,739	5,881	1,746	578,484	1,635	7,424
Spots related to commercial loans	79,755	24	34	47,564	124	38
Swap associated with sale of Visa, Inc. Class B shares	183,292	—	6,408	189,352	—	6,517
Futures contracts (3)	—	—	—	200,000	—	—
Trading account assets and liabilities:						
Interest rate contracts for customers	37,158,642	422,427	123,551	38,305,700	616,566	128,831
Foreign exchange contracts for customers	1,664,768	37,221	35,193	1,448,123	36,741	34,598
Total trading account assets and liabilities		459,648	158,744		653,307	163,429
Total free-standing derivative instruments not designated as hedging instruments		$ 481,674	$ 167,900		$ 674,721	$ 183,069

(1) Derivative assets, except for trading account assets that are recorded as a component of trading account assets on the Company's Unaudited Condensed Consolidated Balance Sheets, are recorded in other assets on the Company's Unaudited Condensed Consolidated Balance Sheets.
(2) Derivative liabilities are recorded in accrued expenses and other liabilities on the Company's Unaudited Condensed Consolidated Balance Sheets.
(3) Changes in fair value are cash settled daily; therefore, there is no ending balance at any given reporting period.

Hedging Derivatives

The Company uses derivative instruments to manage the risk of earnings fluctuations caused by interest rate volatility. For those financial instruments that qualify and are designated as a hedging relationship, either a fair value hedge or cash flow hedge, the effect of interest rate movements on the hedged assets or liabilities will generally be offset by change in fair value of the derivative instrument.

Fair Value Hedges

The Company enters into fair value hedging relationships using interest rate swaps to mitigate the Company's exposure to losses in value as interest rates change. Derivative instruments that are used as part of the Company's interest rate risk management strategy include interest rate swaps that relate to the pricing of specific balance sheet assets and liabilities.

Interest rate swaps are used to convert the Company's fixed rate long-term debt to a variable rate. The critical terms of the interest rate swaps match the terms of the corresponding hedged items. All components of each derivative instrument's gain or loss are included in the assessment of hedge effectiveness.

The Company recognized no gains or losses for the three months ended March 31, 2021 and 2020, related to hedged firm commitments no longer qualifying as a fair value hedge. At March 31, 2021, the fair value hedges had a weighted average expected remaining term of 2.2 years.

Cash Flow Hedges

The Company enters into cash flow hedging relationships using interest rate swaps and options, such as caps and floors, to mitigate exposure to the variability in future cash flows or other forecasted transactions associated with its floating rate assets and liabilities. The Company uses interest rate swaps and options to hedge the repricing characteristics of its floating rate commercial loans and FHLB advances. The Company also uses foreign currency forward contracts to hedge its exposure to fluctuations in foreign currency exchange rates due to a portion of money transfer expense being denominated in foreign currency. All components of each derivative instrument's gain or loss are included in the assessment of hedge effectiveness. The initial assessment of expected hedge effectiveness is based on regression analysis. The ongoing periodic measures of hedge ineffectiveness are based on the expected change in cash flows of the hedged item caused by changes in the benchmark interest rate. There were no gains or losses reclassified from other comprehensive income because of the discontinuance of cash flow hedges related to certain forecasted transactions that are probable of not occurring for the three months ended March 31, 2021 and 2020.

At March 31, 2021, cash flow hedges not terminated had a net fair value of $(1) million and a weighted average life of 1.9 years. Net gains of $175.8 million are expected to be reclassified to income over the next 12 months as net settlements occur. The maximum length of time over which the entity is hedging its exposure to the variability in future cash flows for forecasted transactions is 2.9 years.

The following table presents the effect of hedging derivative instruments on the Company's Unaudited Condensed Consolidated Statements of Income.

	Interest Income	Interest Expense
	Interest and fees on loans	Interest on FHLB and other borrowings
	(In Thousands)	
Three Months Ended March 31, 2021		
Total amounts presented in the unaudited condensed consolidated statements of income	$ 606,407	$ 14,516
Gains (losses) on fair value hedging relationships:		
Interest rate contracts:		
Amounts related to interest settlements and amortization on derivatives	$ —	$ 13,188
Recognized on derivatives	—	(33,159)
Recognized on hedged items	—	32,074
Net income (expense) recognized on fair value hedges	$ —	$ 12,103
Gain (losses) on cash flow hedging relationships: (1)		
Interest rate contracts:		
Realized gains (losses) reclassified from AOCI into net income (2)	$ 44,774	$ (914)
Net income (expense) recognized on cash flow hedges	$ 44,774	$ (914)
Three Months Ended March 31, 2020		
Total amounts presented in the unaudited condensed consolidated statements of income	$ 715,476	$ 21,176
Gains (losses) on fair value hedging relationships:		
Interest rate contracts:		
Amounts related to interest settlements and amortization on derivatives	$ —	$ 3,365
Recognized on derivatives	—	105,944
Recognized on hedged items	—	(99,171)
Net income (expense) recognized on fair value hedges	$ —	$ 10,138
Gain (losses) on cash flow hedging relationships: (1)		
Interest rate contracts:		
Realized losses reclassified from AOCI into net income (2)	$ 5,459	$ (419)
Net income (expense) recognized on cash flow hedges	$ 5,459	$ (419)

(1) See Note 9, Comprehensive Income, for gain or loss recognized for cash flow hedges in accumulated other comprehensive income.
(2) Pre-tax

The following table presents the carrying amount and associated cumulative basis adjustment related to the application of hedge accounting that is included in the carrying amount of hedged assets and liabilities on the Company's Unaudited Condensed Consolidated Balance Sheets in fair value hedging relationships.

	Carrying Amount of Hedged Liabilities	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of Hedged Liabilities	
		Hedged Items Currently Designated	Hedged Items No Longer Designated
		(In Thousands)	
March 31, 2021			
FHLB and other borrowings	$ 3,261,916	$ 74,942	$ 1,113
December 31, 2020			
FHLB and other borrowings	$ 3,260,644	$ 107,023	$ 1,168

Derivatives Not Designated As Hedges

Derivatives not designated as hedges include those that are entered into as either economic hedges to facilitate client needs or as part of the Company's overall risk management strategy. Economic hedges are those that do not qualify to be treated as a fair value hedge, cash flow hedge or foreign currency hedge for accounting purposes, but are necessary to economically manage the risk exposure associated with the assets and liabilities of the Company. The Company holds a portfolio of futures, forwards and interest rate lock commitments as well as options related to its equity-linked CDs to mitigate its economic risk exposure. The Company also enters into a variety of interest rate contracts and foreign exchange contracts in its trading activities. See Note 13, Derivatives and Hedging, in the Notes to the December 31, 2020, Consolidated Financial Statements for a description of the Company's derivatives not designated as hedges.

The net gains and losses recorded in the Company's Unaudited Condensed Consolidated Statements of Income from free-standing derivative instruments not designated as hedging instruments are summarized in the following table.

	Condensed Consolidated Statements of Income Caption	Gain (Loss) for the Three Months Ended March 31, 2021	2020
		(In Thousands)	
Futures contracts	Mortgage banking income and corporate and correspondent investment sales	$ 6	$ (793)
Interest rate contracts:			
Interest rate lock commitments	Mortgage banking income	(9,957)	9,322
Option contracts related to mortgage servicing rights	Mortgage banking income	—	1,528
Forward contracts related to residential mortgage loans held for sale	Mortgage banking income	11,162	(5,907)
Interest rate contracts for customers	Corporate and correspondent investment sales	7,395	4,137
Equity contracts:			
Purchased equity option related to equity-linked CDs	Other expense	(270)	(1,888)
Written equity option related to equity-linked CDs	Other expense	224	1,624
Foreign currency contracts:			
Forward and swap contracts related to commercial loans	Other income	7,095	25,981
Spot contracts related to commercial loans	Other income	(2,179)	771
Foreign currency exchange contracts for customers	Corporate and correspondent investment sales	6,082	4,701

Derivatives Credit and Market Risks

By using derivative instruments, the Company is exposed to credit and market risk. If the counterparty fails to perform, credit risk is equal to the extent of the Company's fair value gain in a derivative. When the fair value of a derivative instrument contract is positive, this generally indicates that the counterparty owes the Company and, therefore, creates a credit risk for the Company. When the fair value of a derivative instrument contract is negative, the Company owes the counterparty and, therefore, it has no credit risk. The Company minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically. Credit losses are also mitigated through collateral agreements and other contract provisions with derivative counterparties.

Market risk is the adverse effect that a change in interest rates or implied volatility rates has on the value of a financial instrument. The Company manages the market risk associated with interest rate contracts by establishing and monitoring limits as to the types and degree of risk that may be undertaken.

The Company's derivatives activities are monitored by its Asset/Liability Committee as part of its risk-management oversight. The Company's Asset/Liability Committee is responsible for mandating various hedging strategies that are developed through its analysis of data from financial simulation models and other internal and industry sources. The resulting hedging strategies are then incorporated into the Company's overall interest rate risk management and trading strategies.

Entering into interest rate swap agreements and options involves not only the risk of dealing with counterparties and their ability to meet the terms of the contracts but also interest rate risk associated with unmatched positions. At March 31, 2021, interest rate swap agreements and options classified as trading were substantially matched. The Company had credit risk of $460 million related to derivative instruments in the trading account portfolio, which does not take into consideration master netting arrangements or the value of the collateral. There were no credit losses associated with derivative instruments classified as trading for the three months ended March 31, 2021 and 2020. At March 31, 2021 and December 31, 2020, there were no material nonperforming derivative positions classified as trading.

The Company's derivative positions designated as hedging instruments are primarily executed in the over-the-counter market. These positions at March 31, 2021, have credit risk of $10 million, which does not take into consideration master netting arrangements or the value of the collateral.

There were no credit losses associated with derivative instruments classified as nontrading for the three months ended March 31, 2021 and 2020. At March 31, 2021 and December 31, 2020, there were no nonperforming derivative positions classified as nontrading.

As of March 31, 2021 and December 31, 2020, the Company had recorded the right to reclaim cash collateral of $163 million and $199 million, respectively, within other assets on the Company's Unaudited Condensed Consolidated Balance Sheets. As of March 31, 2021 and December 31, 2020, the Company had recorded the obligation to return cash collateral of $23 million and $14 million, respectively, within deposits on the Company's Unaudited Condensed Consolidated Balance Sheets.

Contingent Features

Certain of the Company's derivative instruments contain provisions that require the Company's debt maintain a certain credit rating from each of the major credit rating agencies. If the Company's debt were to fall below this rating, it would be in violation of these provisions, and the counterparties to the derivative instruments could demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on March 31, 2021, was $50 million for which the Company has collateral requirements of $48 million in the normal course of business. If the credit risk-related contingent features underlying these agreements had been triggered on March 31, 2021, the Company's collateral requirements to its counterparties would increase by $2 million. The aggregate fair value of all derivative instruments with credit risk-related contingent features that were in a liability position on December 31, 2020, was $66 million for which the Company had collateral requirements of $64 million in the normal course of business. If the credit risk-related contingent features underlying these agreements had been triggered on December 31, 2020, the Company's collateral requirements to its counterparties would have increased by $2 million.

Netting of Derivative Instruments

The Company is party to master netting arrangements with its financial institution counterparties for some of its derivative and hedging activities. The Company does not offset assets and liabilities under these master netting arrangements for financial statement presentation purposes. The master netting arrangements provide for single net settlement of all derivative instrument arrangements, as well as collateral, in the event of default with respect to, or termination of, any one contract with the respective counterparties. Cash collateral is usually posted by the counterparty with a net liability position in accordance with contract thresholds.

The following table represents the Company's total gross derivative instrument assets and liabilities subject to an enforceable master netting arrangement. The derivative instruments the Company has with its customers are not subject to an enforceable master netting arrangement.

	Gross Amounts Recognized	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amount Presented in the Condensed Consolidated Balance Sheets	Financial Instruments Collateral Received/Pledged (1)	Cash Collateral Received/ Pledged (1)	Net Amount
			(In Thousands)			
March 31, 2021						
Derivative financial assets:						
Subject to a master netting arrangement	$ 46,117	$ —	$ 46,117	$ —	$ 13,195	$ 32,922
Not subject to a master netting arrangement	445,213	—	445,213	—	—	445,213
Total derivative financial assets	$ 491,330	$ —	$ 491,330	$ —	$ 13,195	$ 478,135
Derivative financial liabilities:						
Subject to a master netting arrangement	$ 112,079	$ —	$ 112,079	$ —	$ 112,079	$ —
Not subject to a master netting arrangement	57,441	—	57,441	—	—	57,441
Total derivative financial liabilities	$ 169,520	$ —	$ 169,520	$ —	$ 112,079	$ 57,441
December 31, 2020						
Derivative financial assets:						
Subject to a master netting arrangement	$ 38,554	$ —	$ 38,554	$ —	$ 3,771	$ 34,783
Not subject to a master netting arrangement	647,802	—	647,802	—	—	647,802
Total derivative financial assets	$ 686,356	$ —	$ 686,356	$ —	$ 3,771	$ 682,585
Derivative financial liabilities:						
Subject to a master netting arrangement	$ 153,524	$ —	$ 153,524	$ —	$ 153,524	$ —
Not subject to a master netting arrangement	32,420	—	32,420	—	—	32,420
Total derivative financial liabilities	$ 185,944	$ —	$ 185,944	$ —	$ 153,524	$ 32,420

(1) The actual amount of collateral received/pledged is limited to the asset/liability balance and does not include excess collateral received/pledged. When excess collateral exists, the collateral shown in the table above has been allocated based on the percentage of the actual amount of collateral posted.

(6) Securities Financing Activities

Netting of Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

The Company has various financial assets and liabilities that are subject to enforceable master netting agreements or similar agreements. The Company's derivatives that are subject to enforceable master netting agreements or similar transactions are discussed in Note 5, Derivatives and Hedging. The Company enters into agreements under which it purchases or sells securities subject to an obligation to resell or repurchase the same or similar securities. Securities purchased under agreements to resell and securities sold under agreements to repurchase are generally accounted for as collateralized financing transactions and recorded at the amounts at which the securities were purchased or sold plus accrued interest. The securities pledged as collateral are generally U.S. Treasury securities and other U.S. government agency securities and mortgage-backed securities.

Securities purchased under agreements to resell and securities sold under agreements to repurchase are governed by a MRA. Under the terms of the MRA, all transactions between the Company and the counterparty constitute a single business relationship such that in the event of default, the nondefaulting party is entitled to set off claims and apply property held by that party in respect of any transaction against obligations owed. Any payments, deliveries, or other transfers may be applied against each other and netted. These amounts are limited to the contract asset/liability balance, and accordingly, do not include excess collateral received or pledged. The Company offsets the

assets and liabilities under netting arrangements for the balance sheet presentation of securities purchased under agreements to resell and securities sold under agreements to repurchase provided certain criteria are met that permit balance sheet netting.

	Gross Amounts Recognized	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amount Presented in the Condensed Consolidated Balance Sheets	Financial Instruments Collateral Received/Pledged (1)	Cash Collateral Received/ Pledged (1)	Net Amount
			(In Thousands)			
March 31, 2021						
Securities purchased under agreements to resell:						
Subject to a master netting arrangement	$ 3,367,186	$ 2,400,665	$ 966,521	$ 966,521	$ —	$ —
Securities sold under agreements to repurchase:						
Subject to a master netting arrangement	$ 3,367,001	$ 2,400,665	$ 966,336	$ 966,336	$ —	$ —
December 31, 2020						
Securities purchased under agreements to resell:						
Subject to a master netting arrangement	$ 986,290	$ 798,097	$ 188,193	$ 188,193	$ —	$ —
Securities sold under agreements to repurchase:						
Subject to a master netting arrangement	$ 982,575	$ 798,097	$ 184,478	$ 184,478	$ —	$ —

(1) The actual amount of collateral received/pledged is limited to the asset/liability balance and does not include excess collateral received/pledged. When excess collateral exists, the collateral shown in the table above has been allocated based on the percentage of the actual amount of collateral posted.

Collateral Associated with Securities Financing Activities

Securities sold under agreements to repurchase are accounted for as secured borrowings. The following table presents the Company's related activity, by collateral type and remaining contractual maturity.

	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 days	30 - 90 days	Greater Than 90 days	Total
			(In Thousands)		
March 31, 2021					
Securities sold under agreements to repurchase:					
U.S. Treasury and other U.S. government agencies	$ 1,128,705	$ 872,063	$ 296,875	$ 960,795	$ 3,258,438
Mortgage-backed securities	108,563	—	—	—	108,563
Total	$ 1,237,268	$ 872,063	$ 296,875	$ 960,795	$ 3,367,001
December 31, 2020					
Securities sold under agreements to repurchase:					
U.S. Treasury and other U.S. government agencies	$ 880,200	$ —	$ 102,375	$ —	$ 982,575
Mortgage-backed securities	—	—	—	—	—
Total	$ 880,200	$ —	$ 102,375	$ —	$ 982,575

In the event of a significant decline in fair value of the collateral pledged for the securities sold under agreements to repurchase, the Company would be required to provide additional collateral. The Company minimizes the risk by monitoring the liquidity and credit quality of the collateral, as well as the maturity profile of the transactions.

At March 31, 2021, the fair value of collateral received related to securities purchased under agreements to resell was $3.3 billion and the fair value of collateral pledged for securities sold under agreements to repurchase was $3.3 billion. At December 31, 2020, the fair value of collateral received related to securities purchased under agreements to resell was $966 million and the fair value of collateral pledged for securities sold under agreements to repurchase was $960 million.

(7) Commitments, Contingencies and Guarantees

Commitments to Extend Credit & Standby and Commercial Letters of Credit

The following represents the Company's commitments to extend credit, standby letters of credit and commercial letters of credit:

	March 31, 2021	December 31, 2020
	(In Thousands)	
Commitments to extend credit	$ 28,216,551	$ 28,251,150
Standby and commercial letters of credit	836,442	853,450

Commitments to extend credit are agreements to lend to customers as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby and commercial letters of credit are commitments issued by the Company to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions, and expire in decreasing amounts with terms ranging from one to four years.

The credit risk involved in issuing letters of credit and commitments is essentially the same as that involved in extending loan facilities to customers. The fair value of the letters of credit and commitments typically approximates the fee received from the customer for issuing such commitments. These fees are deferred and are recognized over the commitment period. At both March 31, 2021 and December 31, 2020, the recorded amount of these deferred fees was $7 million, respectively. The Company holds various assets as collateral supporting those commitments for which collateral is deemed necessary. At March 31, 2021, the maximum potential amount of future undiscounted payments the Company could be required to make under outstanding standby letters of credit was $836 million. At March 31, 2021 and December 31, 2020, the Company had allowance for credit losses related to letters of credit and unfunded commitments recorded in accrued expenses and other liabilities on the Company's Unaudited Condensed Consolidated Balance Sheet of $134 million and $150 million, respectively.

Loan Sale Recourse

The Company has potential recourse related to specific FNMA securitizations. At both March 31, 2021 and December 31, 2020, the amount of potential recourse was $18 million of which the Company had reserved $693 thousand which is recorded in accrued expenses and other liabilities on the Company's Unaudited Condensed Consolidated Balance Sheets for the respective periods.

The Company also issues standard representations and warranties related to mortgage loan sales to government-sponsored agencies. Although these agreements often do not specify limitations, the Company does not believe that any payments related to these representations and warranties would materially change the financial condition or results of operations of the Company. At March 31, 2021 and December 31, 2020, the Company had $3.0 million and $2.7 million, respectively, of reserves in accrued expenses and other liabilities on the Company's Unaudited Condensed Consolidated Balance Sheets related to potential losses from loans sold.

Legal and Regulatory Proceedings

In the ordinary course of business, the Company is subject to legal proceedings, including claims, litigation, investigations and administrative proceedings, all of which are considered incidental to the normal conduct of business. The Company believes it has substantial defenses to the claims asserted against it in its currently outstanding legal proceedings and, with respect to such legal proceedings, intends to defend itself vigorously. Set forth below are descriptions of certain of the Company's legal proceedings.

In January 2014, the Bank was named as a defendant in a lawsuit filed in the District Court of Dallas County, Texas, David Bagwell, individually and as Trustee of the David S. Bagwell Trust, et al. v. BBVA USA, et al., wherein the plaintiffs (who are the borrowers and guarantors of the underlying loans) allege that BBVA USA wrongfully sold their loans to a third party after representing that it would not do so. The plaintiffs seek unspecified monetary relief. Following trial in December 2017, the jury rendered a verdict in favor of the plaintiffs totaling $98 million. On June 27, 2018, the court entered a judgment in favor of the plaintiffs in the amount of $96 million, which includes prejudgment interest. The Bank appealed and on December 14, 2020, the appellate court issued an opinion reversing the jury verdict and entering a plaintiffs take nothing judgment in the Company's favor on all claims. Plaintiffs are seeking further review of the appellate court's decision. The Company believes there are substantial defenses to these claims and intends to defend them vigorously.

In October 2016, BSI was named as a defendant in a putative class action lawsuit filed in the District Court of Harris County, Texas, St. Lucie County Fire District Firefighters' Pension Trust, individually and on behalf of all others similarly situated v. Southwestern Energy Company, et al., wherein the plaintiffs allege that Southwestern Energy Company, its officers and directors, and the underwriting defendants (including BSI) made inaccurate and misleading statements in the registration statement and prospectus related to a securities offering. The plaintiffs seek unspecified monetary relief. The Company believes there are substantial defenses to these claims and intends to defend them vigorously.

In March 2019, the Company and its subsidiary, Simple Finance Technology Corp., were named as defendants in a putative class action lawsuit filed in the United States District Court for the Northern District of California, Amitahbo Chattopadhyay v. BBVA USA Bancshares, Inc., et al. Plaintiff claims that Simple and the Company only permit United States citizens to open Simple accounts (which are exclusively originated through online channels). Plaintiff later amended the complaint to also take issue with BBVA USA's practice of directing non-citizen applicants to complete the online account origination processes in a physical branch location. Plaintiff alleges that these practices constitute alienage discrimination and violations of California's Unruh Act. BBVA USA's motion to dismiss was granted on November 2, 2020 and the plaintiffs are pursuing an appeal of that ruling. The Company believes that there are substantial defenses to these claims and intends to defend them vigorously.

In July 2019, the Company was named as a defendant in a putative class action lawsuit filed in the United States District Court for the Northern District of Alabama, Ferguson v. BBVA USA Bancshares, Inc., wherein the plaintiffs allege certain investment options within the Company's employee retirement plan violate provisions of ERISA. The plaintiffs seek unspecified monetary relief. The Company believes there are substantial defenses to these claims and intends to defend them vigorously.

In April 2020, the Bank was named in a putative class action lawsuit filed in the District Court of Bexar County, Texas styled Zamora-Orduna Realty Group LLC v. BBVA USA, wherein plaintiffs allege the Bank tortiously failed to process certain loan requests submitted in connection with the federal Paycheck Protection Program. The plaintiffs seek an amount not less than $10 million along with other demands for unspecified monetary relief. The court recently entered an order granting the Company's motion to dismiss with prejudice. Appellate options for the plaintiffs currently exist. The Company believes there are substantial defenses to these claims and intends to defend them vigorously.

In April 2020, BBVA USA was named as a defendant in a lawsuit filed in the United States District Court for the Eastern District of Texas, Marshall Division originally styled Estech Systems, Inc. v. BBVA USA Bancshares, Inc., alleging that BBVA USA has violated intellectual property rights owned by the plaintiff in connection with various patents regarding voice-over-internet protocols (VoIP). The plaintiff alleges that BBVA USA's use of certain phone

systems and technologies violate its claimed patent rights. The plaintiff seeks unspecified monetary relief. The Company believes there are substantial defenses to these claims and intends to defend them vigorously.

In June 2020, BBVA USA was named as a defendant in a putative class action lawsuit filed in the United States District Court for the Southern District of California styled Sarah Hill v. BBVA USA, challenging BBVA USA's assessment of certain overdraft fees. The plaintiffs seek unspecified monetary relief. The Company believes there are substantial defenses to these claims and intends to defend them vigorously.

In July 2020, BSI was named as a defendant in a putative class action lawsuit filed in the Supreme Court of the State of New York, County of New York, City of Miami Fire Fighters' and Police Officers' Retirement Trust, individually and on behalf of all others similarly situated v. Occidental Petroleum Corporation, et al., wherein the plaintiffs allege that Occidental Petroleum Corporation, its officers and directors, and the underwriting defendants (including BSI) made inaccurate and misleading statements in the registration statement and prospectus related to a securities offering. The plaintiffs seek unspecified monetary relief. The court recently entered an order granting the Company's motion to dismiss. Appellate options for the plaintiffs currently exist. The Company believes there are substantial defenses to these claims and intends to defend them vigorously.

In October 2020, BBVA USA was joined in a Delaware state court action styled Yatra Online v. Ebix, et al., alleging breach of contract and tortious interference with a prospective transaction between Yatra Online and Ebix. The plaintiff seeks unspecified monetary relief. The Company believes there are substantial defenses to these claims and intends to defend them vigorously.

In December 2020, BBVA USA was named as a defendant in a putative class action lawsuit filed in the United States District Court for the Southern District of California styled Eisenberg v. BBVA USA, challenging BBVA USA's assessment of certain overdraft fees. The plaintiffs seek unspecified monetary relief. The Company believes there are substantial defenses to these claims and intends to defend them vigorously.

In December 2020, the Company was named as a defendant in a putative class action lawsuit filed in the United States District Court for the Northern District of Alabama, Drake v. BBVA USA Bancshares, Inc., et al., wherein the plaintiff alleges certain investment options within the Company's employee retirement plan violate provisions of ERISA. The plaintiffs seek unspecified monetary relief. The Company believes there are substantial defenses to these claims and intends to defend them vigorously.

The Company is or may become involved from time to time in information-gathering requests, reviews, investigations and proceedings (both formal and informal) by various governmental regulatory agencies, law enforcement authorities and self-regulatory bodies regarding the Company's business. Such matters may result in material adverse consequences, including without limitation adverse judgments, settlements, fines, penalties, orders, injunctions, alterations in the Company's business practices or other actions, and could result in additional expenses and collateral costs, including reputational damage, which could have a material adverse impact on the Company's business, consolidated financial position, results of operations or cash flows.

The Company assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. Where it is probable that the Company will incur a loss and the amount of the loss can be reasonably estimated, the Company records a liability in its consolidated financial statements. These legal reserves may be increased or decreased to reflect any relevant developments. Where a loss is not probable or the amount of a probable loss is not reasonably estimable, the Company does not accrue legal reserves. At March 31, 2021, the Company had accrued legal reserves in the amount of $3 million. Additionally, for those matters where a loss is reasonably possible and the amount of loss is reasonably estimable, the Company estimates the amount of losses that it could incur beyond the accrued legal reserves, if any. Under U.S. GAAP, an event is "reasonably possible" if "the chance of the future event or events occurring is more than remote but less than likely" and an event is "remote" if "the chance of the future event or events occurring is slight." Based on information available at March 31, 2021, management estimates no reasonably possible losses in excess of related reserves. The matters underlying this estimate will change from time to time, and the actual results may vary significantly from this estimate. Those matters for which an estimate is not possible are not included within this estimate; therefore, this estimate does not represent the Company's maximum loss exposure.

While the outcome of legal proceedings and the timing of the ultimate resolution are inherently difficult to predict, based on information currently available, advice of counsel and available insurance coverage, the Company believes that it has established adequate legal reserves. Further, based upon available information, the Company is of the opinion that these legal proceedings, individually or in the aggregate, will not have a material adverse effect on the Company's financial condition or results of operations. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to the Company's results of operations for any particular period, depending, in part, upon the size of the loss or liability imposed and the operating results for the applicable period.

Income Tax Review

The Company is subject to review and examination from various tax authorities. The Company is currently under examination by the IRS for the tax year 2018 and a number of states, and has received notices of proposed adjustments related to state income taxes due for prior years. Management believes that adequate provisions for income taxes have been recorded.

(8) Fair Value Measurements

See Note 19, Fair Value Measurements, in the Notes to the December 31, 2020, Consolidated Financial Statements for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis.

The following tables summarize the financial assets and liabilities measured at fair value on a recurring basis.

		Fair Value Measurements at the End of the Reporting Period Using		
	Fair Value March 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In Thousands)		
Recurring fair value measurements				
Assets:				
Trading account assets:				
U.S. Treasury and other U.S. government agencies	$ 101,539	$ 101,539	$ —	$ —
Interest rate contracts	422,427	—	422,427	—
Foreign exchange contracts	37,221	—	37,221	—
Total trading account assets	561,187	101,539	459,648	—
Debt securities available for sale:				
U.S. Treasury and other U.S. government agencies	2,064,210	1,637,944	426,266	—
Mortgage-backed securities	797,804	—	797,804	—
Collateralized mortgage obligations	2,545,512	—	2,545,512	—
States and political subdivisions	561	—	561	—
Total debt securities available for sale	5,408,087	1,637,944	3,770,143	—
Loans held for sale	295,570	—	295,570	—
Derivative assets:				
Interest rate contracts	25,473	—	17,382	8,091
Equity contracts	304	—	304	—
Foreign exchange contracts	5,905	—	5,905	—
Total derivative assets	31,682	—	23,591	8,091
Other assets:				
Equity securities	16,473	16,473	—	—
MSR	41,432	—	—	41,432
SBIC	198,200	—	—	198,200
Liabilities:				
Trading account liabilities:				
Interest rate contracts	$ 123,551	$ —	$ 123,551	$ —
Foreign exchange contracts	35,193	—	35,193	—
Total trading account liabilities	158,744	—	158,744	—
Derivative liabilities:				
Interest rate contracts	2,280	—	2,129	151
Equity contracts	244	—	244	—
Foreign exchange contracts	1,844	—	1,844	—
Total derivative liabilities	4,368	—	4,217	151

	Fair Value December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value Measurements at the End of the Reporting Period Using		
	(In Thousands)			
Recurring fair value measurements				
Assets:				
Trading account assets:				
U.S. Treasury and other U.S. government agencies	$ 109,142	$ 109,142	$ —	$ —
Interest rate contracts	616,566	—	616,566	—
Foreign exchange contracts	36,741	—	36,741	—
Total trading account assets	762,449	109,142	653,307	—
Debt securities available for sale:				
U.S. Treasury and other U.S. government agencies	2,146,904	1,694,160	452,744	—
Mortgage-backed securities	865,648	—	865,648	—
Collateralized mortgage obligations	2,731,731	—	2,731,731	—
States and political subdivisions	636	—	636	—
Total debt securities available for sale	5,744,919	1,694,160	4,050,759	—
Loans held for sale	236,586	—	236,586	—
Derivative assets:				
Interest rate contracts	30,716	—	12,819	17,897
Equity contracts	574	—	574	—
Foreign exchange contracts	1,759	—	1,759	—
Total derivative assets	33,049	—	15,152	17,897
Other assets:				
Equity securities	14,032	14,032	—	—
MSR	30,665	—	—	30,665
SBIC	162,578	—	—	162,578
Liabilities:				
Trading account liabilities:				
Interest rate contracts	$ 128,831	$ —	$ 128,831	$ —
Foreign exchange contracts	34,598	—	34,598	—
Total trading account liabilities	163,429	—	163,429	—
Derivative liabilities:				
Interest rate contracts	8,049	—	8,049	—
Equity contracts	468	—	468	—
Foreign exchange contracts	7,481	—	7,481	—
Total derivative liabilities	15,998	—	15,998	—

The following tables reconcile the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
Three Months Ended March 31,	Interest Rate Contracts, net	Other Assets - MSR	Other Assets - SBIC
		(In Thousands)	
Balance, December 31, 2019	$ 3,088	$ 42,022	$ 119,475
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			
Included in earnings (1)	9,322	(12,461)	27,658
Included in other comprehensive income	—	—	—
Purchases, issuances, sales and settlements:			
Purchases	—	—	9,267
Issuances	—	1,671	—
Sales	—	—	—
Settlements	—	—	—
Balance, March 31, 2020	$ 12,410	$ 31,232	$ 156,400
Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at March 31, 2020	$ 9,322	$ (12,461)	$ 27,658
Balance, December 31, 2020	$ 17,897	$ 30,665	$ 162,578
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Total gains or losses (realized/unrealized):			
Included in earnings (1)	(9,957)	6,782	21,376
Included in other comprehensive income	—	—	—
Purchases, issuances, sales and settlements:			
Purchases	—	—	14,246
Issuances	—	3,985	—
Sales	—	—	—
Settlements	—	—	—
Balance, March 31, 2021	$ 7,940	$ 41,432	$ 198,200
Change in unrealized gains (losses) included in earnings for the period, attributable to assets and liabilities still held at March 31, 2021	$ (9,957)	$ 6,782	$ 21,376

(1) Included in noninterest income in the Unaudited Condensed Consolidated Statements of Income.

Assets Measured at Fair Value on a Nonrecurring Basis

Periodically, certain assets may be recorded at fair value on a non-recurring basis. These adjustments to fair value usually result from the application of lower of cost or fair value accounting or write-downs of individual assets due to impairment. The following tables represent those assets that were subject to fair value adjustments during the three months ended March 31, 2021 and 2020, and still held as of the end of the period, and the related gains and losses from fair value adjustments on assets sold during the period as well as assets still held as of the end of the period.

	Fair Value	Fair Value Measurements at the End of the Reporting Period Using			Total Gains (Losses)
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Three Months Ended March 31, 2021
	March 31, 2021	(Level 1)	(Level 2)	(Level 3)	
			(In Thousands)		
Nonrecurring fair value measurements					
Assets:					
OREO	$ 10,965	$ —	$ —	$ 10,965	$ (450)

	Fair Value	Fair Value Measurements at the End of the Reporting Period Using			Total Gains (Losses)
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Three Months Ended March 31, 2020
	March 31, 2020	(Level 1)	(Level 2)	(Level 3)	
			(In Thousands)		
Nonrecurring fair value measurements					
Assets:					
OREO	$ 21,392	$ —	$ —	$ 21,392	$ (707)

The following is a description of the methodologies applied for valuing these assets:

OREO – OREO is recorded at the lower of recorded balance or fair value, which is based on appraisals and third-party price opinions, less estimated costs to sell. The fair value is classified as Level 3.

The tables below present information about the significant unobservable inputs for material assets and liabilities measured at fair value using significant unobservable inputs (Level 3) on a recurring and nonrecurring basis.

	Fair Value at March 31, 2021 (In Thousands)	Quantitative Information about Level 3 Fair Value Measurements		
		Valuation Technique	Unobservable Input(s)	Range of Unobservable Inputs (Weighted Average)
Recurring fair value measurements:				
Interest rate contracts, net	$ 7,940	Discounted cash flow	Closing ratios (pull-through)	4.8% - 99.8% (64.4%)
			Cap grids	0.5% - 2.5% (1.2%)
Other assets - MSRs	41,432	Discounted cash flow	Option adjusted spread	6.0% - 8.3% (6.2%)
			Constant prepayment rate or life speed	0.1% - 97.1% (13.6%)
			Cost to service	$65 - $4,000 ($100)
Other assets - SBIC investments	198,200	Transaction price	Transaction price	N/A
Nonrecurring fair value measurements:				
OREO	10,965	Appraised value	Appraised value	8.0% (1)

(1) Represents discount to appraised value for estimated costs to sell.

	Fair Value at December 31, 2020 (In Thousands)	Quantitative Information about Level 3 Fair Value Measurements		
		Valuation Technique	Unobservable Input(s)	Range of Unobservable Inputs (Weighted Average)
Recurring fair value measurements:				
Interest rate contracts, net	$ 17,897	Discounted cash flow	Closing ratios (pull-through)	18.2% - 100.0% (62.5%)
			Cap grids	0.3% - 2.6% (1.0%)
Other assets - MSRs	30,665	Discounted cash flow	Option adjusted spread	6.0% - 8.3% (6.2%)
			Constant prepayment rate or life speed	3.5% - 90.3% (19.9%)
			Cost to service	$65 - $4,000 ($100)
Other assets - SBIC investments	162,578	Transaction price	Transaction price	N/A
Nonrecurring fair value measurements:				
OREO	11,448	Appraised value	Appraised value	8.0% (1)

(1) Represents discount to appraised value for estimated costs to sell.

The following provides a description of the sensitivity of the valuation technique to changes in unobservable inputs for recurring fair value measurements.

Recurring Fair Value Measurements Using Significant Unobservable Inputs

Interest Rate Contracts - Interest Rate Lock Commitments

Significant unobservable inputs used in the valuation of interest rate contracts are pull-through and cap grids. Increases or decreases in the pull-through or cap grids will have a corresponding impact in the value of interest rate contracts.

Other Assets - MSRs

The significant unobservable inputs used in the fair value measurement of MSRs are option-adjusted spreads, constant prepayment rate or life speed, and cost to service assumptions. The impact of prepayments and changes in the option-adjusted spread are based on a variety of underlying inputs. Increases or decreases to the underlying cash flow inputs will have a corresponding impact on the value of the MSR asset. The impact of the costs to service assumption will have a directionally opposite change in the fair value of the MSR asset.

Other Assets - SBIC Investments

The significant unobservable inputs used in the fair value measurement of SBIC Investments are initially based upon transaction price. Increases or decreases in valuation factors such as recent or proposed purchase or sale of debt or equity of the issuer, pricing by other dealers in similar securities, size of position held, liquidity of the market will have a corresponding impact in the value of SBIC investments.

Fair Value of Financial Instruments

The carrying amounts and estimated fair values, as well as the level within the fair value hierarchy, of the Company's financial instruments, excluding financial instruments measured at fair value on a recurring basis, are as follows:

	March 31, 2021				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
			(In Thousands)		
Financial Instruments:					
Assets:					
Cash and cash equivalents	$ 15,142,724	$ 15,142,724	$ 15,142,724	$ —	$ —
Debt securities held to maturity	12,341,963	12,497,012	2,619,569	9,337,935	539,508
Loans	63,960,242	62,435,802	—	—	62,435,802
Liabilities:					
Deposits	$ 85,970,954	$ 85,979,097	$ —	$ 85,979,097	$ —
FHLB and other borrowings	3,517,567	3,512,568	—	3,512,568	—
Federal funds purchased and securities sold under agreements to repurchase	966,336	966,336	—	966,336	—

	December 31, 2020				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
			(In Thousands)		
Financial Instruments:					
Assets:					
Cash and cash equivalents	$ 14,607,908	$ 14,607,908	$ 14,607,908	$ —	$ —
Debt securities held to maturity	10,552,123	10,809,461	1,404,868	8,837,070	567,523
Loans	65,559,767	64,459,914	—	—	64,459,914
Liabilities:					
Deposits	$ 85,858,381	$ 85,872,252	$ —	$ 85,872,252	$ —
FHLB and other borrowings	3,548,492	3,489,951	—	3,489,951	—
Federal funds purchased and securities sold under agreements to repurchase	184,478	184,478	—	184,478	—

Fair Value Option

The Company has elected to apply the fair value option for single family real estate mortgage loans originated for resale in the secondary market. The election allows for a more effective offset of the changes in fair values of the

loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting. The Company has not elected the fair value option for other loans held for sale primarily because they are not economically hedged using derivative instruments.

At both March 31, 2021 and December 31, 2020, no loans held for sale for which the fair value option was elected were 90 days or more past due or were in nonaccrual. Interest income on mortgage loans held for sale is recognized based on contractual rates and is reflected in interest and fees on loans in the Company's Unaudited Condensed Consolidated Statements of Income. Net gains (losses) of $(6.3) million and $2.6 million resulting from changes in fair value of these loans were recorded in noninterest income during the three months ended March 31, 2021 and 2020, respectively.

The Company also had fair value changes on forward contracts related to residential mortgage loans held for sale of approximately $11.2 million and $(5.9) million for the three months ended March 31, 2021 and 2020, respectively. An immaterial portion of these amounts was attributable to changes in instrument-specific credit risk.

The following table summarizes the difference between the aggregate fair value and the aggregate unpaid principal balance for residential mortgage loans measured at fair value.

	Aggregate Fair Value	Aggregate Unpaid Principal Balance	Difference
		(In Thousands)	
March 31, 2021			
Residential mortgage loans held for sale	$ 295,570	$ 289,222	$ 6,348
December 31, 2020			
Residential mortgage loans held for sale	$ 236,586	$ 223,929	$ 12,657

(9) Comprehensive Income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances arising from nonowner sources. The following summarizes the change in the components of other comprehensive income.

	Three Months Ended March 31,					
	2021			2020		
	Pretax	Tax Expense/ (Benefit)	After-tax	Pretax	Tax Expense/ (Benefit)	After-tax
	(In Thousands)					
Other comprehensive income:						
Unrealized holding (losses) gains arising during period from debt securities available for sale	$ (23,783)	$ (5,644)	$ (18,139)	$ 130,943	$ 31,244	$ 99,699
Less: reclassification adjustment for net gains on sale of debt securities in net income	—	—	—	19,139	4,567	14,572
Net change in unrealized (losses) gains on debt securities available for sale	(23,783)	(5,644)	(18,139)	111,804	26,677	85,127
Change in unamortized net holding gains on debt securities held to maturity	2,492	592	1,900	2,069	494	1,575
Change in unamortized non-credit related impairment on debt securities held to maturity	183	43	140	155	37	118
Net change in unamortized holding gains on debt securities held to maturity	2,675	635	2,040	2,224	531	1,693
Unrealized holding (losses) gains arising during period from cash flow hedge instruments	(60,428)	(14,339)	(46,089)	360,963	86,126	274,837
Change in defined benefit plans	(3,553)	(842)	(2,711)	2,301	547	1,754
Other comprehensive (loss) income	$ (85,089)	$ (20,190)	$ (64,899)	$ 477,292	$ 113,881	$ 363,411

Activity in accumulated other comprehensive income (loss), net of tax was as follows:

	Unrealized Gains (Losses) on Debt Securities Available for Sale and Transferred to Held to Maturity	Accumulated Gains (Losses) on Cash Flow Hedging Instruments	Defined Benefit Plan Adjustment	Unamortized Impairment Losses on Debt Securities Held to Maturity	Total
	(In Thousands)				
Balance, December 31, 2019	$ (40,080)	$ 91,445	$ (46,666)	$ (5,771)	$ (1,072)
Other comprehensive income before reclassifications	99,699	278,675	—	—	378,374
Amounts reclassified from accumulated other comprehensive (loss) income	(12,997)	(3,838)	1,754	118	(14,963)
Net current period other comprehensive income	86,702	274,837	1,754	118	363,411
Balance, March 31, 2020	$ 46,622	$ 366,282	$ (44,912)	$ (5,653)	$ 362,339
Balance, December 31, 2020	$ 64,542	$ 306,310	$ (36,450)	$ (5,297)	$ 329,105
Other comprehensive loss before reclassifications	(18,139)	(12,637)	—	—	(30,776)
Amounts reclassified from accumulated other comprehensive (loss) income	1,900	(33,452)	(2,711)	140	(34,123)
Net current period other comprehensive income (loss)	(16,239)	(46,089)	(2,711)	140	(64,899)
Balance, March 31, 2021	$ 48,303	$ 260,221	$ (39,161)	$ (5,157)	$ 264,206

The following table presents information on reclassifications out of accumulated other comprehensive income (loss).

Details About Accumulated Other Comprehensive Income (Loss) Components	Amounts Reclassified From Accumulated Other Comprehensive Income (Loss) (1) Three Months Ended March 31, 2021	2020	Condensed Consolidated Statements of Income Caption
	(In Thousands)		
Unrealized Gains (Losses) on Debt Securities Available for Sale and Transferred to Held to Maturity	$ —	$ 19,139	Investment securities gains, net
	(2,492)	(2,069)	Interest on debt securities held to maturity
	(2,492)	17,070	
	592	(4,073)	Income tax (expense) benefit
	$ (1,900)	$ 12,997	Net of tax
Accumulated Gains (Losses) on Cash Flow Hedging Instruments	$ 44,774	$ 5,459	Interest and fees on loans
	(914)	(419)	Interest on FHLB and other borrowings
	43,860	5,040	
	(10,408)	(1,202)	Income tax expense
	$ 33,452	$ 3,838	Net of tax
Defined Benefit Plan Adjustment	$ 3,553	$ (2,301)	(2)
	(842)	547	Income tax (expense) benefit
	$ 2,711	$ (1,754)	Net of tax
Unamortized Impairment Losses on Debt Securities Held to Maturity	$ (183)	$ (155)	Interest on debt securities held to maturity
	43	37	Income tax benefit
	$ (140)	$ (118)	Net of tax

(1) Amounts in parentheses indicate debits to the Unaudited Condensed Consolidated Statements of Income.
(2) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see Note 17, Benefit Plans, in the Notes to the December 31, 2020, Consolidated Financial Statements for additional details).

(10) Supplemental Disclosure for Statement of Cash Flows

The following table presents the Company's supplemental disclosures for statement of cash flows.

	Three Months Ended March 31,	
	2021	2020
	(In Thousands)	
Supplemental disclosures of cash flow information:		
Interest paid	$ 9,992	$ 207,334
Net income taxes (refunded) paid	(1,955)	7,208
Operating cash flows from operating leases	12,923	12,499
Operating cash flows from finance leases	119	140
Financing cash flows from finance leases	444	414
Supplemental schedule of noncash activities:		
Transfer of loans and loans held for sale to OREO	$ 1,789	$ 5,735
Right-of-use assets obtained in exchange for lease obligations- operating leases	5,145	17,568

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Company's Unaudited Condensed Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Company's Unaudited Condensed Consolidated Statements of Cash Flows.

	Three Months Ended March 31,	
	2021	2020
	(In Thousands)	
Cash and cash equivalents	$ 15,142,724	$ 5,513,268
Restricted cash in other assets	385,013	306,798
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 15,527,737	$ 5,820,066

Restricted cash primarily represents cash collateral related to the Company's derivatives as well as amounts restricted for regulatory purposes related to BSI and BBVA Transfer Holdings, Inc. Restricted cash is included in other assets on the Company's Unaudited Condensed Consolidated Balance Sheets.

(11) Segment Information

The Company's operating segments are based on the Company's organizational structure. Each segment reflects the manner in which financial information is evaluated by management. The operating segment results include certain overhead allocations and intercompany transactions. All intercompany transactions have been eliminated to determine the consolidated balances. The Company operates primarily in the United States, and, accordingly, revenue and assets outside the United States are not material. There are no individual customers whose attributable revenues exceed 10% of consolidated revenue.

The following tables present the segment information for the Company's existing segments.

	Three Months Ended March 31, 2021					
	Commercial Banking and Wealth	Retail Banking	Corporate and Investment Banking	Treasury	Corporate Support and Other	Consolidated
	(In Thousands)					
Net interest income (expense)	$ 312,218	$ 256,937	$ 39,204	$ 113,769	$ (57,860)	$ 664,268
Allocated (credit) provision for credit losses	(62,903)	(3,980)	(40,987)	39	(12,311)	(120,142)
Noninterest income	65,563	115,713	43,081	8,212	71,132	303,701
Noninterest expense	149,943	307,550	49,465	4,558	107,474	618,990
Net income (loss) before income tax expense (benefit)	290,741	69,080	73,807	117,384	(81,891)	469,121
Income tax expense (benefit)	61,056	14,507	15,499	24,651	(32,053)	83,660
Net income (loss)	229,685	54,573	58,308	92,733	(49,838)	385,461
Less: net income attributable to noncontrolling interests	179	—	—	387	15	581
Net income (loss) attributable to BBVA USA Bancshares, Inc.	$ 229,506	$ 54,573	$ 58,308	$ 92,346	$ (49,853)	$ 384,880
Average assets	$ 42,593,214	$ 17,472,177	$ 7,636,021	$ 31,172,166	$ 6,266,623	$ 105,140,201

	Three Months Ended March 31, 2020					
	Commercial Banking and Wealth	Retail Banking	Corporate and Investment Banking	Treasury	Corporate Support and Other	Consolidated
	(In Thousands)					
Net interest income (expense)	$ 291,282	$ 265,462	$ 33,828	$ (17,691)	$ 16,574	$ 589,455
Allocated provision (credit) for credit losses	130,982	129,140	83,132	(195)	13,932	356,991
Noninterest income	68,535	130,702	40,135	26,202	68,668	334,242
Noninterest expense	174,101	305,257	61,395	4,046	2,264,261	2,809,060
Net income (loss) before income tax expense (benefit)	54,734	(38,233)	(70,564)	4,660	(2,192,951)	(2,242,354)
Income tax expense (benefit)	11,494	(8,029)	(14,819)	979	5,306	(5,069)
Net income (loss)	43,240	(30,204)	(55,745)	3,681	(2,198,257)	(2,237,285)
Less: net income (loss) attributable to noncontrolling interests	116	—	—	396	(11)	501
Net income (loss) attributable to BBVA USA Bancshares, Inc.	$ 43,124	$ (30,204)	$ (55,745)	$ 3,285	$ (2,198,246)	$ (2,237,786)
Average assets	$ 41,090,411	$ 18,632,122	$ 8,272,714	$ 20,254,258	$ 8,106,608	$ 96,356,113

The financial information presented was derived from the internal profitability reporting system used by management to monitor and manage the financial performance of the Company. This information is based on internal management accounting policies that have been developed to reflect the underlying economics of the businesses. These policies address the methodologies applied and include policies related to funds transfer pricing, cost allocations and capital allocations.

Funds transfer pricing was used in the determination of net interest income earned primarily on loans and deposits. The method employed for funds transfer pricing is a matched funding concept whereby lines of business which are fund providers are credited and those that are fund users are charged based on maturity, prepayment and/or repricing characteristics applied on an instrument level. Provision for loan losses is allocated to each segment based on internal management accounting policies for the allowance for loan losses and the related provision which

differs from the policies for consolidated purposes. The difference between the consolidated provision for credit losses and the segments' provision for credit losses is reflected in Corporate Support and Other and reflects a current year revision in policy. Costs for centrally managed operations are generally allocated to the lines of business based on the utilization of services provided or other appropriate indicators. Revenue is recorded in the business segment responsible for the related product or service. Fee sharing is recorded to allocate portions of such revenue to other business segments involved in selling to, or providing services to, customers. Results of operations for the business segments reflect these fee sharing allocations. Capital is allocated to the lines of business based upon the underlying risks in each business considering economic and regulatory capital standards.

The development and application of these methodologies is a dynamic process. Accordingly, prior period financial results have been revised to reflect management accounting enhancements and changes in the Company's organizational structure. The 2020 segment information has been revised to conform to the 2021 presentation. In addition, unlike financial accounting, there is no authoritative literature for management accounting similar to U.S. GAAP. Consequently, reported results are not necessarily comparable with those presented by other financial institutions.

(12) Related Party Transactions

The Company enters into various transactions with BBVA that affect the Company's business and operations. The following discloses the significant transactions between the Company and BBVA during 2021 and 2020.

The Company believes all of the transactions entered into between the Company and BBVA were transacted on terms that were no more or less beneficial to the Company than similar transactions entered into with unrelated market participants, including interest rates and transaction costs. The Company foresees executing similar transactions with BBVA in the future.

Derivatives

The Company has entered into various derivative contracts as noted below with BBVA as the upstream counterparty. The total notional amount of outstanding derivative contracts between the Company and BBVA are $3.1 billion and $3.2 billion as of March 31, 2021 and December 31, 2020, respectively. The net fair value of outstanding derivative contracts between the Company and BBVA are detailed below.

	March 31, 2021	December 31, 2020
	(In Thousands)	
Derivative contracts:		
Fair value hedges	$ (375)	$ (748)
Cash flow hedges	(64)	(19)
Free-standing derivatives not designated as hedging instruments	(29,565)	(44,958)

Securities Purchased Under Agreements to Resell/ Securities Sold Under Agreements to Repurchase

The Company enters into agreements with BBVA as the counterparty under which it purchases/sells securities subject to an obligation to resell/repurchase the same or similar securities. The following represents the amount of securities purchased under agreement to resell and securities sold under agreement to repurchase where BBVA is the counterparty.

	March 31, 2021	December 31, 2020
	(In Thousands)	
Securities purchased under agreements to resell	$ 928,235	$ 186,568
Securities sold under agreements to repurchase	3,291	6,426

Borrowings

BSI, a wholly owned subsidiary of the Company, had a $420 million revolving note and cash subordination agreement with BBVA that was executed on March 16, 2012, with an original maturity date of March 16, 2018. On

March 16, 2017, the agreement was amended to increase the available amount to $450 million and the maturity date was extended to March 16, 2023. On March 16, 2017, BSI entered into an uncommitted demand facility agreement with BBVA for a revolving loan facility up to $1 billion to be used for trade settlement purposes. BSI has not drawn against this facility in 2021. At both March 31, 2021 and December 31, 2020 there was no amount outstanding under the revolving note and cash subordination agreement. There was $29 thousand in interest expense related to these agreements for the three months ended March 31, 2021 and $55 thousand interest expense for the three months ended March 31, 2020 and are included in interest on other short-term borrowings within the Company's Unaudited Condensed Consolidated Statements of Income.

Service and Referral Agreements

The Company and its affiliates entered into or were subject to various service and referral agreements with BBVA and its affiliates. Each of the agreements was done in the ordinary course of business and on market terms. Income associated with these agreements was $5.0 million and $4.1 million for the three months ended March 31, 2021 and 2020, respectively, and is recorded as a component of noninterest income within the Company's Unaudited Condensed Consolidated Statements of Income. Expenses associated with these agreements was $10.5 million and $9.9 million for the three months ended March 31, 2021 and 2020, respectively, and is recorded as a component of noninterest expense within the Company's Unaudited Condensed Consolidated Statements of Income.

Series A Preferred Stock

BBVA is the sole holder of the Series A Preferred Stock that the Company issued in December 2015. At both March 31, 2021 and December 31, 2020, the carrying amount of the Series A Preferred Stock was approximately $229 million. During the three months ended March 31, 2021 and 2020, the Company paid $3.1 million and $4.2 million, respectively, of preferred stock dividends to BBVA.

Exhibit 99.4

THE PNC FINANCIAL SERVICES GROUP, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS

On June 1, 2021, The PNC Financial Services Group, Inc. ("PNC") completed its previously announced acquisition of BBVA USA Bancshares, Inc. ("BBVA USA Holdco"), including its U.S. banking subsidiary BBVA USA, pursuant to the Stock Purchase Agreement dated November 15, 2020 with Banco Bilbao Vizcaya Argentaria S.A. ("BBVA") to acquire 100% of the issued and outstanding shares of BBVA USA Holdco for $11.5 billion in cash. PNC did not acquire the following entities as part of the acquisition: BBVA Securities, Inc., Propel Venture Partners Fund I, L.P. and BBVA Processing Services, Inc. (collectively, the "Non-Acquired Subsidiaries").

The unaudited pro forma condensed combined consolidated financial information has been prepared to give effect to the following:

- The unaudited pro forma condensed combined consolidated statement of income of PNC and BBVA USA Holdco for the twelve months ended December 31, 2020 and three months ended March 31, 2021, gives effect to the acquisition pursuant to the Stock Purchase Agreement as if it had occurred on January 1, 2020;
- The unaudited pro forma condensed combined consolidated balance sheet of PNC and BBVA USA Holdco as of March 31, 2021, gives effect to the acquisition pursuant to the Stock Purchase Agreement as if it had occurred on March 31, 2021;
- The acquisition of BBVA USA Holdco by PNC under the provision of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, ASC 805, "Business Combinations" where the assets and liabilities of BBVA USA Holdco have been recorded by PNC at their respective fair values as of the date the acquisition is completed; and
- Certain reclassifications to conform historical financial statement presentation of BBVA USA Holdco to PNC.

The following unaudited pro forma condensed combined consolidated financial information and related notes are based on and should be read in conjunction with (i) the historical audited financial statements of PNC and the related notes included in PNC's Annual Report on Form 10-K for the year ended December 31, 2020, and the historical unaudited consolidated financial statements of PNC and the related notes included in PNC's Quarterly Report on Form 10-Q for the period ended March 31, 2021, each of which is incorporated herein by reference and (ii) the historical audited consolidated financial statements of BBVA USA Holdco and the related notes included in BBVA USA Holdco's Annual Report on Form 10-K for the year ended December 31, 2020, a copy of which was attached as Exhibit 99.1 to the Current Report on Form 8-K filed by PNC on April 20, 2021 (as amended on June 4, 2021), and the historical unaudited consolidated financial statements of BBVA USA Holdco and the related notes for the period ended March 31, 2021, included in Exhibit 99.2 to this Current Report on Form 8-K, each of which is incorporated herein by reference.

The unaudited pro forma condensed combined consolidated financial information is provided for illustrative information purposes only. The unaudited pro forma condensed combined financial information is not necessarily, and should not be assumed to be, an indication of the actual results that would have been achieved had the acquisition been completed as of the dates indicated or that may be achieved in the future. The pro forma financial information has been prepared by PNC in accordance with Regulation S-X Article 11, Pro Forma Financial Information, as amended by the Securities and Exchange Commission Final Rule Release No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, as adopted by the SEC on May 20, 2020.

The unaudited pro forma condensed combined consolidated financial information also does not consider any potential effects of changes in market conditions on revenues, cost savings, asset dispositions, and share repurchases, among other factors.

PNC has completed its preliminary valuation analysis and calculations of the fair market value of certain assets to be acquired or certain liabilities to be assumed from BBVA USA Holdco as of June 1, 2021.

THE PNC FINANCIAL SERVICES GROUP, INC. & BBVA USA Holdco excluding Non-Acquired Subsidiaries
Pro Forma Condensed Combined Consolidated Balance Sheet
(Unaudited) – presented as if the acquisition of BBVA USA Holdco was effective as of March 31, 2021.

	As of March 31, 2021					
In millions, except par value	PNC as Reported	BBVA USA Holdco as Reported	Excluded Non-Acquired Subsidiaries as Reported (A)	Transaction Accounting Adjustments (B)		Pro Forma PNC & BBVA USA Holdco
Assets						
Cash and due from banks	$ 7,455	$ 1,045	$ 18	$ (5)	(C)	$ 8,477
Interest-earning deposits with banks	86,161	14,098	233	(11,480)	(D)	88,546
Loans held for sale	1,967	296		251	(E)	2,514
Investment securities	98,255	17,748		170	(F)	116,173
Loans	237,013	63,960		23	(G)	300,996
Allowance for credit losses loan and lease losses	(4,714)	(1,499)		(491)	(H)	(6,704)
Net loans	232,299	62,461		(468)		294,292
Equity investments	6,386					6,386
Mortgage servicing rights	1,680					1,680
Goodwill	9,317	2,328		(823)	(I)	10,822
Other	30,894	6,007	1,293	24	(J)	35,632
Total assets	$ 474,414	$ 103,983	$ 1,544	$ (12,331)		$ 564,522
Liabilities						
Deposits	$ 375,067	$ 85,971	$ (2)	$ 11	(K)	$ 461,051
Borrowed funds	33,030	3,518	966	70	(L)	35,652
Accrued expenses and other liabilities	12,438	2,475	90	1,123	(M)	15,946
Total liabilities	420,535	91,964	1,054	1,204		512,649
Equity						
Preferred stock	3,518	229		(229)		3,518
Common stock	50,331	11,760	490	(13,299)		48,302
Total shareholders' equity	53,849	11,989	490	(13,528)		51,820
Noncontrolling interests	30	30		(7)		53
Total equity	53,879	12,019	490	(13,535)		51,873
Total liabilities and equity	$ 474,414	$ 103,983	$ 1,544	$ (12,331)		$ 564,522

THE PNC FINANCIAL SERVICES GROUP, INC. & BBVA USA Holdco excluding Non-Acquired Subsidiaries

Pro Forma Condensed Combined Consolidated Income Statement
(Unaudited) – presented as if the acquisition of BBVA USA Holdco was effective on January 1, 2020.

	Year Ended December 31, 2020					
In millions, except per share data	PNC as Reported	BBVA USA Holdco as Reported	Excluded Non-Acquired Subsidiaries as Reported (A)	Transaction Accounting Adjustments (B)		Pro Forma PNC & BBVA USA Holdco
Net interest income	$ 9,946	$ 2,521	$ 26			$ 12,441
Noninterest income	6,955	1,181	254			7,882
Total revenue	16,901	3,702	280			20,323
Provision for Credit Losses	3,175	1,039		$ 1,006	(C)	5,220
Noninterest expense	10,297	4,488	200	850	(D)	15,435
Income before income taxes and noncontrolling interests	3,429	(1,825)	80	(1,856)		(332)
Income taxes	426	37	12	(427)	(E)	24
Net income from continuing operations	3,003	(1,862)	68	(1,429)		(356)
Income from discontinued operations before taxes	5,777					5,777
Income taxes from discontinued operations	1,222					1,222
Net income from discontinued operations	4,555					4,555
Net Income	$ 7,558	$ (1,862)	$ 68	$ (1,429)		$ 4,199
Net income (loss) attributable to noncontrolling interests	41	2				43
Preferred stock dividends	229	15				244
Preferred stock dividends and discount accretion and redemptions	4					4
Net income attributable to common shareholders	$ 7,284	$ (1,879)	$ 68	$ (1,429)		$ 3,908
Earnings Per Common Share						
Basic earnings from continuing operations	$ 6.37					$ (1.54)
Basic earnings from discontinued operations	10.62					10.63
Total basic earnings	$ 16.99					$ 9.12
Diluted earnings from continuing operations	$ 6.36					$ (1.54)
Diluted earnings from discontinued operations	10.60					10.62
Total diluted earnings	$ 16.96					$ 9.11
Average Common Shares Outstanding						
Basic	427					427
Diluted	427					427

THE PNC FINANCIAL SERVICES GROUP, INC. & BBVA USA Holdco excluding Non-Acquired Subsidiaries

Pro Forma Condensed Combined Consolidated Income Statement
(Unaudited) – presented as if the acquisition of BBVA USA Holdco was effective on January 1, 2020.

	Three Months Ended March 31, 2021			
In millions, except per share data	**PNC as Reported**	**BBVA USA Holdco as Reported**	**Excluded Non-Acquired Subsidiaries as Reported (A)**	**Pro Forma PNC & BBV USA Holdc**
Net interest income	$ 2,348	$ 664	$ (3)	$ 3,015
Noninterest income	1,872	304	57	2,119
Total revenue	4,220	968	54	5,134
Provision for Credit Losses	(551)	(120)		(671)
Noninterest expense	2,574	619	47	3,146
Income before income taxes and noncontrolling interests	2,197	469	7	2,659
Income taxes	371	84	3	452
Net Income	$ 1,826	$ 385	$ 4	$ 2,207
Net income (loss) attributable to noncontrolling interests	10			10
Preferred stock dividends	57	3		60
Preferred stock dividends and discount accretion and redemptions	1			1
Net income attributable to common shareholders	$ 1,758	$ 382	$ 4	$ 2,136
Earnings Per Common Share				
Basic earnings from continuing operations	$ 4.11			$ 4.99
Basic earnings from discontinued operations				
Total basic earnings	$ 4.11			$ 4.99
Diluted earnings from continuing operations	$ 4.10			$ 4.99
Diluted earnings from discontinued operations				
Total diluted earnings	$ 4.10			$ 4.99
Average Common Shares Outstanding				
Basic	426			426
Diluted	426			426

Note 1. Basis of Presentation

The accompanying unaudited pro forma condensed combined consolidated financial information and related notes were prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma condensed combined consolidated income statement for the year ended December 31, 2020 and three months ended March 31, 2021 combine the historical consolidated income statements of PNC and BBVA USA Holdco, giving effect to the acquisition as if it had been completed on January 1, 2020. The accompanying unaudited pro forma condensed combined consolidated balance sheet as of March 31, 2021 combines the historical consolidated balance sheets of PNC and BBVA USA Holdco, giving effect to the acquisition as if it had been completed on March 31, 2021.

The unaudited pro forma condensed combined consolidated financial information and explanatory notes have been prepared to illustrate the effects of the acquisition involving PNC and BBVA USA Holdco under the acquisition method of accounting with PNC treated as the acquirer. The unaudited pro forma condensed combined consolidated financial information is presented for illustrative purposes only and does not necessarily indicate the financial results of the combined company had the companies actually been combined at the beginning of each period presented, nor does it necessarily indicate the results of operations in future periods or the future financial position of the combined company. Under the acquisition method of accounting, the assets and liabilities of BBVA USA Holdco as of the closing date, have been recorded by PNC at their respective fair values, and the excess of the acquisition consideration over the fair value of BBVA USA Holdco's net assets has been allocated to goodwill.

The pro forma allocation of the preliminary purchase price reflected in the unaudited pro forma condensed combined consolidated financial information is subject to adjustment and may vary from the final actual purchase price allocation. Valuations subject to adjustment include, but are not limited to, loans, certain deposits, certain other assets, customer relationships, and the core deposit intangibles.

Note 2. Reclassification Adjustments

During the preparation of the unaudited pro forma condensed combined consolidated financial information, management performed a preliminary analysis of BBVA USA Holdco's financial information to identify differences in accounting policies and differences in balance sheet and income statement presentation as compared to the presentation of PNC. These unaudited pro forma condensed combined financial statements include certain reclassifications to conform historical financial statement presentation of BBVA USA Holdco to PNC.

Note 3. Preliminary Purchase Price Allocation

The following table sets forth a preliminary allocation of the estimated total purchase price to the fair value of the assets and liabilities of BBVA USA Holdco using BBVA USA Holdco's unaudited consolidated balance sheet as of March 31, 2021, excluding the Non-Acquired Subsidiaries, with the excess recorded to goodwill. The fair value marks are as of June 1, 2021:

BBVA USA Holdco's Net Assets at Fair Value excluding Non-Acquired Subsidiaries

(In millions)

Assets	**March 31, 2021**
Cash and due from banks	$ 1,022
Interest-earning deposits with banks	13,865
Investment securities	17,918
Loans held for sale	547
Loans	63,983
Allowance for loan and lease losses	(1,115)
Other assets	4,740
Total assets	100,960
Liabilities	
Deposits	85,984
Borrowings	2,622
Other liabilities	2,356
Total liabilities	90,962
Non-controlling interest	23
Less net assets	$9,975
Preliminary goodwill	$1,505

Note 4. Pro Forma Adjustments to the Unaudited Condensed Combined Consolidated Balance Sheet

The following pro forma adjustments have been reflected in the unaudited pro forma condensed combined financial information. All taxable adjustments were tax-effected using the estimated blended statutory tax rate for each legal entity, which approximated 23.6% overall, to arrive at deferred tax asset or liability adjustments.

(A) Represents the balance sheet activity of the Non-Acquired Subsidiaries.

(B) Transaction accounting adjustments represent fair value marks as of June 1, 2021.

(C) Represents termination fees associated with recording FHLB advances.

(D) Represents the purchase price of $11.5 billion funded by PNC with cash on hand, removing BBVA USA Holdco's preferred and common shareholders' equity.

(E) Represents reclassification of BBVA's historical loans held for investment to loans held for sale to conform with PNC's accounting classification.

(F) Represents PNC's premium of BBVA USA Holdco's held to maturity and available for sale securities book, partially offset by write-offs of BBVA premiums and discounts for held to maturity and available for sale securities. Available for sale and held to maturity investment securities are presented on a consolidated basis which includes a $12.9 billion reclassification from BBVA's historical held to maturity securities to available for sale securities to conform with PNC's accounting classification.

(G) Adjustments to loans reflect the following fair value adjustments:

(in millions)	March 31, 2021
Total fair value mark on Purchase Credit Deteriorated (PCD) and non-PCD loans	$(698)
Gross up of PCD loans for credit mark – See H below for Allowance	1,115
Write-offs associated with deferred fees and costs	(142)
Reclass to loans held for sale	(252)
Net adjustments	$23

(H) Adjustments to the allowance for credit losses loan and lease losses includes the following:

(in millions)	March 31, 2021
Reversal of historical BBVA allowance for loan and lease losses	$1,499
Estimate of lifetime credit losses for the PCD loan portfolio	(1,115)
Estimate of accounting adjustment for the provision for credit losses estimated on non-PCD portfolio	(875)
Net change in allowance for credit losses loan and lease losses	($491)

(I) Represents the write-off of BBVA USA Holdco goodwill from acquisitions made by BBVA USA Holdco of ($2,328) million and the preliminary estimated goodwill associated with PNC's acquisition of BBVA USA Holdco of $1,505.

(J) Represents the fair value mark on other intangibles of $399 million, offset by the write-off of BBVA USA Holdco's subsidiaries and other assets accounted for as transaction costs, $37 million fair value mark on Low Income Housing Tax Credit and Preservation Fund Tax investments and $6 million fair value mark on mortgage servicing rights.

(K) Represents the estimated premium on BBVA USA Holdco's certificate of deposit portfolio.

(L) Represents the estimated premium on BBVA USA Holdco's borrowed funds, partially offset by write-offs on discounts and premiums on borrowed funds.

(M) Represents the write-off of BBVA USA Holdco's reserve for credit losses on unfunded commitments, the deferred income tax impacts resulting from purchase accounting adjustments and provision for credit losses on the non-PCD portfolio and $850 million associated with transaction costs. Total transaction costs are estimated at $980 million of which the remaining $130 million are the write-off of certain technology and other assets.

Note 5. Pro Forma Adjustments to the Unaudited Condensed Consolidated Combined Income Statements

(A) Represents the income and expenses for the year ended December 31, 2020 and quarter ended March 31, 2021 for the Non-Acquired Subsidiaries.

(B) Transaction accounting adjustments include the provision for credit losses on the non-PCD loan portfolio, transaction costs and related taxes and excludes any anticipated cost savings and purchase accounting impacts on loans, securities, borrowings, deposits and other intangibles.

(C) Represents the provision for credit losses estimated on the non-PCD and unfunded commitment loan portfolios.

(D) Represents transaction costs of $850 million. Total transaction costs are estimated at $980 million of which the remaining $130 million are the write-off of certain technology and other assets.

(E) Represents the income tax impacts resulting from the provision for credit losses on the non-PCD loan portfolio and transaction costs.