

FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

OR

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

For the transition period from _____ to _____

FDIC Certificate No. 11813

CADENCE BANK

(Exact name of registrant as specified in its charter)

Mississippi

64-0117230

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

One Mississippi Plaza, 201 South Spring Street
Tupelo, Mississippi

38804

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (662) 680-2000

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

Table with 3 columns: Title of Each Class, Trading Symbol(s), Name of Each Exchange on Which Registered. Rows include Common stock and 5.50% Series A Non-Cumulative Perpetual Preferred Stock.

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No []

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [] No [X]

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

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

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

Large accelerated filer [X]

Accelerated filer []

Non-accelerated filer []

Smaller reporting company []

Emerging growth company []

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes [X] No []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [] No [X]

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 30, 2021 was approximately \$3.0 billion, based on the last reported sale price per share of the registrant's common stock as reported on the New York Stock Exchange on June 30, 2021.

As of February 24, 2022, the registrant had outstanding 185,118,079 shares of common stock, par value \$2.50 per share, and 6,900,000 shares of its 5.50% Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

To the extent stated herein, portions of the Definitive Proxy Statement on Schedule 14A to be used in connection with the registrant's 2022 Annual Meeting of Shareholders, scheduled to be held April 27, 2022, are incorporated by reference into Part III of this annual report on Form 10-K.

CADENCE BANK
FORM 10-K
For the Fiscal Year Ended December 31, 2021

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CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements made in this annual report on Form 10-K (this “Report”) are not statements of historical fact and constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and are subject to the safe harbor created thereby under the Private Securities Litigation Reform Act of 1995. These statements are often, but not always, made through the use of words or phrases such as “anticipate,” “aspire,” “assume,” “believe,” “budget,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “forecast,” “foresee,” “goal,” “hope,” “indicate,” “intend,” “may,” “might,” “outlook,” “plan,” “project,” “projection,” “predict,” “prospect,” “potential,” “roadmap,” “seek,” “should,” “target,” “will,” and “would,” or the negative versions of those words or other comparable words of a future or forward-looking nature. These forward-looking statements may include, without limitation, discussions regarding general economic, interest rate, real estate market, competitive, employment, and credit market conditions, including the economic impact of COVID-19 and related variants on our business; our: assets; business; cash flows; financial condition; liquidity; prospects; results of operations; deposit growth interest and fee-based revenue; capital resources; capital metrics; efficiency ratio; valuation of mortgage servicing rights; mortgage production volume; net income; net interest revenue; non-interest revenue; net interest margin; interest expense; non-interest expense; earnings per share; interest rate sensitivity; interest rate risk; balance sheet and liquidity management; off-balance sheet arrangements; fair value determinations; asset quality; credit quality; credit losses; provision and allowance for credit losses, impairments, charge-offs, recoveries and changes in volume; investment securities portfolio yields and values; ability to manage the impact of pandemics and natural disasters; adoption and use of critical accounting policies; adoption and implementation of new accounting standards and their effect on our financial results and our financial reporting; utilization of non-GAAP financial metrics; declaration and payment of dividends; ability to pay dividends or coupons on our 5.5% Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share, or the 4.125% Fixed-to-Floating Rate Subordinated Notes due November 20, 2029; mortgage and insurance business and commission revenue growth; implementation and execution of cost savings initiatives; ability to successfully litigate; resolve or otherwise dispense with threatened, ongoing and future litigation and administrative and investigatory matters; ability to successfully complete pending or future acquisitions; dispositions and other strategic growth opportunities and initiatives; ability to successfully obtain regulatory approval for acquisitions and other growth initiatives; ability to successfully integrate and manage acquisitions; opportunities and efforts to grow market share; reputation; ability to compete with other financial institutions; ability to recruit and retain key employees and personnel; access to capital markets; investment in other financial institutions; and ability to operate our regulatory compliance programs in accordance with applicable law.

Forward-looking statements are based upon management’s expectations as well as certain assumptions and estimates made by, and information available to, management at the time such statements were made. Forward-looking statements are not historical facts, are not guarantees of future results or performance and are subject to certain known and unknown risks, uncertainties and other factors that are beyond our control and that may cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. These risks, uncertainties and other factors include, without limitation, potential delays or other problems in implementing and executing our growth, expansion and acquisition strategies, including delays in obtaining regulatory or other necessary approvals or the failure to realize any anticipated benefits or synergies from any acquisitions or growth strategies; the risks of changes in interest rates and their effects on the level and composition of deposits, loan demand and the values of loan collateral, securities and interest sensitive assets and liabilities; the impact of inflation, the failure of assumptions underlying the establishment of reserves for possible credit losses, fair value for loans and other real estate owned; changes in real estate values; the availability of and access to capital; possible downgrades in our credit ratings or outlook which could increase the costs or availability of funding from capital markets; the ability to attract new or retain existing deposits or to retain or grow loans; the ability to grow additional interest and fee income or to control noninterest expense; the potential impact of the phase-out of the London Interbank Offered Rate (“LIBOR”) or other changes involving LIBOR; competitive factors and pricing pressures, including their effect on our net interest margin; general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers, collateral values, the value of investment securities and asset recovery values; changes in legal, financial and/or regulatory requirements; recently enacted and potential legislation and regulatory actions and the costs and expenses to comply with new and/or existing legislation and regulatory actions, including those actions in response to the COVID-19 pandemic such as the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the “Economic Aid Act”) and any related rules and regulations; changes in U.S. Government monetary and fiscal policy, including any changes that may result from U.S. elections; Federal Deposit Insurance Corporation (“FDIC”) special assessments or changes to regular assessments; possible adverse rulings, judgments, settlements and other outcomes of pending or future litigation or government actions (including litigation or actions arising from our participation in and administration of programs related to the COVID-19 pandemic (including, among other things, the PPP loan programs authorized by the CARES Act and the Economic Aid Act); the ability to keep pace with technological changes, including changes regarding maintaining cybersecurity; the impact of failure in, or breach of, our operational or security systems or infrastructure, or those of third parties with whom we do business, including as a result of cyber-attacks or an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting us or our customers; natural disasters or acts of war or terrorism; the adverse effects of the ongoing global

COVID-19 pandemic, including the magnitude and duration of the pandemic, and the impact of actions taken to contain or treat COVID-19 on us, our employees, our customers, the global economy and the financial markets; international or political instability; impairment of our goodwill or other intangible assets; adoption of new accounting standards or changes in existing standards; and other factors described in “Part I, Item 1A. Risk Factors” in this Report or as detailed from time to time in the Company’s press and news releases, reports and other filings we file with the FDIC.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable as of the date of this Report, if one or more events related to these or other risks or uncertainties materialize, or if the Company’s underlying assumptions prove to be incorrect, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statements. The forward-looking statements speak only as of the date of this Report, and the Company does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by applicable law. New risks and uncertainties may emerge from time to time, and it is not possible for the Company to predict their occurrence or how they will affect the Company. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this section.

PART I

ITEM 1. BUSINESS.

COMPANY OVERVIEW

Cadence Bank (“We,” “Our,” or the “Company”), originally chartered in 1876, is a state chartered commercial bank with the bank headquarters in Tupelo, Mississippi and the corporate headquarters in Houston, Texas. The Company conducts commercial banking and financial services directly and through its banking-related subsidiaries. The Company operates over 400 commercial banking, mortgage and insurance locations in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Missouri, Tennessee and Texas, including a single insurance location in Illinois and a single loan production office in Oklahoma.

Our common stock and our preferred stock are listed on the New York Stock Exchange under the symbols “CADE” and “CADE Pr A”, respectively. During the fourth quarter of 2021, we changed our corporate name from BancorpSouth Bank to Cadence Bank in connection with our acquisition of Cadence Bancorporation on October 29, 2021. At December 31, 2021, the Company had total assets of \$47.7 billion; total loans, net of unearned income of \$26.9 billion; total deposits of \$39.8 billion; and shareholders’ equity of \$5.2 billion.

On October 29, 2021, we acquired all the outstanding stock of Cadence Bancorporation (“Legacy Cadence”), headquartered in Houston, Texas, the bank holding company for Cadence Bank, N.A. Legacy Cadence shareholders received 0.70 shares of the Company’s common stock in exchange for each share of Legacy Cadence Class A common stock, resulting in the issuance of 85.7 million shares of our common stock and a purchase price of \$2.5 billion. The primary reasons for the transaction were to create a more diverse business mix, enhance our funding base, leverage operating costs through economies of scale, and expand our market presence in Georgia and other attractive southern markets.

The Company’s investor website address is <https://ir.cadencebank.com>. The Company makes available its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports free of charge on its website on the Investor Relations webpage under the caption “Public Filings” as soon as reasonably practicable after such material is electronically filed with, or furnished to, the FDIC. The FDIC maintains a website that contains reports and other information regarding issuers that file or furnish information electronically. The Company’s websites and the information contained therein or linked thereto are not, and are not intended to be, incorporated into this Report.

PRODUCTS and SERVICES

LENDING ACTIVITIES

The Company’s lending activities include both commercial and consumer loans. Loan originations are derived from a number of sources including direct solicitation by the Company’s loan officers, existing depositors and borrowers, builders, attorneys, walk-in customers and, in some instances, other lenders, real estate broker referrals and mortgage loan companies. The Company has established systematic procedures for approving and monitoring loans that vary depending on the size and nature of the loan, and applies these procedures in a disciplined manner.

Our loan portfolio includes commercial and industrial loans, residential real estate loans, commercial real estate loans and other consumer loans. The principal risk associated with each category of loans we make is the creditworthiness of the borrower. Borrower creditworthiness is affected by general economic conditions, the attributes of the borrower and the borrower’s market or industry. Attributes of the relevant business market or industry include the competitive environment, customer and supplier availability, the threat of substitutes and barriers to entry and exit.

Commercial Lending

The Company offers a variety of commercial loan services including term loans, lines of credit, equipment and receivable financing, energy, restaurant, healthcare, technology, Small Business Administration (SBA) and agricultural loans. A broad range of short-to-medium term commercial loans, both secured and unsecured, are made available to businesses for working capital (including inventory and receivables), business expansion (including acquisition and development of real estate and improvements), and the purchase of equipment and machinery. The Company also makes construction loans to real estate developers for the acquisition, development and construction of residential and commercial properties.

Commercial loans are granted based on the borrower's ability to generate cash flow to support its debt obligations and other cash related expenses. A borrower's ability to repay commercial loans is substantially dependent on the success of the business itself and on the quality of its management. As a general practice, the Company takes as collateral a security interest in any available real estate, equipment, inventory, receivables or other personal property, although such loans may also be made infrequently on an unsecured basis. In many instances, the Company requires personal guarantees of its commercial loans to provide additional credit support.

The Company's exposure to agricultural lending is minimal. Agricultural loans are generally supported by the financial strength of the borrower and secured by the crops/livestock, crop insurance, equipment or real estate.

Residential Consumer Lending

A portion of the Company's lending activity consists of the origination of fixed and adjustable rate residential mortgage loans secured by owner-occupied property located in the Company's primary market areas. Home mortgage banking is unique in that a broad geographic territory may be served by originators working from strategically placed offices either within the Company's traditional banking facilities or from other locations. In addition, the Company offers construction loans, second mortgage loans and home equity lines of credit.

The Company finances the construction of individual, owner-occupied houses on the basis of written underwriting and construction loan management guidelines. First mortgage construction loans are made to qualified individual borrowers and are generally supported by a take-out commitment from a permanent lender. The Company makes residential construction loans to individuals who intend to erect owner-occupied housing on a purchased parcel of real estate. The construction phase of these loans has certain risks, including the viability of the contractor, the contractor's ability to complete the project and changes in interest rates.

Mortgage Lending serves to finance residential properties through long-term mortgages, both sold into the secondary market and retained in the bank portfolio. Ongoing efforts to grow the bank portfolio through the company's Right@Home product for low- to moderate-income borrowers have contributed to the department's production. Revenue is primarily derived from loan originations and servicing fees paid to the company by government-sponsored enterprises and other investors who purchase the mortgages after origination.

The sale of mortgage loans to the secondary market allows the Company to manage the interest rate risk related to such lending operations. Generally, after the sale of a loan with servicing retained, the Company's only involvement is to act as a servicing agent. In certain cases, the Company may be required to repurchase mortgage loans upon which customers have defaulted that were previously sold in the secondary market if these loans did not meet the underwriting standards of the entity that purchased the loans.

Non-Residential Consumer Lending

Non-residential consumer loans made by the Company include loans for automobiles, recreation vehicles, boats, personal (secured and unsecured) and deposit account secured loans. Non-residential consumer loans are attractive to the Company because they typically have a shorter term and carry higher interest rates than those charged on other types of loans.

The Company also issues credit cards solicited on the basis of applications received through referrals from the Company's branches and other marketing efforts. The Company generally has a small portfolio of credit card receivables outstanding. Credit card lines are underwritten using conservative credit criteria, including past credit history and debt-to-income ratios, similar to the credit policies applicable to other personal consumer loans.

The Company grants consumer loans based on employment and financial information solicited from prospective borrowers as well as credit records collected from various reporting agencies. Financial stability and credit history of the borrower are the primary factors the Company considers in granting such loans. The availability of collateral is also a factor considered in making such loans. The geographic area of the borrower is another consideration, with preference given to borrowers in the Company's primary market areas.

Shared National Credits ("SNC")

The federal banking agencies define a SNC as any loan(s) extended to a borrower by a supervised institution or any of its subsidiaries and affiliates which aggregates \$100 million or more and is shared by three or more institutions under a formal lending agreement or a portion of which is sold to two or more institutions, with the purchasing institutions assuming its pro rata share of the credit risk. As a commercial focused relationship bank, we may participate in syndicated loan offerings because of the size of the customers and nature of industries we serve. As of December 31, 2021, we have \$2.8 billion of outstanding SNC, representing 10.5% of total loans.

DEPOSITS and OTHER FUNDING SOURCES

We offer our customers a variety of deposit products, including checking accounts, savings accounts, money market accounts, time deposits, and other deposit accounts through multiple channels, including our extensive network of full-service branches, drive-through branches, ATMs, ITMs, and our online, mobile and telephone banking platforms. As of December 31, 2021, our total deposits were \$39.8 billion and were comprised of 34.2% noninterest-bearing deposits and 65.8% interest bearing deposits. We intend to continue our efforts to provide funding for our business from customer relationship deposits.

The Company has been able to compete effectively for deposits in its primary market areas, while continuing to manage the exposure to rising interest rates. The distribution and market share of deposits by type of deposit and by type of depositor are important considerations in the Company's assessment of the stability of its funding sources and its access to additional funds. Furthermore, management shifts the mix and maturity of the deposits depending on economic conditions and loan and investment policies in an attempt, within set policies, to minimize cost and maximize net interest margin.

For more information regarding the Company's deposits, see "Management's Discussion And Analysis of Financial Condition And Results Of Operations – Deposits."

OTHER BANKING SERVICES

The Company's insurance service subsidiary serves as an agent in the sale of commercial lines of insurance and a full line of property and casualty, life, health and employee benefits products and services and operates in Alabama, Arkansas, Louisiana, Mississippi, Missouri, Tennessee, Texas and Illinois.

Through Linscomb & Williams Inc., a subsidiary of Cadence Bank, and Cadence Trust, we offer wealth management and other fiduciary and private banking services targeted to affluent clients, including individuals, business owners, families and professional service companies. In addition to generating fiduciary and investment management fee income, we believe these services enable us to build new relationships and expand existing relationships to grow our deposits and loans. Through our wealth management line of business and our relationships with Infinex Investments, Inc. and LPL Financial LLC, we offer financial planning, retirement services and trust and investment management by a team of seasoned advisors, providing access for affluent clients as well as mass market clients, to a wide range of certificates of deposits, mutual funds, estate planning products, insurance and annuities, individual retirement accounts, stocks, bonds, brokerage accounts, money market accounts, investment advisory services, and other financial products and services. Although we do not limit our customers to affluent clients and business owners, the focus of our wealth management line of business is on the "mass affluent" (\$500,000 to \$2 million in investible assets) and "highly affluent" (\$2 million to \$5 million in investible assets) markets.

Altera Payroll and Insurance, Inc. ("Altera"), a subsidiary of Cadence Bank, provides payroll services, human resources services, payroll cards and employee health insurance. Altera also offers employer liability insurance and workers' compensation insurance through licensed insurance agents.

Cadence Investment Services, Inc., a subsidiary of Cadence Bank and licensed insurance agency, provides financial planning, investment and insurance products and services.

In addition to traditional banking activities and the other products and services specified above, we provide a broad array of financial services to our customers, including: debit and credit card products, treasury management services, merchant services, automated clearing house services, lock-box services, remote deposit capture services, foreign exchange services, and other treasury services.

COMPETITION

Vigorous competition exists in all major areas where the Company is engaged in business. The Company competes for available loans and depository accounts with banks, thrifts, insurance companies, credit unions, mortgage bankers and finance companies, money market mutual funds, other financial services companies and fintech companies, some of which are not subject to the same degree of regulation and restrictions imposed upon us. None of these competitors are dominant in the entire area served by the Company.

The principal areas of competition in the banking industry center on a financial institution's ability and willingness to provide credit on a timely and competitively priced basis, to offer a sufficient range of deposit and investment opportunities at competitive prices and maturities, and to offer personal and business financial services of sufficient quality and at competitive prices. Management believes that the Company can compete effectively in all of these areas.

CREDIT POLICIES AND PROCEDURES

In the normal course of business, the Company assumes risks in extending credit. The Company manages these risks through underwriting in accordance with its lending policies, loan review procedures and the diversification of its loan and lease portfolio. Although it is not possible to predict credit losses with certainty, management regularly reviews the characteristics of the loan and lease portfolio to determine its overall risk profile and quality.

The provision for credit losses is the periodic cost (or credit) of providing an allowance or reserve for expected losses on loans and leases. The Board of Directors has appointed a Credit Committee, composed of senior management and credit

administration staff which meets on a quarterly basis or more frequently if required to review the recommendations of several internal working groups developed for specific purposes including the allowance for credit losses, specific provision amounts, and charge-offs. The Allowance for Credit Losses (ACL) Group bases its estimates of credit losses on three primary components: (1) estimates of expected losses that exist in various segments of performing loans and leases over the remaining life of the loan portfolio using a reasonable and supportable economic forecast; (2) specifically identified losses in individually analyzed credits which are collateral dependent, which generally include loans internally graded as impaired and PCD Loss loans; and (3) qualitative factors related to economic conditions, portfolio concentrations, regulatory policy updates and other relevant factors that address estimates of expected losses not fully addressed based upon management's judgment of portfolio conditions.

The Company utilizes credit risk models to estimate the probability of default and loss given default of loans over their remaining life. Credit factors such as financial condition of the borrower and guarantor, recent credit performance, delinquency, liquidity, cash flows, collateral type and value are used by the models to assess credit risk. In some cases, including certain Commercial Real Estate loans and Credit Cards, a loss rate model is used where lifetime loss rates are analyzed with factors including vintage, Loan-to-Value, delinquency, and economic factors. Estimates of expected losses are influenced by the historical net losses experienced by the Company for loans and leases of comparable creditworthiness and structure. Specific loss assessments are performed for loans and leases based upon the collateral protection. The Company's reasonable and supportable eight quarter economic forecast is utilized to estimate credit losses before reverting back to longer term historical loss experience. The Company subscribes to various economic services and publications to assist with the development of inputs used in the modeling and qualitative framework for the ACL calculation. The economic forecasts consider changes in real gross domestic product, nominal disposable income, unemployment rate, equity valuations and related volatility, valuations for residential and commercial real estate, and other indicators that may be correlated with the Company's expected credit losses.

The Company excludes accrued interest from interest income when it is determined that it is probable that all contractual principal and interest will not be collected for loans.

Economic disruption from the COVID-19 pandemic continued into 2021 as virus variants emerged and attenuated the economic recovery which began in the Fall of 2020. Interruptions in the return to school and workplace were accompanied with supply chain disruptions, worker shortages and inflationary pressure. Despite significant government intervention and improvement in economic conditions, the economic disruption continued to impact business operations which placed borrowers at additional risk due to reduced capacity. The emergence of the Delta and Omicron variants in late 2021 resulted in additional concern that similar economic conditions may continue into 2022 and the heightened risk of future customer loan defaults remains. The ACL estimate includes both portfolio changes and changes in economic conditions experienced during the period. The unemployment rate has the highest weighting within the Company's credit modeling framework. The Company's forecast for unemployment includes a range between 4.46 % and 5.63% through the fourth quarter of 2023. The Company considers several forecasts from external sources with management using an equal weighting of a base case and severe scenario. The Company recognizes that despite vaccines and treatments, a recurrence in COVID-19 infections may occur and have short-term, long-term and regional impacts to the economic recovery. In addition, qualitative factors such as changes in economic conditions, concentrations of risk, and changes in portfolio risk resulting from regulatory changes are considered in determining the adequacy of the level of the allowance for credit losses.

Attention is paid to the quality of the loan and lease portfolio through a formal loan review process. An independent loan review department of the Company is responsible for reviewing the credit rating and classification of individual credits and assessing trends in the portfolio, adherence to internal credit policies and procedures and other factors that may affect the overall adequacy of the allowance for credit losses. The ACL Group is responsible for ensuring that the allowance for credit losses provides adequate coverage of expected losses. The ACL Group meets at least quarterly to determine the amount of adjustments to the allowance for credit losses, and is comprised of senior management from the Company's credit administration, risk and finance departments.

The Impairment Group is responsible for evaluating individual loans that have been specifically identified through various channels, including examination of the Company's watch list, past due listings, and loan officer assessments. An analysis is prepared to assess the extent the loan is collateral-dependent and whether a loss exposure exists, for review by the Impairment Group. The Impairment Group reviews all loans restructured in a troubled debt restructuring (TDR) if the loan is \$1.0 million or greater to determine if it is probable that the Company will be unable to collect the contractual principal and interest on the loan. The fair value of the underlying collateral is considered if the loan is collateral dependent. The Impairment Group meets at least quarterly, and is made up of senior management from the Company's credit administration, risk and finance departments.

If financial concessions are granted to a borrower as a result of financial difficulties, the loan is classified as a TDR, with the amount of provision determined by estimating the net present value of future cash flows for TDRs that are not deemed to be collateral-dependent. TDRs are reserved in accordance with FASB ASC 326. Should the borrower's financial condition, collateral protection or performance deteriorate and warrant reassessment of the loan rating or specific provision, additional reserves and/or charge-offs may be required.

Loans of \$1.0 million or more that are identified as collateral-dependent, which generally include loans internally graded as impaired or PCD Loss loans, are reviewed by the Impairment Group which approves the amount of specific reserve, if any, and/or charge-off amounts. The evaluation of real estate loans generally focuses on the fair value of underlying collateral less estimated costs to sell obtained from appraisals, as the repayment of these loans may be dependent on the liquidation of the collateral. In certain circumstances, other information such as comparable sales data is deemed to be a more reliable indicator of fair value of the underlying collateral than the most recent appraisal. In these instances, such information is used in determining the specific provision recorded for the loan. For commercial and industrial loans, the evaluation generally focuses on these considerations, as well as the projected liquidation of any pledged collateral. Our larger corporate and specialized industry loans are underwritten to the underlying enterprise value of the borrower. The value is in the equity of the business as a going concern. Many valuation approaches are used in these situations including discounted cash flow, multiple of cash flow, or comparable sales approaches. The Impairment Group reviews the results of each evaluation and approves the final specific provision amounts, which are then included in the analysis of the adequacy of the allowance for credit losses in accordance with FASB ASC 326.

A new appraisal is generally ordered for loans \$1.0 million or greater that have characteristics of potential specific provision, such as delinquency or other loan-specific factors identified by management, when a current appraisal (dated within the prior 12 months) is not available or when a current appraisal uses assumptions that are not consistent with the expected disposition of the loan collateral. In order to measure a specific provision properly at the time that a loan is reviewed, a bank officer may estimate the collateral fair value based upon earlier appraisals received from outside appraisers, sales contracts, approved foreclosure bids, comparable sales, officer estimates or current market conditions until a new appraisal is received. This estimate can be used to determine the extent of the specific provision on the loan. After a loan is determined to be collateral-dependent, it is management's policy to obtain an updated appraisal on at least an annual basis. Management performs a review of the pertinent facts and circumstances of each collateral-dependent loan, such as changes in outstanding balances, information received from loan officers and receipt of re-appraisals, at least quarterly. As of each review date, management considers whether additional provision and/or charge-offs should be recorded based on recent activity related to the loan-specific collateral as well as other relevant comparable assets. Any adjustment to reflect further exposure, either as a result of management's periodic review or as a result of an updated appraisal, are made through recording additional ACL provisions and/or charge-offs.

When a guarantor is relied upon as a source of repayment, it is the Company's policy to analyze the strength of the guaranty. This analysis varies based on circumstances, but may include a review of the guarantor's personal and business financial statements and credit history, a review of the guarantor's tax returns and the preparation of a cash flow analysis of the guarantor.

Any loan or portion thereof which is classified as "loss" or which is determined by management to be uncollectible because of factors such as the borrower's failure to pay interest or principal, the borrower's financial condition, economic conditions in the borrower's industry or the inadequacy of underlying collateral, is charged off.

REGULATION AND SUPERVISION

The following discussion sets forth certain material elements of the regulatory framework applicable to the Company. This discussion is a brief summary of the regulatory environment in which the Company operates and is not designed to be a complete discussion of all statutes and regulations affecting the Company's operations. Regulation of financial institutions is intended primarily for the protection of depositors, the deposit insurance fund and the safety and soundness of the U.S. financial system and generally is not intended for the protection of shareholders. Changes in applicable laws, and their implementation and application by regulatory agencies, cannot necessarily be predicted but could have a material and adverse effect on the Company's assets, business, cash flows, financial condition, liquidity, prospects and results of operations.

GENERAL

The Company is incorporated under the laws of the State of Mississippi and is subject to the applicable provisions of Mississippi banking laws, the laws of the various states in which it operates and federal law. The Company is subject to the supervision and examination of the FDIC and the Mississippi Department of Banking and Consumer Finance (the "MDBC"). Violations of laws and regulations, or other unsafe and unsound practices, may result in regulatory agencies imposing fines or penalties, cease and desist orders or other enforcement actions. Under certain circumstances, these agencies may enforce these remedies directly against officers, directors, employees and other parties participating in the affairs of a bank. Like all banks, we are regulated extensively under federal and state law. Under federal and state laws and regulations pertaining to the safety and soundness of insured depository institutions, the FDIC and the MDBC have the authority to compel or restrict certain actions on our part if they determine that we have insufficient capital or other resources, or are otherwise operating in a manner that may be deemed to be inconsistent with safe and sound banking practices. Under this authority, our regulators can require us or our subsidiaries to enter into informal or formal supervisory agreements, including board resolutions, memoranda of understanding, written agreements and consent or cease and desist orders, pursuant to which we would be required to take identified corrective actions to address cited concerns and to refrain from taking certain actions.

If we become subject to and are unable to comply with the terms of any regulatory actions or directives, supervisory agreements, or orders, then we could become subject to additional, heightened supervisory actions and orders, possibly including prompt corrective action restrictions and/or other regulatory actions, including prohibitions on the payment of dividends on our common stock and preferred stock. If our regulators were to take such supervisory actions, then we could, among other things, become subject to significant restrictions on our ability to develop any new business, as well as restrictions on our existing business, and we could be required to raise additional capital, dispose of certain assets and liabilities within a prescribed period of time, or both. The terms of any such action could have a material negative effect on our business, reputation, operating flexibility, financial condition, and the value of our common stock and preferred stock.

CHANGE IN CONTROL

Federal law restricts the amount of voting stock of a bank that a person may acquire without the prior approval of banking regulators. Under the Change in Bank Control Act and the regulations thereunder, a person or group must give advance notice to the FDIC before acquiring control of the Company. Upon receipt of such notice, the FDIC may approve or disapprove the acquisition. The Change in Bank Control Act creates a rebuttable presumption of control if a person or group acquires the power to vote 10% or more of our outstanding common stock. The overall effect of such laws is to make it more difficult to acquire a bank by tender offer or similar means than it might be to acquire control of another type of corporation. Consequently, shareholders of the Company may be less likely to benefit from the rapid increases in stock prices that may result from tender offers or similar efforts to acquire control of other companies. Investors should be aware of these requirements when acquiring shares of our stock.

GOVERNANCE AND FINANCIAL REPORTING OBLIGATIONS

We are required to comply with various corporate governance and financial reporting requirements under the Sarbanes-Oxley Act of 2002, as well as rules and regulations adopted by the SEC, the PCAOB, and the NYSE. In particular, we are required to include management and independent registered public accounting firm reports on internal controls as part of our Annual Report on Form 10-K in order to comply with Section 404 of the Sarbanes-Oxley Act. We have evaluated our controls, including compliance with the SEC rules on internal controls, and have and expect to continue to spend significant amounts of time and resources on compliance with these rules. Our failure to comply with these internal control rules may materially adversely affect our reputation, ability to obtain the necessary certifications to financial statements, and the values of our securities.

CONSUMER FINANCIAL PROTECTION BUREAU (“CFPB”)

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), created the CFPB, which is granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Practices Act, the Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act and certain other statutes. The CFPB has examination and primary enforcement authority under the consumer financial protection laws with respect to depository institutions with \$10.0 billion or more in assets. The CFPB has authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products. As noted above, the Company and Cadence Bank are subject to examination by the CFPB.

The CFPB has issued several regulations related to the origination of mortgages, foreclosures and overdrafts, as well as many other consumer issues. Additionally, the CFPB has proposed or will be proposing additional regulations, or modifying existing regulations, that directly relate to our business. Although it is difficult to predict at this time the extent to which the CFPB’s final rules impact the operations and financial condition of the bank, such rules may have a material impact on the bank’s compliance costs, compliance risk and fee income.

DIVIDENDS

Various federal and state laws limit the amount of dividends that the Company may pay to its shareholders without regulatory approval. Under Mississippi law, the Company must obtain the non-objection of the Commissioner of the MDBC prior to paying any dividend on the Company’s capital stock. Further, the Company may not pay any dividends if, after paying the dividend, it would be undercapitalized under applicable capital requirements. The FDIC also has the authority to prohibit the Company from engaging in business practices that the FDIC considers to be unsafe or unsound, which, depending on the financial condition of the Company, could include the payment of dividends. Under regulations controlling state-chartered banks, the payment of any dividends by a bank without prior approval of the FDIC is limited to the current year’s net profits (as defined) and retained net profits of the two preceding years.

CAPITAL REQUIREMENTS

We are required under federal law to maintain certain minimum capital levels based on ratios of capital to total assets and capital to risk-weighted assets. The required capital ratios are minimums, and the FDIC may determine that based on our size, complexity or risk profile, we must maintain a higher level of capital in order to operate in a safe and sound manner. Risks

such as concentration of credit risks and risks arising from non-traditional activities, as well as the institution's exposure to a decline in the economic value of its capital due to changes in interest rates, and an institution's ability to manage those risks, are important factors that are to be taken into account in assessing an institution's overall capital adequacy. The following is a brief description of the relevant provisions of these capital rules and their potential impact on our capital levels.

We are subject to the following risk-based capital ratios: CET1 risk-based capital ratio, Tier 1 risk-based capital ratio, which includes CET1 and additional Tier 1 capital, and total risk-based capital ratio, which includes Tier 1 and Tier 2 capital. CET1 is primarily comprised of the sum of common stock instruments and related surplus net of treasury stock plus retained earnings, less certain adjustments and deductions related to goodwill, intangible assets, mortgage servicing assets and deferred tax assets subject to temporary timing differences. Additional Tier 1 capital is primarily comprised of noncumulative perpetual preferred stock. Tier 2 capital consists of instruments disqualified from Tier 1 capital, including qualifying subordinated debt and a limited amount of loan loss reserves up to a maximum of 1.25% of risk-weighted assets, subject to certain eligibility criteria. The minimum capital to risk-weighted assets ratios are as follows: (1) CET1 of 4.5%, (2) Tier 1 capital of 6.0%, and (3) total capital of 8.0%. The capital rules also define the risk-weights assigned to assets and off-balance sheet items to determine the risk-weighted asset components of the risk-based capital rules, including, for example, certain "high volatility" commercial real estate, past due assets, structured securities and equity holdings.

The leverage capital ratio, which serves as a minimum capital standard, is the ratio of Tier 1 capital to quarterly average total consolidated assets net of goodwill, certain other intangible assets and certain required deduction items. The required minimum leverage ratio for all banks is 4%.

In addition, the regulatory capital rules require a capital conservation buffer of 2.5%, comprised of CET1, above each of the minimum risk-based capital ratio requirements (CET1, Tier 1, and total capital), which is designed to absorb losses during periods of economic stress. This buffer requirement must be met for the Company to be able to pay dividends, engage in share buybacks or make discretionary bonus payments to executive management without restriction.

In 2021, the Company's regulatory capital ratios were above the applicable minimums and met the capital conservation buffer.

PROMPT CORRECTIVE ACTION

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires federal bank regulatory authorities to take "prompt corrective action" with respect to depository institutions that do not meet minimum capital requirements. For these purposes, FDICIA establishes five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized."

An institution is deemed to be:

- "well capitalized" if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a Tier 1 leverage ratio of 5.0% or greater, and a common equity Tier 1 risk-based capital ratio of 6.5% or greater, and is not subject to a regulatory order, agreement or directive to meet and maintain a specific capital level for any capital measure;
- "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a Tier 1 leverage ratio of 4.0% or greater, and a common equity Tier 1 risk-based capital ratio of 4.5% or greater, and the institution does not meet the definition of a "well capitalized" institution;
- "undercapitalized" if it does not meet the definition of an "adequately capitalized" institution;
- "significantly undercapitalized" if it has a total risk-based capital ratio that is less than 6.0%, a Tier 1 risk-based capital ratio that is less than 4.0%, a Tier 1 leverage ratio that is less than 3.0%, and a common equity Tier 1 risk based capital ratio that is less than 3.0%; and
- "critically undercapitalized" if it has a ratio of tangible equity, as defined in the regulations, to total assets that is equal to or less than 2%.

Throughout 2021, the Company's regulatory capital ratios were in excess of the levels established for "well capitalized" institutions.

FDICIA generally prohibits a depository institution from making any capital distribution, including payment of a cash dividend, if the depository institution would be "undercapitalized" after such payment. "Undercapitalized" institutions are subject to growth limitations and are required by the appropriate, primary federal regulator to submit a capital restoration plan.

If an "undercapitalized" institution fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized." "Significantly undercapitalized" institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become "adequately capitalized," requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks.

"Critically undercapitalized" institutions may not, beginning 60 days after becoming "critically undercapitalized," make any payment of principal or interest on their subordinated debt. In addition, "critically undercapitalized" institutions are subject to appointment of a receiver or conservator within 90 days of becoming so classified.

Under FDICIA, a depository institution that is not "well capitalized" is generally prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market. As previously stated, the Company is "well capitalized," and the FDICIA brokered deposit rule did not adversely affect its ability to accept brokered deposits. The Company had \$395.1 million in brokered deposits at December 31, 2021.

FDIC INSURANCE

The deposits of the Company are insured by the Deposit Insurance Fund (the “DIF”), which the FDIC administers, up to applicable limits, which currently are set at \$250,000 per depositor, per insured bank, for each account ownership category. To fund the DIF, FDIC-insured banks are required to pay deposit insurance assessments to the FDIC. The deposit insurance assessment base is based on an insured institution’s average consolidated total assets minus its average tangible equity. The FDIC uses a “scorecard” system to determine deposit insurance premiums for institutions like the Company that have more than \$10 billion in assets. Each scorecard has a performance score and a loss-severity score that is combined to produce a total score. The FDIC is authorized to make discretionary adjustments to the total score based upon significant risk factors that are not adequately captured in the scorecard, which is translated into a premium rate.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. In addition, the Federal Deposit Insurance Act provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution.

STANDARDS FOR SAFETY AND SOUNDNESS

The Federal Deposit Insurance Act requires the federal bank regulatory agencies to prescribe, by regulation or guideline, operational and managerial standards for all insured depository institutions relating to: (1) internal controls; (2) information systems and audit systems; (3) loan documentation; (4) credit underwriting; (5) interest rate risk exposure; and (6) asset quality. The federal banking agencies have adopted regulations and Interagency Guidelines Establishing Standards for Safety and Soundness to implement these required standards. These guidelines set forth the safety and soundness standards used to identify and address problems at insured depository institutions before capital becomes impaired. Under the regulations, if a regulator determines that a bank fails to meet any standards prescribed by the guidelines, the regulator may require the bank to submit an acceptable plan to achieve compliance, consistent with deadlines for the submission and review of such safety and soundness compliance plans.

INTERSTATE BANKING AND BRANCHING LEGISLATION

Federal law allows banks to establish and operate a de novo branch in a state other than the bank’s home state if the law of the state where the branch is to be located would permit establishment of the branch if the bank were chartered by that state, subject to standard regulatory review and approval requirements. Federal law also allows the Company to acquire an existing branch in a state in which the Company is not headquartered and does not maintain a branch if the FDIC and MDBCF approve the branch or acquisition, and if the law of the state in which the branch is located or to be located would permit the establishment of the branch if the Company were chartered by that state.

Once a bank has established branches in a state through an interstate merger transaction or through de novo branching, the bank may then establish and acquire additional branches within that state to the same extent that a state-chartered bank is allowed to establish or acquire branches within the state. Current federal law authorizes interstate acquisitions of banks without geographic limitation. Further, a bank headquartered in one state is authorized to merge with a bank headquartered in another state, as long as neither of the states have opted out of such interstate merger authority prior to such date, and subject to any state requirement that the target bank shall have been in existence and operating for a minimum period of time, not to exceed five years, and subject to certain deposit market-share limitations.

AFFILIATE TRANSACTIONS AND INSIDER LOANS

The Company is subject to Regulation W, which comprehensively implements statutory restrictions on transactions between a bank and its affiliates. Regulation W combines the Federal Reserve’s interpretations and exemptions relating to Sections 23A and 23B of the Federal Reserve Act. Regulation W and Section 23A place limits on the amount of loans or extensions of credit to, investments in, or certain other transactions with affiliates, and on the amount of advances to third parties collateralized by the securities or obligations of affiliates. Regulation W and Section 23B prohibit a bank from, among other things, engaging in certain transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to the bank, as those prevailing at the time for comparable transactions with non-affiliated companies.

The Company is also subject to certain restrictions on extensions of credit to executive officers, directors, certain principal shareholders and their related interests. Such extensions of credit must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties and must not involve more than the normal risk of repayment or present other unfavorable features.

COMMUNITY REINVESTMENT ACT

The Community Reinvestment Act (“CRA”) provides an incentive for regulated financial institutions to meet the credit needs of their local community or communities, including low and moderate income neighborhoods, consistent with the safe and sound operation of such financial institutions. The regulations provide that the appropriate banking regulator will assess

reports under CRA in connection with applications for establishment of domestic branches, acquisitions of banks or mergers involving financial holding companies. An unsatisfactory rating under CRA may serve as a basis to deny an application to acquire or establish a new bank, to establish a new branch or to expand banking services.

The Federal Reserve, the Office of the Comptroller of the Currency (“OCC”) and the FDIC implement the CRA through their respective CRA regulations. The agencies have considered reform proposals to modernize the CRA in recent years. The Company expects to monitor developments with respect to any CRA rulemakings and assess the impact, if any, of changes to the CRA regulations.

ANTI-TERRORISM AND MONEY LAUNDERING

Pursuant to federal law, the Company is required to: (i) establish an anti-money laundering program; (ii) establish due diligence policies, procedures and controls with respect to its private banking accounts and correspondent banking accounts involving foreign individuals and certain foreign financial institutions; and (iii) avoid establishing, maintaining, administering or managing correspondent accounts in the United States for, or on behalf of, foreign financial institutions that do not have a physical presence in any country. The Company is also required to follow certain minimum standards to verify the identity of customers, both foreign and domestic, when a customer opens an account. In addition, federal law encourages cooperation among financial institutions, regulatory authorities and law enforcement authorities with respect to individuals, entities and organizations engaged in, or reasonably suspected of engaging in, terrorist acts or money laundering activities. Federal banking regulators are required, when reviewing bank acquisition and merger applications, to take into account the effectiveness of the anti-money laundering activities of the applicants.

On January 1, 2021, the Anti-Money Laundering Act of 2020 (the “AML Act”) was passed. The AML Act includes significant changes to anti-money laundering rules, including the creation of a national registry maintained by the Financial Crimes Enforcement Network (“FinCEN”) that banks may rely on to comply with customer due diligence requirements, enhancement of cooperation between banks and law enforcement, and improvement of corporate transparency. Passage of the AML Act started a rulemaking and policy development process that includes the Corporate Transparency Act and a proposed rulemaking that requires companies to report beneficial ownership to FinCEN for the first time in the history of federal law. The Company continues to monitor developments related to the enacted and proposed rulemakings.

CONSUMER PRIVACY, DATA SECURITY, AND OTHER CONSUMER PROTECTION LAWS

Federal law generally prohibits disclosure of non-public consumer information to non-affiliated third parties unless the consumer has been given the opportunity to object and has not objected to such disclosure. Financial institutions are further required to disclose their privacy policies to customers annually. Financial institutions, however, will be required to comply with state law if it is more protective of consumer privacy than federal law.

Federal law also directed federal regulators to prescribe standards for the security of consumer information. The Company is subject to such standards, as well as standards for notifying customers in the event of a security breach. The Company utilizes credit bureau data in underwriting activities. Use of such data is regulated under the Fair Credit Reporting Act and Regulation V on a uniform, nationwide basis, including credit reporting, prescreening, and sharing of information between affiliates and the use of credit data. The Fair and Accurate Credit Transactions Act, which amended the Fair Credit Reporting Act, permits states to enact identity theft laws that are not inconsistent with the conduct required by the provisions of that Act. Customers must be notified when unauthorized disclosure involves sensitive customer information that may be misused. On November 18, 2021, the federal banking agencies issued a new rule effective in 2022 that requires banks to notify their regulators within 36 hours of a “computer-security incident” that rises to the level of a “notification incident.”

The federal banking regulators regularly issue guidance regarding cybersecurity intended to enhance cyber risk management standards among financial institutions. As a result, financial institutions are expected to establish multiple lines of defense and to ensure their risk management processes address the risk posed by potential threats to the institution. A financial institution’s management is expected to maintain sufficient processes to effectively respond and recover the institution’s operations after a cyber-attack. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations if a critical service provider of the institution falls victim to this type of cyber-attack. Our information security protocols are designed in part to adhere the requirements of this guidance.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states have also recently implemented or modified their data breach notification and data privacy requirements. We expect this trend of state-level activity in those areas to continue and are continually monitoring developments in the states in which our customers are located.

The Company is also subject, in connection with its deposit, lending and leasing activities, to numerous federal and state laws aimed at protecting consumers, including the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Truth in Lending Act, the Truth in Savings Act, the Fair Housing Act, the Fair Credit Reporting Act, the Electronic Funds Transfer Act, the Currency and Foreign Transactions Reporting Act, the National Flood Insurance Act, the Flood Protection Act, laws and regulations governing unfair, deceptive, and/or abusive acts and practices, the Servicemembers Civil Relief Act, the Housing and Economic Recovery Act, and the Credit Card Accountability Act, among others, as well as various state laws.

The Company's insurance subsidiaries are regulated by the insurance regulatory authorities and applicable laws and regulations of the states in which they operate.

COMMERCIAL REAL ESTATE LENDING CONCENTRATION REGULATIONS

The federal banking agencies have promulgated guidance governing concentrations in commercial real estate lending for financial institutions. The guidance provides that a bank has a concentration in commercial real estate lending if (i) total reported loans for construction, land development and other land represent 100% or more of total capital or (ii) total reported loans secured by multifamily and non-farm residential properties and loans for construction, land development and other land represent 300% or more of total capital and the bank's commercial real estate loan portfolio has increased 50% or more during the prior 36 months. If a concentration is present, management must employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing and increasing capital requirements.

INCENTIVE COMPENSATION

The Dodd-Frank Act required the federal banking agencies and the SEC to establish joint rules or guidelines for financial institutions with more than \$1 billion in assets, such as us, which prohibit incentive compensation arrangements that the agencies determine to encourage inappropriate risks by the institution. The federal banking agencies issued proposed rules in 2011 and previously issued guidance on sound incentive compensation policies. In 2016, the federal banking agencies and the SEC proposed rules that would, depending upon the assets of the institution, directly regulate incentive compensation arrangements and would require enhanced oversight and recordkeeping. As of December 31, 2021, these rules have not been implemented.

The scope and content of banking regulators' policies on executive compensation are continuing to develop and are likely to continue evolving in the near future. It cannot be determined at this time whether compliance with such policies will adversely affect the Company's ability to hire, retain and motivate its key employees.

THE VOLCKER RULE

Section 13 of the BHC Act, commonly referred to as the "Volcker Rule," generally prohibits us and our subsidiaries from (i) engaging in certain proprietary trading, and (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund," all subject to certain exceptions. The Volcker Rule also specifies certain limited activities in which we and our subsidiaries may continue to engage and requires us to maintain a compliance program. In 2020, amendments to the proprietary trading and covered funds regulations issued by the federal banking agencies, the SEC, and the Commodity Futures Trading Commission took effect, simplifying compliance and providing additional exclusions and exemptions.

DEBIT INTERCHANGE FEES

Interchange fees, or "swipe" fees, are fees that merchants pay to credit card companies and card-issuing banks such as the Company for processing electronic payment transactions on their behalf. The maximum permissible interchange fee that a non-exempt issuer such as the Company may receive for an electronic debit transaction is the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction, subject to an upward adjustment of 1 cent if an issuer certifies that it has implemented policies and procedures reasonably designed to achieve the fraud-prevention standards set forth by the Federal Reserve. In addition, card issuers and networks are prohibited from entering into arrangements requiring that debit card transactions be processed on a single network or only two affiliated networks and allows merchants to determine transaction routing.

EFFECT OF GOVERNMENTAL POLICIES

The Company is affected by the policies of regulatory authorities, including the Federal Reserve, the FDIC, and the MDBC. An important function of the Federal Reserve is to regulate the national money supply. Among the instruments of monetary policy used by the Federal Reserve are: (i) purchases and sales of United States government and other securities in the marketplace; (ii) changes in the discount rate, which is the rate any depository institution must pay to borrow from the Federal Reserve; (iii) changes in the reserve requirements of depository institutions; and (iv) indirectly, changes in the federal funds rate, which is the rate at which depository institutions lend money to each other overnight. These instruments are intended to influence economic and monetary growth, interest rate levels, and inflation.

The monetary policies of the Federal Reserve and other governmental policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. Because of changing conditions in the national and international economy and in the money markets, as well as the result of actions by monetary and fiscal authorities, it is not possible to predict with certainty future changes in interest rates, deposit levels, loan demand, or the business and results of operations of the Company, or whether changing economic conditions will have a positive or negative effect on operations and earnings.

THE CARES ACT AND INITIATIVES RELATED TO COVID-19

In response to the COVID-19 pandemic, the CARES Act was signed into law on March 27, 2020 to provide national emergency economic relief measures. Many of the CARES Act's programs are dependent upon the direct involvement of U.S. financial institutions, such as the Company, and have been implemented through rules and guidance adopted by federal departments and agencies, including the U.S. Department of Treasury, the Federal Reserve and other federal banking agencies. Furthermore, as the COVID-19 pandemic has evolved, federal regulatory authorities have issued additional guidance with respect to the implementation, lifecycle, and eligibility requirements for the various CARES Act programs as well as industry-specific recovery procedures for COVID-19. In addition, it is possible that Congress will enact additional supplementary COVID-19 response legislation, including amendments to the CARES Act or new bills comparable in scope to the CARES Act.

OTHER PROPOSALS

Bills occasionally are introduced in the United States Congress and the Mississippi State Legislature and other state legislatures, and regulations are occasionally proposed by federal and state regulatory agencies, any of which could affect the businesses, financial results and financial condition of the Company. Generally, it cannot be predicted whether or in what form any particular proposals will be adopted or the extent to which the Company may be affected.

RECENT ACQUISITIONS AND TRANSACTION ACTIVITY

See Note 2 to the Consolidated Financial Statements for additional information regarding recent acquisitions.

HUMAN CAPITAL

We recognize that our most valuable asset is our people. One of our top strategic priorities is the retention and development of our talent. This includes providing career development opportunities for all associates; increasing our diversity, equity, and inclusion; training our next generation of leaders; and succession planning. Our goal each day is to create an environment that makes Cadence Bank a great place to work. We believe our relationship with our employees to be good. We have not experienced any material employment-related issues or interruptions of services due to labor disagreements and are not a party to any collective bargaining agreements.

Sourcing Talent

Our recruiting practices and hiring decisions are among our most important activities. In order to build a more talented and diverse organization, we do not rely only on our individual network for recruiting; instead, we utilize social media, local job fairs and educational organizations across the United States to find diverse, motivated and qualified employees.

Our Board of Directors recognizes the importance of succession planning for our CEO and other key executives. The Board annually reviews our succession plans for senior leadership roles, with the goal of ensuring we will continue to have the right leadership talent in place to execute the organization's long-term strategic plans.

Education and Training

We are dedicated to the continual training and development of our employees to ensure we can develop future managers and leaders from within our organization. Our training starts immediately with on-boarding procedures that focus on safety, responsibility, ethical conduct and inclusive teamwork.

In addition to on-boarding training, we provide extensive ongoing training and career development focused on:

- compliance with our Code of Business Conduct and Ethics;
- laws and regulations applicable to our business;
- skills and competencies directly related to employees' job duties;
- commitment to creating a diverse, equitable and inclusive workplace;
- management skills necessary to develop our next generation of leaders; and
- responsibility for personal safety and the safety of fellow employees.

Health and Welfare

We support our employees' and their families' health by offering full medical, dental and vision insurance for employees and their families, life insurance and long-term disability plans, and health and dependent care flexible spending accounts. We also provide our Employee Assistance Program ("EAP"), which includes confidential services that can help employees and their families with personal or work life issues. The EAP is available 24 hours a day, online or over the phone. During 2021, as a part of our merger integration, we evaluated the benefits at both legacy organizations and developed a health

and welfare benefit package that provides options for coverage that meet each teammate's needs. In order to make our benefits more affordable for lower compensated teammates, we have a varying contribution structure whereby lower compensated teammates pay less for coverage. We also provide benefit options for our part time employees. During 2021, we announced a new Parental Leave policy that provides up to eight weeks of paid leave for the birth or adoption of a child.

Retirement

We provide a variety of resources and services to help our employees prepare for retirement. We provide an employer funded pension plan that sets aside a cash contribution for all employees based on a percentage of their eligible pay and a 401(k) plan with a wide variety of investment options and a company match.

Diversity, Equity and Inclusion (“DEI”)

We have taken steps to expand our role as an employer that champions diversity, equity and inclusion. We believe diversity is not about how we differ; it is about how we embrace one another's differences and become the change we want to see in the world. Inclusion is diversity's seat at the table while equity ensures we are all valued fairly.

Our DEI efforts at Cadence are grounded solidly in our core values. Key focus areas include:

- Race, Power & Privilege
- Strategic Purpose & Partnerships
- Impediments to Inclusion and Culture Competence
- Conscious Bias Training
- Empowering Women in the Workplace
- Allyship
- Measuring the Impact of Diversity & Inclusion

The Diversity, Equity and Inclusion Council is a multi-cultural group of associates from varying levels and departments within the organization, nominated by management and their peers and serve voluntarily. The Council is chaired by our Chief Diversity Officer.

INFORMATION TECHNOLOGY

In addition, the ability to access and use technology is an increasingly competitive factor in the financial services industry. Technology is not only important with respect to delivery of financial services and protection of the security of customer information but also in processing information. We must continually make technology investments to remain competitive in the financial services industry. Accordingly, we continually adapt to the changing technological needs and wants of our clients by investing in our electronic banking platform. We use a combination of online and mobile banking channels to attract and retain clients and expand the convenience of banking with us. In most cases, our clients can initiate banking transactions from the convenience of their personal computer or smart phone, reducing the number of in-branch visits necessary to conduct routine banking transactions. The remote transactions available to our clients include remote image deposit, bill payment, external and internal transfers, ACH origination and wire transfer. We believe that our investments in technology and innovation are consistent with our clients' needs and will support future migration of our clients' transactions to these and other developing electronic banking channels. Further, we closely monitor information security for trends and new threats, including cybersecurity risks, and invest significant resources to continuously improve the security and privacy of our systems and data.

CORPORATE INFORMATION

Shares of Common Stock

Listed on the NYSE
NYSE Symbol: CADE

Shares of Series A Preferred Stock

Listed on NYSE
NYSE Symbol: CADE Pr A

Transfer Agent and Registrar

Computershare
250 Royall Street
Canton, MA 02021
Tel: (800) 368-5948
Internet address: www.computershare.com

ITEM 1A. RISK FACTORS.

SUMMARY OF RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including, but not limited, to the principal risks summarized below. Many of these risks are beyond our control although efforts are made to manage these risks while simultaneously optimizing operational and financial results. The occurrence of any of the following risks, as well as risks of which we are currently unaware or currently deem immaterial, could materially and adversely affect our assets, business, cash flows, condition (financial or otherwise), liquidity, prospects, results of operations and the trading price of our capital stock. A detailed discussion of our Risk Factors begins on page 19 following this Summary.

RISKS RELATED TO OUR BUSINESS

Public Health and Impact of COVID-19

- COVID-19 has adversely affected us and our customers, counterparties, employees and third party service providers, and;
- COVID-19 vaccination mandates could adversely affect our ability to attract and maintain employees.

Credit Risk

- If we do not properly manage our credit risk, our business could be seriously harmed;
- Our ACL may not be adequate to absorb credit losses in our portfolio, which may adversely impact our business, financial condition and results of operations;
- We make and hold in our portfolio real estate construction, acquisition and development loans, which are based upon estimates of costs and values associated with the completed project and which pose more credit risk than other types of loans typically made by financial institutions;
- Many of our loans are to commercial borrowers, which have unique risks compared to other types of loans;
- Our loan portfolio includes lending in energy and other specialized industries;
- Sustained low oil prices, volatility in oil prices and downturns in the energy industry, including in Texas, could materially and adversely affect us;
- A significant portion of our loan portfolio is comprised of loan participations and Shared National Credits (SNC's), which could have a material adverse effect on our ability to monitor such lending relationships and lead to an increased risk of loss;
- The amount of our nonperforming and criticized assets may adversely affect our results of operations and financial condition, and;
- The fair value of our investment securities may decline.

Market Risk

- Changes in interest rates could have an adverse impact on our results of operations and financial condition;
- Our business is highly susceptible to local economic conditions as a result of the geographic concentration of our operations, and;
- By engaging in derivative transactions, we are exposed to credit and market risk, which could adversely affect our profitability and financial condition.

Liquidity Risk

- Liquidity risk could impair our ability to fund operations and jeopardize our financial condition;
- We rely on customer deposits as a significant source of funding, and our deposits may decrease in the future;
- The borrowing needs of our clients may increase, especially during a challenging economic environment, which could result in increased borrowing against our contractual obligations to extend credit, and;
- Our indebtedness could affect our ability to meet our obligations and may otherwise restrict our activities, and;
- We rely on the mortgage secondary market for some of our liquidity.

Strategic Risk

- We compete with financial holding companies, bank holding companies, banks, insurance and other financial services companies;
- Consumers may decide not to use banks to complete their financial transactions, which could adversely affect our net income;
- Our growth strategy includes risks that could have an adverse effect on our financial performance;
- If we are unable to manage our growth effectively, our operations could be negatively affected;
- We face risks in connection with completed or potential acquisitions;
- We may not realize all of the anticipated benefits of the acquisition of Legacy Cadence;
- We may not be able to raise additional capital in the future, and;
- If the goodwill that we record in connection with a business acquisition becomes impaired, it could require a charge to earnings.

Operational Risk

- We are subject to environmental liability risk associated with our lending activities;
- We may be adversely impacted by the transition from LIBOR as a reference rate;
- Technology is continually changing and we must effectively implement new innovations in providing services to our customers;
- Our business is, and will continue to be, dependent on technology and an inability to invest in technological improvements or obtain reliable technological support may adversely affect our results of operation and financial condition;
- We are subject to a variety of systems-failure and cybersecurity risks that could adversely affect our business and financial performance;
- We may be adversely affected by the failure of certain third-party vendors to perform;
- Our earnings could be adversely impacted by incidences of fraud and compliance failures that are not within our direct control;
- We are subject to laws regarding the privacy, information security and protection of personal information and any violation of these laws or another incident involving personal, confidential or proprietary information of individuals could damage our reputation and otherwise adversely affect our operations and financial condition, and;
- We may be adversely affected by the soundness of other financial institutions.

RISKS RELATED TO THE REGULATION OF OUR INDUSTRY

Regulatory Risk

- The banking industry is highly regulated, and current and future legislative or regulatory changes could have a significant adverse effect on our business, financial condition, or results of operations;
- Regulatory initiatives regarding bank capital requirements may require increased capital;
- Changes in accounting rules applicable to banks could adversely affect our financial condition and results of operations;
- Regulators periodically examine our business and we may be required to remediate adverse examination findings, and;
- The Company is operating under a Consent Order, and its failure to comply with the Consent Order could materially and adversely affect our business.

Compliance Risk

- We are subject to numerous laws designed to protect consumers, including the CRA and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions;
- Federal, state and local consumer lending laws may restrict our ability to originate certain mortgage loans or increase our risk of liability with respect to such loans and could increase our cost of doing business, and;
- The expanding body of federal, state and local regulations and/or the licensing of loan servicing, collections or other aspects of our business and our sales of loans to third parties may increase the cost of compliance and the risks of noncompliance and subject us to litigation.

GENERAL RISK FACTORS

Economic Conditions

- The fiscal and monetary policies of the U.S. government could have a material adverse effect on our results of operations;
- The Federal Reserve has implemented significant economic strategies that have impacted interest rates, inflation, asset values, and the shape of the yield curve, over which the Company has no control and which the Company may not be able to adequately anticipate, and;
- The current economic environment poses significant challenges and could adversely affect our financial condition and results of operations.

Investment in Our Common Stock

- The price of our common stock and preferred stock may fluctuate significantly, which may make it difficult for investors to resell shares of our common stock or preferred stock at a time or price they find attractive;
- Securities analysts may not continue coverage on our common stock, which could adversely affect the market for our common stock;
- The rights of our common shareholders are generally subordinate to the rights of holders of our debt securities and preferred stock and may be subordinate to the rights of holders of any class of preferred stock or any debt securities that we may issue in the future;
- Adverse changes in the ratings for our debt securities or preferred stock could have a material adverse effect on our business, financial condition and liquidity and may increase our funding costs or impair our ability to effectively compete for business and clients;
- Our ability to declare and pay dividends is limited;
- Our certificate of incorporation and bylaws include provisions that could impede a takeover of the Company;
- Shares of our common stock and preferred stock are not deposits insured by the FDIC and are subject to risk of loss, and;
- The return on investment in our common stock is uncertain.

Other Risks

- As a public company, we incur significant legal, accounting, insurance, compliance and other expenses. Any deficiencies in our financial reporting or internal controls could materially and adversely affect us, including resulting in material misstatements in our financial statements, and the market price of our common stock;
- We may be adversely affected by changes in U.S. tax laws;
- We depend upon key personnel and we may not be able to retain them or attract, assimilate and retain highly qualified employees in the future;
- We are required to make significant estimates and assumptions in the preparation of our financial statements. These estimates and assumptions may not be accurate and are subject to change;
- We are involved in legal proceedings and may be the subject of additional litigation or government investigations in the future; the actual cost of legal proceedings may exceed our accruals for them;
- Reputational risk may impact our results;
- Our framework for managing risks may not be effective in mitigating risk and any resulting loss;
- The effects of climate change could include increases in the number and severity of hurricanes, tornados, tropical storms or other adverse weather events, which could in turn negatively affect local economies where we maintain branch offices or cause disruption or damage to our branch office locations, which could have an adverse effect on our business or results of operations, and;
- Anti-takeover provisions may discourage a change of our control.

RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including, but not limited, to the material risks described below. Many of these risks are beyond our control although efforts are made to manage these risks while simultaneously optimizing operational and financial results. The occurrence of any of the following risks, as well as risks of which we are currently unaware or currently deem immaterial, could materially and adversely affect our business, results of operations and/or financial condition. It is impossible to predict or identify all such factors and, as a result, the following factors should not be considered to be a complete discussion of the risks, uncertainties and assumptions that could affect us.

In addition, certain statements in the following risk factors constitute forward-looking statements. Please refer to the section entitled “Cautionary Note Regarding Forward-Looking Statements” beginning on page 3 of this Report.

RISKS RELATED TO OUR BUSINESS

Public Health and Impact of COVID-19

COVID-19 has adversely affected us and our customers, counterparties, employees and third party service providers, and continued adverse impacts on our business, financial condition, results of operations and prospects could be significant.

The success of the Company’s business is dependent upon the willingness and ability of its customers to engage in banking and other financial transactions. COVID-19 has caused severe disruptions in domestic and global economies and financial markets which, in turn, has significantly disrupted the Company’s business and the businesses of its customers. As a result, some of the Company’s customers have had to suspend or materially limit, and in some circumstances cease, their operations. COVID-19 has also led to emergency actions by the Federal Reserve and other federal and state governmental authorities, as well as significant declines in interest rates and equity market valuations and supply chain disruptions. While indications of economic recovery exist, our customers continue to experience varying degrees of financial distress, which is expected to continue in 2022, especially if COVID-19 variant infections are not adequately contained and new economic restrictions are mandated and implemented.

Because of the aforementioned consequences of the pandemic, and its ongoing and evolving impact on economies and financial markets in which the Company participates, the Company cannot predict the ultimate impact of COVID-19 on our business, financial condition or results of operations. COVID-19 has resulted, and may continue to result, in the following, the occurrence of any or all of which could have a materially adverse effect on the Company’s business, financial condition and results of operations. The extent of the impact of the COVID-19 pandemic includes:

- *Reductions in net interest revenue and net interest margin.* The current interest rate environment has negatively impacted the Company’s net interest margin. The Company’s fully taxable equivalent net interest margin was 2.96% for 2021 and 3.36% for 2020 compared to 3.84% for 2019. The Company expects that as long as interest rates remain at or near zero, the Company’s net interest revenue and net interest margin could continue to experience downward pressure. For more information regarding the impact that changes in interest rates could have on the Company’s business, see “— Changes in interest rates could have an adverse impact on the Company’s results of operations and financial condition”.
- *Impact on the loan portfolio.* The economic uncertainties resulting from COVID-19 resulted in decreased demand for loans in certain segments of the Company’s loan portfolio.
- *Increased volatility in the provision and the allowance for credit losses (“ACL”).* Our accounting policies have changed significantly with the adoption of the current expected credit loss (“CECL”) accounting standard as of January 1, 2020. Because of CECL, our financial results may be impacted as soon as changes in economic conditions are forecasted and alter our expectations for credit losses on the various loan segments.
- *Increased deposits.* Deposits have increased significantly in 2021 and 2020, as a result of increases in customers’ liquidity in the current economic environment and as a result of fiscal stimulus.
- *Increased systems-failure risk and cybersecurity risk.* In response to the COVID-19 pandemic many financial institutions and other businesses instituted work-from-home policies for much of their staff. The implementation of the Company’s continuity of operations plan led to a significant number of the Company’s employees working remotely. The continuation of these work-from-home measures introduces additional operational risks, including increased cybersecurity risks. These cybersecurity risks include the potential for greater phishing, malware, and other cybersecurity attacks, vulnerability to disruptions of the Company’s information technology infrastructure and telecommunications systems for remote operations, increased risk of unauthorized dissemination of confidential information, limited ability to restore the systems in the event of a systems failure or interruption, greater risk of a security breach resulting in destruction or misuse of valuable information, and potential impairment of the Company’s ability to perform critical functions, including wiring funds, all of which could expose us to risks of data or financial loss, litigation and liability and could seriously disrupt the Company’s operations and the operations of any impacted customers. Many employees have returned to the office, but issues surrounding their return may arise, including employee dissatisfaction regarding safety protocols including those regarding testing and vaccines, which may cause employee concern and reduction in employee work satisfaction.

Any ongoing effects of the pandemic are discussed and described in more detail throughout Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

COVID-19 vaccination mandates could adversely affect our ability to attract and maintain employees

In response to COVID-19, we implemented significant changes that we determined were in the best interest of our employees and which comply with government orders in all the states where we operate. In an effort to keep our employees safe and to maintain operations during COVID-19, we have implemented a number of new health-related measures, including cleaning and sanitizing procedures at all locations, social-distancing, restrictions on visitors to our facilities, and limiting in-person meetings and other gatherings. Additionally, we are following certain government policies and recommendations designed to slow the spread of COVID-19. We may not be able to attract or retain employees as a result of these protocols, and though we believe these actions are appropriate and prudent to safeguard our employees, contractors, suppliers and customers while allowing us to safely continue operations, we cannot predict how the steps we, our team members, government entities, suppliers or customers take in response to COVID-19 will ultimately impact our business, outlook, or results of operations.

Credit Risk

If we do not properly manage our credit risk, our business could be seriously harmed.

There are substantial risks inherent in making any loan or lease, including, but not limited to:

- risks resulting from changes in economic and industry conditions;
- risks inherent in dealing with borrowers;
- risks inherent from uncertainties as to the future value of collateral; and
- the risk of non-payment of loans and leases.

Although we attempt to minimize our credit risk through prudent loan and lease underwriting procedures and by monitoring concentrations of our loans and leases, there can be no assurance that these underwriting and monitoring procedures will reduce these risks. Moreover, as we continue to expand into new markets, credit administration and loan and lease underwriting policies and procedures may need to be adapted to local conditions. The inability to properly manage our credit risk or appropriately adapt our credit administration and loan and lease underwriting policies and procedures to local market conditions or changing economic circumstances could have an adverse effect on our allowance and provision for credit losses and our financial condition, results of operations and liquidity.

Our ACL may not be adequate to absorb credit losses in our portfolio, which may adversely impact our business, financial condition and results of operations.

We make various assumptions and judgments about the collectability of our loan and lease portfolio and utilize these assumptions and judgments when determining the ACL. The determination of the appropriate level of the ACL inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the ACL. In addition, bank regulatory agencies periodically review our ACL and may require an increase in the ACL or future provisions for credit losses, based on judgments different than those of management. Significant increases in the ACL will result in a decrease in our net income and capital, and thus could have a material adverse effect on our financial condition and results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Provision for Credit Losses and Allowance for Credit Losses" included herein for more information regarding our process for determining the appropriate level of the ACL.

We make and hold in our portfolio real estate construction, acquisition and development loans, which are based upon estimates of costs and values associated with the completed project and which pose more credit risk than other types of loans typically made by financial institutions.

At December 31, 2021, our real estate construction, acquisition and development loans represented 10.9% of our loan portfolio. These loans have certain risks not present in other types of loans. The primary credit risks associated with real estate construction, acquisition and development loans are underwriting, project and market risks. Project risks include cost overruns, borrower credit risk, project completion risk, general contractor credit risk and environmental and other hazard risks. Market risks are risks associated with the sale of the completed residential and commercial units. They include affordability risk, which means the risk that borrowers cannot obtain affordable financing, product design risk, and risks posed by competing projects.

Real estate construction, acquisition and development loans also involve additional risks because funds are advanced upon the security of the project, which is of uncertain value prior to its completion, and costs may exceed realizable values in declining real estate markets. Because of the uncertainties inherent in estimating construction costs and the realizable market value of the completed project and the effects of governmental regulation of real property, it is difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, real estate construction, acquisition and development loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated or market values or rental rates decline, we may have inadequate security for the repayment of the loan upon completion of construction of the project. If we are forced to foreclose on a project prior to or at completion due to a default, there can be no assurance that we will be able to recover all of the unpaid balance and accrued interest on the loan as well as related foreclosure and holding costs. In addition, we may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time while we attempt to dispose of it. The adverse effects of the foregoing matters upon our real estate construction, acquisition and development portfolio could result in an increase in non-performing loans related to this portfolio and a resulting increase in charge-offs, which may have a material adverse effect on our financial condition and results of operations.

Many of our loans are to commercial borrowers, which have unique risks compared to other types of loans.

As of December 31, 2021, approximately 71.7% of our loan portfolio was comprised of commercial loans. Because payments on these loans are often dependent on the successful operation or development of the property or business involved, their repayment is sensitive to adverse conditions in the real estate market and the general economy. Accordingly, downturns in the real estate market and economy increase the risk related to commercial loans, particularly commercial real estate loans. Commercial loans are also subject to loan specific risks, including risks associated with construction, cost overruns, project completion risk, general contractor credit risk and risks associated with the ultimate sale or use of the completed construction. If a decline in economic conditions, natural disasters affecting commercial development or other issues cause difficulties for our commercial loan borrowers, if we fail to evaluate the credit of these loans accurately when we underwrite them or if we fail to adequately monitor the performance of these loans, our lending portfolio could experience delinquencies, defaults and credit losses that could have a material adverse effect on our business, financial condition or results of operations.

Our loan portfolio includes lending in energy and other specialized industries.

Our loan portfolio includes lending in energy and other specialized industries. As of December 31, 2021, 6.9% of our total loans outstanding were to companies operating in the restaurant and healthcare industries, and 5.4% were to companies operating in the energy sector. These industries and businesses are sensitive to economic conditions and complex factors (such as supply chain factors), which may expose us to risks unique to these industries. Oil prices can fluctuate widely on a month-to-month basis in response to a variety of factors that are beyond our control. Factors that contribute to price fluctuations include instability in oil-producing regions, worldwide economic conditions, weather conditions, the supply and price of domestic and foreign oil, natural gas and natural gas liquids, consumer demand, the price and availability of alternative fuels, the proximity to, and capacity of, transportation facilities and the effect of worldwide energy conservation measures. Adverse economic conditions or business conditions relating to these industries could negatively impact our operating results more than if our loan portfolio was not concentrated in these industries.

Sustained low oil prices, volatility in oil prices and downturns in the energy industry, including in Texas and Louisiana, could materially and adversely affect us.

As of December 31, 2021, energy lending comprised approximately 5.4% of our loan portfolio. The economy in Texas and Louisiana significantly depends on the energy industry. A downturn or lack of growth in the energy industry and energy-related businesses, including sustained low oil prices or the failure of oil prices to rise in the future, could adversely affect our results of operations and financial condition. The economic impacts of COVID-19 initially resulted in pricing pressure on oil and gas and weaker demand for energy lending. These factors and general uncertainty resulting from continued volatility could have other future adverse impacts such as job losses in energy-related industries, lower borrowing needs, higher transaction deposit balances and other effects that are difficult to isolate or quantify. Such impacts could particularly impact states with significant dependence on the energy industry such as Texas and Louisiana, all of which could have a material adverse effect on our business, financial condition and results of operations.

A significant portion of our loan portfolio is comprised of loan participations and Shared National Credits (SNC's), which could have a material adverse effect on our ability to monitor such lending relationships and lead to an increased risk of loss.

We participate in loans originated by other institutions and in SNC's, broadly defined as loans to larger institutions by a group of participating lenders where the client's needs are larger than any individual lender can prudently provide, and in which other lenders serve as the agent bank. Additionally, our specialized industries lending includes larger, national companies that tend to be served through SNC's. As of December 31, 2021, approximately 10.5% of our total loans, consisted of SNC's. For the vast majority of SNC's, we are not the lead bank. Our reduced control over the monitoring and management of these relationships could lead to increased risk of loss, which could have a material adverse effect on our results of operations.

The amount of our nonperforming and criticized assets may adversely affect our results of operations and financial condition.

At December 31, 2021 and 2020, our nonperforming assets to total assets were 0.39% and 0.55%, respectively. Total criticized loans as of December 31, 2021 and 2020, were \$675.7 million and \$420.4 million, respectively. The increase in criticized loans is the result of our acquisitions in 2021. Increases in nonperforming assets and criticized loans could result in increased provisions for credit losses, lost income, and additional expenses to maintain such assets which could have a material adverse effect on our results of operations.

The fair value of our investment securities may decline.

As of December 31, 2021, the fair value of our investment securities portfolio was approximately \$15.6 billion. Factors beyond our control can significantly influence the fair value of our securities and can cause adverse changes to the fair value of these securities. These factors include rating agency actions, defaults by or other adverse events affecting the issuer, lack of liquidity, changes in market interest rates, and continued instability in the capital markets. A prolonged decline in the fair value of our securities could result in an other-than-temporary impairment write-down, which would affect our results of operations.

Market Risk

Changes in interest rates could have an adverse impact on our results of operations and financial condition.

Our earnings and financial condition are dependent to a large degree upon net interest income, which is the difference or spread, between interest earned on interest-earning assets and interest paid on interest-bearing liabilities. When market rates of interest change, the interest we receive on our assets and the interest we pay on our liabilities may fluctuate. This can cause decreases in our spread and can adversely affect our earnings and financial condition.

Interest rates are highly sensitive to many factors including:

- The rate of inflation;
- Economic conditions;
- Federal monetary policies; and
- Stability of domestic and foreign markets.

Although we have implemented practices we believe will reduce the potential effects of changes in interest rates on our net interest income, these practices may not always be successful. Accordingly, changes in levels of market interest rates could materially and adversely affect our net interest income and our net interest margin, asset quality, loan and lease origination volume, liquidity, and overall profitability. We cannot assure you that we can minimize our interest rate risk.

In addition, the Company originates residential mortgage loans for sale and for our portfolio. The origination of residential mortgage loans is highly dependent on the local real estate market and the level of interest rates. Increasing interest rates tend to reduce the origination of loans for sale and fee income, which we report as gain on sale of loans. Decreasing interest rates generally result in increased prepayments of loans and mortgage-backed securities, as borrowers refinance their debt in order to reduce their borrowing cost. This typically leads to reinvestment at lower rates than the loans or securities were paying. Changes in market interest rates could also reduce the value of our financial assets. Our financial condition and results of operations could be adversely affected if we are unsuccessful in managing the effects of changes in interest rates.

Our business is highly susceptible to local economic conditions as a result of the geographic concentration of our operations.

Our business is primarily concentrated in select markets in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Missouri, Tennessee, Texas and Illinois. Our financial condition and results of operations depend largely upon economic conditions in these market areas. Deterioration in economic conditions in the markets we serve could result in one or more of the following: an increase in loan delinquencies; an increase in problem assets and foreclosures; a decrease in the demand for our products and services; and a decrease in the value of collateral for loans, especially real estate collateral, in turn reducing customers' borrowing power, the value of assets associated with problem loans and collateral coverage. Our markets are also susceptible to severe weather. The occurrence of adverse weather and natural disasters could destroy or cause a decline in the value of assets that serve as collateral and increase the risk of delinquencies, defaults, foreclosures and losses on our loans, damage our facilities and offices, negatively impact regional economic conditions, result in a decline in local loan demand, loan originations and deposit availability and negatively impact our growth strategy. Any one or more of these developments could have a material adverse effect on our business, financial condition or results of operations.

By engaging in derivative transactions, we are exposed to credit and market risk, which could adversely affect our profitability and financial condition.

We manage interest rate risk by, among other things, utilizing derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Hedging interest rate risk is a complex process, requiring sophisticated models and constant monitoring, and is approximate. Due to interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation will generally be offset by income or loss on the derivative instruments that are linked to the hedged assets and liabilities. By engaging in derivative transactions, we are exposed to credit and market risk. If the counterparty fails to perform, credit risk exists to the extent of the fair value gain in the derivative. Market risk exists to the extent that interest rates change in ways that are significantly different from what we expected when we entered into the derivative transaction. The existence of credit and market risk associated with our derivative instruments could adversely affect our net interest income and, therefore, could have a material effect on our business, financial condition and results of operations. Failure to manage interest rate risk could have a material adverse effect on our business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk."

Liquidity Risk

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on the Company's liquidity. Our access to funding sources in amounts adequate to finance our activities or on terms which are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. A decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated as well as adverse regulatory actions against us could detrimentally impact our access to liquidity sources. In addition, our access to deposits may be affected by the liquidity and/or cash flow needs of depositors. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry generally.

We rely on customer deposits as a significant source of funding, and our deposits may decrease in the future.

We rely on customer deposits as a significant source of funding. Competition among U.S. banks and non-banks for customer deposits is intense and may increase the cost of deposits or prevent new deposits and may otherwise negatively affect our ability to grow our deposit base. Our deposit accounts may decrease in the future, and any such decrease could have a material adverse impact on our sources of funding. Any changes we make to the rates offered on our deposit products to remain competitive with other financial institutions may adversely affect our profitability. The demand for our deposit products may also be reduced due to a variety of factors such as demographic patterns, changes in customer preferences, including customers moving funds out of bank deposits and into alternative investments, such as the stock market, that may be perceived as providing superior expected returns, reductions in consumers' disposable income, regulatory actions that decrease customer access to particular products or the availability of competing products. In addition, a portion of our deposits are brokered deposits. The levels of these types of deposits that we hold may be more volatile during changing economic conditions.

The borrowing needs of our clients may increase, especially during a challenging economic environment, which could result in increased borrowing against our contractual obligations to extend credit.

A commitment to extend credit is a formal agreement to lend funds to a client as long as there is no violation of any condition established under the agreement. The actual borrowing needs of our clients under these credit commitments have historically been lower than the contractual amount of the commitments. As of December 31, 2021, we had \$9.0 billion in unfunded credit commitments to our clients. Actual borrowing needs of our clients may exceed our expectations for any numbers of reasons. This could adversely affect our liquidity, which could impair our ability to fund operations and meet obligations as they become due and could have a material adverse effect on our business, financial condition and results of operations.

Our indebtedness could affect our ability to meet our obligations and may otherwise restrict our activities.

Our indebtedness could limit our ability to borrow money for funding loans, capital expenditures, debt service requirements or other corporate purposes; require us to dedicate a substantial portion of our cash flow to payments on our indebtedness; increase our vulnerability to general adverse economic and industry conditions; and limit our ability to respond to business opportunities, including growing our business through acquisitions. In addition, the instruments governing our indebtedness contain certain restrictive covenants including with respect to consolidating or merging the Company or the Bank into another entity or transferring substantially all of their respective assets or properties. Certain of the Company's debt also contains restrictions on the Company's ability to assign or grant a security interest in or otherwise dispose of any shares of the voting stock of the Bank. Failure to meet any of these covenants could result in an event of default under these agreements. If an event of default occurs under these agreements, the lenders could elect to declare all amounts outstanding under these agreements to be immediately due and payable.

As of December 31, 2021, the Company had \$482.4 million of subordinated and long-term debt outstanding. Total interest expense on this debt was \$14.6 million on a pre-tax basis for 2021. An increase in interest rates will increase our interest expense. See "Item 7A. Quantitative and Qualitative Disclosures about Market Risk." In addition, we may not be able to refinance our indebtedness on substantially similar terms, or at all, at or prior to the time that it comes due.

We rely on the mortgage secondary market for some of our liquidity.

We originate and sell a majority of our residential mortgage loans and their servicing rights. We rely on the Federal National Mortgage Association ("FNMA") and other purchasers to purchase loans in order to reduce our credit risk and provide funding for additional loans we desire to originate. We cannot provide assurance that these purchasers will not materially limit their purchases from us due to capital constraints or other factors, including, with respect to FNMA, a change in the criteria for conforming loans. In addition, various proposals have been made to reform the U.S. residential mortgage finance market, including the role of FNMA. The exact effects of any such reforms are not yet known, but may limit our ability to sell conforming loans to FNMA. In addition, residential mortgage lending is highly regulated, and our inability to comply with all federal and state regulations and investor guidelines regarding the origination, underwriting documentation and servicing of residential mortgage loans may also impact our ability to continue selling residential mortgage loans. If we are unable to continue to sell loans in the secondary market, our ability to fund, and thus originate, additional residential mortgage loans may be adversely affected, which could have a material adverse effect on our business, financial condition or results of operations.

Strategic Risk

We compete with financial holding companies, bank holding companies, banks, insurance and other financial services companies.

The banking, insurance and financial services businesses are extremely competitive in our markets. Certain of our competitors, many of which are well-established banks, credit unions, insurance agencies and other large financial institutions, have an advantage over us through substantially greater financial resources, lending limits and larger distribution networks, and are able to offer a broader range of products and services. Other competitors, many of which are smaller, are privately-held and thus benefit from greater flexibility in adopting or modifying growth or operational strategies than we do. If we fail to compete effectively for deposits, loans, leases and other banking customers in our markets, we could lose substantial market share, suffer a slower growth rate or no growth and our financial condition, results of operations and liquidity could be adversely affected.

Consumers may decide not to use banks to complete their financial transactions, which could adversely affect our net income.

Technology and other changes now allow parties to complete financial transactions without banks. For example, consumers can pay bills, transfer funds directly and obtain loans without banks. This process could result in the loss of interest and fee income, as well as the loss of customer deposits and the income generated from those deposits.

Non-bank financial technology providers invest substantial resources in developing and designing new technology, particularly digital and mobile technology, and are beginning to offer more traditional banking products either directly or through bank partnerships. Further, clients may choose to conduct business with other market participants who engage in business or offer products in areas we deem speculative or risky, such as cryptocurrencies. Increased competition may negatively affect our earnings by creating pressure to lower prices or credit standards on our products and services requiring additional investment to improve the quality and delivery of our technology and/or reducing our market share, or affecting the willingness of our clients to do business with us.

In addition, the widespread adoption of new technologies, including internet banking services, mobile banking services, cryptocurrencies and payment systems, could require substantial expenditures to modify or adapt our existing products and services as we grow and develop our internet banking and mobile banking channel strategies in addition to remote connectivity solutions. We might not be successful in developing or introducing new products and services, integrating new products or services into our existing offerings, responding or adapting to changes in consumer behavior, preferences, spending, investing and/or saving habits, achieving market acceptance of our products and services, reducing costs in response to pressures to deliver products and services at lower prices or sufficiently developing and maintaining loyal customers.

Further, we may experience a decrease in customer deposits if customers perceive alternative investments, such as the stock market, as providing superior expected returns. When customers move money out of bank deposits in favor of alternative investments, we may lose a relatively inexpensive source of funds, and be forced to rely more heavily on borrowings and other sources of funding to fund our business and meet withdrawal demands, thereby increasing our funding costs and adversely affecting our net interest margin.

Our growth strategy includes risks that could have an adverse effect on our financial performance.

An element of our growth strategy is the acquisition of additional banks, bank holding companies, financial holding companies, insurance agencies and/or other businesses related to the financial services industry that may complement our organizational structure in order to achieve greater economies of scale. The market for acquisitions remains highly competitive. Accordingly, we cannot assure you that appropriate growth opportunities will continue to exist, that we will be able to acquire banks, insurance agencies, bank holding companies and/or financial holding companies that satisfy our criteria or that any such acquisitions will be on terms favorable to us. To the extent that we are unable to find suitable acquisition candidates, an important component of our growth strategy may be lost.

In addition, acquisitions of financial institutions involve operational risks and uncertainties and acquired companies may have unforeseen liabilities, exposure to asset quality problems, key employee and customer retention problems and other problems that could negatively affect our organization. We may incur substantial costs to expand, and we cannot give assurance such expansion will result in the levels of profits we seek. We may not be able to complete future acquisitions; and, if completed, we may not be able to successfully integrate the operations, management, products and services of the entities that we acquire and eliminate redundancies. The integration process could result in the loss of key employees or disruption of the combined entity's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers and employees or achieve the anticipated benefits of the transaction. The integration process may also require significant time and attention from our management that they would otherwise direct at servicing existing business and developing new business. Our inability to find suitable acquisition candidates and failure to successfully integrate the entities we acquire into our existing operations may increase our operating costs significantly and adversely affect our business and earnings.

Further, our growth strategy requires that we continue to hire qualified personnel, while concurrently expanding our managerial and operational infrastructure. We cannot assure you that we will be able to hire and retain qualified personnel or that we will be able to successfully expand our infrastructure to accommodate future acquisitions or growth. As a result of these factors, we may not realize the expected economic benefits associated with our acquisitions. This could have a material adverse effect on our financial performance.

If we are unable to manage our growth effectively, our operations could be negatively affected.

If we experience growth in the future, we could face various risks and difficulties, including:

- finding suitable markets for expansion;
- finding suitable candidates for acquisition;
- attracting funding to support additional growth;
- maintaining asset quality;
- attracting and retaining qualified management and personnel; and
- maintaining adequate regulatory capital.

In addition, in order to manage our growth and maintain adequate information and reporting systems within our organization, we must identify, hire and retain additional qualified associates, particularly in the accounting and operational areas of our business.

If we do not manage our growth effectively, our business, financial condition, results of operations and future prospects could be negatively affected, and we may not be able to continue to implement our business strategy and successfully conduct our operations.

We face risks in connection with completed or potential acquisitions.

Historically, we have grown through the acquisition of other financial institutions as well as the development of de novo offices. During 2021, we completed three mergers, including our acquisition of Cadence Bancorporation and Cadence Bank, N.A. (collectively, “Legacy Cadence”). As appropriate opportunities present themselves, we have pursued and intend to continue to pursue additional acquisitions in the future that we believe are strategic and accretive to earnings. There can be no assurance that we will be able to identify, negotiate, finance or consummate potential acquisitions successfully or, if consummated, integrate such acquisitions with our current business.

We may not realize all of the anticipated benefits of the acquisition of Legacy Cadence.

Our ability to realize the anticipated benefits of the acquisition of Legacy Cadence will depend, to a large extent, on our ability to successfully integrate the acquired business. The integration and combination of the acquired business is a complex, costly and time-consuming process. As a result, we will be required to devote significant management attention and resources to integrating their business practices and operations with ours. The integration process may disrupt our business and the business of Legacy Cadence and, if implemented ineffectively, could limit the full realization of the anticipated benefits of the acquisition. The failure to meet the challenges involved in integrating the acquired businesses and to realize the anticipated benefits of the acquisition could cause an interruption of, or a loss of momentum in, our business activities or those of Legacy Cadence and could adversely impact our business, financial condition and results of operations. In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, loss of customers and diversion of our management’s and employees’ attention. The challenges of combining the operations of the companies include, among others:

- Difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects, including the potential adverse impact of the Company’s assumption of Legacy Cadence’s outstanding debt obligations;
- Difficulties in the integration of operations and teams;
- Difficulties in the assimilation and retention of employees;
- Difficulties in managing the expanded operations of a larger and more complex company;
- Challenges in keeping existing customers and obtaining new customers;
- Challenges in attracting and retaining key personnel, including personnel that are considered key to future success;
- Challenges related to Legacy Cadence’s credit quality and credit risk; and
- Challenges in keeping key business relationships in place.

Many of these factors are outside of our control and any one of them could result in increased costs and liabilities, decreases in expected income and diversion of management’s time and energy, which could have a material adverse effect on our business, financial condition and results of operations. Additionally, even if the integration of Legacy Cadence is successful, the full benefits of the transaction may not be realized, including the synergies, cost savings, growth opportunities or earnings accretion that are expected. These benefits may not be achieved within the anticipated time frame, or at all, and additional unanticipated costs may be incurred in the integration of the businesses. Furthermore, Legacy Cadence may have unknown or contingent liabilities that we assumed in the acquisition that were not discovered during our due diligence. These

liabilities could include exposure to unexpected asset quality problems, compliance and regulatory violations, key employee and client retention problems and other problems that could result in significant costs to us.

All of these factors could cause dilution to our earnings per share, decrease or delay the expected accretive effect of the transaction, negatively impact the price of our common stock, or have a material adverse effect on our business, financial condition and results of operations.

We may not be able to raise additional capital in the future.

We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. In addition, we may elect to raise additional capital to support our business or to finance any acquisitions or we may otherwise elect or be required to raise additional capital. As a publicly-traded company, a likely source of additional funds is the capital markets, accomplished generally through the issuance of equity, including common stock, preferred stock, warrants, depository shares, rights, purchase contracts or units, and the issuance of senior or subordinated debt securities. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control, and on our financial performance. Accordingly, we cannot provide assurance of our ability to raise additional capital if needed or to be able to do so on terms acceptable to us. Any occurrence that may limit its access to the capital markets, such as a decline in the confidence of investors, depositors of the Company or counterparties participating in the capital markets, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Moreover, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would have to compete with those institutions for investors. If we cannot raise additional capital on favorable terms when needed, it may have a material adverse effect on our financial condition and results of operations.

If the goodwill that we record in connection with a business acquisition becomes impaired, it could require a charge to earnings.

Goodwill represents the amount by which the purchase price exceeds the fair value of net assets acquired in a business combination. We review goodwill for impairment at least annually, or more frequently if events or changes in circumstances indicate the carrying value of the asset might be impaired.

We evaluate goodwill for impairment by comparing the estimated fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its estimated fair value, an impairment loss is recognized in an amount equal to that excess. Factors that could cause an impairment charge include adverse changes to macroeconomic conditions, declines in the profitability of the reporting unit, or declines in the tangible book value of the reporting unit. Future evaluations of goodwill may result in impairment which could have a material adverse effect on our business, financial condition and results of operations.

Operational Risk

We are subject to environmental liability risk associated with our lending activities.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our business, results of operations and financial condition.

We may be adversely impacted by the transition from LIBOR as a reference rate.

In 2017, the United Kingdom's Financial Conduct Authority announced that after 2021 it would no longer compel banks to submit the rates required to calculate the London Interbank Offered Rate ("LIBOR"). On March 5, 2021, LIBOR's regulator, the Financial Conduct Authority, and administrator, ICE Benchmark Administration, Limited, announced that the publication of the one-week and two-month USD LIBOR maturities and non-USD LIBOR maturities will cease immediately after December 31, 2021, with the remaining USD LIBOR maturities ceasing immediately after June 30, 2023. It is not possible to predict what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may be on the markets for LIBOR-indexed financial instruments.

In particular, regulators, industry groups and certain committees (e.g., the Alternative Reference Rates Committee) have, among other things, published recommended fallback language for LIBOR-linked financial instruments, identified recommended alternatives for certain LIBOR rates (e.g., the Secured Overnight Financing Rate as the recommended alternative to U.S. Dollar LIBOR), and proposed implementations of the recommended alternatives in floating rate instruments. At this time, it is not possible to predict whether these specific recommendations and proposals will be broadly accepted, whether they will continue to evolve, and what the effect of their implementation may be on the markets for floating-rate financial instruments.

We have a significant number of loans, derivative contracts, borrowings and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. The transition from LIBOR could create considerable costs and additional risk. Since proposed alternative rates are calculated differently, payments under contracts referencing new rates will differ from those referencing LIBOR. The transition will change our market risk profiles, requiring changes to risk and pricing models, valuation tools, product design and hedging strategies. Furthermore, failure to adequately manage this transition process with our customers could adversely impact our reputation. Although we are currently unable to assess what the ultimate impact of the transition from LIBOR will be, failure to adequately manage the transition could have a material adverse effect on our business, financial condition and results of operations.

The Company formed a working group to coordinate the orderly transition from the LIBOR to one or more alternative reference rates. The working group consists of senior management of the Company, and the working group provides updates to the Credit Committee of Management and the Credit Risk Committee of the Board on a recurring basis. Key initiatives of the working group include identification of LIBOR exposure, review of associated contract language to determine optionality for transferring to an alternative reference rate, and review of system capabilities for accommodating alternative reference rates. The Company discontinued the use of new LIBOR-based production effective January 1, 2022. In addition, the Company is on schedule to transition from LIBOR to an alternative reference for existing contracts upon the cessation of LIBOR, which includes an effective date for the 1-week and 2-months settings of January 1, 2022 and an effective date of July 1, 2023 for the overnight and 1, 3, 6, and 12-months settings.

As of December 31, 2021, the Company has identified approximately \$6.2 billion in loans for which the repricing index is tied to LIBOR.

Technology is continually changing and we must effectively implement new innovations in providing services to our customers.

The financial services industry is undergoing rapid technological changes with frequent innovations in technology-driven products and services. In addition to better serving customers, the effective use of technology increases our efficiency and enables us to reduce costs. Our future success will depend, in part, upon our ability to address the needs of our customers using innovative methods, processes and technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in our operations as we continue to grow and expand our market areas.

Our business is, and will continue to be, dependent on technology and an inability to invest in technological improvements or obtain reliable technological support may adversely affect our results of operation and financial condition.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our ability to grow and compete will depend in part upon our ability to address the needs of customers by using technology to provide products and services that will satisfy their operational needs, while managing the costs of expanding our technology infrastructure. Many competitors have substantially greater resources to invest in technological improvements and third-party support. There can be no assurance that we will be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. For the foreseeable future, we expect to rely on third-party service providers and on other third parties for services and technical support. If those products and services become unreliable or fail, the adverse impact on customer relationships and operations could be material.

We are subject to a variety of systems-failure and cybersecurity risks that could adversely affect our business and financial performance.

Our internal operations are subject to certain risks, including, but not limited to, information systems failures and errors, customer or employee fraud and catastrophic failures resulting from terrorist acts, data piracy or natural disasters. We maintain a system of internal controls and security to mitigate the risks of many of these occurrences and maintain insurance coverage for certain risks. However, should an event occur that is not prevented or detected by our internal controls, and is

uninsured against or in excess of applicable insurance limits, such occurrence could have an adverse effect on our business, financial condition, results of operations and liquidity.

The computer systems and network infrastructure we use could be vulnerable to unforeseen problems. Our operations are dependent upon the ability to protect our computer equipment against damage from fire, severe storm, power loss, telecommunications failure or a similar catastrophic event. Any damage or failure of our computer systems or network infrastructure that causes an interruption in operations could have an adverse effect on our financial condition, results of operations and liquidity.

In addition, our operations are dependent upon our ability to protect the computer systems and network infrastructure against damage from physical break-ins, security breaches and other disruptive problems caused by Internet users or other users. Computer break-ins and other disruptions could jeopardize the security of information stored in and transmitted through our computer systems and networks, which may result in significant liability and reputation risk to us, and may deter potential customers. Although we, with the help of third-party service providers, intend to continue to actively monitor and, where necessary, implement improved security technology and develop additional operational procedures to prevent damage or unauthorized access to our computer systems and network, there can be no assurance that these security measures or operational procedures will be successful. In addition, new developments or advances in computer capabilities or new discoveries in the field of cryptography could enable hackers or data pirates to compromise or breach the security measures we use to protect customer data. Any failure to maintain adequate security over our customers' personal and transactional information could expose us to reputational risk or consumer litigation, and could have an adverse effect on our financial condition, results of operations and liquidity.

Our risk and exposure to cyber-attacks and other information security breaches remain heightened because of, among other things, the evolving nature of these threats and the prevalence of Internet and mobile banking. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Disruptions or failures in the physical infrastructure or operating systems that support our businesses and customers, or cyber-attacks or security breaches of the networks, systems or devices that customers use to access our products and services, could result in customer attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, including litigation expense and/or additional compliance costs, any of which could materially and adversely affect our business, results of operations or financial condition.

We may be adversely affected by the failure of certain third-party vendors to perform.

We rely upon certain third-party vendors to provide products and services necessary to maintain our day-to-day operations. These third parties provide key components of our business operations. Accordingly, our operations are exposed to the risk that these vendors might not perform in accordance with applicable contractual arrangements or service level agreements. Any complications caused by these third parties, including those resulting from disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks and security breaches at a vendor, failure of a vendor to provide services for any reason or poor performance of services, could adversely affect our ability to deliver products and services to our customers and otherwise conduct our business. Financial or operational difficulties of a third-party vendor could also hurt our operations if those difficulties interfere with the vendor's ability to provide services. Furthermore, our vendors could also be sources of operational and information security risk, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third-party vendors could also create significant delay and expense. Problems caused by external vendors could be disruptive to our operations, which could have a material adverse impact on our business and, in turn, our financial condition and results of operations. We maintain a system of policies and procedures designed to monitor vendor risks, including, among other things, (i) changes in the vendor's organizational structure, (ii) changes in the vendor's financial condition, (iii) changes in existing products and services or the introduction of new products and services, and (iv) changes in the vendor's support for existing products and services. While we believe these policies and procedures help to mitigate risk, the failure of an external vendor to perform in accordance with applicable contractual arrangements or service level agreements could be disruptive to our operations, which could have a material adverse effect on our financial condition and results of operations.

Our earnings could be adversely impacted by incidences of fraud and compliance failures that are not within our direct control.

Financial institutions are inherently exposed to fraud risk. A fraud can be perpetrated by a customer of the Company, an employee, a vendor or members of the general public. We are most subject to fraud and compliance risk in connection with the origination of loans, automated clearing house transactions, ATM transactions and checking transactions. Our largest fraud risk, associated with the origination of loans, includes the intentional misstatement of information in property appraisals or other underwriting documentation provided to us by third parties. If any of the information upon which we rely is

misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to asset funding, the value of the asset may be significantly lower than expected, or we may fund a loan we would not have funded or on terms we would not have extended. Whether a misrepresentation is made by the applicant or another third party, we generally bear the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unsellable or subject to repurchase if it is sold prior to detection of the misrepresentation. The sources of the misrepresentations are often difficult to locate, and it is often difficult to recover any of the monetary losses we may suffer. Accordingly, the compliance risk is that loans are not originated in compliance with applicable laws and regulations and our standards. There can be no assurance that we can prevent or detect acts of fraud or violation of law or our compliance standards by third parties. Repeated incidences of fraud or compliance failures could adversely impact the performance of our loan portfolio.

We are subject to laws regarding the privacy, information security and protection of personal information and any violation of these laws or another incident involving personal, confidential or proprietary information of individuals could damage our reputation and otherwise adversely affect our operations and financial condition.

Our business requires the collection and retention of large volumes of customer data, including personally identifiable information in various information systems that we maintain and in those maintained by third parties with whom we contract to provide data services. We also maintain important internal company data such as personally identifiable information about our employees and information relating to our operations. We are subject to complex and evolving laws and regulations governing the privacy and protection of personal information of individuals (including customers, employees, suppliers and other third parties). For example, our business is subject to the Gramm-Leach-Bliley Act which, among other things: (i) imposes certain limitations on our ability to share nonpublic personal information about our customers with nonaffiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to “opt out” of any information sharing by us with nonaffiliated third parties (with certain exceptions); and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Ensuring that our collection, use, transfer and storage of personal information complies with all applicable laws and regulations can increase our costs. Furthermore, we may not be able to ensure that all of our clients, suppliers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information that they exchange with us, particularly where such information is transmitted by electronic means. If personal, confidential or proprietary information of customers or others were to be mishandled or misused (in situations where, for example, such information was erroneously provided to parties who are not permitted to have the information, or where such information was intercepted or otherwise compromised by third parties), we could be exposed to litigation or regulatory sanctions under personal information laws and regulations. Concerns regarding the effectiveness of our measures to safeguard personal information, or even the perception that such measures are inadequate, could cause us to lose customers or potential customers for our products and services and thereby reduce our revenues. Accordingly, any failure or perceived failure to comply with applicable privacy or data protection laws and regulations may subject us to inquiries, examinations and investigations that could result in requirements to modify or cease certain operations or practices or in significant liabilities, fines or penalties, and could damage our reputation and otherwise adversely affect our operations and financial condition.

We may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional clients. As a result, defaults by, or rumors or questions about, one or more financial services institutions, or the financial services industry generally, may result in market-wide liquidity problems and could lead to losses or defaults by such other institutions. Such occurrences could expose us to credit risk in the event of default of one or more counterparties and could have a material adverse effect on our financial position, results of operations and liquidity. In addition, our credit risk may be exacerbated when the collateral we hold cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure owed to us. Any such losses could have a material adverse effect on our financial condition and results of operations.

RISKS RELATED TO THE REGULATION OF OUR INDUSTRY

Regulatory Risk

The banking industry is highly regulated, and current and future legislative or regulatory changes could have a significant adverse effect on our business, financial condition, or results of operations.

As a state chartered bank, we are subject to extensive federal supervision and regulation. Federal regulation of the banking industry, along with tax and accounting laws, regulations, rules and standards, limit our operations significantly and control the methods by which we conduct business. In addition, compliance with laws and regulations can be difficult and costly, and changes to laws and regulations can impose additional compliance costs. Many of these regulations are intended to protect depositors, customers, the public, the banking system as a whole or the FDIC deposit insurance fund, not shareholders. Regulatory requirements and discretion affect our lending practices, capital structure, investment practices, dividend policy and many other aspects of our business. There are laws and regulations which restrict transactions between us and our subsidiaries. These requirements may constrain our operations, and the adoption of new laws and changes to or repeal of existing laws may have a further impact on our business, financial condition, results of operations and future prospects. The burdens imposed by federal and state regulations place banks at a competitive disadvantage compared to non-bank competitors. We are also subject to requirements with respect to the confidentiality of information obtained from clients concerning their identities, business and personal financial information, employment, and other matters. We require our personnel to agree to keep all such information confidential and we monitor compliance. Failure to comply with confidentiality requirements could result in material liability and adversely affect our business, financial condition, results of operations and future prospects.

Federal and state regulatory agencies may adopt changes to their regulations or change the manner in which existing regulations are applied. We cannot predict the substance or effect of pending or future legislation or regulation or the application of laws and regulations to our Company. Compliance with current and potential regulation, as well as regulatory scrutiny, may significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital, and limit our ability to pursue business opportunities in an efficient manner by requiring us to expend significant time, effort and resources to ensure compliance and respond to any regulatory inquiries or investigations. In addition, press coverage and other public statements that assert some form of wrongdoing by financial services companies (including press coverage and public statements that do not involve us) may result in regulatory inquiries or investigations, which, independent of the outcome, may be time-consuming and expensive and may divert time, effort and resources from our business. Evolving regulations and guidance concerning executive compensation may also impose limitations on us that affect our ability to compete successfully for executive and management talent.

Regulatory initiatives regarding bank capital requirements may require increased capital.

Cadence is subject to risk-based and leverage capital requirements. We must maintain certain risk-based and leverage capital ratios as required by our banking regulators, which can change depending on economic conditions and our particular condition, risk profile, growth plans, and regulatory capital guidelines. Failure to meet minimum capital guidelines and/or other regulatory requirements can subject the Company to certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Company's consolidated financial statements. Additional information, including the Company's and Bank's compliance with applicable capital adequacy standards is provided in Note 19 to the Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Regulatory Capital."

In March 2020, the Basel Committee on Banking Supervision announced that it will delay the implementation of outstanding capital standards, commonly referred to as "Basel IV", to allow banks to focus their resources on navigating the economic impact of the COVID-19 pandemic. The standards, originally set to be implemented on January 1, 2022, now have an implementation date of January 1, 2023.

Changes in accounting rules applicable to banks could adversely affect our financial condition and results of operations.

From time to time, the Financial Accounting Standards Board (the "FASB") and the SEC change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in a restatement of our prior period financial statements.

On January 1, 2020, we implemented FASB's Accounting Standards Codification ("ASC") Topic 326, Financial Instruments - Credit Losses. This guidance replaced the existing "incurred loss" methodology for financial assets measured at amortized cost, and introduced requirements to estimate current expected credit losses ("CECL"). Under the incurred loss methodology, credit losses were recognized only when the losses were probable or had been incurred; under CECL, companies

are required to recognize the full amount of expected credit losses for the lifetime of the financial assets, based on historical experience, current conditions and reasonable and supportable forecasts. This change requires earlier recognition of credit losses that are deemed expected but not yet probable, and we expect will result in higher reserves for credit losses and higher volatility in the quarterly provision for credit losses.

The CECL model also impacts the accounting for bank acquisition activity by requiring the recognition of expected credit losses on acquired loans at the date of acquisition, in addition to the purchase discount, if any. With the exception of purchased loans with credit deterioration (“PCD”), this day-one recognition of the allowance for credit losses is recorded with an offset to net income. For PCD loans, the initial estimate of expected credit losses is recognized as an adjustment to the amortized cost basis of the loan at acquisition (i.e., a balance sheet gross-up).

Regulators periodically examine our business and we may be required to remediate adverse examination findings.

The FDIC, the MDBC and the CFPB periodically examine our business, including our compliance with laws and regulations, and we may become subject to other regulatory agency examinations in the future. If, as a result of an examination, a federal or state banking agency were to determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, it may require us to take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin “unsafe or unsound” practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth by preventing us from acquiring other financial institutions or limiting our ability to expand our business by engaging in new activities, to change the asset composition of our portfolio or balance sheet, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance and place us into receivership or conservatorship. Any regulatory action against us could have a material adverse effect on our business, financial condition and results of operations.

The Company is operating under a Consent Order, and its failure to comply with the Consent Order could materially and adversely affect our business.

On August 30, 2021, Legacy Cadence Bank and the U.S. Department of Justice (“DOJ”) agreed to a settlement set forth in the consent order related to the investigation by the DOJ of Legacy Cadence Bank’s fair lending program in Harris, Fort Bend and Montgomery Counties located in Houston, Texas during the period between 2014 and 2016 (the “Consent Order”). Under the Consent Order, Legacy Cadence Bank will, among other things, implement a mutually agreed upon Fair Lending Plan, invest \$4.17 million in a loan subsidy fund to increase credit opportunities to residents of majority-Black and Hispanic neighborhoods and will devote \$1.38 million toward advertising, community outreach, and credit repair and education. Legacy Cadence Bank will also open one full-service branch to serve the banking and credit needs of residents in a majority-Black and Hispanic neighborhood in Houston. In addition, Legacy Cadence Bank will employ a director of community lending and development who will oversee these efforts and work in close consultation with Legacy Cadence Bank’s leadership. The Consent Order was signed by the United States District Court for the Northern District of Georgia, Atlanta Division, on August 31, 2021. Pursuant to Section 5.2 of the Agreement and Plan of Merger and Paragraph 50 of the Consent Order, legacy BancorpSouth Bank approved the negotiated settlement, and subsequently, the Company agreed to accept the obligations of the Consent Order. The Consent Order is in effect for five years. For additional information regarding the terms of this settlement and the Consent Order, see Legacy Cadence’s Current Report on Form 8-K that was filed with the SEC on August 30, 2021.

The Company is operating under the Consent Order. Our Board of Directors and senior management team have been working diligently to comply with the Consent Order and believe that they have allocated sufficient resources to address the corrective actions required by the DOJ. Compliance with and resolution of the Consent Order will ultimately be determined by the DOJ. The Company’s failure to comply with the Consent Order and to successfully implement its requirements may cause us to incur additional significant compliance costs, subject us to larger fines, result in serious reputational consequences, additional regulatory enforcement actions, including the imposition of material restrictions on the activities of the Company or the assessment of fines or penalties against the Company and its officers and directors, which could prevent the Company from executing its business strategy and negatively impact its business, or additional enforcement of the Consent Order through court proceedings. Any of these results could have a material and adverse effect on our business, results of operations, financial condition, cash flows and stock price.

Compliance Risk

We are subject to numerous laws designed to protect consumers, including the CRA and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Department of Justice and other federal agencies, including the CFPB, are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. As discussed in more detail above, the Company is subject to the Consent Order in connection with Legacy Cadence Bank's compliance with fair lending laws. In the case of the CRA, the performance of a financial institution in meeting the credit needs of its community and its overall CRA rating are factors that will be taken into consideration when the federal banking agencies evaluate applications related to mergers and acquisitions, as well as branch opening and relocations. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations.

Federal, state and local consumer lending laws may restrict our ability to originate certain mortgage loans or increase our risk of liability with respect to such loans and could increase our cost of doing business.

Federal, state and local laws have been adopted that are intended to eliminate certain lending practices considered "predatory." These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. It is our policy not to make predatory loans, but these laws create the potential for liability with respect to our lending and loan investment activities. They increase our cost of doing business and, ultimately, may prevent us from making certain loans and cause us to reduce the average percentage rate or the points and fees on loans that we do make.

The expanding body of federal, state and local regulations and/or the licensing of loan servicing, collections or other aspects of our business and our sales of loans to third parties may increase the cost of compliance and the risks of noncompliance and subject us to litigation.

We service some of our own loans, and loan servicing is subject to extensive regulation by federal, state and local governmental authorities as well as to various laws and judicial and administrative decisions imposing requirements and restrictions on those activities. The volume of new or modified laws and regulations has increased in recent years and, in addition, some individual municipalities have begun to enact laws that restrict loan servicing activities including delaying or temporarily preventing foreclosures or forcing the modification of certain mortgages. If regulators impose new or more restrictive requirements, we may incur additional significant costs to comply with such requirements which may further adversely affect us. In addition, were we to be subject to regulatory investigation or regulatory action regarding our loan modification and foreclosure practices, our financial condition and results of operation could be adversely affected.

GENERAL RISK FACTORS

Economic Conditions

The fiscal and monetary policies of the U.S. government could have a material adverse effect on our results of operations.

Our business is significantly affected by fiscal and monetary policies of the U.S. federal government and its agencies, particularly the Federal Reserve Board. Federal Reserve policies determine in large part the cost of funds for lending and investing and the returned earned on those loans and investments, both of which impact our net interest margin. Federal Reserve policies may also adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans or could adversely create asset bubbles which result from prolonged periods of accommodative policy. This, in turn, may result in volatile markets and rapidly declining collateral values. The monetary policies of the Federal Reserve and other governmental policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control. Adverse economic conditions and government policy responses to such conditions could have a material adverse effect on our business, financial condition and results of operations.

The Federal Reserve has implemented significant economic strategies that have impacted interest rates, inflation, asset values, and the shape of the yield curve, over which the Company has no control and which the Company may not be able to adequately anticipate.

In recent years, in response to the recession in 2008 and the following uneven recovery, the Federal Reserve implemented a series of domestic monetary initiatives. Several of these have emphasized so-called quantitative easing strategies, the most recent of which ended during 2014. Since then the Federal Reserve raised rates nine times during 2015 through 2018, and reduced rates five times during 2019 through 2021. Further rate changes reportedly are dependent on the Federal Reserve's assessment of economic data as it becomes available. The Company cannot predict the nature or timing of future changes in monetary, economic, or other policies or the effect that they may have on the Company's business activities, financial condition and results of operations.

The current economic environment poses significant challenges and could adversely affect our financial condition and results of operations.

We are operating in a challenging and uncertain economic environment. Financial institutions continue to be affected by uncertainty in the real estate market, the credit markets, and the national financial market generally. We retain direct exposure to the commercial and residential real estate markets, and we are affected by events in these markets. The uncertainty in economic conditions has subjected us and other financial institutions to increased regulatory scrutiny. In addition, deterioration in local economic conditions in our markets could result in losses beyond that provided for in our ACL and result in increased loan delinquencies, problem assets, and foreclosures. This may also result in declining demand for products and services, decreased deposits and increased borrowings under our current contractual obligations to extend credit, all of which would adversely impact our liquidity positions, and declining values for loan collateral, which in turn would reduce customers' borrowing power and the value of assets and collateral associated with our existing loans.

Investment in Our Common Stock

The price of our common stock and preferred stock may fluctuate significantly, which may make it difficult for investors to resell shares of our common stock or preferred stock at a time or price they find attractive.

The price of our common stock and preferred stock may fluctuate significantly as a result of a variety of factors, many of which are beyond our control. In addition to those described in "Cautionary Notice Regarding Forward Looking Statements," these factors include, among others:

- actual or anticipated quarterly fluctuations in our operating results, financial condition or asset quality;
- changes in financial estimates or the publication of research reports and recommendations by financial analysts or actions taken by rating agencies with respect to us or other financial institutions;
- failure to declare dividends on our capital stock from time to time;
- failure to meet analysts' revenue or earnings estimates;
- failure to integrate acquisitions or realize anticipated benefits from acquisitions;
- strategic actions by us or our competitors, such as acquisitions, restructurings, dispositions or financings;
- fluctuations in the stock price and operating results of our competitors or other companies that investors deem comparable to us;
- future sales of our capital stock or other securities;
- proposed or final regulatory changes or developments;
- anticipated or pending regulatory investigations, proceedings, or litigation that may involve or affect us;
- reports in the press or investment community generally relating to our reputation or the financial services industry;
- domestic and international economic and political factors unrelated to our performance;
- general market conditions and, in particular, developments related to market conditions for the financial services industry;
- adverse weather conditions, including floods, tornadoes and hurricanes; and
- geopolitical conditions such as acts or threats of terrorism or military conflicts.

In addition, in recent years, the stock market in general has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies, including for reasons unrelated to their operating performance. These broad market fluctuations may adversely affect the market price of our capital

stock, notwithstanding our operating results. We expect that the market price of our capital stock will continue to fluctuate and there can be no assurances about the levels of the market prices for our capital stock.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause the stock price of our capital stock to decrease regardless of operating results.

Securities analysts may not continue coverage on our common stock, which could adversely affect the market for our common stock.

The trading market for our common stock depends in part on the research and reports that securities analysts publish about us and our business. We do not have any control over these securities analysts, and they may not cover our common stock. If securities analysts do not continue to cover our common stock, the lack of research coverage may adversely affect our market price. If our common stock is the subject of an unfavorable report, the price of our common stock may decline. If one or more of these analysts cease to cover us or fail to publish regular reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our common stock to decline.

The rights of our common shareholders are generally subordinate to the rights of holders of our debt securities and preferred stock and may be subordinate to the rights of holders of any class of preferred stock or any debt securities that we may issue in the future.

Our Board of Directors has the authority to issue debt securities as well as an aggregate of up to 500,000,000 shares of preferred stock without any further action on the part of our shareholders. Our Board of Directors also has the power, without shareholder approval, to set the terms of any debt securities or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over our common stock with respect to dividends or in the event of a dissolution, liquidation or winding up and other terms. The shares and subordinated notes have certain rights that are senior to our common stock. Any debt or shares of preferred stock that we may issue in the future may be senior to our common stock. Accordingly, you should assume that any debt securities or preferred stock that we may issue in the future will also be senior to our common stock. Because our decision to issue debt or equity securities or incur other borrowings in the future will depend on market conditions and other factors beyond our control, the amount, timing, nature or success of our future capital raising efforts is uncertain. Holders of our common stock bear the risk that our future issuances of debt or equity securities or our occurrence of other borrowings may negatively affect the market price of our common stock.

In the event that we issue preferred stock or debt securities in the future that has preference over our common stock with respect to payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of the holders of our common stock or the market price of our common stock could be adversely affected.

Adverse changes in the ratings for our debt securities or preferred stock could have a material adverse effect on our business, financial condition and liquidity and may increase our funding costs or impair our ability to effectively compete for business and clients.

The major rating agencies regularly evaluate us and their ratings of our long-term debt and preferred stock based on a number of factors, including our financial strength and conditions affecting the financial services industry generally. In general, rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix and level and quality of earnings, and we may not be able to maintain our current credit ratings and preferred stock ratings. Our ratings remain subject to change at any time, and it is possible that any rating agency will take action to downgrade us in the future.

The ratings for our debt securities and preferred stock impact our ability to obtain funding. Reductions in any of the ratings for our debt securities or preferred stock could adversely affect our ability to borrow funds and raise capital. Downgrades in our ratings could trigger additional collateral or funding obligations, which may adversely impact our liquidity. Therefore, any negative credit rating actions could have a material adverse effect on our business, results of operations, financial condition or liquidity.

Furthermore, our clients and counterparties may be sensitive to the risks posed by a downgrade to our ratings and may terminate their relationships with us, may be less likely to engage in transactions with us, or may only engage in transactions with us at a substantially higher cost. We cannot predict the extent to which client relationships or opportunities for future relationships could be adversely affected due to a downgrade in our ratings. The inability to retain clients or to effectively compete for new business may have a material and adverse effect on our business, results of operations or financial condition.

Additionally, rating agencies themselves have been subject to scrutiny arising from the financial crisis. As a result or for unrelated reasons, the rating agencies may make or may be required to make substantial changes to their ratings policies and

practices. Such changes may, among other things, adversely affect the ratings of our securities or other securities in which we have an economic interest.

Our ability to declare and pay dividends is limited.

There can be no assurance of whether or when we may pay dividends on our capital stock in the future. Future dividends, if any, will be declared and paid at the discretion of our Board of Directors and will depend on a number of factors. Although the Company's asset quality, earnings performance, liquidity and capital requirements will be taken into account before we declare or pay any future dividends on our capital stock, our Board of Directors will also consider our liquidity and capital requirements. In addition, federal and state banking laws and regulations and state corporate laws restrict the amount of dividends we may declare and pay. See "Item 1. Business – Regulation and Supervision" included herein for more information. Finally, so long as any shares of our 5.50% Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 ("Series A Preferred Stock") remain outstanding, unless we have paid in full (or declared and set aside funds sufficient for) applicable dividends on the Series A Preferred Stock, we may not declare or pay any dividend on our common stock, other than a dividend payable solely in shares of common stock or in connection with a shareholder rights plan.

Our certificate of incorporation and bylaws include provisions that could impede a takeover of the Company.

Certain provisions of our certificate of incorporation and bylaws could delay, defer, or prevent a third party from acquiring control of our organization or conduct a proxy contest, even if those events were perceived by many of our shareholders as beneficial to their interests. These provisions:

- enable our Board of Directors to issue additional shares of authorized, but unissued capital stock;
- enable our Board of Directors to issue "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by the board;
- enable our Board of Directors to increase the size of the board and fill the vacancies created by the increase;
- may prohibit large shareholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time;
- provide for a plurality voting standard in the election of directors;
- do not provide for cumulative voting in the election of directors;
- enable our Board of Directors to amend our bylaws without shareholder approval;
- do not allow for the removal of directors without cause;
- limit the right of shareholders to call a special meeting;
- require advance notice for director nominations and other shareholder proposals; and
- require prior regulatory application and approval of any transaction involving control of our organization.

These provisions may discourage potential acquisition proposals and could delay or prevent a change in control, including when our shareholders might otherwise receive a premium over the market price of our shares.

Shares of our common stock and preferred stock are not deposits insured by the FDIC and are subject to risk of loss.

Shares of our common stock and preferred stock are not deposit accounts and are not insured by the FDIC or any other government agency and are subject to investment risk, including the possible loss of your investment.

The return on investment in our common stock is uncertain.

An investor in our common stock may not realize a substantial return on his or her investment or may not realize any return at all. Further, as a result of the uncertainty and risks associated with our operations, many of which are described in this "Risk Factors" section, it is possible that an investor could lose his or her entire investment.

Other Risks

As a public company, we incur significant legal, accounting, insurance, compliance and other expenses. Any deficiencies in our financial reporting or internal controls could materially and adversely affect us, including resulting in material misstatements in our financial statements, and the market price of our common stock.

As a public company, we incur significant legal, accounting, insurance and other expenses. These costs and compliance with the rules of the SEC and the rules of the applicable stock exchange may further increase our legal and financial compliance costs and make some activities more time consuming and costly. SEC rules require that our Chief Executive Officer and Chief Financial Officer periodically certify the existence and effectiveness of our internal control over financial reporting and our independent registered public accounting firm will be required to attest to our assessment of our internal control over financial reporting. This process requires significant documentation of policies, procedures and systems, review of that documentation by our internal auditing and accounting staff and our outside independent registered public accounting firm and testing of our internal control over financial reporting by our internal auditing and accounting staff and our outside independent registered public accounting firm. This process involves considerable time and attention from management, which could prevent us from successfully implementing our business initiatives and improving our business, results of operations and financial condition, may strain our internal resources, and increases our operating costs.

During our testing, we may identify deficiencies that would have to be remediated to satisfy the SEC rules for certification of our internal control over financial reporting. A material weakness is defined by the standards issued by the Public Company Accounting Oversight Board as a deficiency, or combination of deficiencies, in internal control over financial reporting that results in a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Therefore, we would have to disclose in periodic reports we file with the FDIC any material weakness in our internal control over financial reporting. The existence of a material weakness would preclude management from concluding that our internal control over financial reporting is effective and would preclude our independent auditors from attesting to our assessment of the effectiveness of our internal control over financial reporting is effective. In addition, disclosures of deficiencies of this type in our FDIC reports could cause investors to lose confidence in our financial reporting, may negatively affect the market price of our common stock, and could result in the delisting of our securities from the securities exchanges on which they trade. Moreover, effective internal controls are necessary to produce reliable financial reports and to prevent fraud. If we have deficiencies in our disclosure controls and procedures or internal control over financial reporting, it may materially and adversely affect us.

We may be adversely affected by changes in U.S. tax laws.

We are subject to federal and applicable state tax regulations. Such tax regulations are often complex and require interpretation and changes in these regulations could negatively impact our results of operations. In the normal course of business, we are routinely subject to examinations and challenges from federal and applicable state tax authorities regarding the amount of taxes due. Federal and state taxing authorities have become increasingly aggressive in challenging tax positions taken by financial institutions. These tax positions may relate to tax compliance, sales and use, franchise, gross receipts, payroll, property and income tax issues, including tax base, apportionment and tax credit planning. The challenges made by tax authorities may result in adjustments to the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. If any such challenges are made and are not resolved in our favor, they could have a material adverse effect on our results of operations.

We depend upon key personnel and we may not be able to retain them or attract, assimilate and retain highly qualified employees in the future.

Our success depends in significant part upon the continued service of our senior management team and our continuing ability to attract, assimilate and retain highly qualified and skilled managerial, product development, lending, marketing and other personnel. We have an experienced senior management team and other key personnel that our board of directors believes is capable of managing and growing our business. The loss of the services of any member of our senior management or other key personnel or the inability to hire or retain qualified personnel in the future could adversely affect our business, results of operations and financial condition.

We are required to make significant estimates and assumptions in the preparation of our financial statements. These estimates and assumptions may not be accurate and are subject to change.

The preparation of our consolidated financial statements in conformity with GAAP requires our management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expense during the reporting periods. Critical estimates are made by management in determining, among other things, the accounting for business combinations, estimates of fair value, ACL and valuation of deferred tax assets. If our underlying estimates and assumptions prove to be incorrect or if events occur that require us to revise our previous estimates or assumptions, our financial condition and results of operations may be materially adversely affected.

We are involved in legal proceedings and may be the subject of additional litigation or government investigations in the future; the actual cost of legal proceedings may exceed our accruals for them.

The nature of our business ordinarily results in a certain amount of litigation and investigations by government agencies having oversight over our business. Although we have developed policies and procedures to minimize the impact of legal noncompliance and other disputes and endeavored to provide reasonable insurance coverage, litigation, government investigations and regulatory actions present an ongoing risk.

We cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against us, our directors, management or employees, including remedies or damage awards. On at least a quarterly basis, we assess our liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of our business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable we will incur a loss and the amount can be reasonably estimated, we establish an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings and the potential loss, however, may turn out to be substantially higher than the amount accrued. Further, our insurance may not cover all litigation, other proceedings or claims, or the costs of defense. While the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, if applicable, management believes that the litigation-related expense we have accrued is adequate and that any incremental liability arising from pending legal proceedings, including class action litigation, and threatened claims and those otherwise arising in the ordinary course of business, will not have a material adverse effect on our business or consolidated financial condition. It is possible, however, that future developments could result in an unfavorable outcome for any lawsuit or investigation in which we or our subsidiaries are involved, which may have a material adverse effect on our business or our results of operations for one or more quarterly reporting periods. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations-Financial Condition - Certain Litigation and Other Contingencies” for more information regarding material pending legal proceedings and ongoing government investigations.

Reputational risk may impact our results.

Our ability to originate and maintain accounts is highly dependent upon customer and other external perceptions of our business practices and/or our financial health. Adverse perceptions regarding our business practices and/or our financial health could damage our reputation in both the customer and funding markets, leading to difficulties in generating and maintaining accounts as well as in financing them. Adverse developments with respect to customer or other external perceptions regarding the practices of our competitors, or our industry as a whole, may also adversely impact our reputation. While we carefully monitor internal and external developments for areas of potential reputational risk and have established governance structures to assist in evaluating such risks in our business practices and decisions, adverse reputational impacts on third parties with whom we have important relationships may also adversely impact our reputation. Adverse impacts on our reputation, or the reputation of our industry, may also result in greater regulatory and/or legislative scrutiny, which may lead to laws, regulations or regulatory actions that may change or constrain the manner in which we engage with our customers and the products and services we offer. Adverse reputational impacts or events may also increase our litigation risk.

Our framework for managing risks may not be effective in mitigating risk and any resulting loss.

Our risk management framework seeks to mitigate risk and any resulting loss. We have established processes intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity, credit, market, interest rate, operational, legal and compliance, and reputational risk. However, as with any risk management framework, there are inherent limitations to our risk management processes and strategies. There may exist, or develop in the future, risks that we have not appropriately anticipated or identified. Also, breakdowns in our risk management framework could have a material adverse effect on our financial condition and results of operations.

The effects of climate change could include increases in the number and severity of hurricanes, tornados, tropical storms or other adverse weather events, which could in turn negatively affect local economies where we maintain branch offices or cause disruption or damage to our branch office locations, which could have an adverse effect on our business or results of operations.

We have operations in Alabama, Arkansas, Florida, Georgia, Illinois, Louisiana, Mississippi, Missouri, Tennessee and Texas, which include areas susceptible to hurricanes, tornados or tropical storms. Such weather conditions can disrupt our operations, result in damage to our branch office locations or negatively affect the local economies in which we operate. We cannot predict whether or to what extent damage caused by future hurricanes, tornados, tropical storms or other adverse weather events will affect our operations or the economies in our market areas, but such weather conditions could result in a decline in loan originations and an increase in the risk of delinquencies, foreclosures or loan losses. Our business or results of operations may be adversely affected by these and other negative effects of devastating hurricanes, tornados, tropical storms or other adverse weather events.

Anti-takeover provisions may discourage a change of our control.

Our governing documents and certain agreements to which we are a party contain provisions that make a change-in-control difficult to accomplish, and may discourage a potential acquirer. These include a classified or “staggered” board of directors, change-in-control agreements with members of management and supermajority voting requirements. These anti-takeover provisions may have an adverse effect on the market for our capital stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

As of December 31, 2021, the physical properties of the Company are located in the states of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Missouri, Tennessee, Texas, and Illinois. The Company maintains dual headquarters in Tupelo, Mississippi and Houston, Texas. The Company’s main office is located at One Mississippi Plaza, 201 South Spring Street in the central business district of Tupelo, Mississippi in a seven-floor, modern, glass, concrete and steel office building owned by the Company. The Company occupies approximately 85% of the space, with the remainder leased to various unaffiliated tenants. The Company also owns an additional 340 buildings that provide space for branch banking, computer operations, lease servicing, mortgage banking, warehouse needs and other general purposes. In addition to the facilities the Company owns, 115 branch-banking, mortgage banking, insurance and operational facilities are occupied under leases with unexpired terms ranging from one to twenty-six years. Of the owned and leased properties described above, 419 properties are used by the Community and Corporate Banking segments, 117 are used by the Mortgage segment, 29 properties are used by the Insurance Agencies segment, 40 properties are used by the Banking Services segment, and 14 properties are used by the General Corporate and Other segment. Management considers all of the Company’s owned buildings and leased premises to be in good condition. None of the Company’s properties are subject to any material encumbrances.

ITEM 3. LEGAL PROCEEDINGS.

The information in response to this item is incorporated herein by reference to “Note 22 - Commitments and Contingent Liabilities - Litigation” in the notes to the consolidated financial statements included in Part II. Item 8. of this Report.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

MARKET FOR CAPITAL STOCK

The common stock of the Company trades on the NYSE under the symbol "CADE," and the 5.50% Series A Non-Cumulative Perpetual Preferred Stock trades on the NYSE under the symbol "CADE Pr A."

HOLDERS OF RECORD

As of February 24, 2022, there were 6,713 shareholders of record of the Company's common stock.

DIVIDENDS

The Company declared cash dividends each quarter in an aggregate annual amount of \$0.780 and \$0.745 per share of common stock during 2021 and 2020, respectively. Future dividends, if any, will vary depending on the Company's profitability, anticipated capital requirements and applicable federal and state regulations. Under Mississippi law, the Company must obtain the non-objection of the Commissioner of the MDBC prior to paying any dividend on the Company's common stock. In addition, the Company may not pay any dividends if, after paying the dividend, it would be undercapitalized under applicable capital requirements. The Company is further restricted by the FDIC's authority to prohibit the Company from engaging in business practices that the FDIC considers to be unsafe or unsound, which, depending on the financial condition of the Company, could include the payment of dividends. There can be no assurance that the FDIC or other regulatory bodies will not limit or prohibit future dividends. Finally, so long as any shares of our Series A Preferred Stock remain outstanding, unless we have paid in full (or declared and set aside funds sufficient for) applicable dividends on the Series A Preferred Stock, we may not declare or pay any dividend on our common stock, other than a dividend payable solely in shares of common stock or in connection with a shareholder rights plan. See "Item 1. Business – Regulation and Supervision" included herein for more information on restrictions and limitations on the Company's ability to pay dividends.

ISSUER PURCHASES OF EQUITY SECURITIES

The Company had repurchases of shares of common stock during the quarter ended December 31, 2021 as follows:

Period	Total Number of Shares Purchased ⁽¹⁾⁽²⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾⁽³⁾
October 1 - October 31	—	\$ —	—	4,257,526
November 1- November 30	3,319,331	30.96	3,314,026	943,500
December 1- December 31	957,467	29.58	943,500	—
Total	<u>4,276,798</u>			

- (1) This column included 5,305 shares redeemed in November 2021 and 13,967 shares redeemed in December of 2021 from employees for tax withholding purposes for stock compensation and 4,257,526 shares repurchased under the stock repurchase program that was completed in December 2021.
- (2) On December 9, 2020, the Company announced a share repurchase program whereby the Company could acquire up to an aggregate of 6,000,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period between January 4, 2021 through December 31, 2021. The extent and timing of any repurchases depends on market conditions and other corporate, legal and regulatory considerations. Repurchased shares are held as authorized but unissued shares. These authorized but unissued shares will be available for use in connection with the Company's equity incentive plans, other compensation programs, other transactions or for other corporate purposes as determined by the Company's Board of Directors. As of December 31, 2021, the Company had completed the repurchase of all 6,000,000 shares.
- (3) On December 8, 2021, the Company announced a new share repurchase program whereby the Company may acquire up to an aggregate of 10,000,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period between January 3, 2022 through December 30, 2022. The extent and timing of any repurchases depends on market conditions and other corporate, legal and regulatory considerations. Repurchased shares are held as authorized but unissued shares. These authorized but unissued shares will be available for use in connection with the Company's equity incentive plans, other compensation programs, other transactions or for other corporate purposes as determined by the Company's Board of Directors. As of December 31, 2021, the Company had not repurchased any shares under this repurchase program.

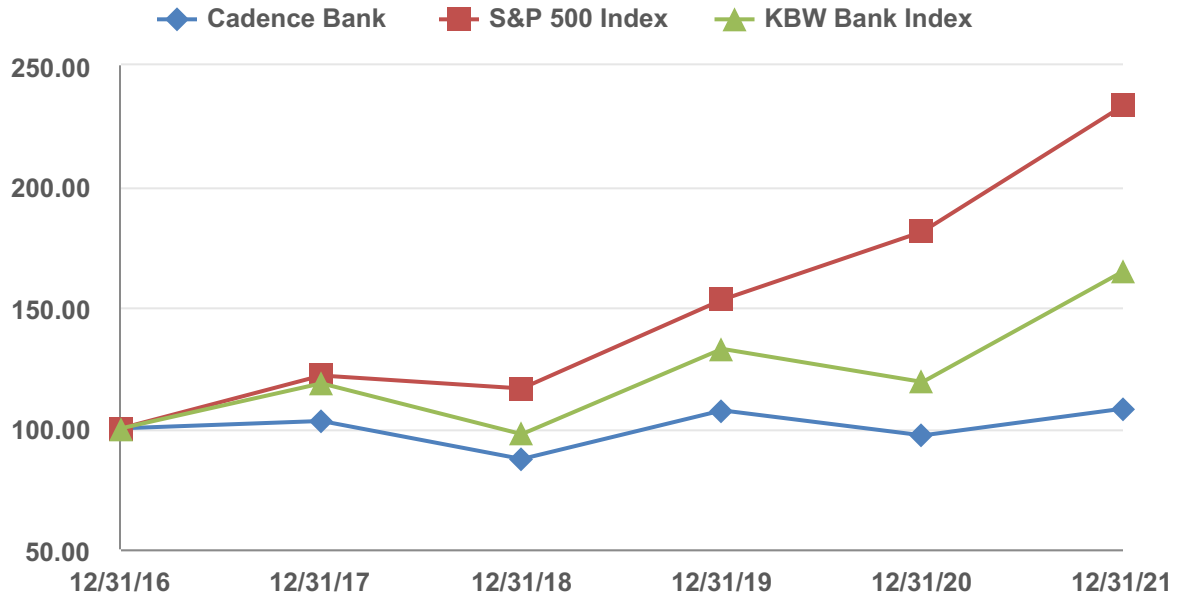
RECENT SALES OF UNREGISTERED SECURITIES

From time to time, the Company issues securities in certain transactions that are described in its period and current reports. The securities issued in these transactions are issued in reliance on the exemption provided by Section 3(a)(2) of the Securities Act of 1933, as amended, because the sales involve securities issued by a bank.

STOCK PERFORMANCE GRAPH

The graph below compares the annual percentage change in the cumulative total shareholder return on the Company's common stock against the cumulative total return of the S&P 500 Index and the KBW Bank Index for a period of five years. The graph assumes an investment of \$100 in the Company's common stock and in each respective index on December 31, 2016 and reinvestment of dividends without commissions. The KBW Bank Index is a modified cap-weighted index consisting of 24 exchange-listed National Market System stocks, representing national money center banks and leading regional institutions. The performance graph represents past performance and should not be considered to be an indication of future performance.

Comparison of Five-Year Cumulative Total Returns



<i>Index</i>	<i>Period Ending</i>					
	<i>12/31/16</i>	<i>12/31/17</i>	<i>12/31/18</i>	<i>12/31/19</i>	<i>12/31/20</i>	<i>12/31/21</i>
<i>Cadence Bank</i>	<i>100.00</i>	<i>103.04</i>	<i>87.32</i>	<i>107.43</i>	<i>97.08</i>	<i>108.13</i>
<i>S&P 500 Index</i>	<i>100.00</i>	<i>121.82</i>	<i>116.47</i>	<i>153.13</i>	<i>181.29</i>	<i>233.28</i>
<i>KBW Bank Index</i>	<i>100.00</i>	<i>118.59</i>	<i>97.59</i>	<i>132.84</i>	<i>119.15</i>	<i>164.83</i>

This stock performance graph and related information shall not be deemed to be “soliciting material” or to be “filed” with the FDIC or subject to Regulation 14A or 14C of the Exchange Act or to the liabilities of Section 18 of the Exchange Act, except to the extent that the Company specifically requests that such information be treated as soliciting material or specifically incorporates it by reference into such filing.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

The Company is a regional bank with dual headquarters in Tupelo, Mississippi and Houston, Texas with approximately \$47.7 billion in assets at December 31, 2021. The Company has commercial banking operations in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Missouri, Tennessee and Texas. The Company's insurance agency subsidiary also operates an office in Illinois. The Company and its insurance agency subsidiary provide commercial banking, leasing, mortgage origination and servicing, insurance, brokerage, trust and payroll services to corporate customers, local governments, individuals and other financial institutions through an extensive network of branches and offices.

On October 29, 2021, we acquired all the outstanding stock of Cadence Bancorporation ("Legacy Cadence"), headquartered in Houston, Texas, the bank holding company for Cadence Bank, N.A. Legacy Cadence shareholders received 0.70 shares of the Company's common stock in exchange for each share of Legacy Cadence Class A common stock, resulting in the issuance of 85.7 million shares of our common stock resulting in a purchase price of \$2.5 billion. The primary reasons for the transaction were to create a more diverse business mix, enhance our funding base, leverage operating costs through economies of scale and expand our market presence in Georgia and other attractive southern markets. The acquisition added \$11.5 billion in loans and \$16.4 billion in deposits as well as 99 branch locations throughout the southern United States.

Management's discussion and analysis provides a narrative discussion of the Company's financial condition and results of operations. For a complete understanding of the following discussion, you should refer to the Consolidated Financial Statements and related Notes presented elsewhere in this Report. Management's discussion and analysis should also be read in conjunction with the risk factors included in Item 1A of this Report. This discussion and analysis is based on reported financial information, and certain amounts for prior years have been reclassified to conform with the current financial statement presentation. The information that follows is provided to enhance comparability of financial information between years and to provide a better understanding of the Company's operations.

The financial condition and operating results of the Company are heavily influenced by economic trends nationally and in the specific markets in which the Company's subsidiaries provide financial services. Generally, the pressures of the national and regional economic cycle create a difficult operating environment for the financial services industry. During such times, the Company is not immune to pressures and any economic downturn may have a negative impact on the Company and its customers in all of the markets that it serves. Management believes that future weakness in the economic environment could adversely affect the strength of the credit quality of the Company's assets overall. Therefore, management will continue to focus on early identification and resolution of any credit issues.

The largest source of the Company's revenue is derived from its banking operations. The financial condition and operating results of the Company are affected by the level and volatility of interest rates on loans, investment securities, deposits and other borrowed funds, and the impact of economic downturns on loan demand, collateral value and creditworthiness of existing borrowers. The financial services industry is highly competitive and heavily regulated. The Company's success depends on its ability to compete aggressively within its markets while maintaining sufficient asset quality and cost controls to generate net income.

The information that follows is provided to enhance comparability of financial information between periods and to provide a better understanding of the Company's operations.

Non-GAAP Financial Measures and Reconciliations

In addition to financial ratios based on measures defined by U.S. GAAP, the Company has identified "tangible shareholders' equity," "tangible shareholders' common equity," "tangible assets," "tangible shareholders' equity to tangible assets," "tangible common shareholders' equity to tangible assets," and "tangible book value per share" as non-GAAP financial measures used when evaluating the performance of the Company. Tangible shareholders' equity is defined by the Company as total shareholders' equity less goodwill and identifiable intangible assets. Tangible common shareholders' equity to tangible assets is defined by the Company as total shareholders' equity less preferred stock, goodwill and identifiable intangible assets, divided by total assets less goodwill and identifiable intangible assets. Tangible assets are defined by the Company as total assets less goodwill and identifiable intangible assets. Management believes the ratio of tangible shareholders' equity to tangible assets and tangible common shareholders' equity to tangible assets to be important to investors who are interested in evaluating the adequacy of the Company's capital levels. Tangible book value per share is defined by the Company as tangible shareholders' equity divided by total common shares outstanding. Management believes that tangible book value per share is important to investors who are interested in changes from period to period in book value per share exclusive of changes in intangible assets.

The following table reconciles tangible shareholders' equity, tangible assets and tangible book value per share as presented above to U.S. GAAP financial measures as reflected in the Company's consolidated financial statements:

(Dollars in thousands)	At or for the Year Ended December 31,		
	2021	2020	2019
Tangible assets:			
Total assets	\$47,669,751	\$24,081,194	\$21,052,576
Less: goodwill	1,407,948	851,612	825,679
Other identifiable intangible assets	198,271	55,899	60,008
Total tangible assets	\$46,063,532	\$23,173,683	\$20,166,889
Tangible shareholders' equity:			
Total shareholders' equity	\$ 5,247,987	\$ 2,822,477	\$ 2,685,017
Less: goodwill	1,407,948	851,612	825,679
Other identifiable intangible assets	198,271	55,899	60,008
Total tangible shareholders' equity	\$ 3,641,768	\$ 1,914,966	\$ 1,799,330
Less: preferred stock	166,993	166,993	167,021
Total tangible common shareholders' equity	3,474,775	1,747,973	1,632,309
Total common shares outstanding	188,337,658	102,561,480	104,522,804
Tangible shareholders' equity to tangible assets	7.91 %	8.26 %	8.92 %
Tangible common shareholders' equity to tangible assets	7.54 %	7.54 %	8.09 %
Tangible book value per common share	\$ 19.34	\$ 17.04	\$ 15.62

FINANCIAL HIGHLIGHTS

The following table presents financial highlights for each of the three year indicated:

(Dollars in thousands, except per share amounts)	At or for the Year Ended December 31,		
	2021	2020	2019
Common share data:			
Basic earnings per share	\$ 1.54	\$ 2.12	\$ 2.31
Diluted earnings per share	1.54	2.12	2.30
Cash dividends per share	0.780	0.745	0.710
Book value per share	26.98	25.89	24.09
Tangible book value per share ⁽¹⁾	19.34	17.04	15.62
Dividend payout ratio	50.65 %	35.12 %	30.76 %
Financial Ratios:			
Return on average assets	0.65 %	1.00 %	1.23 %
Return on average shareholders' equity	5.86 %	8.37 %	9.90 %
Total shareholders' equity to total assets	11.01 %	11.72 %	12.75 %
Total common shareholders' equity to total assets	10.66 %	11.03 %	11.96 %
Tangible shareholders' equity to tangible assets ⁽¹⁾	7.91 %	8.26 %	8.92 %
Tangible common shareholders' equity to tangible assets ⁽¹⁾	7.54 %	7.54 %	8.09 %
Net interest margin-fully taxable equivalent	2.96 %	3.36 %	3.84 %
Credit Quality Ratios:			
Net charge-offs to average loans and leases	(0.03)%	0.18 %	0.02 %
Provision for credit losses to average loans and leases	0.81 %	0.57 %	0.01 %
Allowance for credit losses to net loans and leases	1.66 %	1.63 %	0.85 %
Allowance for credit losses to nonperforming loans ("NPL")	290.27 %	201.71 %	106.78 %
Allowance for credit losses to nonperforming assets ("NPA")	238.96 %	184.37 %	100.68 %
NPL to net loans and leases	0.57 %	0.81 %	0.79 %
NPA to total assets	0.39 %	0.55 %	0.56 %
Capital Adequacy:			
Common Equity Tier 1 capital	11.11 %	10.74 %	10.57 %
Tier 1 capital	11.61 %	11.74 %	11.60 %
Total capital	13.86 %	14.48 %	14.17 %
Tier 1 leverage capital	9.90 %	8.67 %	9.69 %

(1) Non-GAAP financial measures. See "Non-GAAP Financial Measures and Reconciliations."

The Company reported net income available to common shareholders of \$185.7 million for 2021 compared to \$218.6 million for 2020 and \$234.3 million for 2019. A primary factor contributing to the decrease in net income available to common shareholders in 2021 was an increase in the provision for credit losses from \$89.0 million in 2020 to \$138.1 million in 2021 primarily as a result of the day one accounting provision required for loans and unfunded commitments acquired during 2021 from the two acquisitions in the second quarter of 2021 and the one acquisition in the fourth quarter of 2021. The decrease in net income was also a result of the decrease in mortgage banking revenue from \$86.3 million in 2020 to \$58.1 million in 2021 as a result of lower margins on loans sold in 2021. The decrease in net income was offset somewhat by the gain on sale of PPP loans of \$21.6 million in 2021 with no such gain recorded in 2020. A primary factor contributing to the decrease in net income available to common shareholders in 2020 was an increase in the provision for credit losses from \$1.5 million in 2019 to \$89.0 million in 2020 primarily as a result of the deterioration of economic factors included in the Company's allowance for credit losses methodology resulting from the COVID-19 pandemic.

The primary source of revenue for the Company is net interest revenue. Net interest revenue is the difference between interest earned on loans, investments and other earning assets and interest paid on deposits and other obligations. Net interest revenue for 2021 was \$805.7 million, compared to \$691.0 million for 2020 and \$649.9 million for 2019. Net interest revenue is affected by the general level of interest rates, changes in interest rates and changes in the amount and composition of interest

earning assets and interest bearing liabilities. One of the Company's long-term objectives is to manage those assets and liabilities to maximize net interest revenue, while balancing interest rate, credit, liquidity and capital risks. The 16.6% increase in net interest revenue in 2021 compared to 2020 was a result of the increase in interest revenue related to the increasing balances of the loan and lease portfolio and the available-for-sale securities combined with the decrease in interest expense associated with interest-bearing demand and other time deposits due to declining rates. The 6.3% increase in net interest revenue in 2020 compared to 2019 was also a result of the increase in interest revenue related to loans and leases due to the increasing balance of the loan and lease portfolio and the increasing yields on the loan portfolio more than offsetting the increase in interest expense associated with interest bearing demand deposits and debt.

The Company attempts to diversify its revenue stream by increasing the amount of revenue received from mortgage banking operations, insurance agency activities, brokerage and securities activities and other activities that generate fee income. Management believes this diversification is important to reduce the impact of fluctuations in net interest revenue on the overall operating results of the Company. Noninterest revenue for 2021 was \$378.2 million, compared to \$336.5 million for 2020 and \$280.7 million for 2019. One of the primary contributors to the increase in noninterest revenue from 2020 to 2021 was the \$21.6 million gain on sale of PPP loans during 2021. This gain was offset somewhat by the decrease of \$28.2 million in mortgage banking revenue to \$58.1 million in 2021 compared to \$86.3 million in 2020. Mortgage origination volume increased by \$0.1 billion in 2021 to \$3.3 billion from \$3.2 billion in 2020. However, mortgage origination revenue decreased to \$39.9 million in 2021 from \$90.3 million in 2020 due to lower margins on loans sold in 2021. The change in the fair value of mortgage servicing rights ("MSRs") somewhat offset the decrease in mortgage banking revenue. The fair value of MSRs, including the hedge, was a positive \$10.1 million in 2021 compared to a negative \$12.8 million in 2020 and a negative \$14.5 million in 2019. The change in noninterest revenue from 2019 to 2020 was due to an increase in mortgage banking revenue from \$19.8 million in 2019 to \$86.3 million in 2020. The increase in mortgage banking revenue in 2020 was primarily related to the increase in mortgage origination revenue to \$90.3 million resulting from an increase in origination volume to \$3.2 billion.

Credit card, debit card and merchant fees increased \$7.3 million to \$45.5 million in 2021 from \$38.2 million in 2020 as a result of an increased number of transactions after remaining relatively stable in 2020 compared to 2019. Deposit service charges increased \$6.1 million to \$44.0 million in 2021 after decreasing \$8.1 million to \$37.9 million in 2020 compared to \$46.0 million in 2019. The increase in 2021 compared to 2020 is primarily related to the activity from the three acquisitions in 2021 coupled with increased economic activity during 2021 and the decrease in 2020 compared to 2019 is primarily due to waived charges and fees in an effort to assist our customers during the pandemic along with reduced activity. Insurance commissions increased \$9.9 million in 2021 to \$135.2 million after increasing \$2.0 million to \$125.3 million in 2020 from \$123.3 million in 2019. The increase in insurance commissions is primarily a result of higher insurance premiums related to a firming premium market in addition to new policies and growth in coverage from existing policies.

Wealth management revenue increased to \$39.5 million in 2021 from \$26.2 million in 2020 which was an increase from \$24.8 million in 2019. The increase in wealth management revenue is related to increased trust income and brokerage commissions and fees related to activities from the three acquisitions in 2021.

Other noninterest revenue fluctuations in 2021 compared to 2020 included the increase of bank-owned life insurance of \$3.0 million, or 36.7% as a result of higher life insurance proceeds recorded in 2021 than 2020. In 2020 compared to 2019, bank-owned life insurance decreased \$1.5 million or 15.1% as a result of lower life insurance proceeds recorded in 2020 than 2019. Other noninterest revenue increased in 2021 compared to 2020 as a result of earnings on limited partnerships, gains on the sales of fixed assets, gains on sale of SBA loans, payroll processing revenue and the successful termination of a previously accrued agreement. Other noninterest revenue decreased in 2020 compared to 2019 as a result of amortization of investments in historic tax credits coupled with decreased trading income and loan placement fees with this decrease offset somewhat by the \$4.2 million gain associated with the sale of a book of business within the Company's insurance agency occurring in the first quarter of 2020. The overall reduction in future insurance commission revenue related to the sold book of business is not considered material.

Noninterest expense for 2021 was \$798.9 million, an increase of 22.7% from \$650.9 million for 2020, which was an increase of 3.4% from \$629.6 million for 2019. The increase in noninterest expense in 2021 compared to 2020 was primarily a result of increases in salaries and employee benefits of \$54.0 million, or 12.9%, as a result of salary increases and increased commissions and compensation costs associated with the three bank acquisitions in 2021 as well as annual compensation increases. The increase in noninterest expense in 2021 compared to 2020 was also a result of the increase in merger expense which represents costs to complete the merger with no future benefit to the Company. Merger expense related to the three acquisitions in 2021 was \$59.9 million and was primarily comprised of advisor fees, legal fees and compensation related expenses. The Company recorded a charge of \$3.1 million in 2021 in accordance with ASC 715, *Compensation - Retirement Benefits* to reflect the settlement accounting impact of an elevated number of retirements and related lump sum pension payouts during 2021. Occupancy, equipment, data processing, and computer software also increased from 2020 to 2021 as a result of the three bank acquisitions occurring in 2021.

The increase in noninterest expense in 2020 compared to 2019 was primarily a result of increases in salaries and employee benefits of \$21.3 million, or 5.4%, as a result of salary increases and increases in commissions and compensation

costs associated with the one acquisition in 2020 as well as annual compensation increases. The Company recorded a charge of \$5.8 million in 2021 in accordance with ASC 715, *Compensation - Retirement Benefits* to reflect the settlement accounting impact of an elevated number of retirements and related lump sum pension payouts during 2020. The increase in noninterest expense in 2020 compared to 2019 was also a result of increases in occupancy, equipment, data processing, and software related to the one acquisition previously mentioned. These increases were offset somewhat by a decrease in merger expense of \$8.5 million due to one bank acquisition in 2020 compared to four acquisitions in 2019. The major components of net income are discussed in more detail in the various sections that follow.

RESULTS OF OPERATIONS

The following is a summary of our results of operations for the periods presented and includes the results of Legacy Cadence since the merger date of October 29, 2021:

(Dollars in thousands)	At or for the Year Ended December 31,		
	2021	2020	2019
Earnings Summary:			
Interest revenue	\$ 882,049	\$ 799,493	\$ 775,012
Interest expense	76,322	108,526	125,068
Net interest revenue	805,727	690,967	649,944
Provision for credit losses	138,062	89,044	1,500
Net interest revenue, after provision for credit losses	667,665	601,923	648,444
Noninterest revenue	378,153	336,504	280,681
Noninterest expense	798,890	650,882	629,607
Income before income taxes	246,928	287,545	299,518
Income tax expense	51,766	59,494	65,257
Net income	195,162	228,051	234,261
Less: preferred dividends	9,488	9,488	—
Net income available to common shareholders	\$ 185,674	\$ 218,563	\$ 234,261

Net Interest Revenue

Net interest revenue is the difference between interest revenue earned on assets, such as loans, leases and securities, and interest expense paid on liabilities, such as deposits and borrowings, and continues to provide the Company with its principal source of revenue. Net interest revenue is affected by the general level of interest rates, changes in interest rates and changes in the amount and composition of interest earning assets and interest bearing liabilities. One of the Company's long-term objectives is to manage interest earning assets and interest bearing liabilities to maximize net interest revenue, while balancing interest rate, credit and liquidity risk. Net interest margin is determined by dividing fully taxable equivalent net interest revenue by average earning assets. For purposes of the following discussion, revenue from tax-exempt loans and investment securities has been adjusted to a fully taxable equivalent ("FTE") basis, using an effective tax rate of 21% for the years ended December 31, 2021, 2020 and 2019.

The following table presents average interest earning assets, average interest bearing liabilities, net interest revenue-FTE, net interest margin-FTE and net interest rate spread for each of the years presented:

(Dollars in thousands)	2021			2020			2019		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
ASSETS (Dollars in thousands)									
Loans and leases (net of unearned income) ⁽¹⁾⁽²⁾	\$ 17,055,429	\$ 759,648	4.45 %	\$ 14,984,356	\$ 701,772	4.68 %	\$ 13,606,951	\$ 699,304	5.14 %
Loans held for sale, at fair value	278,447	8,035	2.89 %	246,007	8,357	3.40 %	134,211	5,201	3.88 %
Available-for-sale securities, at fair value:									
Taxable	9,152,620	111,050	1.21 %	4,879,279	85,466	1.75 %	2,746,780	56,660	2.06 %
Non-taxable ⁽³⁾	157,327	4,381	2.78 %	131,099	5,043	3.85 %	187,874	9,063	4.82 %
Other	638,559	1,323	0.21 %	375,443	1,621	0.43 %	360,802	8,566	2.37 %
Total interest earning assets and revenue	27,282,382	884,437	3.24 %	20,616,184	802,259	3.89 %	17,036,618	778,794	4.57 %
Other assets	3,001,809			2,331,023			2,108,170		
Less: allowance for credit losses	(289,543)			(223,821)			(117,144)		
Total	<u>\$ 29,994,648</u>			<u>\$ 22,723,386</u>			<u>\$ 19,027,644</u>		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits:									
Demand - interest bearing	\$ 11,114,242	\$ 33,251	0.30 %	\$ 7,859,680	\$ 47,692	0.61 %	\$ 6,576,213	\$ 58,771	0.89 %
Savings	2,946,629	3,201	0.11 %	2,199,405	4,117	0.19 %	1,873,309	5,361	0.29 %
Other time	2,784,733	24,394	0.88 %	2,649,809	38,940	1.47 %	2,450,350	39,380	1.61 %
Short-term debt	713,788	838	0.12 %	837,036	4,488	0.54 %	1,029,312	19,810	1.93 %
Long-term debt	341,170	14,638	4.29 %	301,526	13,289	4.41 %	39,577	1,746	4.41 %
Total interest bearing liabilities and expense	17,900,562	76,322	0.43 %	13,847,456	108,526	0.78 %	11,968,761	125,068	1.04 %
Demand deposits - noninterest bearing	8,382,997			5,850,761			4,419,258		
Other liabilities	373,514			299,624			272,880		
Total liabilities	26,657,073			19,997,841			16,660,899		
Shareholders' equity	3,337,575			2,725,545			2,366,745		
Total	<u>\$ 29,994,648</u>			<u>\$ 22,723,386</u>			<u>\$ 19,027,644</u>		
Net interest revenue-FTE		<u>\$ 808,115</u>			<u>\$ 693,733</u>			<u>\$ 653,726</u>	
Net interest margin-FTE			2.96 %			3.36 %			3.84 %
Net interest rate spread			2.82 %			3.11 %			3.53 %
Interest bearing liabilities to interest earning assets			65.61 %			67.17 %			70.25 %

(1) Includes taxable equivalent adjustment to interest of approximately \$1.5 million, \$1.7 million, and \$1.9 million in 2021, 2020 and 2019, respectively, using an effective tax rate of 21% for 2021, 2020 and 2019.

(2) Nonaccrual loans are included in loans and leases (net of unearned income). Nonaccrual loans were \$122.1 million, \$96.4 million, and \$78.8 million in 2021, 2020 and 2019, respectively.

(3) Includes taxable equivalent adjustment to interest of approximately \$0.9 million, \$1.1 million, and \$1.9 million in 2021, 2020 and 2019, respectively, using an effective tax rate of 21% for 2021, 2020 and 2019.

Net interest revenue-FTE increased 16.5% to \$808.1 million in 2021 from \$693.7 million in 2020, which represented an increase of 6.1% from \$653.7 million in 2019. The increase in net interest revenue-FTE for 2021 compared to 2020 was primarily a result of the increase in interest revenue-FTE related to the increase in average earning assets offset somewhat by a decrease in rates earned on those interest earning assets combined with a decrease in interest expense related to the decrease in rates paid offset somewhat by an increase in the average balance of interest bearing liabilities. The increase in earning assets was primarily a result of increases in balances in available-for-sale securities and the loan and lease portfolio. Rates paid on interest-bearing liabilities decreased as a result of decreases in rates paid on all interest bearing categories. The increase in net interest revenue-FTE for 2020 compared to 2019 was primarily a result of the increase in interest revenue-FTE related to the increase in average earning assets offset somewhat by a decrease in rates earned on interest earning assets as well as a decrease in interest expense related to the decrease in rates paid offset somewhat by an increase in the average balance of interest bearing liabilities. The increase in earning assets was primarily a result of available-for-sale securities. Rates paid on interest-bearing liabilities decreased as a result of decreases in rates paid on all interest bearing categories.

Interest revenue-FTE increased 10.2% to \$884.4 million in 2021 from \$802.3 million in 2020, which represented an increase of 3.0% from \$778.8 million in 2019. The increase in interest revenue-FTE in 2021 compared to 2020 was a result of increases in balances in the loan and lease portfolio and available-for-sale securities related to the three acquisitions in 2021 coupled with increases in available-for-sale securities associated with elevated interest-bearing deposits due to various government stimulus programs. The increase in interest revenue-FTE was offset somewhat by the decrease in rates earned on interest earning assets. Interest revenue-FTE included approximately \$26 million (0.15%) and \$11 million (0.08%) in accretion related to the purchase discounts on acquired loans for 2021 and 2020, respectively. The increase in interest revenue-FTE in 2020 compared to 2019 was a result of an increase in available-for-sale securities associated with elevated interest-bearing deposits due to various government stimulus programs with that increase offset somewhat by the decrease in rates earned on interest earning assets. The yield on average interest earning assets decreased 65 basis points in 2021 compared to 2020 and decreased 68 basis points in 2020 compared to 2019. Average interest earning assets increased 32.3% to \$27.3 billion in 2021 compared to \$20.6 billion in 2020 after increasing 21.0% in 2020 compared to \$17.0 billion in 2019.

Interest expense decreased 29.7% to \$76.3 million in 2021 from \$108.5 million in 2020, after decreasing 13.2% from \$125.1 million in 2019. The decrease in interest expense during 2021 and 2020 was a result of decreased rates paid on all interest bearing liabilities more than offsetting the increase in the average balances of interest bearing liabilities resulting from the three acquisitions in 2021 and the elevated interest-bearing deposits due to various government stimulus programs. The overall rates paid on average interest bearing liabilities decreased 35 basis points from 2020 to 2021 after decreasing 26 basis points from 2019 to 2020. Average interest bearing liabilities increased 29.3% to \$17.9 billion in 2021 compared to \$13.8 billion in 2020 after increasing 15.7% in 2020 compared to \$12.0 billion in 2019.

Net interest margin-FTE for 2021 was 2.96%, a decrease of 40 basis points from 3.36% for 2020, which represented a decrease of 48 basis points from 3.84% for 2019.

Net interest revenue-FTE may also be analyzed by segregating the rate and volume components of interest revenue and interest expense. The table below presents an analysis of rate and average volume change in net interest revenue from 2020 to 2021 and from 2019 to 2020. Changes that are not solely a result of volume or rate have been allocated to volume.

(In thousands) (Taxable equivalent basis)	2021 over 2020 - Increase (Decrease)			2020 over 2019 - Increase (Decrease)		
	Volume	Rate	Total	Volume	Rate	Total
INTEREST REVENUE						
Loans and leases, net of unearned income	\$ 92,246	\$ (34,370)	\$ 57,876	\$ 64,509	\$ (62,041)	\$ 2,468
Loans held for sale	936	(1,258)	(322)	3,798	(642)	3,156
Available-for-sale securities:						
Taxable	51,849	(26,265)	25,584	37,353	(8,547)	28,806
Non-taxable	731	(1,393)	(662)	(2,184)	(1,836)	(4,020)
Other	545	(843)	(298)	63	(7,008)	(6,945)
Total increase (decrease)	146,307	(64,129)	82,178	103,539	(80,074)	23,465
INTEREST EXPENSE						
Demand deposits - interest bearing	9,737	(24,178)	(14,441)	7,788	(18,867)	(11,079)
Savings deposits	812	(1,728)	(916)	610	(1,854)	(1,244)
Time deposits	1,182	(15,728)	(14,546)	2,931	(3,371)	(440)
Short-term debt	(145)	(3,505)	(3,650)	(975)	(14,347)	(15,322)
Long-term debt	1,653	(304)	1,349	11,464	79	11,543
Total increase (decrease)	13,239	(45,443)	(32,204)	21,818	(38,360)	(16,542)
Total net increase (decrease)	\$ 133,068	\$ (18,686)	\$ 114,382	\$ 81,721	\$ (41,714)	\$ 40,007

Provision for Credit Losses and Allowance for Credit Losses (“ACL”)

An analysis of the ACL for each of the three years in the period ended December 31, 2021 is provided in the following table:

(Dollars in thousands)	2021		2020		2019	
	Amount	%	Amount	%	Amount	%
Balance, beginning of period	\$ 244,422		\$ 119,066		\$ 120,070	
Impact of adopting ASC 326 - cumulative effect adjustment	—		40,000		—	
Impact of adopting ASC 326 - purchased loans with credit deterioration ("PCD")	—		22,634		—	
Charge-offs:						
Commercial and industrial						
Non-real estate	(7,213)	0.04 %	(17,201)	0.11 %	(3,176)	0.02 %
Owner occupied	(1,912)	0.01 %	(2,047)	0.01 %	(268)	— %
Total commercial and industrial	(9,125)	0.05 %	(19,248)	0.12 %	(3,444)	0.02 %
Commercial real estate						
Construction, acquisition and development	(1,024)	0.01 %	(4,955)	0.03 %	(71)	— %
Income producing	(1,601)	0.01 %	(3,939)	0.03 %	(4,114)	0.03 %
Total commercial real estate	(2,625)	0.02 %	(8,894)	0.06 %	(4,185)	0.03 %
Consumer						
Residential mortgages	(1,509)	0.01 %	(2,294)	0.02 %	(2,053)	0.02 %
Other consumer	(5,462)	0.03 %	(5,425)	0.04 %	(6,908)	0.05 %
Total consumer	(6,971)	0.04 %	(7,719)	0.05 %	(8,961)	0.07 %
Total charge-offs	(18,721)	0.11 %	(35,861)	0.24 %	(16,590)	0.12 %
Recoveries:						
Commercial and industrial						
Non-real estate	11,754	0.07 %	1,688	0.01 %	2,295	0.02 %
Owner occupied	4,140	0.02 %	1,554	0.01 %	271	— %
Total commercial and industrial	15,894	0.09 %	3,242	0.02 %	2,566	0.02 %
Commercial real estate						
Construction, acquisition and development	1,831	0.01 %	545	— %	1,841	0.01 %
Income producing	1,262	0.01 %	439	— %	4,537	0.03 %
Total commercial real estate	3,093	0.02 %	984	0.01 %	6,378	0.05 %
Consumer						
Residential mortgages	2,424	0.01 %	1,946	0.01 %	3,211	0.02 %
Other consumer	2,624	0.02 %	2,185	0.01 %	1,931	0.01 %
Total consumer	5,048	0.03 %	4,131	0.03 %	5,142	0.04 %
Total recoveries	24,035	0.14 %	8,357	0.06 %	14,086	0.10 %
Net recoveries (charge-offs)	5,314	0.03 %	(27,504)	(0.18)%	(2,504)	(0.02)%
Initial allowance on PCD loans	75,124		4,226		—	
Provision:						
Initial provision for acquired non-PCD loans	130,555		1,000		—	
Provision for credit losses related to loans and leases	(9,000)		85,000		1,500	
Balance, end of period	\$ 446,415		\$ 244,422		\$ 119,066	
Loans and leases, net of unearned income - average	\$ 17,055,429		\$ 14,984,356		\$ 13,606,951	
Loans and leases, net of unearned income - period end	\$ 26,882,988		\$ 15,022,479		\$ 14,089,683	

	2021	2020	2019
Net charge-offs (recoveries) to average loans and leases:			
Commercial and industrial			
Non-real estate	(0.03)%	0.10 %	0.01 %
Owner occupied	(0.01)%	0.01 %	— %
Total commercial and industrial	(0.04)%	0.11 %	0.01 %
Commercial real estate			
Construction, acquisition and development	— %	0.03 %	(0.01)%
Income producing	— %	0.02 %	— %
Total commercial real estate	— %	0.05 %	(0.01)%
Consumer			
Residential mortgages	(0.01)%	— %	(0.02)%
Other consumer	0.02 %	0.02 %	0.04 %
Total consumer	0.01 %	0.02 %	0.02 %
Total loans and leases charged off	(0.03)%	0.18 %	0.02 %
	2021	2020	2019
RATIOS			
Net charge-offs (recoveries) to average loans and leases	(0.03)%	0.18 %	0.02 %
Provision for credit losses to average loans and leases, net of unearned income	0.81 %	0.57 %	0.01 %
Allowance for credit losses to loans and leases, net of unearned income	1.66 %	1.63 %	0.85 %
Non-accrual loans to loans and leases, net of unearned income	0.45 %	0.64 %	0.56 %
Allowance for credit losses to non-accrual loans	365.60 %	253.61 %	151.11 %

Net recoveries were \$5.3 million in 2021 compared to net charge-offs of \$27.5 million in 2020 and \$2.5 million in 2019. Net recoveries as a percentage of average loans and leases were 0.03% compared to net charge-offs as a percentage of average loans and leases 0.18%, and 0.02% in 2020 and 2019, respectively. Net recoveries in 2021 were primarily in the commercial and industrial non-real estate and owner occupied categories. Net charge-offs in 2020 were primarily a result of the net charge-offs within the commercial and industrial-non real estate, construction, acquisition, and development and commercial real estate categories. Of the \$35.9 million in gross charge-offs in 2020, \$12.7 million were acquired loans that were previously recorded as purchased credit impaired prior to the adoption of ASU No. 2016-13, *Financial Instruments—Credit Losses*, and were subsequently classified as purchased credit deteriorated loans.

A release of provision for credit losses of \$9.0 million was recorded in 2021 compared to an \$85.0 million provision recorded in 2020 and \$1.5 million provision in 2019. The release of provision for credit losses in 2021 was primarily related to improvements in overall credit quality. The elevated provision for credit losses in 2020 was primarily a result of the impact of the COVID-19 pandemic on the economic factors included in the Company's allowance for credit losses methodology. An initial provision for acquired loans (“non-PCD”) of \$130.6 million and an initial allowance on loans purchased with credit deterioration (“PCD”) of \$75.1 million was recorded in 2021 due to the acquisitions of three banks in 2021. See the allocation of the ACL below. The initial provisions on acquired loans in 2021 was mainly attributable to the commercial and industrial and commercial real estate portfolios. An initial provision for acquired loans of \$1.0 million and an initial allowance on loans purchased with credit deterioration of \$4.2 million were recorded in 2020 due to the acquisition of one bank in 2020.

The provision for credit losses to average loans and leases increased to 0.81% in 2021 compared to 0.57% as a result of the initial provision for non-PCD loans of \$130.6 recorded in 2021. The provision for credit losses to average loans and leases increased to 0.57% in 2020 compared to 0.01% in 2019 as a result of the elevated provision for credit losses in 2020 resulting from the impact of the COVID-19 pandemic previously discussed.

The ACL increased \$202.0 million to \$446.4 million at December 31, 2021 compared to \$244.4 million at December 31, 2020 and increased \$125.3 million from \$119.1 million at December 31, 2019. The increase in the ACL at December 31, 2021 compared to December 31, 2020 was a result of the initial provision for non-PCD loans and the initial allowance on PCD loans in 2021 due to the acquisition of three banks during the year. The increase in the ACL at December 31, 2020 compared to December 31, 2019 was a result of the adoption of ASU No. 2016-13, *Financial Instruments—Credit Losses*, coupled with the effects of the COVID-19 pandemic on the economic factors included in the Company's allowance for credit losses methodology.

The ACL to nonaccrual loans increased to 365.6% in 2021 from 253.61% in 2020 after increasing from 151.11% in 2019. This increase in coverage during 2021 resulted from the initial provision recorded for non-PCD loans and the initial allowance recorded on PCD loans. For more information about the Company's classified, non-performing and impaired loans, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Loans and Leases" in this Report.

The breakdown of the allowance by loan and lease segment and class is based, in part, on evaluations of specific loan and lease histories and on economic conditions within specific industries or geographical areas. Accordingly, because all of these conditions are subject to change, the allocation is not necessarily indicative of the breakdown of any future allowance for losses. The following tables present (i) the breakdown of the allowance for credit losses by loan and lease segment and class and (ii) the percentage of each segment and class in the loan and lease portfolio to total loans and leases at December 31 of each of the years indicated:

(Dollars in thousands)	2021		2020	
	Allowance for Credit Losses	% of Loans in Each Category to Total Loans	Allowance for Credit Losses	% of Loans in Each Category to Total Loans
Commercial and industrial				
Non-real estate	\$ 138,696	29.2 %	\$ 31,906	19.4 %
Owner occupied	59,254	13.3	35,488	17.3
Total commercial and industrial	197,950	42.5	67,394	36.7
Commercial real estate				
Construction, acquisition and development	52,530	10.9	28,891	11.5
Income producing	98,327	18.3	64,291	21.4
Total commercial real estate	150,857	29.2	93,182	32.9
Consumer				
Residential mortgages	85,734	27.2	70,493	29.0
Other consumer	11,874	1.1	13,353	1.4
Total consumer	97,608	28.3	83,846	30.4
Total	\$ 446,415	100.0 %	\$ 244,422	100.0 %

Noninterest Revenue

The components of noninterest revenue for the years ended December 31, 2021, 2020 and 2019, and the percentage change between such years are shown in the following table:

(Dollars in thousands)	2021		2020		2019
	Amount	% Change	Amount	% Change	Amount
Mortgage banking excluding MSR market value adjustment	\$ 47,914	(51.6)%	\$ 99,067	188.9 %	\$ 34,297
MSR and hedge market value adjustment	10,139	(179.1)	(12,814)	(11.7)	(14,515)
Credit card, debit card and merchant fees	45,519	19.0	38,247	(1.1)	38,656
Deposit service charges	43,986	16.0	37,929	(17.6)	46,015
Securities (losses) gains, net	(395)	(781.0)	58	(66.7)	174
Insurance commissions	135,183	7.9	125,286	1.6	123,291
Trust income*	22,190	38.5	16,025	(0.1)	16,042
Annuity fees*	586	172.6	215	(74.1)	830
Brokerage commissions and fees*	16,731	67.8	9,973	25.7	7,937
Bank-owned life insurance	11,180	36.7	8,181	(15.1)	9,632
Gain on sale of PPP loans	21,572	NM	—	—	—
Other miscellaneous income	23,548	64.2	14,337	(21.7)	18,322
Total noninterest revenue	\$ 378,153	12.4 %	\$ 336,504	19.9 %	\$ 280,681

- Included in wealth management revenue on the Consolidated Statements of Income.

The Company's revenue from mortgage banking typically fluctuates as mortgage interest rates change and is primarily attributable to two activities - origination and sale of new mortgage loans and servicing mortgage loans. Since mortgage revenue can be significantly affected by changes in the valuation of MSRs in changing interest rate environments, the Company hedges the change in fair value of its MSRs. The Company's normal practice is to originate mortgage loans for sale in the secondary market and to either retain or release the associated MSRs with the loan sold. The Company records MSRs at fair value for all loans sold on a servicing retained basis with subsequent adjustments to fair value of MSRs in accordance with GAAP.

In the course of conducting the Company's mortgage banking activities of originating mortgage loans and selling those loans in the secondary market, various representations and warranties are made to the purchasers of the mortgage loans. These representations and warranties also apply to underwriting the real estate appraisal opinion of value for the collateral securing these loans. Under the representations and warranties, failure by the Company to comply with the underwriting and/or appraisal standards could result in the Company being required to repurchase the mortgage loan or to reimburse the investor for losses incurred (i.e., make whole requests) if such failure cannot be cured by the Company within the specified period following discovery. During 2021, nineteen mortgage loans were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. Losses of approximately \$170,000 were recognized in 2021 related to these repurchased and make whole loans. During 2020, fifteen mortgage loans were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. Losses of approximately \$31,000 were recognized related to these repurchased and make whole loans.

At December 31, 2021, the Company had reserved \$1.9 million for probable losses from representation and warranty obligations, compared to a reserve of \$1.4 million at December 31, 2020. The reserve is based on the Company's repurchase and loss trends, and quantitative and qualitative factors that may result in anticipated losses different than historical loss trends, including loan vintage, underwriting characteristics and macroeconomic trends.

Management believes that the Company's foreclosure process related to mortgage loans continues to operate effectively. Before beginning the foreclosure process, the Company reviews the identified delinquent loan. All documents and activities related to the foreclosure process are executed in-house by mortgage department personnel.

Origination revenue, a component of mortgage banking revenue, is comprised of gains or losses from the sale of the mortgage loans originated, origination fees, underwriting fees and other fees associated with the origination of loans. Mortgage loan origination volumes of \$3.3 billion, \$3.2 billion and \$1.8 billion produced origination revenue of \$39.9 million, \$90.3 million and \$24.3 million for 2021, 2020 and 2019, respectively. While mortgage loan origination volumes remained consistent in 2021 compared to 2020, the decrease in mortgage origination revenue in 2021 compared to 2020 is a result of lower margins on loans sold in 2021 as compared to margins on loans sold in 2020. The increase in mortgage origination revenue in 2020 compared to 2019 was primarily a result of an increase in mortgage loan origination volumes.

Revenue from the servicing process, another component of mortgage banking revenue, includes fees from the actual servicing of loans. Revenue from the servicing of loans was \$22.0 million, \$21.5 million and \$19.6 million for 2021, 2020 and 2019, respectively.

Changes in the fair value of the Company's MSRs are generally a result of changes in mortgage interest rates from the previous reporting date. An increase in mortgage interest rates typically results in an increase in the fair value of the MSRs while a decrease in mortgage interest rates typically results in a decrease in the fair value of MSRs. The fair value of MSRs is also impacted by principal payments, prepayments, charge offs and payoffs on loans in the servicing portfolio. Decreases in value from principal payments, prepayments, charge offs, and payoffs were \$14.0 million, \$12.7 million and \$9.7 million for 2021, 2020 and 2019, respectively. The Company hedges the change in fair value of its MSRs. At December 31, 2021 and 2020 respectively, there was a hedge in place designed to cover approximately 33.1% and 16.7% of the MSR value. The Company is susceptible to significant fluctuations in MSR value during changing interest rate environments. Reflecting this sensitivity to interest rates, the fair value of MSRs, including the hedge, increased \$10.1 million in 2021 and decreased \$12.8 million and \$14.5 million in 2020 and 2019, respectively.

The following table presents the Company's mortgage banking operations for 2021, 2020 and 2019:

(Dollars in thousands)	2021		2020		2019
	Amount	% Change	Amount	% Change	Amount
Production revenue:					
Origination	\$ 39,855	(55.9)%	\$ 90,293	271.1 %	\$ 24,332
Servicing	22,020	2.3	21,520	9.7	19,621
Payoffs/Paydowns	(13,961)	9.5	(12,746)	32.0	(9,656)
Total	47,914	(51.6)	99,067	188.9	34,297
MSR and hedge market value adjustment	10,139	179.1	(12,814)	(11.7)	(14,515)
Mortgage banking revenue	<u>\$ 58,053</u>	<u>(32.7)</u>	<u>\$ 86,253</u>	<u>336.0</u>	<u>\$ 19,782</u>
(Dollars in millions)					
Origination volume	<u>\$ 3,303</u>	1.6 %	<u>\$ 3,250</u>	77.8 %	<u>\$ 1,828</u>
Mortgage loans serviced at year-end	7,554	3.1	7,330	6.3	6,898

Credit card, debit card and merchant fees increased \$7.3 million in 2021 compared to 2020 and remained relatively stable in 2020 compared to 2019. The increase in 2021 compared to 2020 was a result of an increased number of transactions.

Deposit service charge revenue increased \$6.1 million in 2021 compared to 2020 primarily as a result of activity from the three acquisitions in 2021 coupled with increased economic activity during 2021 and decreased \$8.1 million in 2020 compared to 2019 primarily as a result of waived charges and fees in an effort to assist our customers during the pandemic coupled with decreased activity in 2020.

Net securities losses of approximately \$395,000, net gains of approximately \$58,000, and net gains of approximately \$174,000 were recorded in 2021, 2020 and 2019, respectively. These amounts reflected the sales and calls of securities from the available-for-sale portfolio and also the fair market value adjustment on other equity investments. Insurance commissions increased 7.9% in 2021 compared to 2020 primarily as a result of higher insurance premiums related to the firming premium market and increased 1.6% in 2020 compared to 2019 primarily as a result of new policies and growth from existing customers.

Trust income increased \$6.2 million in 2021 compared to 2020 as a result of trust related activities from the three acquisitions in 2021, while trust income remained relatively stable in 2020 compared to 2019, decreasing approximately \$17,000. Annuity fees increased approximately \$371,000 in 2021 compared to 2020 after decreasing \$615,000 in 2020 compared to 2019 as a result of more annuity sales in 2021. Brokerage commissions and fees increased \$6.8 million in 2021 compared to 2020 after increasing \$2.0 million in 2020 compared to 2019 primarily due to overall market appreciation resulting in more fee revenue during 2021 and 2020, coupled with activities from the three acquisitions in 2021.

Bank-owned life insurance revenue increased \$3.0 million in 2021 compared to 2020 and decreased \$1.5 million in 2020 compared to 2019. The Company recorded life insurance proceeds of \$2.6 million, approximately \$744,000 and \$1.9 million during 2021, 2020 and 2019, respectively. The company recorded a gain on sale of PPP loans of \$21.6 million in 2021. No such gain was recorded in 2020.

Other miscellaneous income includes safe deposit box rental income, gain or loss on disposal of assets, and other miscellaneous items. Other miscellaneous income increased 64.2% in 2021 compared to 2020 and decreased 21.7% in 2020 compared to 2019. The increase in 2021 was a result of earnings on limited partnerships, gains on the sales of fixed assets, gains on sales of SBA loans, payroll processing revenue and the successful termination of a previously accrued agreement. The decrease in 2020 was a result of amortization of investments in historic tax credits coupled with decreased trading income and loan placement fees with the decrease offset somewhat by the sale of a book of business within the Company's insurance agency. The overall reduction in future insurance commission revenue related to the sold book of business is not considered material.

Noninterest Expense

The components of noninterest expense for the years ended December 31, 2021, 2020 and 2019 and the percentage change between years are shown in the following table:

(Dollars in thousands)	2021		2020		2019
	Amount	% Change	Amount	% Change	Amount
Salaries and employee benefits	\$ 471,815	12.9 %	\$ 417,809	5.4 %	\$ 396,500
Occupancy and equipment	81,394	15.7	70,341	6.8	65,841
Data processing and software	73,085	25.6	58,170	13.3	51,354
Merger expense	59,896	NM	5,345	(61.5)	13,871
Deposit insurance assessments	8,701	29.4	6,726	(26.4)	9,143
Pension settlement expense	3,051	(47.8)	5,846	NM	—
Advertising and public relations	10,780	56.1	6,908	(19.3)	8,557
Foreclosed property expense	4,548	11.6	4,074	42.1	2,868
Telecommunications	6,240	6.1	5,883	3.9	5,663
Amortization of intangibles	12,616	31.3	9,605	5.3	9,118
Legal fees	4,036	17.6	3,431	(3.5)	3,555
Postage and shipping	6,050	15.1	5,256	(0.1)	5,263
Other miscellaneous expense	56,678	10.1	51,488	(11.0)	57,874
Total noninterest expense	\$ 798,890	22.7 %	\$ 650,882	3.4 %	\$ 629,607

NM = not meaningful

Salaries and employee benefits increased \$54.0 million in 2021 compared to 2020 and increased \$21.3 million in 2020 compared to 2019. The increase in salaries and employee benefits in 2021 compared to 2020 was a result of salary increases and increased commissions and compensation costs associated with three acquisitions in 2021, as well as annual compensation increases. The increase in salaries and employee benefits in 2020 compared to 2019 was a result of salary increases and increased commissions and compensation costs associated with the one acquisition in 2020 and a full year of the four acquisitions completed in 2019, as well as annual compensation increases.

Occupancy and equipment expense increased \$11.1 million in 2021 compared to 2020 after increasing \$4.5 million in 2020 compared to 2019. The increase in occupancy and equipment expense was a result of increased number of properties related to the three acquisitions in 2021, one acquisition in 2020, and four acquisitions in 2019.

Data processing and software expense increased \$14.9 million in 2021 compare to 2020 after increasing \$6.8 million in 2020 compared to 2019. The increase in data processing and software expense was a result of increases in data processing, maintenance and depreciation expense recorded as a result of the three acquisitions in 2021, the one acquisition in 2020 and the four acquisitions in 2019, coupled with increased card association fees resulting from the increased number of transactions processed.

Merger expense represents costs to complete the merger with no future benefit and is comprised primarily of advisor fees, legal fees and compensation related expenses. Incremental merger related expenses represent costs to complete the merger for which the entity receives a future benefit. Merger expense related to the three acquisitions in 2021 was \$59.9 million, while merger expense related to the one acquisition in 2020 was \$5.3 million. Merger expense related to the four acquisition in 2019 was \$13.9 million. Incremental merger related expenses for the fourth quarter of 2021 totaled \$4.6 million that included primarily employee retention expense.

Deposit insurance assessments increased \$2.0 million in 2021 compared to 2020 after decreasing \$2.4 million in 2020 compared to 2019 as a result of movement in several variables utilized by the FDIC in calculating the deposit insurance assessment coupled with the consolidated financial information from the three acquisitions in 2021 and the one acquisition in 2020 previously mentioned.

The Company recorded a charge of \$3.1 million in 2021 and \$5.8 million in 2020 in accordance with ASC 715, Compensation - Retirement Benefits. This expense reflects the settlement accounting impact of an elevated number of retirements and related lump sum pension payouts during 2021 and 2020. No such charges were recorded in 2019.

Foreclosed property expense increased \$0.5 million in 2021 compared to 2020. During 2021, the Company added \$10.5 million to OREO through foreclosures of legacy loans and \$1.7 million related to the three acquisitions in 2021. Sales of OREO in 2021 were \$5.3 million resulting in a net gain on sale of OREO of \$0.2 million. The components of foreclosed property expense for the years ended December 31, 2021, 2020 and 2019 and the percentage change between years are shown in the following table:

(Dollars in thousands)	2021		2020		2019
	Amount	% Change	Amount	% Change	Amount
(Gain) Loss on sale of other real estate owned	\$ (212)	(154.5)%	\$ 389	1,044.1 %	\$ 34
Write-down of other real estate owned	1,899	159.8	731	93.9	377
Other foreclosed property expense	2,861	(3.1)	2,954	20.2	2,457
Total foreclosed property expense	\$ 4,548	11.6 %	\$ 4,074	42.1 %	\$ 2,868

The Company experienced fluctuations in various components of other noninterest expense, including advertising, telecommunications, amortization of intangibles, legal fees and postage and shipping in 2021 compared to 2020 and in 2020 compared to 2019 primarily as a result of the three acquisitions in 2021 and the one acquisition in 2020 previously mentioned. Other miscellaneous expense increased in 2021 compared to 2020 as a result of increased consulting, insurance and franchise taxes related to the three acquisitions in 2021 and the one acquisition in 2020, coupled with an increase in travel-related, meals and entertainment expenses in 2021 as restrictions related to the pandemic resulted in decreased similar expenses in 2020.

Income Taxes

The Company recorded income tax expense of \$51.8 million in 2021 compared to \$59.5 million in 2020 and \$65.3 million in 2019. The decrease in tax expense in 2021 compared to 2020 can be attributed to lower pre-tax income in 2021. The decrease in tax expense in 2020 compared to 2019 can be attributed to lower pre-tax income in 2020, one-time impacts of implementing provisions of the CARES Act, described below and investments in tax credits.

The effective tax rate for the year ended December 31, 2021 was negatively impacted primarily by the non-deductible merger costs incurred in the fourth quarter of 2021. The effective tax rate for the year ended December 31, 2020 was favorably impacted by income tax benefits recorded during the first quarter of 2020 related to the Company's tax loss carrybacks as provided by certain tax provisions for corporations under the CARES Act.

FINANCIAL CONDITION

The percentage of earning assets to total assets measures the effectiveness of management's efforts to invest available funds into the most efficient and profitable uses. Earning assets at December 31, 2021 were \$43.5 billion, or 91.3% of total assets, compared with \$21.8 billion, or 90.5% of total assets, at December 31, 2020. The increase in balances below reflect the business combinations closed in 2021, namely the merger with Legacy Cadence. See Note 2 to the Consolidated Financial Statements for additional information regarding our acquisitions and mergers.

(In thousands)	December 31,	
	2021	2020
Year-End Balances:		
Total assets	\$ 47,669,751	\$ 24,081,194
Total securities	15,606,470	6,231,006
Loans and leases, net of unearned income	26,882,988	15,022,479
Total deposits	39,817,673	19,846,441
Long-term debt	3,742	4,402
Subordinated debt	478,669	297,250
Total shareholders' equity	5,247,987	2,822,477
Common shareholders' equity	5,080,994	2,655,484
Average Balances:		
Total assets	29,994,648	22,723,386
Total securities	9,309,947	5,010,378
Loans and leases, net of unearned income	17,055,429	14,984,356
Total deposits	25,228,601	18,559,655
Long-term debt	4,274	4,644
Subordinated debt	336,896	296,882
Total shareholders' equity	3,337,575	2,725,545
Common shareholders' equity	3,170,582	2,558,545

Securities

The Company uses its securities portfolio to provide revenue, a source of liquidity, and to serve as collateral to secure certain types of deposits and borrowings. The following tables show the carrying value of the Company's available-for-sale securities by investment category:

(In thousands)	December 31,		
	2021	2020	2019
Available-for-sale securities:			
U.S. Treasury securities	\$ 1,496,465	\$ —	\$ —
Obligations of U.S. government agencies	2,638,442	2,871,408	3,599,317
Mortgage-backed securities issued or guaranteed by U.S. agencies (MBS)			
Residential pass-through:			
Guaranteed by GNMA	113,427	57,460	70,020
Issued by FNMA and FHLMC	8,129,191	2,363,949	63,355
Other residential mortgage-backed securities	243,357	—	—
Commercial mortgage-backed securities	2,061,133	806,206	609,009
Total MBS	10,547,108	3,227,615	742,384
Obligations of states and municipal subdivisions	565,520	113,953	140,273
Other domestic debt securities	63,645	18,030	—
Foreign debt securities	295,290	—	—
Total	<u>\$ 15,606,470</u>	<u>\$ 6,231,006</u>	<u>\$ 4,481,974</u>

At December 31, 2021, the Company's available-for-sale securities totaled \$15.6 billion compared to \$6.2 billion at December 31, 2020. These securities, which are subject to possible sale, are recorded at fair value. The increase from December 31, 2020 was primarily due to the merger of Legacy Cadence. Net unrealized losses on available-for-sale securities as of December 31, 2021 totaled \$100.7 million. Net unrealized gains on available-for-sale securities as of December 31, 2020 totaled \$101.0 million. At December 31, 2021, no allowance for credit losses was recorded on available-for-sale securities. During 2021, approximately \$564.0 million of securities available-for-sale were sold and \$2.2 billion of securities matured, were called, or paid down. We purchased \$7.9 billion in securities during 2021.

Maturity Distribution of Investment Securities - The following table shows the maturities and weighted average yields at December 31, 2021 and December 31, 2020 for the carrying value of the available-for-sale securities:

(Dollars in thousands)	Contractual maturities			
	2021		2020	
	Estimated Fair Value	Weighted Average Yield	Estimated Fair Value	Weighted Average Yield
U.S. Treasury securities:				
Due in one to five years	\$ 1,496,465	0.69 %	\$ —	— %
U.S. Treasury securities total	1,496,465	0.69	—	—
Obligations of U.S. government agencies:				
Due in less than one year	1,056,035	1.83	953,262	2.41
Due in one to five years	1,302,758	1.32	1,918,146	1.82
Due in five to ten years	99,418	1.11	—	—
Due after ten years	180,231	2.00	—	—
Obligations of U.S. government agencies total	2,638,442	1.56	2,871,408	2.01
Obligations of states and municipal subdivisions:				
Due in less than one year	6,631	2.82	5,493	2.72
Due in one to five years	20,835	3.24	31,011	3.37
Due in five to ten years	26,274	3.06	26,789	3.79
Due after ten years	511,780	2.36	50,660	3.05
Obligations of states and municipal subdivisions total	565,520	2.43	113,953	3.29
Other domestic debt securities:				
Due in one to five years	28,064	0.64	—	—
Due in five to ten years	33,461	4.20	16,020	5.28
Due after ten years	2,120	4.50	2,010	4.74
Other domestic debt securities total	63,645	2.64	18,030	5.22
Foreign debt securities:				
Due in one to five years	54,451	0.75	—	—
Due in five to ten years	240,839	0.35	—	—
Foreign debt securities total	295,290	0.43	—	—
Total securities due in less than one year	1,062,666	1.83	958,755	2.41
Total securities due in one to five years	2,902,573	0.99	1,949,157	1.84
Total securities due in five to ten years	399,992	1.04	42,809	4.35
Total securities due after ten years	694,131	2.28	52,670	3.11
Mortgage-backed securities	10,547,108	1.27	3,227,615	1.20
Total estimated fair value	\$ 15,606,470	1.29 %	\$ 6,231,006	1.62 %

The yield on tax-exempt obligations of states and political subdivisions has been adjusted to a taxable equivalent basis using a 21% tax rate.

Loans and Leases

The Company's loan and lease portfolio represents the largest single component of the Company's earning asset base, comprising 62.5% of average earning assets during 2021. The Company's lending activities include both commercial and consumer loans and leases. Loan and lease originations are derived from a number of sources, including direct solicitation by the Company's loan officers, existing depositors and borrowers, builders, attorneys, walk-in customers and, in some instances, other lenders, real estate broker referrals and mortgage loan companies. The Company has established systematic procedures for approving and monitoring loans and leases that vary depending on the size and nature of the loan or lease, and applies these procedures in a disciplined manner. The Company's loans and leases are widely diversified by borrower and industry. Loans and leases, net of unearned income, totaled \$26.9 billion at December 31, 2021, representing a 79.0% increase from \$15.0 billion at December 31, 2020. The increase in loan and lease portfolio from 2020 reflects the business combinations that closed in 2021 (see Notes 2 and 4 to the Consolidated Financial Statements for more information).

The Company has actively participated in assisting its customers with applications for resources through the PPP, which is administered by the SBA with the intent to help businesses keep their workforce employed during the COVID-19 pandemic. During the second quarter of 2021, the Company sold PPP loans totaling \$725.4 million which generated a gain on sale of \$21.6 million. The Company believes that the remaining loans will ultimately be forgiven by the SBA in accordance with the terms of the program. The PPP loans are designed to be fully guaranteed by the U.S. government and as such should not present a credit risk. The remaining balance of PPP loans of \$50.0 million is included in the non-real estate loan class.

The following table shows the composition of the Company's loan and lease portfolio by segment and class at December 31, 2021 and 2020.

(In thousands)	2021	2020
Commercial and industrial		
Non-real estate	\$ 7,847,473	\$ 2,918,192
Owner occupied	3,567,746	2,599,121
Total commercial and industrial	11,415,219	5,517,313
Commercial real estate		
Construction, acquisition and development	2,924,343	1,728,682
Income producing	4,924,369	3,211,434
Total commercial real estate	7,848,712	4,940,116
Consumer		
Residential mortgages	7,311,306	4,356,338
Other consumer	307,751	208,712
Total consumer	7,619,057	4,565,050
Total loans and leases, net of unearned⁽¹⁾	\$ 26,882,988	\$ 15,022,479

(1) Total loans and leases are net of \$103.2 million and \$36.3 million of unearned income at December 31, 2021 and 2020, respectively.

The following table shows the Company's loan and lease portfolio by segment and class as of December 31, 2021 by geographical location.

(In thousands)	Alabama and Florida	Arkansas	Louisiana	Mississippi	Missouri	Tennessee and Georgia	Texas	Other	Total
Commercial and industrial									
Non-real estate	\$ 750,919	\$ 155,279	\$ 294,943	\$ 505,212	\$ 69,959	\$ 724,290	\$ 3,627,559	\$ 1,719,312	\$ 7,847,473
Owner occupied	539,409	220,571	233,726	675,010	78,587	427,493	1,286,591	106,359	3,567,746
Total commercial and industrial	1,290,328	375,850	528,669	1,180,222	148,546	1,151,783	4,914,150	1,825,671	11,415,219
Commercial real estate									
Construction, acquisition and development	295,534	67,950	51,240	214,688	30,515	482,721	1,570,378	211,317	2,924,343
Income producing	719,156	289,039	218,860	670,656	209,986	984,992	1,686,124	145,556	4,924,369
Total commercial real estate	1,014,690	356,989	270,100	885,344	240,501	1,467,713	3,256,502	356,873	7,848,712
Consumer									
Residential mortgages	1,495,780	363,519	417,813	1,039,206	148,182	838,440	2,897,122	111,244	7,311,306
Other consumer	40,395	11,475	9,383	58,629	905	23,116	79,076	84,772	307,751
Total consumer	1,536,175	374,994	427,196	1,097,835	149,087	861,556	2,976,198	196,016	7,619,057
Total loans and leases, net of unearned	\$ 3,841,193	\$ 1,107,833	\$ 1,225,965	\$ 3,163,401	\$ 538,134	\$ 3,481,052	\$ 11,146,850	\$ 2,378,560	\$ 26,882,988

Mergers and Acquisitions

In connection with the merger and acquisitions (see Notes 2 and 4 to the Consolidated Financial Statements), the Company acquired loans both with and without evidence of credit quality deterioration since origination. Acquired loans are recorded at their fair value at the time of acquisition with no carryover from the acquired institution's previously recorded allowance for credit losses. Acquired loans are accounted for under the following accounting pronouncements: ASC 326, *Financial Instruments—Credit Losses*.

The fair value for acquired loans recorded at the time of acquisition is based upon several factors including the timing and payment of expected cash flows, as adjusted for estimated credit losses and prepayments, and then discounting these cash flows using comparable market rates. The resulting fair value adjustment is recorded in the form of premium or discount to the unpaid principal balance of each acquired loan. As it relates to acquired loans that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination ("PCD"), the net premium or net discount is adjusted to reflect the Company's allowance for credit losses ("ACL") recorded for PCD loans at the time of acquisition, and

the remaining fair value adjustment is accreted or amortized into interest income over the remaining life of the loan. As it relates to acquired loans not classified as PCD (“non-PCD”) loans, the credit loss and yield components of the fair value adjustment are aggregated, and the resulting net premium or net discount is accreted or amortized into interest income over the remaining life of the loan. The Company records an ACL for non-PCD loans at the time of acquisition through provision expense, and therefore, no further adjustments are made to the net premium or net discount for non-PCD loans.

In addition, a grade is assigned to each loan during the valuation process. For acquired loans that are not individually reviewed during the valuation process, such loans are assumed to have characteristics similar to the assigned rating of the acquired institution’s risk rating, adjusted for any estimated differences between the Company’s rating methodology and the acquired institution’s rating methodology.

The following table represents the acquisition date fair value of loans acquired in the Legacy Cadence merger on October 29, 2021:

(In thousands)	Fair Value
Commercial and industrial	
Non-real estate	\$ 5,554,007
Owner occupied	818,068
Total commercial and industrial	6,372,075
Commercial real estate	
Construction, acquisition and development	1,067,155
Income producing	1,591,950
Total commercial real estate	2,659,105
Consumer	
Residential mortgages	2,499,517
Other consumer	86,813
Total consumer	2,586,330
Total loans and leases, net of unearned	\$ 11,617,510

The estimated fair value of the non-PCD loans acquired in the Legacy Cadence transaction was \$11.1 billion, which is net of a \$64.3 million discount. The gross contractual amounts receivable of the acquired non-PCD loans at acquisition was approximately \$12.1 billion, of which \$111.0 million is the amount of contractual cash flows not expected to be collected.

The following table shows the carrying amount of loans acquired in the Legacy Cadence transaction for which there was, at the date of acquisition, more than insignificant deterioration of credit quality since origination:

(In thousands)	Carrying Amount
Purchase price of loans at acquisition	\$ 303,576
Allowance for credit losses at acquisition	64,576
Non-credit discount (premium) at acquisition	18,563
Par value of acquired loans at acquisition	\$ 386,715

The following is a discussion of our segments and classes of loans and leases:

Commercial and Industrial

Non-Real Estate – The Company engages in lending to small and medium-sized business enterprises and government entities through its community banking locations and to regional and national business enterprises through its corporate banking division. The bank acts as agent or participant in SNC and other financing arrangements with other financial institutions. Commercial and industrial loans are loans and leases to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal and/or corporate guarantees are generally obtained where available and prudent. Also included in this category are loans to finance agricultural production. The Company recognizes that risk from economic cycles, commodity prices, pandemics, including COVID-19, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of

business loans. In addition, risks in the agricultural sector including crop failures due to weather, insects and other blights, commodity prices, governmental intervention, lawsuits, labor or logistical disruptions. Non-real estate loans outstanding increased 168.9% from December 31, 2020 to December 31, 2021. Excluding the fair value of acquired loans recorded at the time of acquisition, non-real estate loans outstanding decreased 25.8% from December 31, 2020 to December 31, 2021.

Owner Occupied – Owner occupied loans include loans secured by business facilities to finance business operations, equipment, agricultural land and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal guarantees are generally required for these loans. The Company recognizes that risk from economic cycles, pandemics, including COVID-19, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans. Owner occupied loans increased 37.3% from December 31, 2020 to December 31, 2021. Excluding the fair value of acquired loans recorded at the time of acquisition, owner occupied loans outstanding increased 2.0% from December 31, 2020 to December 31, 2021.

Commercial Real Estate

Construction, Acquisition and Development – Construction, acquisition and development loans include both loans and credit lines for the purpose of purchasing, carrying and developing land into commercial developments or residential subdivisions. Also included are loans and credit lines for construction of residential, multi-family and commercial buildings. The Company generally engages in construction and development lending primarily in markets served by its branches. The Company recognizes that risks are inherent in the financing of real estate development and construction. These risks include location, market conditions and price volatility, demand for developed land, lots and buildings, desirability of features and styling of completed developments and buildings, competition from other developments and builders, traffic patterns, governmental jurisdiction, tax structure, availability of utilities, roads, public transportation and schools, interest rates, availability of permanent financing for homebuyers, zoning, environmental restrictions, lawsuits, economic and business cycle, labor and reputation of the builder or developer. Construction, acquisition and development loans increased 69.2% from December 31, 2020 to December 31, 2021. Excluding the fair value of acquired loans recorded at the time of acquisition, construction, acquisition and development loans outstanding decreased 1.0% from December 31, 2020 to December 31, 2021.

The underwriting process for construction, acquisition and development loans with interest reserves is essentially the same as that for a loan without interest reserves and may include analysis of borrower and guarantor financial strength, market demand for the proposed project, experience and success with similar projects, property values, time horizon for project completion and the availability of permanent financing once the project is completed. The Company's loan policy generally prohibits the use of interest reserves on loans. Construction, acquisition and development loans, with or without interest reserves, are inspected periodically to ensure that the project is on schedule and eligible for requested draws. Inspections may be performed by construction inspectors hired by the Company or by appropriate loan officers and are done periodically to monitor the progress of a particular project. These inspections may also include discussions with project managers and engineers.

Interest income is not recognized on construction, acquisition and development loans with interest reserves that are in nonaccrual status. Loans with interest reserves normally have a budget that includes the various cost components involved in the project. Interest is such a cost, along with hard and other soft costs. The Company's policy is to allow interest reserves only during the construction phase.

Each construction, acquisition and development loan is underwritten to address: (i) the desirability of the project, its market viability and projected absorption period; (ii) the creditworthiness of the borrower and the guarantor, if applicable, as to liquidity, cash flow and assets available to ensure performance of the loan; (iii) equity contribution to the project; (iv) the developer's experience and success with similar projects; and (v) the value of the collateral.

Income Producing – Commercial loans include loans to finance income-producing commercial and multi-family properties. Lending in this category is generally limited to properties located in the Company's market area with only limited exposure to properties located elsewhere but owned by in-market borrowers. Loans in this category include loans for neighborhood retail centers, medical and professional offices, single retail stores, warehouses and apartments leased generally to local businesses and residents. The underwriting of these loans takes into consideration the occupancy and rental rates as well as the financial health of the borrower. The Company's exposure to national retail tenants is minimal. The Company has not purchased commercial real estate loans from brokers or third-party originators. The Company recognizes that risk from economic cycles, pandemics, including COVID-19, delayed or missed rent payments, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans. Income producing loans increased 53.3% from December 31, 2020 to December 31, 2021. Excluding the fair value of acquired loans recorded at the time of acquisition, income producing loans outstanding decreased 3.3% from December 31, 2020 to December 31, 2021.

Consumer

Residential Mortgages – Consumer mortgages are first or second-lien loans to consumers secured by a primary residence or second home. This category includes traditional mortgages and home equity loans and revolving lines of credit. The loans are generally secured by properties located within the local market area of the community bank which originates and services the loan. These loans are underwritten in accordance with the Company's general loan policies and procedures which require, among other things, proper documentation of each borrower's financial condition, satisfactory credit history and property value. In addition to loans originated through the Company's branches, the Company originates and services consumer mortgages sold in the secondary market which are underwritten and closed pursuant to investor and agency guidelines. Residential mortgages outstanding increased 67.8% from December 31, 2020 to December 31, 2021. Excluding the fair value of acquired loans recorded at the time of acquisition, residential mortgage loans outstanding increased 5.3% from December 31, 2020 to December 31, 2021.

Other Consumer – Other consumer lending includes consumer and business MasterCard and Visa accounts and installment loans. The Company offers credit cards primarily to its deposit and loan customers. Consumer installment loans and leases include term loans of up to five years secured by automobiles, boats and recreational vehicles.

The Company recognizes that there are risks in consumer lending which include interruptions in the borrower's personal and investment income due to loss of employment, market conditions, and general economic conditions, deterioration in the health and well-being of the borrower and family members, natural disasters, pandemics, lawsuits, losses or inability to generate income due to injury, accidents, theft, vandalism or incarceration. Other consumer loans outstanding increased 47.5% from December 31, 2020 to December 31, 2021. Excluding the fair value of acquired loans recorded at the time of acquisition, other consumer loans outstanding decreased 22.2% from December 31, 2020 to December 31, 2021.

Selected Loan Maturity and Interest Rate Sensitivity

The maturity distribution of the Company's loan portfolio is one factor in management's evaluation by collateral type of the risk characteristics of the loan and lease portfolio. The interest rate sensitivity of the Company's loan and lease portfolio is important in the management of net interest margin. The Company attempts to manage the relationship between the interest rate sensitivity of its assets and liabilities to produce an effective interest differential that is not significantly impacted by changes in the level of interest rates. The following table shows the maturity distribution of the Company's loan and lease portfolio and the interest rate sensitivity of the Company's loans and leases due after one year as of December 31, 2021:

(In thousands)	One Year or Less	Over One Year through Five Years	Over Five Years through Fifteen Years	Over Fifteen Years	Rate Structure for Loans Maturing Over One Year	
					Fixed Interest Rate	Variable Interest Rate
Commercial and industrial						
Non-real estate	\$ 1,502,194	\$ 5,450,335	\$ 816,321	\$ 78,623	\$ 1,617,539	\$ 4,727,740
Owner occupied	263,444	620,060	1,827,232	857,010	1,505,700	1,798,602
Total commercial and industrial	1,765,638	6,070,395	2,643,553	935,633	3,123,239	6,526,342
Commercial real estate						
Construction, acquisition and development	1,213,707	1,071,458	418,348	220,830	270,450	1,440,186
Income producing	891,924	1,329,323	1,264,217	1,438,905	986,658	3,045,787
Total commercial real estate	2,105,631	2,400,781	1,682,565	1,659,735	1,257,108	4,485,973
Consumer						
Residential mortgages	630,262	1,336,669	1,878,985	3,465,390	3,882,598	2,798,446
Other consumer	137,793	140,473	27,065	2,420	114,575	55,383
Total consumer	768,055	1,477,142	1,906,050	3,467,810	3,997,173	2,853,829
Total loans and leases, net of unearned	<u>\$ 4,639,324</u>	<u>\$ 9,948,318</u>	<u>\$ 6,232,168</u>	<u>\$ 6,063,178</u>	<u>\$ 8,377,520</u>	<u>\$ 13,866,144</u>

Asset Quality

Nonperforming Assets

NPA consist of NPL, other real estate owned ("OREO") and other repossessed assets. NPAs, which are carried either in the loan account or OREO on the Company's consolidated balance sheets, depending on foreclosure status, were as follows at the end of each year presented:

(In thousands)	2021	2020
Nonaccrual loans and leases	\$ 122,104	\$ 96,378
Loans and leases 90 days or more past due, still accruing	24,784	14,320
Restructured loans and leases, still accruing	6,903	10,475
Total nonperforming loans and leases	153,791	121,173
Foreclosed OREO and other NPA	33,021	11,395
Total nonperforming assets	<u>\$ 186,812</u>	<u>\$ 132,568</u>
NPL to total loans and leases	0.57 %	0.81 %
NPA to total assets	0.39 %	0.55 %

Nonperforming Loans

NPL consist of nonaccrual loans and leases, loans and leases 90 days or more past due, still accruing, and accruing loans and leases that have been restructured (primarily in the form of reduced interest rates and modified payment terms) because of the borrower's or guarantor's weakened financial condition or bankruptcy proceedings. The Company's policy provides that loans and leases are generally placed in nonaccrual status if, in management's opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due, unless the loan or lease is both well-secured and in the process of collection.

NPL increased 26.9% in 2021 compared to 2020 and increased 8.7% in 2020 compared to 2019. However, NPLs as a percentage of net loans and leases decreased from 0.81% at December 31, 2020 to 0.57% at December 31, 2021. Foreclosed OREO and other NPA increased 189.8% in 2021 compared to 2020 and increased 68.9% in 2020 compared to 2019. The increases in the dollar amount of nonperforming assets resulted from the merger with Legacy Cadence in the fourth quarter of 2021.

Included in NPLs at December 31, 2021 were \$25.2 million of loans that were internally risk rated impaired. These impaired loans had a specific reserve of \$4.5 million included in the allowance for credit losses of \$446.4 million at December 31, 2021, and were net of \$2.4 million in partial charge-downs previously taken on these impaired loans. NPLs at December 31, 2020 included \$29.5 million of loans that were impaired and had a specific reserve of \$0.8 million included in the allowance for credit losses of \$244.4 million at December 31, 2020. Restructured loans and leases still accruing decreased 34.1% in 2021 compared to 2020 and decreased 31.0% in 2020 compared to 2019.

The following table presents the Company's NPLs by geographical location at December 31, 2021:

(In thousands)	Outstanding	90+ Days Past Due, Still Accruing	Nonaccrual Loans	Restructured, Still Accruing	NPLs	NPLs as a % of Outstanding
Alabama and Florida	\$ 3,841,193	\$ 5,934	\$ 18,858	\$ 188	\$ 24,980	0.7 %
Arkansas	1,107,833	1,617	2,082	2,076	5,775	0.5
Louisiana	1,225,965	2,198	5,107	174	7,479	0.6
Mississippi	3,163,401	4,171	17,131	3,030	24,332	0.8
Missouri	538,134	377	1,580	25	1,982	0.4
Tennessee and Georgia	3,481,052	3,468	17,933	243	21,644	0.6
Texas	11,146,850	5,165	43,746	703	49,614	0.4
Other	2,378,560	1,854	15,667	464	17,985	0.8
Total	\$ 26,882,988	\$ 24,784	\$ 122,104	\$ 6,903	\$ 153,791	0.6 %

The following table provides additional details related to the Company's loan and lease portfolio and the distribution of NPLs by segment and class at December 31, 2021:

(In thousands)	Outstanding	90+ Days Past Due, Still Accruing	Nonaccrual Loans	Restructured, Still Accruing	NPLs	NPLs as a % of Outstanding
Commercial and industrial						
Non-real estate	\$ 7,847,473	\$ 2,966	\$ 33,690	\$ 530	\$ 37,186	0.5 %
Owner occupied	3,567,746	—	22,058	1,801	23,859	0.7
Total commercial and industrial	11,415,219	2,966	55,748	2,331	61,045	0.5
Commercial real estate						
Construction, acquisition and development	2,924,343	535	5,568	127	\$ 6,230	0.2
Income producing	4,924,369	—	16,086	756	\$ 16,842	0.3
Total commercial real estate	7,848,712	535	21,654	883	23,072	0.3
Consumer						
Residential mortgages	7,311,306	21,099	44,180	3,217	\$ 68,496	0.9
Other consumer	307,751	184	522	472	\$ 1,178	0.4
Total consumer	7,619,057	21,283	44,702	3,689	69,674	0.9
Total loans and leases, net of unearned	\$ 26,882,988	\$ 24,784	\$ 122,104	\$ 6,903	\$ 153,791	0.6 %

The total amount of interest recorded on NPLs was \$5.6 million, \$7.0 million, and \$4.1 million in 2021, 2020, and 2019, respectively. The gross interest income that would have been recorded under the original terms of those loans and leases if they had been performing amounted to \$6.8 million, \$9.6 million, and \$6.8 million in 2021, 2020, and 2019, respectively.

Nonaccrual loans at December 31, 2021 increased by \$25.7 million or 26.7% to \$122.1 million from \$96.4 million at December 31, 2020 after an increase of \$17.6 million or 22.3% from December 31, 2019. While nonaccrual loans increased in several loan categories when comparing December 31, 2021 to December 31, 2020, the primary increase is in the non-real estate loan portfolio. Nonaccrual loans in the non-real estate portfolio increased by \$20.6 million or 157.7% to \$33.7 million at December 31, 2021. This increase is consistent with the increase in loans outstanding in the non-real estate portfolio as result of the acquisitions in 2021 as nonaccrual loans as a percentage of loans outstanding remained stable at 0.4% at December 31, 2021 and December 31, 2020.

The following table provides details regarding the aging of the Company's nonaccrual loans and leases by segment and class at December 31, 2021:

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding
Commercial and industrial						
Non-real estate	\$ —	\$ 14	\$ 15,327	\$ 15,341	\$ 18,349	\$ 33,690
Owner occupied	228	—	9,490	9,718	12,340	22,058
Total commercial and industrial	228	14	24,817	25,059	30,689	55,748
Commercial real estate						
Construction, acquisition and development	—	—	5,503	5,503	65	5,568
Income producing	30	—	10,370	10,400	5,686	16,086
Total commercial real estate	30	—	15,873	15,903	5,751	21,654
Consumer						
Residential mortgages	3,142	2,295	31,758	37,195	6,985	44,180
Other consumer	42	139	264	445	77	522
Total consumer	3,184	2,434	32,022	37,640	7,062	44,702
Total loans and leases, net of unearned	\$ 3,442	\$ 2,448	\$ 72,712	\$ 78,602	\$ 43,502	\$ 122,104

OREO and Repossessed Assets

OREO consists of properties acquired through foreclosure. Repossessed assets consist of non-real estate assets acquired in partial or full settlement of loans. OREO and repossessed assets totaled \$33.0 million and \$11.4 million at December 31, 2021 and 2020, respectively. OREO at December 31, 2021 had aggregate loan balances at the time of foreclosure of \$23.9 million.

OREO and repossessed assets increased by \$21.6 million to \$33.0 million at December 31, 2021 compared to \$11.4 million at December 31, 2020, and increased \$4.6 million at December 31, 2020 from December 31, 2019. The increase in 2021 was primarily the result of acquiring \$14.5 million in repossessed assets as part of the Legacy Cadence merger. The decrease in 2020 was primarily a result of sales and write-downs exceeding additions. Write-downs were the result of continuing processes to value these properties at fair value. The Company recorded losses from the loans that were secured by these foreclosed properties in the allowance for credit losses at the time of foreclosure.

Because of the relatively high number of the Company's NPLs that have been determined to be collaterally dependent, management expects the resolution of a significant number of these loans to necessitate foreclosure proceedings resulting in further additions to OREO. While management expects future foreclosure activity in virtually all loan categories, the magnitude of NPLs in the non-real estate, owner occupied, and residential mortgage portfolios at December 31, 2021 indicated that a majority of additions to OREO in the near-term might be from those categories.

At the time of foreclosure, the fair value of construction, acquisition and development properties is typically determined by an appraisal performed by a third party appraiser holding professional certifications. Such appraisals are then reviewed and evaluated by the Company's internal appraisal group. A market value appraisal using a 180-360 day marketing period is typically ordered and the OREO is recorded at the time of foreclosure at its market value less estimated selling costs. For residential subdivisions that are not completed, the appraisals reflect the uncompleted status of the subdivision.

To attempt to ensure that OREO is carried at the lower of cost or fair value less estimated selling costs on an ongoing basis, new appraisals are obtained on at least an annual basis and the OREO carrying values are adjusted accordingly. The type of appraisals typically used for these periodic reappraisals are "Restricted Use Appraisals," meaning the appraisal is for client use only. Other indications of fair value are also used to attempt to ensure that OREO is carried at the lower of cost or fair value. These include listing the property with a broker and acceptance of an offer to purchase from a third party. If an OREO property is listed with a broker at an amount less than the current carrying value, the carrying value is immediately adjusted to reflect the list price less estimated selling costs and if an offer to purchase is accepted at a price less than the current carrying value, the carrying value is immediately adjusted to reflect that sales price, less estimated selling costs. The majority of the properties in OREO are actively marketed using a combination of real estate brokers, bank staff who are familiar with the particular properties and/or third parties.

Troubled Debt Restructuring (“TDR”)

The Company has processes in place to review credits upon renewal or modification to determine if financial concessions are being granted that meet the requirements set forth in FASB ASC 326. Loans identified as meeting the criteria set out in FASB ASC 326 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and/or interest for a specified time, the rescheduling of payments in accordance with a bankruptcy plan or the charge-off of a portion of the loan. In some cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. TDR loans may be returned to accrual status in years after the restructure when the loan is current under the restructured loan terms by the borrower and the interest rate at the time of restructure was at or above market for a comparable loan. For reporting purposes, if a restructured loan is 90 days or more past due or has been placed in nonaccrual status, the restructured loan is included in the loans 90 days or more past due category or the nonaccrual loan category of NPAs. Total restructured loans were \$9.2 million and \$12.0 million at December 31, 2021 and 2020, respectively. Restructured loans of \$2.3 million and \$1.5 million were included in the nonaccrual and 90+ days past due, still accruing loan categories at December 31, 2021 and 2020, respectively.

Internally Assigned Grades on Loans

Loans with an internally assigned grade of impaired are individually analyzed collateral-dependent loans for which a specific provision has been considered to address the unsupported exposure. Loans with an internally assigned grade of impaired, irrespective of TDR status, which were included in NPLs totaled \$25.2 million and \$29.5 million at December 31, 2021 and 2020, respectively, with a valuation allowance of \$4.5 million and \$0.8 million, respectively.

At December 31, 2021, the Company did not have any concentration of loans or leases in excess of 10% of total loans and leases outstanding which were not otherwise disclosed as a category of loans or leases. Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. The Company conducts business in a geographically concentrated area and has a significant amount of loans secured by real estate to borrowers in varying activities and businesses, but does not consider these factors alone in identifying loan concentrations. The ability of the Company’s borrowers to repay loans is somewhat dependent upon the economic conditions prevailing in the Company’s market areas.

The Company utilizes an internal loan classification system that is perpetually updated to grade loans according to certain credit quality indicators. These credit quality indicators include, but are not limited to, recent credit performance, delinquency, liquidity, cash flows, debt coverage ratios, collateral type and loan-to-value ratio. See Note 4 to the Consolidated Financial Statements.

The following table provides details of the Company’s loan and lease portfolio by segment, class and internally assigned grade at December 31, 2021:

(In thousands)	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Purchased Credit Deteriorated (Loss)	Total
Commercial and industrial								
Non-real estate	\$ 7,655,502	\$ 43,009	\$ 103,134	\$ 153	\$ —	\$ 5,350	\$ 40,325	\$ 7,847,473
Owner occupied	3,484,116	3,440	55,247	—	—	11,229	13,714	3,567,746
Total commercial and industrial	11,139,618	46,449	158,381	153	—	16,579	54,039	11,415,219
Commercial real estate								
Construction, acquisition and development	2,884,673	441	31,263	—	—	3,765	4,201	2,924,343
Income producing	4,686,699	28,964	174,936	—	—	3,810	29,960	4,924,369
Total commercial real estate	7,571,372	29,405	206,199	—	—	7,575	34,161	7,848,712
Consumer								
Residential mortgages	7,196,106	990	110,429	2,560	—	1,047	174	7,311,306
Other consumer	300,175	—	7,381	137	—	—	58	307,751
Total consumer	7,496,281	990	117,810	2,697	—	1,047	232	7,619,057
Total loans and leases, net of unearned	\$26,207,271	\$ 76,844	\$ 482,390	\$ 2,850	\$ —	\$ 25,201	\$ 88,432	\$26,882,988

(1) Impaired loans are shown exclusive of \$6.9 million of accruing TDRs, \$1.8 million of non-accruing TDRs, and approximately \$11 thousand of accruing TDRs that are 90 or more days past due.

The following table provides details regarding the aging of the Company's loan and lease portfolio by internally assigned grade at December 31, 2021:

(In thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Pass	\$ 26,141,589	\$ 26,189	\$ 3,539	\$ 35,954	\$ 26,207,271
Special Mention	76,188	630	15	11	76,844
Substandard	381,815	36,150	19,635	44,790	482,390
Doubtful	945	524	31	1,350	2,850
Loss	—	—	—	—	—
Impaired	15,148	—	—	10,053	25,201
PCD (Loss)	83,054	—	39	5,339	88,432
Total	<u>\$ 26,698,739</u>	<u>\$ 63,493</u>	<u>\$ 23,259</u>	<u>\$ 97,497</u>	<u>\$ 26,882,988</u>

There were increases in every internally-assigned grade category, except Impaired which decreased by 14.7% from December 31, 2020 to December 31, 2021. These increases were due to the merger with Legacy Cadence in the fourth quarter of 2021. Of the total loans and leases outstanding, 99.3% were current on their contractual payments at December 31, 2021.

Collateral for some of the Company's loans and leases is subject to fair value evaluations that fluctuate with market conditions and other external factors. In addition, while the Company has certain underwriting obligations related to such evaluations, the evaluations of some real property and other collateral are dependent upon third-party independent appraisers employed either by the Company's customers or as independent contractors of the Company.

Deposits

Deposits originating within the communities served by the Company continue to be the Company's primary source of funding its earning assets. The Company has been able to compete effectively for deposits in its primary market areas, while continuing to manage the exposure to rising interest rates. The distribution and market share of deposits by type of deposit and by type of depositor are important considerations in the Company's assessment of the stability of its fund sources and its access to additional funds. Furthermore, management shifts the mix and maturity of the deposits depending on economic conditions and loan and investment policies in an attempt, within set policies, to minimize cost and maximize net interest margin.

The following table presents the Company's deposits at December 31, 2021, 2020 and 2019 and the percentage change between years:

(Dollars in thousands)	2021		2020		2019
	Amount	% Change	Amount	% Change	Amount
Noninterest bearing demand	\$ 13,634,505	115.0 %	\$ 6,341,457	36.0 %	\$ 4,661,821
Interest bearing demand	18,727,588	119.7	8,524,010	18.8	7,176,934
Savings	3,556,079	45.0	2,452,059	26.5	1,937,985
Time	3,899,501	54.2	2,528,915	(4.0)	2,633,959
Total deposits	<u>\$ 39,817,673</u>	<u>100.6 %</u>	<u>\$ 19,846,441</u>	<u>20.9 %</u>	<u>\$ 16,410,699</u>

The 100.6% increase in deposits at December 31, 2021 compared to December 31, 2020 was primarily a result of the merger with Legacy Cadence on October 29, 2021 (see Note 2 of the Consolidated Financial Statements for more details). Interest bearing demand deposits increased \$10.2 billion, or 119.7%, to \$18.7 billion at December 31, 2021 from \$8.5 billion at December 31, 2020 and noninterest bearing demand deposits increased \$7.3 billion, or 115.0% to \$13.6 billion at December 31, 2021 from \$6.3 billion at December 31, 2020. The 20.9% increase in deposits at December 31, 2020 compared to December 31, 2019 was primarily a result of the impact of additional customer liquidity associated with the PPP loans and government stimulus payments, organic growth, and the acquisition that was effective January 1, 2020 as interest bearing demand deposits increased \$1.3 billion, or 18.8%, to \$8.5 billion at December 31, 2020 from \$7.2 billion at December 31, 2019 and noninterest bearing demand deposits increased \$1.7 billion, or 36.0% to \$6.3 billion at December 31, 2020 from \$4.7 billion at December 31, 2019.

The following table presents the classification of the Company's deposits on an average basis for each of the three years indicated:

(Dollars in thousands)	2021		2020		2019	
	Average Amount	Average Rate	Average Amount	Average Rate	Average Amount	Average Rate
Noninterest bearing demand deposits	\$8,382,997	— %	\$5,850,761	— %	\$4,419,258	— %
Interest bearing demand deposits	11,114,242	0.30	7,859,680	0.61	6,576,213	0.89
Savings deposits	2,946,629	0.11	2,199,405	0.19	1,873,309	0.29
Time	2,784,733	0.88	2,649,809	1.47	2,450,350	1.61
Total deposits	<u>\$25,228,601</u>		<u>\$18,559,655</u>		<u>\$15,319,130</u>	

Uninsured deposits are defined as the portion of deposit accounts in U.S. offices that exceed the FDIC insurance limit and amounts in any other uninsured investment or deposit account that are classified as deposits and are not subject to any federal or state deposit insurance regimes. Total uninsured deposits were \$17.8 billion and \$6.3 billion at December 31, 2021 and 2020, respectively, as calculated per regulatory guidance. The Company's estimated uninsured time deposits include those in excess of \$250,000, the standard maximum insured amount per account holder, as defined including certificates of deposits of \$100,000 and greater, at December 31, 2021, had maturities as follows:

(In thousands)	Amount
Three months or less	\$ 268,530
Over three months through six months	193,628
Over six months through twelve months	254,720
Over 12 months	241,154
Total	<u>\$ 958,032</u>

The average maturity of time deposits at December 31, 2021 was approximately 10.6 months, compared to approximately 13.7 months at December 31, 2020.

Borrowings

Short-term Borrowings

We utilize securities sold under agreements to repurchase to secure short-term funding needs and to meet the needs of our customers. Securities sold under repurchase agreements generally mature within 30 days from the date of sale. We continually monitor collateral levels. Short-term FHLB borrowings generally mature within 30 days following the date of purchase. All borrowings from the FHLB are collateralized by commercial, construction, and real estate loans pledged under a blanket lien arrangement as of December 31, 2021. See Notes 8 and 9 to the Company's Consolidated Financial Statements. Additionally, we utilize federal funds purchased which generally mature the day following the date of purchase.

Long-term Borrowings

Under the terms of the blanket floating lien security agreement of FHLB Dallas, the Company is required to maintain sufficient collateral to secure borrowings. At December 31, 2021, the remaining borrowing availability totaled \$7.5 billion. At December 31, 2021, there were no call features on long-term FHLB borrowings.

Due to the merger with Cadence Bancorporation on October 29, 2021, the Company assumed subordinated notes with the par value totaling \$145.0 million and junior subordinated notes par value totaling \$50.6 million. The Company redeemed, at par, \$35 million of the junior subordinated debentures in December 2021 and \$15 million on January 3, 2022. On May 1, 2021, the Company assumed \$10.0 million in subordinated notes from the merger with FNS Bancshares Inc. See Note 2 of the Consolidated Financial Statements for more details related to the mergers.

On November 20, 2019, the Company completed its public offering of \$300 million aggregate principal amount of its 4.125% Fixed-to-Floating Rate Subordinated Notes due November 20, 2029. Please see Note 9 to the Company's Consolidated Financial Statements for further disclosures regarding subordinated debt. The following is a summary of our borrowings for the periods indicated:

(In thousands)	December 31, 2021	December 31, 2020
Advances from FHLB of Dallas	\$ 3,742	\$ 4,402
4.125% subordinated notes, due November 20, 2029, callable in 2024	300,000	300,000
7.250% subordinated notes, due June 28, 2029, callable in 2024	35,000	—
4.750% subordinated notes, due June 30, 2029, callable in 2024	85,000	—
6.250% subordinated notes, due June 28, 2029, callable in 2024	25,000	—
Junior subordinated debentures, 3 month LIBOR plus 1.75%, due 2037	15,000	—
5.000% fixed to floating rate, subordinated notes, due June 30, 2030, callable in 2025	10,000	—
Purchase accounting adjustment, net of amortization	10,717	—
Debt issue costs	(2,048)	(2,750)
Total advances and subordinated debt	<u>\$ 482,411</u>	<u>\$ 301,652</u>

Liquidity and Capital Resources

Liquidity

One of the Company's goals is to maintain adequate funds to meet increases in loan demand or any potential increase in the normal level of deposit withdrawals. This goal is accomplished primarily by generating cash from the Company's operating activities and maintaining sufficient short-term liquid assets. These sources, coupled with a stable deposit base and a historically strong reputation in the capital markets, allow the Company to fund earning assets and maintain the availability of funds. Management believes that the Company's traditional sources of maturing loans and investment securities, sales of loans held for sale, cash from operating activities and a strong base of core deposits are adequate to meet the Company's liquidity needs for normal operations over both the short-term and the long-term.

To provide additional liquidity, the Company utilizes short-term financing through the purchase of federal funds and securities sold under agreement to repurchase. All securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. Further, the Company maintains a borrowing relationship with the FHLB which provides access to short-term and long-term borrowings. The Company also has access to the Federal Reserve discount window and other bank lines. The Company had no short-term borrowings from the FHLB or the Federal Reserve at either December 31, 2021 or 2020. The Company had federal funds purchased and securities sold under agreement to repurchase of \$1.3 billion and \$637.7 million at December 31, 2021 and 2020, respectively.

The Company had long-term borrowings from the FHLB and other long-term debt totaling \$3.7 million and \$4.4 million at December 31, 2021 and 2020, respectively. The Company has pledged eligible loans to secure the FHLB borrowings and had \$7.5 billion in additional borrowing capacity under the existing FHLB borrowing agreement at December 31, 2021.

The Company had non-binding federal funds borrowing arrangements with other banks aggregating \$1.6 billion at December 31, 2021. The unencumbered fair value of the Company's federal government and government agencies securities portfolio may provide substantial additional liquidity.

The ability of the Company to obtain funding from these or other sources could be negatively affected should the Company experience a substantial deterioration in its financial condition or its debt rating, or should the availability of short-term funding become restricted as a result of the disruption in the financial markets. Management does not anticipate any short- or long-term changes to its liquidity strategies and believes that the Company has ample sources to meet the liquidity challenges caused by the current economic conditions. The Company utilizes, among other tools, maturity gap tables, interest rate shock scenarios and an active asset and liability management committee to analyze, manage and plan asset growth and to assist in managing the Company's net interest margin and overall level of liquidity.

Cash Flow Sources and Uses

Cash equivalents include cash and amounts due from banks, including interest bearing deposits with other banks. At December 31, 2021, cash and cash equivalents totaled \$1.3 billion compared to \$417.4 million at December 31, 2020.

Operating activities provided \$1.2 billion during 2021 compared to \$236.6 million for 2020. The increase was driven by \$1.0 billion in net paydowns and proceeds from sales of loans held for sale.

Investing activities used \$3.2 billion in cash in 2021 compared to \$2.4 billion in 2020. The increase of \$0.7 billion resulted primarily from an increase in the net purchases of investment securities offset by net cash received in the mergers.

Financing activities provided cash of \$2.9 billion in 2021 compared to \$2.3 billion in 2020. The 2021 increase resulted from an increase of \$1.2 billion in short-term borrowings. This increase was offset by decreases of \$501.6 million in deposits and decrease of \$94.5 million in the repurchase of common stock.

The ability of the Company to obtain funding from these or other sources could be negatively affected should the Company experience a substantial deterioration in its financial condition or its debt rating, or should the availability of short-term funding become restricted as a result of the disruption in the financial markets. Management does not anticipate any short- or long-term changes to its liquidity strategies and believes that the Company has ample sources to meet the liquidity challenges caused by the current economic conditions. The Company utilizes, among other tools, maturity gap tables, interest rate shock scenarios and an active asset and liability management committee to analyze, manage and plan asset growth and to assist in managing the Company's net interest margin and overall level of liquidity.

Cash Obligations

The following table summarizes the Company's contractual obligations at December 31, 2021. See Notes 1, 8, 9, and 22 to the Consolidated Financial Statements Report for further disclosures regarding contractual obligations.

(In thousands)	Payment Due by Period				
	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
Contractual obligations:					
Deposits without a stated maturity	\$ 35,918,172	\$ 35,918,172	\$ —	\$ —	\$ —
Deposits with a stated maturity	3,899,501	2,944,072	783,572	171,657	200
Subordinated debt	478,669	—	—	—	478,669
Long-term debt	3,742	—	250	1,426	2,066
Short-term debt	1,282,188	1,282,188	—	—	—
Operating lease obligations	210,059	16,198	31,589	29,597	132,675
Commitments to extend credit	9,199,246	2,957,966	3,628,767	1,822,821	789,692
Letters of credit	360,514	252,654	79,242	23,833	4,785
Limited partnership investments	123,116	103,804	17,285	409	1,618
Total contractual obligations	\$ 51,475,207	\$ 43,475,054	\$ 4,540,705	\$ 2,049,743	\$ 1,409,705

The Company's operating lease obligations represent short and long-term operating lease and rental payments for facilities, certain software and data processing and other equipment. Purchase obligations represent obligations to purchase goods and services that are legally binding and enforceable on the Company and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

In the ordinary course of business, the Company enters into various off-balance sheet commitments and other arrangements to extend credit that are not reflected on the consolidated balance sheets of the Company. The business purpose of these off-balance sheet commitments is the routine extension of credit. The Company also faces the risk of deteriorating credit quality of borrowers to whom a commitment to extend credit has been made; however, no significant credit losses are expected from these commitments and arrangements. As of December 31, 2021, the Company maintained a reserve for unfunded commitments of \$23.6 million included in other liabilities.

Regulatory Capital

Regulatory capital at December 31, 2021 and 2020 was calculated in accordance with standards established by the federal banking agencies as well as the interagency final rule published on September 30, 2020 entitled “Revised Transition of the Current Expected Credit Losses Methodology for Allowances” which delayed the estimated impact on regulatory capital stemming from the adoption of CECL. The agencies granted this relief to allow institutions to focus on lending to customers in light of the economic and other impacts from COVID-19, while also maintaining the quality of regulatory capital. Under the final rule, the Day-1 impact of the adoption of CECL and 25% of subsequent provisions for credit losses (“Day-2 impacts”) are deferred over a two-year period ending January 1, 2022. At that point, the amount will be phased into regulatory capital on a pro rata basis over a three-year period ending January 1, 2025.

The actual capital amounts and ratios for the Company as of December 31, 2021 and 2020, are presented in the following table and as shown, exceed the thresholds necessary to be considered “well capitalized”. Management believes that no events or changes have occurred subsequent to the indicated dates that would change this designation.

(Dollars in thousands)	December 31, 2021		December 31, 2020	
	Amount	Ratio	Amount	Ratio
Common equity tier 1 capital (to risk-weighted assets)	\$ 3,754,848	11.11%	\$ 1,803,226	10.74%
Tier 1 capital (to risk-weighted assets)	3,921,841	11.61	1,970,219	11.74
Total capital (to risk-weighted assets)	4,683,361	13.86	2,430,884	14.48
Tier 1 leverage capital (to average assets)	3,921,841	9.90	1,970,219	8.67

Federal and state banking laws and regulations and state corporate laws restrict the amount of dividends that the Company may declare and pay. Under Mississippi law, the Company cannot pay any dividend on its common stock unless it has received written approval of the Commissioner of the MDBC. The federal banking agencies have indicated that paying dividends that deplete a depository institution’s capital base to an inadequate level would be an unsafe and unsound banking practice. Moreover, the federal agencies have issued policy statements providing that insured banks should generally only pay dividends out of current operating earnings.

Uses of Capital

Subject to pre-approval from the FDIC and MDBC, the Company may pursue acquisitions of depository institutions and businesses closely related to banking that further the Company’s business strategies. Management anticipates that consideration for any transactions would include shares of the Company’s common stock, cash or a combination thereof.

On December 8, 2021, the Company announced a new share repurchase program whereby the Company may acquire up to an aggregate of ten million shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period between January 3, 2022 through December 31, 2022. The extent and timing of any repurchases depends on market conditions and other corporate, legal and regulatory considerations. Repurchased shares are held as authorized but unissued shares and are available for use in connection with the Company’s stock compensation programs, other transactions or for other corporate purposes as determined by the Company’s Board of Directors.

Impact of Inflation

The consolidated financial statements and related consolidated financial data presented herein have been prepared in accordance with U.S. GAAP and practices within the banking industry which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. Unlike many companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. However, see “Part I, Item 1A. Risk Factors” for additional discussion regarding the risks of inflation.

Certain Litigation and Other Contingencies

The nature of the Company’s business ordinarily results in certain types of claims, litigation, investigations and legal and administrative cases and proceedings. Although the Company and its subsidiaries have developed policies and procedures to minimize legal noncompliance and the impact of claims and other proceedings and endeavored to procure reasonable amounts of insurance coverage, litigation and regulatory actions present an ongoing risk.

The Company and its subsidiaries are engaged in lines of business that are heavily regulated and involve a large volume of financial transactions and potential transactions with numerous customers or applicants, and the Company is a public

company with a large number of shareholders. From time to time, applicants, borrowers, customers, shareholders, former employees and other third parties have brought actions against the Company or its subsidiaries, in some cases claiming substantial damages. Financial services companies are subject to the risk of class action litigation, and, from time to time, the Company and its subsidiaries are subject to such actions brought against it. Additionally, the Company is, and management expects it to be, engaged in a number of foreclosure proceedings and other collection actions as part of its lending and leasing collections activities, which, from time to time, have resulted in counterclaims against the Company and its subsidiaries. Various legal proceedings have arisen and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations. The Company and its subsidiaries may also be subject to enforcement actions by federal or state regulators, including the FDIC, the CFPB, the DOJ, state attorneys general and the MDBCFC.

When and as the Company determines it has meritorious defenses to the claims asserted, it vigorously defends against such claims. The Company will consider settlement of claims when, in management's judgment and in consultation with counsel, it is in the best interests of the Company to do so.

The Company cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against it, its subsidiaries and its directors, management or employees, including remedies or damage awards. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of the Company's business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, the Company establishes an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings and the potential loss, however, may turn out to be substantially higher than the amount accrued. Further, the Company's insurance policies have deductibles and coverage limits, and such policies will likely not cover all costs and expenses related to the defense or prosecution of such legal proceedings or any losses arising therefrom.

Although the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, if applicable, management believes that the litigation-related liability of approximately \$0.6 million accrued as of December 31, 2021 is adequate and that any incremental change in potential liability arising from the Company's legal proceedings and threatened claims, including the matters described herein and those otherwise arising in the ordinary course of business, will not have a material adverse effect on the Company's business or consolidated results of operations or financial condition. It is possible, however, that future developments could result in an unfavorable outcome for or resolution of any one or more of the legal proceedings in which the Company or its subsidiaries are defendants, which may be material to the Company's business or consolidated results of operations or financial condition for a particular fiscal period or periods.

On August 30, 2021, Legacy Cadence Bank and the DOJ agreed to a settlement set forth in the consent order related to the investigation by the DOJ of Legacy Cadence Bank's fair lending program in Harris, Fort Bend and Montgomery Counties located in Houston, Texas during the period between 2014 and 2016 (the "Consent Order"). The Consent Order was signed by the United States District Court for the Northern District of Georgia, Atlanta Division, on August 31, 2021. Pursuant to Section 5.2 of the Agreement and Plan of Merger and Paragraph 50 of the Consent Order, Legacy BancorpSouth Bank approved the negotiated settlement, and subsequently, the Company agreed to accept the obligations of the Consent Order. The Consent Order is in effect for five years. For additional information regarding the terms of this settlement and the Consent Order, see Legacy Cadence Bancorporation's Current Report on Form 8-K that was filed with the SEC on August 30, 2021.

Statement Regarding the Impact of COVID-19 Pandemic

The Company prioritizes the health and safety of its teammates and customers, and it will continue to do so throughout the duration of the pandemic. At the same time, the Company remains focused on improving shareholder value, managing credit exposure, challenging expenses, enhancing the customer experience and supporting the communities it serves. As an SBA Preferred Lender, the Company participated in the SBA's Paycheck Protection Program for the betterment of its customers and the communities that it serves.

In this Report, the Company has sought to describe the historical and future impact of the COVID-19 pandemic on the Company's assets, business, cash flows, financial condition, liquidity, prospects and results of operations, including the discussions regarding the increases in its provision and allowance for credit losses and the discussion regarding negative pressure to its net interest revenue and net interest margin. Although the Company believes that the statements that pertain to future events, results and trends and their impact on the Company's business are reasonable at the present time, those statements are not historical facts and are based upon current assumptions, expectations, estimates and projections, many of which, by their nature, are beyond the Company's control. Accordingly, all discussions regarding future events, results and trends and their impact on the Company's business, even in the near term, are necessarily uncertain given the fluid and evolving nature of the pandemic.

If the health, logistical or economic effects of the pandemic persist or worsen, or if the assumptions, expectations, estimates or projections that underlie the Company's statements regarding future effects or trends prove to be incorrect, then the Company's actual assets, business, cash flows, financial condition, liquidity, prospects and results of operations and the market prices of the Company's capital stock may be materially and adversely impacted in ways that the Company cannot reasonably forecast. See "Item 1A. Risk Factors" in this Report.

Accordingly, when reading this Report, undue reliance should not be placed upon any statement pertaining to future events, results and trends and their impact on the Company's business in future periods.

Recent Pronouncements

Refer to Note 1 – Summary of Significant Accounting Policies for a discussion of accounting standards currently effective for 2021 and accounting standards that have been issued but are not currently effective.

CRITICAL ACCOUNTING ESTIMATES

The Company's consolidated financial statements are prepared in accordance with U.S. GAAP, which require the Company to make estimates and assumptions (see Note 1 to the Company's Consolidated Financial Statements). Management bases our estimates on historical experience and on various other assumptions that we believe to be reasonable under current circumstances.

These assumptions form the basis for our judgments about the carrying values of assets and liabilities that are not readily available from independent, objective sources. We evaluate our estimates on an ongoing basis. The use of alternative assumptions may result in significantly different estimates. Actual results may differ from these estimates.

Accounting policies are an integral part of our consolidated financial statements. A thorough understanding of these accounting policies is essential when reviewing our reported results of operations and our financial position. The critical accounting estimates discussed below involve additional management judgment due to the complexity and subjectivity of the methods and assumptions used.

Allowance for Credit Losses

On January 1, 2020, we adopted ASC 326, Financial Instruments - Credit Losses ("Topic 326"): Measurement of Credit Losses on Financial Instruments ("ASC 326"), which uses the current expected credit loss ("CECL") model to determine the allowance for credit losses. In accordance with CECL, the allowance for credit losses ("ACL") is calculated in order to determine a reserve for current expected credit losses over the remaining contractual life of the loan portfolio.

The Company bases its estimates of credit losses on three primary components: (1) estimates of expected losses that exist in various segments of performing loans and leases over the remaining life of the loan portfolio using a reasonable and supportable economic forecast; (2) specifically identified losses in individually analyzed credits which are collateral dependent, which generally include loans internally graded as impaired and PCD Loss loans; and (3) qualitative factors related to economic conditions, portfolio concentrations, regulatory policy updates, and other relevant factors that address estimates of expected losses not fully addressed based upon management's judgment of portfolio conditions.

The Company utilizes credit risk models to estimate the probability of default and loss given default of loans over their remaining life. In some cases, including certain Commercial Real Estate loans and Credit Cards, a loss rate model is used where lifetime loss rates are analyzed with factors including vintage, Loan-to-Value, delinquency, and economic factors. The probability of default settings in the models incorporate a risk grading process by utilizing pool-specific historical default rates. In addition, the loss given default settings in the models utilize historical losses for different types of collateral on defaulted loans while giving consideration for the loan-to-value at the time of default. The product of the probability of default and loss given default derives a base expected loss rate for each loan. The base expected loss rate is adjusted by way of econometric models that measure the direction and magnitude of change in expected loss rates given a change in forecasted economic variables.

The aforementioned credit risk models and econometric models were developed and are recalibrated upon the basis of historical experience. Credit factors such as financial condition of the borrower and guarantor, recent credit performance, delinquency, liquidity, cash flows, collateral type and value are used by the models to assess credit risk. Estimates of expected losses are influenced by the historical net losses experienced by the Company for loans and leases of comparable creditworthiness and structure. Specific loss assessments are performed for loans and leases based upon the collateral protection. The Company's reasonable and supportable eight quarter economic forecast is utilized to estimate credit losses before reverting back to longer term historical loss experience. The Company subscribes to various economic services and publications to assist with the development of inputs used in the modeling and qualitative framework for the ACL calculation. The economic forecast considers changes in real gross domestic product, unemployment rate, interest rate spreads, valuations

for residential and commercial real estate, and other indicators that may be correlated with the Company's expected credit losses.

Loans of \$1.0 million or more that are identified as collateral-dependent are reviewed by the Impairment Group which approves the amount of specific reserve, if any, and/or charge-off amounts in accordance with FASB ASC 326. The Impairment Group is responsible for evaluating individual loans that have been specifically identified through various channels, including examination of the Company's watch list, past due listings, and loan officer assessments. For all loans identified, an analysis is prepared to determine if the loan is collateral dependent and the extent of any loss exposure. The evaluation of real estate loans generally focuses on the fair value of underlying collateral less estimated costs to sell obtained from appraisals, as the repayment of these loans may be dependent on the liquidation of the collateral. In certain circumstances, other information such as comparable sales data is deemed to be a more reliable indicator of fair value of the underlying collateral than the most recent appraisal. In these instances, such information is used in determining the specific provision recorded for the loan. For commercial and industrial loans, the evaluation generally focuses on these considerations, as well as the projected liquidation of any pledged collateral. Our larger corporate and specialized industry loans are underwritten to the underlying enterprise value of the borrower. The value is in the equity of the business as a going concern. Many valuation approaches are used in these situations including discounted cash flow, multiple of cash flow, or comparable sales approaches.

The ACL Group is responsible for ensuring that the ACL provides adequate coverage of expected losses. The ACL Group meets at least quarterly to determine the amount of adjustments to the ACL. The ACL Group is composed of senior management from the Company's credit administration, risk and finance departments.

The ACL represents management's best estimate, but significant downturns in circumstances relating to loan quality and economic conditions could necessitate additional provisions or a reduction in the ACL. Unanticipated changes and events could have a significant impact on the financial performance of borrowers and their ability to perform as agreed. One of the most significant judgments used in determining the allowance for credit losses is the reasonable and supportable economic forecast. The economic indices sourced from the economic forecast and used in developing the estimate include the national unemployment rate, changes in the U.S. gross domestic product, changes in commercial real estate prices and changes in home prices. The economic series for unemployment carries the highest weighting and is the most sensitive component of the estimate. Each quarter, several economic forecast scenarios are considered by management. Management selects the economic forecast scenario that is most reflective of expectations at that point in time. Changes in the economic forecast could significantly impact the calculated estimated credit losses.

In addition to the economic forecast and acquisitions, the ACL is affected by the level of charge-offs and recoveries, changes in collateral value for collateral dependent loans, changes in the financial condition and payment performance of borrowers, loan growth, and prepayment occurring during the period. See Notes 1, 4 and 5 to the Consolidated Financial Statements.

Goodwill and Other Intangible Assets

The acquisition method of accounting requires that assets acquired and liabilities assumed in business combinations are recorded at their fair values. This often involves estimates based on third party valuations or internal valuations based on discounted cash flow analyses or other valuation techniques, which are inherently subjective. Business combinations also typically result in goodwill, which is subject to ongoing periodic impairment tests based on the fair values of the reporting units to which the acquired goodwill relates. The amortization of definite-lived intangible assets is based upon the estimated economic benefits to be received, which is also subjective. Provisional estimates of fair values may be adjusted for a period of up to one year from the acquisition date if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. Adjustments recorded during this period are recognized in the current reporting period. Management uses various valuation methodologies to estimate the fair value of these assets and liabilities, and often involves a significant degree of judgment, particularly when liquid markets do not exist for the particular item being valued. Examples of such items include loans, deposits, identifiable intangible assets and certain other assets and liabilities.

Management uses significant estimates and assumptions to value such items, including projected cash flows, repayment rates, default rates and losses assuming default, discounts rate, and realizable collateral values. The credit allowance for PCD loans is recognized within business combination accounting. The ACL for non-PCD assets is recognized as provision expense in the same reporting period as the business combination. The valuation of other identifiable intangible assets, including core deposit intangibles and customer list intangibles, requires assumptions such as projected attrition rates, expected revenue and costs, discount rates and other forward-looking factors. The purchase date valuations and any subsequent adjustments also determine the amount of goodwill or bargain purchase gain recognized in connection with the business combination. The use of different assumptions could produce significantly different valuation results, which could have material positive or negative effects on our results of operations. The Company uses the best estimates and assumptions to value assets acquired and liabilities assumed, at the acquisition date, the estimates are subject to refinement.

Goodwill represents the excess of the consideration paid over the fair value of the net assets acquired in a business combination. The Company assesses goodwill for impairment at the reporting unit level on an annual basis, or more often if an

event occurs or circumstances change which indicate there may be impairment. The impairment test compares the estimated fair value of each reporting unit with its net book value. The Company's annual assessment date is during the Company's fourth quarter. The fair value of the reporting unit is estimated using valuation techniques that market participants would use in an acquisition of the whole unit, such as estimated discounted cash flows, the quoted market price of our common stock adjusted for a control premium, and observable average price-to forward-earnings and price-to-tangible book multiples of observed transactions. If the unit's fair value is less than its carrying value, an estimate of the implied fair value of the goodwill is compared to the goodwill's carrying value and any impairment recognized.

The Company performed a qualitative assessment to determine if it was more likely than not that a reporting unit's fair value was less than its carrying value during the fourth quarter of 2021. Based on this assessment, it was determined that the reporting units' fair value exceeded their carrying value. Therefore, the two-step quantitative goodwill impairment test was not deemed necessary and no goodwill impairment was recorded during 2021. See Note 7 to the Consolidated Financial Statements for additional information on the Company's goodwill balances and Note 2 for goodwill and intangibles recorded in the periods presented.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk Management

Market risk reflects the risk of economic loss resulting from changes in interest rates and other relevant market prices. This risk of loss can be reflected in either reduced potential net interest revenue in future periods or diminished market values of financial assets.

The Company's market risk arises primarily from interest rate risk ("IRR") that is inherent in its lending, investment and deposit taking activities.

The main causes of IRR are the differing structural characteristics of our assets, liabilities and off-balance sheet obligations and their cumulative net reaction to changing interest rates. These structural characteristics include timing differences in maturity or repricing and the effect of embedded options such as loan prepayments, securities prepayments and calls, interest rate caps, floors, collars, and deposit withdrawal options. In addition to these sources of IRR, basis risk results from differences in the spreads between various market interest rates and changes in the slope of the yield curve which can contribute to additional IRR.

We evaluate IRR and develop guidelines regarding balance sheet composition and re-pricing, funding sources and pricing, and off-balance sheet commitments that aim to moderate IRR. We use financial simulation models that reflect various interest rate scenarios and the related impact on net interest income over specified periods of time. We refer to this process as asset/liability management ("ALM").

The primary objective of ALM is to manage interest rate risk and desired risk tolerance for potential fluctuations in net interest income ("NII") and economic value of equity ("EVE") throughout interest rate cycles, which we aim to achieve by maintaining a balance of interest rate sensitive earning assets and liabilities. In general, we seek to maintain a desired risk tolerance with asset and liability balances within maturity and repricing characteristics to limit our exposure to earnings volatility and changes in the value of assets and liabilities as interest rates fluctuate over time. Adjustments to maturity categories can be accomplished either by lengthening or shortening the duration of either an individual asset or liability category, or externally with interest rate contracts, such as interest rate swaps, caps, collars, and floors. See "—Interest Rate Exposures" for a more detailed discussion of our various derivative positions.

Our ALM strategy is formulated and monitored by our Asset/Liability Management Committee ("ALCO") in accordance with policies approved by the Board of Directors. The ALCO meets regularly to review, among other things, the sensitivity of our assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses, recent purchase and sale activity, maturities of securities and borrowings, and projected future transactions. The ALCO also establishes and approves pricing and funding strategies with respect to overall asset and liability composition. The ALCO reports regularly to our Board of Directors.

Financial simulation models are the primary tools we use to measure IRR exposures. By examining a range of hypothetical deterministic interest rate scenarios, these models provide management with information regarding the potential impact on NII and EVE caused by changes in interest rates.

The models simulate the cash flows and accounting accruals generated by the financial instruments on our balance sheet, as well as the cash flows generated by the new business, we anticipate over a 60-month forecast horizon. Numerous assumptions are made in the modeling process, including balance sheet composition, the pricing, re-pricing and maturity characteristics of existing business, and new business. Additionally, loan and investment prepayments, administered rate account elasticity, and other option risks are considered as well as the uncertainty surrounding future customer behavior. Because of the limitations inherent in any approach used to measure interest rate risk and because our loan portfolio will be actively managed in the event of a change in interest rates, simulation results, including those discussed in "—Interest Rate

Exposures” immediately below, are not intended as a forecast of the actual effect of a change in market interest rates on our NII or EVE or indicative of management’s expectations of actual results in the event of a fluctuation in market interest rates; however, these results are used to help measure the potential risks related to IRR.

Interest Rate Exposure

Based upon the current interest rate environment as of December 31, 2021, our net interest income simulation model projects our sensitivity to an instantaneous increase or decrease in interest rates was as follows:

Interest Rate Sensitivity

(Dollars in millions)	Increase (Decrease)			
	Net Interest Income		Economic Value of Equity	
	Amount	Percent	Amount	Percent
Change (in Basis Points) in Interest Rates (12-Month Projection)				
+ 200 BP	\$ 82.4	6.52 %	\$ 573.2	8.27 %
+ 100 BP	35.6	2.82 %	286.6	4.13 %
- 25 BP	(7.6)	(0.60)%	(61.6)	(0.89)%

Both the NII and EVE simulations include assumptions regarding balances, asset prepayment speeds, deposit repricing and runoff and interest rate relationships among balances that management believes to be reasonable for the various interest rate environments. Differences in actual occurrences from these assumptions may change our market risk exposure.

Derivative Positions

Overview. Our Board of Directors has authorized the ALCO to utilize financial futures, forward sales, options, interest rate swaps, caps, collars, and floors, and other instruments to the extent appropriate, in accordance with regulations and our internal policy. We expect to use interest rate swaps, caps, collars, and floors as macro hedges against inherent rate sensitivity in our assets and our liabilities.

We currently intend to engage in only the following types of hedges: (1) those which synthetically alter the maturities or re-pricing characteristics of assets or liabilities to reduce imbalances; (2) those which enable us to transfer the interest rate risk exposure involved in our daily business activities; and (3) those which serve to alter the market risk inherent in our investment portfolio, mortgage pipeline, or liabilities and thus help us to manage the effective maturities of the assets and liabilities within approved risk tolerances.

The following is a discussion of our primary derivative positions related to IRR.

Interest Rate Lock Commitments. In the ordinary course of business, the Company enters into certain commitments with customers in connection with residential mortgage loan applications for loans the Company intends to sell. Such commitments are considered derivatives under current accounting guidance and are required to be recorded at fair value. The change in fair value of these instruments is reflected currently in the mortgage banking revenue of the consolidated statements of income. The fair value of these derivatives is recorded on the consolidated balance sheets in other assets and other liabilities.

Forward Sales Commitments. The Company enters into forward sales commitments of mortgage-backed securities (“MBS”) with investors to mitigate the effect of the interest rate risk inherent in providing interest rate lock commitments to customers. During the period from commitment date to closing date, the Company is subject to the risk that market rates of interest may change. In an effort to mitigate such risk, forward delivery sales commitments, under which the Company agrees to deliver certain MBS, are established. These commitments are non-hedging derivatives in accordance with current accounting guidance and recorded at fair value, with changes in fair value reflected currently in the mortgage banking revenue of the consolidated statements of income. The fair value of these derivatives is recorded on the consolidated balance sheets in other assets and other liabilities.

Agreements Not Designated as Hedging Derivatives. The Company enters into interest rate swap, floor, cap and collar agreements on commercial loans with customers to meet the financing needs and interest rate risk management needs of its customers. At the same time, the Company enters into offsetting interest rate swap agreements with a financial institution in order to minimize the Company’s interest rate risk. These interest rate agreements are non-hedging derivatives and are recorded at fair value with changes in fair value reflected in noninterest income. The fair value of these derivatives is recorded on the consolidated balance sheets in other assets and other liabilities.

Risk Participation Agreements. The Company has both bought and sold credit protection in the form of participations on interest rate swaps (swap participations). These swap participations, which meet the definition of credit derivatives, were entered into in the ordinary course of business to serve the credit needs of customers. Swap participations, whereby Cadence has purchased credit protection, entitle Cadence to receive a payment from the counterparty if the customer fails to make payment on any amounts due to Cadence upon early termination of the swap transaction. For contracts where Cadence sold credit protection, Cadence would be required to make payment to the counterparty if the customer fails to make payment on any amounts due to the counterparty upon early termination of the swap transaction.

Mortgage Servicing Right Hedges. The value of our MSR is dependent on changes in market interest rates. In order to mitigate the effects of changes in rates on the value of our MSR, the Company has used various instruments as an economic hedge. MSRs are sensitive to changes in interest rates.

See Note 21 to the Consolidated Financial Statements for additional information regarding our derivative financial instruments.

LIBOR Transition

The Company formed a working group to coordinate the orderly transition from the London Interbank Offered Rate (“LIBOR”) to one or more alternative reference rates. The working group consists of senior management of the Company, and the working group provides updates to the Credit Committee of Management and the Credit Risk Committee of the Board on a recurring basis. Key initiatives of the working group include identification of LIBOR exposure, review of associated contract language to determine optionality for transferring to an alternative reference rate, and review of system capabilities for accommodating alternative reference rates. The Company discontinued the use of new LIBOR-based production effective January 1, 2022. In addition, the Company is on schedule to transition from LIBOR to an alternative reference for existing contracts upon the cessation of LIBOR, which includes an effective date for the 1-week and 2-months settings of January 1, 2022 and an effective date of July 1, 2023 for the overnight and 1, 3, 6, and 12-months settings.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors of Cadence Bank

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the Company conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on management's assessment and those criteria, which excluded the operations of Legacy Cadence as noted below, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2021.

In conducting the assessment of the effectiveness of its internal control over financial reporting as of December 31, 2021, the Company has excluded the operations of Cadence Bancorporation and its subsidiaries ("Legacy Cadence") as permitted by the guidance issued by the Office of the Chief Accountant of the Securities and Exchange Commission (not to extend more than one year beyond the date of the acquisition or for more than one annual reporting period). In conducting the assessment of the effectiveness of its disclosure controls and procedures as of December 31, 2021, the Company has excluded those disclosure controls and procedures of Legacy Cadence that are subsumed by internal control over financial reporting. The merger was completed on October 29, 2021. As of December 31, 2021, Legacy Cadence's assets represented approximately 40 percent of the Company's consolidated assets. See "Note 2. Business Combinations" for further discussion of the merger and its impact on the Company's consolidated financial statements.

The Company's independent registered public accounting firm has issued a report on the effectiveness of the Company's internal control over financial reporting. That report appears on page 80 of this Report.

Date: February 25, 2022

/s/ James D. Rollins III

James D. Rollins III
Chief Executive Officer

Date: February 25, 2022

/s/ Valerie C. Toalson

Valerie C. Toalson
Senior Executive Vice President and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors and Audit Committee
Cadence Bank
Tupelo, Mississippi

Opinion on the Internal Control over Financial Reporting

We have audited Cadence Bank's (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by COSO.

As described in management's report on internal control over financial reporting, the scope of management's assessment of internal control over financial reporting as of December 31, 2021, has excluded Cadence Bancorporation ("Legacy Cadence") and its subsidiaries acquired on October 29, 2021. We have also excluded Legacy Cadence from the scope of our audit of internal control over financial reporting, which represented approximately 40% of consolidated total assets as of December 31, 2021.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company and our report dated February 25, 2022, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definitions and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BKD, LLP

Jackson, Mississippi
February 25, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors and Audit Committee
Cadence Bank
Tupelo, Mississippi

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Cadence Bank (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, shareholders’ equity and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework: (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated February 25, 2022, expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Adoption of New Accounting Standard

As discussed in *Notes 1 and 5* to the financial statements, the Company has changed its method of accounting for allowance for credit losses in 2020 due to the adoption of Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the Audit Committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Credit Losses

The Company’s loan portfolio totaled \$26.9 billion as of December 31, 2021, and the allowance for credit losses on loans was \$446.4 million. The Company’s unfunded loan commitments totaled \$9.6 billion, with an allowance for credit loss of \$23.6 million. Together these amounts represent the allowance for credit losses (“ACL”).

As more fully described in *Notes 1, 4 and 5* to the Company's consolidated financial statements, the Company estimates its exposure to expected credit loss as of the balance sheet date for existing financial instruments held at amortized cost, and off-balance sheet exposures, such as unfunded loan commitments, letters of credit and other financial guarantees that are not unconditionally cancellable by the Company.

The determination of the ACL requires management to exercise significant judgment and consider numerous subjective factors, including (1) estimates of expected losses that exist in various segments of performing loans and leases over the remaining life of the loan portfolio using a reasonable and supportable economic forecast; (2) specifically identified losses in individually analyzed credits which are collateral dependent; and (3) qualitative factors related to economic conditions, portfolio concentrations, regulatory policy updates, and other relevant factors that address estimates of expected losses not fully addressed based upon management's judgment of portfolio conditions. The Company utilizes credit risk models to estimate the probability of default and loss given default of loans over their remaining life. The probability of default settings in the models incorporate a risk grading process by utilizing pool-specific historical default rates. In addition, the loss given default settings in the models utilize historical losses for different types of collateral on defaulted loans, while giving consideration for the loan-to-value ratio at the time of default. The product of the probability of default and loss given default derives a base expected loss rate for each loan. The base expected loss rate is adjusted by way of econometric models that measure the direction and magnitude of change in expected loss rates given a change in forecasted economic variables.

We identified the valuation of the ACL as a critical audit matter. Auditing the ACL involved a high degree of subjectivity in evaluating management's estimates, such as evaluating management's identification of qualitative factors, grouping of loans determined to be similar into pools, estimating the remaining life of loans in a pool, assessment of economic conditions and other environmental factors, evaluating the adequacy of specific allowances associated with individually evaluated loans and assessing the appropriateness of loan risk grades.

The primary procedures we performed to address this critical audit matter included:

- Obtained an understanding of the Company's process for establishing the ACL, including the implementation of models and the qualitative factor adjustments of the ACL;
- Evaluated and tested the design and operating effectiveness of controls, including those related to technology, over the ACL, including:
 - Loan data completeness and accuracy,
 - Classifications of loans by loan pool,
 - Model inputs utilized including probability of default, loss given default, remaining life and prepayment speed,
 - Approval of model assumptions selected,
 - Loan credit risk ratings, and
 - Establishment of qualitative adjustments;
- Tested the ACL model's computational accuracy, along with a review of validation procedures over the model;
- Evaluated the qualitative adjustments to the ACL, including assessing the basis for adjustments and the reasonableness of the significant assumptions, including consideration of impact of COVID-19;
- Evaluated credit quality trends in delinquencies, non-accruals, charge-offs and loan risk ratings;
- Tested the internal loan review function and evaluated the reasonableness of loan credit risk ratings;
- Considered the overall reasonableness of the ACL and compared to trends identified within peer groups;
- Evaluated the reasonableness of specific allowances on individually evaluated loans;
- Involved internal subject matter experts to review the appropriateness of the design and operation of the model;
- Evaluated the accuracy and completeness of Topic 326 disclosures in the consolidated financial statements.

Business Combinations

As described in *Note 2* to the consolidated financial statements, the Company completed mergers with three bank holding companies during the year ended December 31, 2021, resulting in the expansion of the Company's operating footprint and additional goodwill of approximately \$556.3 million being recognized on the Company's consolidated balance sheets.

As part of the acquisitions completed during the year, management determined that the transactions qualified as business combinations. Accordingly, all identifiable assets acquired and liabilities assumed were valued at fair value as part of the purchase price allocation as of the acquisition date. The identification and valuation of such acquired assets and assumed liabilities requires management to exercise significant judgment and consider the use of outside vendors to estimate the fair value allocations.

We identified the acquisitions and the related valuation of acquired assets and assumed liabilities as a critical audit matter. Auditing the acquired net assets and acquisition-related considerations involved a high degree of subjectivity in evaluating management's operational assumptions of the acquisitions, fair value estimates, purchase price allocations and assessing the appropriateness of outside vendor valuation models.

The primary procedures we performed to address this critical audit matter included:

- Obtained and reviewed executed Agreement and Plan of Merger documents to gain an understanding of the underlying terms of the completed acquisitions
- Obtained and reviewed management's business combination memos to gain an understanding of the procedures performed to identify and fair value the acquired assets and liabilities
- Tested management's business combination analysis, focusing on the completeness and accuracy of the assets acquired and liabilities assumed and the related fair value purchase price allocations
- Obtained valuation estimates prepared by the Company and the Company's valuation specialists and challenged management's analysis of the appropriateness of the valuations allocated to assets acquired and liabilities assumed; including but not limited to, testing of critical inputs, assumptions applied and valuation models utilized by the Company and the Company's valuation specialists
- Utilized BKD's internal valuation specialists to assist with evaluating the related fair value purchase price allocations made to the identified assets acquired and liabilities assumed
- Tested the goodwill calculation resulting from the completed acquisitions, which is the difference between the total net consideration paid and the fair value of the net assets acquired
- Reviewed and evaluated the adequacy of the disclosures made in the consolidated financial statements

/s/ BKD, LLP

We have served as the Company's auditor since 2019.

Jackson, Mississippi
February 25, 2022

Consolidated Balance Sheets
Cadence Bank and Subsidiaries

(In thousands, except share and per share amounts)	December 31,	
	2021	2020
ASSETS		
Cash and due from banks	\$ 656,132	\$ 284,095
Interest bearing deposits with other banks and Federal funds sold	638,547	133,273
Available-for-sale securities, at fair value	15,606,470	6,231,006
Loans and leases, net of unearned income	26,882,988	15,022,479
Allowance for credit losses	446,415	244,422
Net loans and leases	26,436,573	14,778,057
Loans held for sale, at fair value	340,175	397,076
Premises and equipment, net	786,426	508,147
Goodwill	1,407,948	851,612
Other intangible assets, net	198,271	55,899
Bank-owned life insurance	597,953	333,264
Other assets	1,001,256	508,765
TOTAL ASSETS	\$ 47,669,751	\$ 24,081,194
LIABILITIES		
Deposits:		
Demand: Noninterest bearing	\$ 13,634,505	\$ 6,341,457
Interest bearing	18,727,588	8,524,010
Savings	3,556,079	2,452,059
Time deposits	3,899,501	2,528,915
Total deposits	39,817,673	19,846,441
Securities sold under agreement to repurchase	687,188	637,715
Federal funds purchased	595,000	—
Subordinated debt	478,669	297,250
Long-term debt	3,742	4,402
Other liabilities	839,492	472,909
TOTAL LIABILITIES	42,421,764	21,258,717
SHAREHOLDERS' EQUITY		
Preferred stock, \$0.01 par value per share; authorized and issued - 6,900,000 shares for both years presented	166,993	166,993
Common stock, \$2.50 par value per share; authorized - 500,000,000 shares; issued - 188,337,658 and 102,561,480 shares, respectively	470,844	256,404
Capital surplus	2,841,998	565,187
Accumulated other comprehensive (loss) income	(139,369)	11,923
Retained earnings	1,907,521	1,821,970
TOTAL SHAREHOLDERS' EQUITY	5,247,987	2,822,477
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 47,669,751	\$ 24,081,194

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income
Cadence Bank and Subsidiaries

(In thousands, except per share amounts)	Year Ended December 31,		
	2021	2020	2019
INTEREST REVENUE:			
Loans and leases	\$ 758,180	\$ 700,065	\$ 697,425
Available-for-sale securities:			
Taxable	111,050	85,466	56,660
Tax-exempt	3,461	3,984	7,160
Loans held for sale	8,035	8,357	5,201
Other	1,323	1,621	8,566
Total interest revenue	<u>882,049</u>	<u>799,493</u>	<u>775,012</u>
INTEREST EXPENSE:			
Deposits:			
Interest bearing demand	33,251	47,692	58,771
Savings	3,201	4,117	5,361
Time deposits	24,394	38,940	39,380
Federal funds purchased and securities sold under agreement to repurchase	813	2,282	7,195
Long-term debt	168	2,430	12,875
Subordinated debt	14,470	13,063	1,482
Other	25	2	4
Total interest expense	<u>76,322</u>	<u>108,526</u>	<u>125,068</u>
Net interest revenue	805,727	690,967	649,944
Provision for credit losses	138,062	89,044	1,500
Net interest revenue, after provision for credit losses	<u>667,665</u>	<u>601,923</u>	<u>648,444</u>
NONINTEREST REVENUE:			
Mortgage banking	58,053	86,253	19,782
Credit card, debit card and merchant fees	45,519	38,247	38,656
Deposit service charges	43,986	37,929	46,015
Security (losses) gains, net	(395)	58	174
Insurance commissions	135,183	125,286	123,291
Wealth management	39,507	26,213	24,809
Gain on sale of PPP loans	21,572	—	—
Other	34,728	22,518	27,954
Total noninterest revenue	<u>378,153</u>	<u>336,504</u>	<u>280,681</u>
NONINTEREST EXPENSE:			
Salaries and employee benefits	471,815	417,809	396,500
Occupancy and equipment	81,394	70,341	65,841
Data processing and software	73,085	58,170	51,354
Merger expense	59,896	5,345	13,871
Deposit insurance assessments	8,701	6,726	9,143
Pension settlement expense	3,051	5,846	—
Other	100,948	86,645	92,898
Total noninterest expense	<u>798,890</u>	<u>650,882</u>	<u>629,607</u>
Income before income taxes	246,928	287,545	299,518
Income tax expense	51,766	59,494	65,257
Net income	<u>\$ 195,162</u>	<u>\$ 228,051</u>	<u>\$ 234,261</u>
Less: Preferred dividends	9,488	9,488	—
Net income available to common shareholders	<u>\$ 185,674</u>	<u>\$ 218,563</u>	<u>\$ 234,261</u>
Earnings per common share:			
Basic	<u>\$ 1.54</u>	<u>\$ 2.12</u>	<u>\$ 2.31</u>
Diluted	<u>\$ 1.54</u>	<u>\$ 2.12</u>	<u>\$ 2.30</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
Cadence Bank and Subsidiaries

(In thousands)	Year Ended December 31,		
	2021	2020	2019
Net income	\$ 195,162	\$ 228,051	\$ 234,261
Other comprehensive income (loss), net of tax			
Unrealized losses (gains) on securities	(151,382)	66,148	21,445
Pension and other postretirement benefits	90	8,438	(3,617)
Other comprehensive (loss) income, net of tax	(151,292)	74,586	17,828
Comprehensive income	<u>\$ 43,870</u>	<u>\$ 302,637</u>	<u>\$ 252,089</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity
Cadence Bank and Subsidiaries
Years Ended December 31, 2021, 2020 and 2019

(In thousands, except share and per share amounts)	Preferred Stock		Common Stock		Capital Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance at December 31, 2018	—	\$ —	99,797,271	\$ 249,493	\$ 484,482	\$ (80,491)	\$ 1,552,253	\$ 2,205,737
Net income	—	—	—	—	—	—	234,261	234,261
Change in fair value of available-for-sale securities, net of tax effect of \$7,130	—	—	—	—	—	21,445	—	21,445
Change in pension funding status, net of tax effect of (\$1,202)	—	—	—	—	—	(3,617)	—	(3,617)
Comprehensive income	—	—	—	—	—	—	—	252,089
Recognition of stock compensation	—	—	442,176	1,106	14,207	—	—	15,313
Issuance of stock in conjunction with acquisitions	—	—	6,824,576	17,061	172,630	—	—	189,691
Repurchase of stock	—	—	(2,541,219)	(6,353)	(65,343)	—	—	(71,696)
Issuance of preferred stock	6,900,000	167,021	—	—	—	—	—	167,021
Cumulative effect of change in accounting principles	—	—	—	—	—	—	(325)	(325)
Cash dividends declared, \$0.710 per share	—	—	—	—	—	—	(72,813)	(72,813)
Balance at December 31, 2019	6,900,000	\$ 167,021	104,522,804	\$ 261,307	\$ 605,976	\$ (62,663)	\$ 1,713,376	\$ 2,685,017
Net income	—	—	—	—	—	—	228,051	228,051
Change in fair value of available-for-sale securities, net of tax effect of \$21,990	—	—	—	—	—	66,148	—	66,148
Change in pension funding status, net of tax effect of \$2,805	—	—	—	—	—	8,438	—	8,438
Comprehensive income	—	—	—	—	—	—	—	302,637
Recognition of stock compensation	—	—	465,798	1,165	11,655	—	—	12,820
Issuance of stock in conjunction with acquisitions	—	—	1,039,243	2,598	30,045	—	—	32,643
Repurchase of stock	—	—	(3,466,365)	(8,666)	(82,489)	—	—	(91,155)
Issuance of preferred stock	—	(28)	—	—	—	—	—	(28)
Cumulative effect of change in accounting principles	—	—	—	—	—	—	(33,500)	(33,500)
Preferred dividends declared, \$1.375 per share	—	—	—	—	—	—	(9,488)	(9,488)
Cash dividends declared, \$0.745 per share	—	—	—	—	—	—	(76,469)	(76,469)
Balance at December 31, 2020	6,900,000	\$ 166,993	102,561,480	\$ 256,404	\$ 565,187	\$ 11,923	\$ 1,821,970	\$ 2,822,477
Net income	—	—	—	—	—	—	195,162	195,162
Change in fair value of available-for-sale securities, net of tax effect of (\$50,329)	—	—	—	—	—	(151,382)	—	(151,382)
Change in pension funding status, net of tax effect of \$30	—	—	—	—	—	90	—	90
Comprehensive income	—	—	—	—	—	—	—	43,870
Recognition of stock compensation	—	—	164,939	412	31,925	—	—	32,337
Issuance of stock in conjunction with acquisitions	—	—	91,778,241	229,446	2,415,147	—	—	2,644,593
Repurchase of stock	—	—	(6,167,002)	(15,418)	(170,261)	—	—	(185,679)
Preferred dividends declared, \$1.375 per share	—	—	—	—	—	—	(9,488)	(9,488)
Cash dividends declared, \$0.780 per share	—	—	—	—	—	—	(100,123)	(100,123)
Balance at December 31, 2021	<u>6,900,000</u>	<u>\$ 166,993</u>	<u>188,337,658</u>	<u>\$ 470,844</u>	<u>\$ 2,841,998</u>	<u>\$ (139,369)</u>	<u>\$ 1,907,521</u>	<u>\$ 5,247,987</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Cadence Bank and Subsidiaries

(In thousands)	Year Ended December 31,		
	2021	2020	2019
Operating Activities:			
Net income	\$ 195,162	\$ 228,051	\$ 234,261
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	175,935	75,118	43,075
Share-based compensation expense	18,101	12,820	15,313
Deferred income tax (benefit) expense	(22,063)	(240)	1,502
Provision for credit losses	138,062	89,044	1,500
Gain on sale of loans, net	(104,996)	(82,333)	(25,504)
Proceeds from paydowns and sales of loans held for sale	3,114,226	3,265,771	1,790,093
Origination of loans held for sale	(2,218,300)	(3,249,670)	(1,828,221)
Increase in interest receivable	(35,922)	(39,879)	(4,143)
Net (increase) decrease in prepaid pension asset	(5,676)	(49,022)	4,621
Decrease (increase) in other assets	82,345	(45,227)	13,924
(Decrease) increase in other liabilities	(164,400)	225,779	158,437
Other, net	250	(193,630)	(165,277)
Net cash provided by operating activities	<u>1,172,724</u>	<u>236,582</u>	<u>239,581</u>
Investing Activities:			
Purchases of available-for-sale securities	(7,909,743)	(3,037,984)	(2,590,913)
Proceeds from sales of available-for-sale securities	564,029	147,621	119,233
Proceeds from maturities, calls, and paydowns of available-for-sale securities	2,175,657	1,263,960	1,002,852
Decrease in short-term investments	—	20,000	38,646
(Increase) decrease in loans, net	(202,667)	(783,286)	2,360
Purchases of premises and equipment	(72,267)	(65,952)	(54,988)
Proceeds from sales of premises and equipment	5,641	2,109	2,949
Cash received in acquisitions, net	2,665,485	2,074	172,612
Proceeds from disposition of foreclosed property	5,284	11,225	6,423
Cash paid for branch divestiture	(358,916)	—	—
Purchases of bank-owned life insurance, net of proceeds from death benefits	(648)	795	5,912
Other, net	(25,376)	—	—
Net cash used in investing activities	<u>(3,153,521)</u>	<u>(2,439,438)</u>	<u>(1,294,914)</u>
Financing Activities:			
Increase in deposits, net	2,564,043	3,065,670	1,016,822
Net change in short-term borrowings	644,473	(600,929)	(279,025)
Repayment of long-term FHLB advances	(20,822)	—	—
Issuance of subordinated debt securities	—	—	296,606
Repayment of long-term debt	(35,155)	(392)	(1,067)
Issuance of preferred stock	—	(28)	167,021
Issuance of common stock	—	—	—
Repurchase of common stock	(185,679)	(91,155)	(71,696)
Cash dividends paid on common stock	(99,264)	(76,460)	(72,758)
Cash dividends paid on preferred stock	(9,488)	(9,488)	—
Net cash provided by financing activities	<u>2,858,108</u>	<u>2,287,218</u>	<u>1,055,903</u>
Net increase in cash and cash equivalents	877,311	84,362	570
Cash and cash equivalents at beginning of year	417,368	333,006	332,436
Cash and cash equivalents at end of year	<u>\$ 1,294,679</u>	<u>\$ 417,368</u>	<u>\$ 333,006</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (continued)
Supplemental Cash Flow Disclosures
Cadence Bank and Subsidiaries

(In thousands)	Year Ended December 31,		
	2021	2020	2019
Supplemental Disclosures			
Cash paid during the year for:			
Interest	\$ 78,724	\$ 104,288	\$ 131,649
Income taxes	76,802	74,721	55,828
Amounts included in the measurement of lease liabilities	17,332	200	(72,399)
Non-cash investing activities (at fair value):			
Acquisition of real estate and other assets in settlement of loans	12,047	16,995	5,654
Transfers of loans held for sale to loans	—	3,059	1,615
Transfers of loans to loans held for sale	9,346	—	—
ROU assets obtained in exchange for new operating lease liabilities	47,395	(1,407)	71,795
Securities purchased with settlement after year end	—	(9,347)	(108,906)
MSR and hedge fair value adjustment	10,139	(12,814)	(14,515)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Cadence Bank and Subsidiaries
December 31, 2021, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The Company and its subsidiaries follow accounting principles generally accepted in the United States of America (“U.S. GAAP”), including, where applicable, general practices within the banking industry. The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. The assessment of whether or not the Company has a controlling interest (i.e., the primary beneficiary) in a variable-interest entity (“VIE”) is performed on an on-going basis. All equity investments in non-consolidated VIEs are included in “other assets” in the Company’s consolidated balance sheets (Note 24).

In connection with the Legacy Cadence acquisition, certain amounts reported in prior years in the consolidated financial statements have been reclassified to conform to the 2021 presentation. These reclassifications did not materially impact the Company’s consolidated financial statements.

In accordance with U.S. GAAP, the Company’s management has evaluated subsequent events for potential recognition or disclosure in the consolidated financial statements through the date of the issuance of the consolidated financial statements. No subsequent events were identified that would have required a change to the consolidated financial statements.

Nature of Operations

The Company operates under a state bank charter and is subject to regulation by the Federal Deposit Insurance Corporation (“FDIC”). The Company is a regional banking franchise with more than 400 branch locations across the South, Midwest and Texas. Services and products include consumer banking, consumer loans, mortgages, home equity lines and loans, credit cards, commercial and business banking, treasury management, specialized lending, asset-based lending, commercial real estate, equipment financing, correspondent banking, SBA lending, foreign exchange, wealth management, investment and trust services, financial planning, retirement plan management, and personal and business insurance.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates. Material estimates that are susceptible to significant change in the near term are the allowance for credit losses, valuation of goodwill, intangible assets, and deferred income taxes.

Business Combinations

Assets and liabilities acquired in business combinations are accounted for under the acquisition method of accounting and, accordingly, are recorded at their estimated fair values on the acquisition date. The Company generally records provisional amounts at the time of an acquisition based on the information available. These provisional estimates of fair values may be adjusted for a period of up to one year from the acquisition date if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. Adjustments recorded during this period are recognized in the current reporting period. The excess cost over fair value of net assets acquired is recorded as goodwill. On January 1, 2020, the Company completed the merger with Texas First Bancshares Inc., and its wholly owned subsidiary, Texas First State Bank, (collectively referred to as “Texas First”), pursuant to which Texas First was merged with and into the Company. On October 7, 2020, the Company completed the acquisition of Alexander & Sanders Insurance Agency, Inc., headquartered in Baton Rouge, Louisiana. On May 1, 2021, the Company completed the merger with National United Bancshares Inc., the parent company of National United, (collectively referred to as “National United”), pursuant to which National United was merged with and into the Company. Also, on May 1, 2021, the Company completed the merger with FNS Bancshares Inc., the parent company of FNB Bank, (collectively referred to as “FNS”), pursuant to which FNS was merged with and into the Company. On October 29, 2021, we completed our merger with Cadence Bancorporation and its wholly owned subsidiary, Cadence Bank, N.A., (collectively referred to as “Legacy Cadence”), pursuant to which Legacy Cadence was merged with and into the Company (see Note 2).

Securities

Available-for-Sale Securities

Securities classified as available-for-sale are those debt securities that are intended to be held for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including movements in interest rates, liquidity needs, security risk assessments, changes in the mix of assets and liabilities and other similar factors. These securities are carried at their estimated fair value, and the net unrealized gain or loss is reported as accumulated other comprehensive income, net of tax, until realized upon sale. Premiums and discounts are recognized in interest income using the effective interest method.

Realized gains and losses on the sale of securities available-for-sale are determined by specific identification using the cost on a trade date basis and are included in securities (losses) gains, net in the Company's consolidated statements of income.

The Company evaluates available-for-sale securities in an unrealized loss position to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or noncredit-related factors. Any impairment that is not credit related is recognized in other comprehensive income, net of applicable taxes. Credit-related impairment is recognized as an allowance for credit loss ("ACL") on the balance sheet, limited to the amount by which the amortized cost basis exceeds the fair value with a charge to earnings. In evaluating available-for-sale securities in unrealized loss positions for impairment, management considers the magnitude and duration of the decline, as well as the reasons for the decline, whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, whether the Company would be required to sell the securities before a full recovery of costs and the results of reviews of the issuers' financial condition, among other facts.

Held-to-Maturity Securities

Securities classified as held-to-maturity are those debt securities for which there is a positive intent and ability to hold to maturity. These securities are carried at cost, adjusted for amortization of premium and accretion of discount, computed by the effective interest method. At December 31, 2021 and 2020, the Company did not have any held-to-maturity securities.

Trading Account Securities

Trading account securities are securities that are held for the purpose of selling them at a profit. The Company had no trading account securities as of December 31, 2021 and 2020.

Securities Purchased and Sold Under Agreements to Resell or Repurchase

Securities purchased under agreements to resell are accounted for as short-term investments and securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. The securities pledged as collateral are generally U.S. government and federal agency securities.

FHLB Stock

The Company has ownership in Federal Home Loan Bank of Dallas ("FHLB") stock which does not have readily determinable fair value and no quoted market value, as ownership is restricted to member institutions, and all transactions take place at par value with the FHLB as the only purchaser. Therefore, the Company accounts for this investment as a long-term asset and carries it at cost. Management's determination as to whether this investment is impaired is based on management's assessment of the ultimate recoverability of the par value (cost) rather than recognizing temporary declines in fair value. Investment in FHLB stock is required for membership in the FHLB system and in relation to the level of FHLB advances.

Derivative Financial Instruments and Hedging Activities

Derivative instruments are accounted for under the requirements of ASC Topic 815, *Derivatives and Hedging*. ASC 815 requires companies to recognize as either assets or liabilities in the consolidated balance sheets at fair value. The fair value of derivative positions outstanding is included in other assets and other liabilities in the accompanying consolidated balance sheets and in the net change in each of these financial statement line items in the accompanying consolidated statements of cash flows. The Company does not speculate using derivative instruments.

Interest Rate Lock Commitments

In the ordinary course of business, the Company enters into certain commitments with customers in connection with residential mortgage loan applications for loans the Company intends to sell. Such commitments are considered derivatives under current accounting guidance and are required to be recorded at fair value. The change in fair value of these instruments is

reflected currently in the mortgage banking revenue of the consolidated statements of income. The fair value of these derivatives is recorded on the consolidated balance sheets in other assets and other liabilities.

Forward Sales Commitments

The Company enters into forward sales commitments of mortgage-backed securities (“MBS”) with investors to mitigate the effect of the interest rate risk inherent in providing interest rate lock commitments to customers. During the period from commitment date to closing date, the Company is subject to the risk that market rates of interest may change. In an effort to mitigate such risk, forward delivery sales commitments, under which the Company agrees to deliver certain MBS, are established. These commitments are non-hedging derivatives in accordance with current accounting guidance and recorded at fair value, with changes in fair value reflected currently in the mortgage banking revenue of the consolidated statements of income. The fair value of these derivatives is recorded on the consolidated balance sheets in other assets and other liabilities.

Agreements Not Designated as Hedging Derivatives

The Company enters into interest rate swap, floor, cap and collar agreements on commercial loans with customers to meet the financing needs and interest rate risk management needs of its customers. At the same time, the Company enters into offsetting interest rate swap agreements with a financial institution in order to minimize the Company’s interest rate risk. These interest rate agreements are non-hedging derivatives and are recorded at fair value with changes in fair value reflected in noninterest income. The fair value of these derivatives is recorded on the consolidated balance sheets in other assets and other liabilities.

Foreign Currency Contracts

The Company enters into certain foreign currency exchange contracts on behalf of its clients to facilitate their risk management strategies, while at the same time entering into offsetting foreign currency exchange contracts in order to minimize the Company’s foreign currency exchange risk. The contracts are short term in nature, and any gain or loss incurred at settlement is recorded as other noninterest income or other noninterest expense. The fair value of these contracts is reported in other assets and other liabilities. The Company does not apply hedge accounting to these contracts.

Risk Participation Agreements

Cadence has both bought and sold credit protection in the form of participations on interest rate swaps (swap participations). These swap participations, which meet the definition of credit derivatives, were entered into in the ordinary course of business to serve the credit needs of customers. Swap participations, whereby Cadence has purchased credit protection, entitle Cadence to receive a payment from the counterparty if the customer fails to make payment on any amounts due to Cadence upon early termination of the swap transaction. For contracts where Cadence sold credit protection, Cadence would be required to make payment to the counterparty if the customer fails to make payment on any amounts due to the counterparty upon early termination of the swap transaction.

Mortgage Servicing Right Hedges

The value of our MSR is dependent on changes in market interest rates. In order to mitigate the effects of changes in rate on the value of our MSR, the Company has used various instruments as an economic hedge. See Notes 18 and 21 for further information.

Counterparty Credit Risk

Derivative contracts involve the risk of dealing with both bank customers and institutional derivative counterparties and their ability to meet contractual terms. Under Company policy, institutional counterparties must be approved by the Company’s Asset/Liability Management Committee. The Company’s credit exposure on derivatives is limited to the net fair value for each counterparty.

Refer to Note 21 for further discussion and details of derivative financial instruments and hedging activities.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the transferred assets is surrendered. Control is generally considered to have been surrendered when 1) the transferred assets are legally isolated from the Company or its consolidated affiliates, even in bankruptcy or other receivership, 2) the transferee has the right to pledge or exchange the assets with no conditions that constrain the transferee and provide more than a trivial benefit to the Company, and 3) the Company does not maintain the obligation or unilateral ability to reclaim or repurchase the assets. If these sale criteria are met, the transferred assets are removed from the Company’s balance sheet and a gain or loss on sale is recognized. If not met, the

transfer is recorded as a secured borrowing, and the assets remain on the Company's balance sheet, the proceeds from the transaction are recognized as a liability, and gain or loss on sale is deferred until the sale criterion are achieved.

In December 2021, Cadence Bank completed the divestiture of seven branches to The First, A National Banking Association, a wholly owned subsidiary of The First Bancshares, Inc., to satisfy regulatory requirements in connection with the Legacy Cadence merger. There were \$41 million in loans and leases divested in this transaction. These loans and leases were divested subject to recourse and as such, did not qualify as a sales. These loans have been recorded as secured borrowings on the Company's balance sheet.

Loans Held-for-Sale

Mortgage Loans Held-for-Sale

The fair value of loans held for sale is based on commitments outstanding from investors as well as what secondary markets are currently offering for portfolios with similar characteristics. The Company has elected to carry loans held for sale at fair value. Loans held for sale are subjected to recurring fair value adjustments. Loan sales are recognized when the transaction closes, the proceeds are collected, ownership is transferred and, through the sales agreement, continuing involvement consists of the right to service the loan for a fee for the life of the loan, if applicable. Gains and losses on the sale of loans held for sale are recorded as part of mortgage banking revenue on the consolidated statement of income. Fees on mortgage loans sold individually in the secondary market, including origination fees, service release premiums, processing and administrative fees, and application fees, are recognized as mortgage banking revenue in the period in which the loans are sold.

Buyers generally have recourse to return a purchased loan to the Company under limited circumstances. Recourse conditions may include early payment default, breach of representations or warranties, and documentation deficiencies. During 2021, 2020, and 2019, an insignificant number of loans were returned to the Company. At December 31, 2021, the Company had reserved \$1.9 million for probable losses from representation and warranty obligations.

Government National Mortgage Association ("GNMA") optional repurchase programs allow financial institutions to buy back individual delinquent mortgage loans that meet certain criteria from the securitized loan pool for which the institution provides servicing. At the servicer's option and without GNMA's prior authorization, the servicer may repurchase such a delinquent loan for an amount equal to 100% of the remaining principal balance of the loan. Under FASB ASC 860, this buy-back option is considered a conditional option until the delinquency criteria are met, at which time the option becomes unconditional. When the Company is deemed to have regained effective control over these loans under the unconditional buy-back option, the loans can no longer be reported as sold and must be brought back onto the consolidated balance sheet as loans held for sale, regardless of whether the Company intends to exercise the buy-back option. These loans are reported as held for sale in accordance with U.S. GAAP with the offsetting liability being reported as other liabilities. At December 31, 2021, the amount of loans subject to buy back was \$91.9 million.

Commercial Loans Held-for-Sale

The Company originates certain commercial loans for which a portion is intended for sale. The Company also transfers certain commercial loans to held-for-sale when management has the intent to sell the loan or a portion of the loan in the near term. These held-for-sale loans are recorded at fair value. At the time of transfer, write-downs on the loans are recorded as charge-offs and a new cost basis is established. Any subsequent fair value adjustment is determined on an individual loan basis and is recognized as a valuation allowance with any charges included in other noninterest expense. Gains and losses on the sale of these loans are included in other noninterest income when realized.

Loans and Leases and Related Provision and Allowance for Credit Losses

Loans and leases are presented in the consolidated financial statements at amortized cost. The components of amortized cost include unpaid principal balance, unamortized discounts and premiums, and unamortized deferred fees and costs. Interest income is recognized based on the principal balance outstanding and the stated rate of the loan. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield on the related loan. Loans acquired through acquisition are initially recorded at fair value. Discounts and premiums created when the loans were recorded at their estimated fair values at acquisition are accreted over the remaining term of the loan as an adjustment to the related loan's yield. In the event of a loan pay-off, the remaining net deferred origination fees, and unamortized discounts and premiums are automatically recognized into income. Where doubt exists as to the collectability of the loans and leases, interest income is recorded as payment is received.

The Company's policy provides that loans and leases are generally placed in nonaccrual status if, in management's opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due, unless the loan or lease is both well-secured and in the process of collection. Once placed in nonaccrual status, all accrued

but uncollected interest related to the current fiscal year is reversed against the appropriate interest and fee income on loans and leases account with any accrued but uncollected interest related to prior fiscal years reversed against the allowance for credit losses (“ACL”).

The ACL is maintained through charges to income in the form of a provision for credit losses at a level management believes is adequate to absorb an estimate of expected credit losses over the contractual life of the loan portfolio as of the reporting date. Events that are not within the Company’s control, such as changes in economic conditions, could change subsequent to the reporting date and could cause the ACL to be overstated or understated. The amount of the ACL is affected by loan charge-offs, which decrease the ACL; recoveries on loans previously charged off, which increase the ACL; and the provision for credit losses charged to income, which increases the ACL.

Prior to the Legacy Cadence merger, on January 1, 2020, Legacy Cadence also adopted ASC 326 through the development of multiple current expected credit loss models (ECL Models) which segmented Legacy Cadence’s loan and lease portfolio by borrower and loan type to estimate lifetime expected credit losses for loans and leases. Within each ECL Model, loans and leases were further segregated based on additional risk characteristics specific to that loan or lease type and the ECL Models used both internal and external historical loss data, as appropriate.

While there were significant similarities in the manner of adoption of ASC 326 by Legacy BXS and Legacy Cadence, numerous steps were taken to align the Legacy Cadence process to ensure that the ACL reported at the time of the Legacy Cadence merger and in all subsequent reporting periods is consistent with the ACL policies as outlined in this section and Note 5 – Allowance for Credit Losses. This included conforming certain Legacy Cadence assumptions (e.g., the reasonable and supportable forecast of future economic conditions and the reasonable and supportable forecast period, among others) to that of Legacy BXS. This was accomplished primarily through qualitative adjustments for alignment.

Further, ASC 326 eliminated existing guidance for purchase credit impaired (“PCI”) loans and provides special initial recognition and measurement for the Day One accounting for PCD assets.

- ASC 326 requires entities that purchase certain financial assets (or portfolios of financial assets) with the intention of holding them for investment to determine whether the assets have experienced more-than-insignificant deterioration in credit quality since origination.
- More-than-insignificant deterioration will generally be determined by the asset’s delinquency status, risk rating changes, credit rating, accruing status or other indicators of credit deterioration since origination.
- An entity initially measures the amortized cost of a PCD asset by adding the acquisition date estimate of expected credit losses to the asset’s purchase price. Because the initial estimate for expected credit losses is added to the purchase price to establish the Day One amortized cost, PCD accounting is commonly referred to as a “gross-up” approach. There is no credit loss expense recognized upon acquisition of a PCD asset; rather the “gross-up” is offset by establishment of the initial allowance.
- After initial recognition, the accounting for a PCD asset will generally follow the credit loss model.
- Interest income for a PCD asset is recognized using the effective interest rate (“EIR”) calculated at initial measurement. This EIR is determined by comparing the amortized cost basis of the instrument to its contractual cash flows, consistent with ASC 310-20. Accordingly, since the PCD gross-up is included in the amortized cost, the purchase discount related to estimated credit losses on acquisition is not accreted into interest income. Only the noncredit-related discount or premium is accreted or amortized, using the EIR that was calculated at the time the asset was acquired.

Loans of \$1.0 million or more that are identified as collateral-dependent, which generally include loans internally graded as impaired or PCD Loss, are reviewed by the Impairment Group which approves the amount of specific reserve, if any, and/or charge-off amounts. The evaluation of real estate loans generally focuses on the fair value of underlying collateral less estimated costs to sell obtained from appraisals, as the repayment of these loans may be dependent on the liquidation of the collateral. In certain circumstances, other information such as comparable sales data is deemed to be a more reliable indicator of fair value of the underlying collateral than the most recent appraisal. In these instances, such information is used in determining the specific provision recorded for the loan. For commercial and industrial loans, the evaluation generally focuses on these considerations, as well as the projected liquidation of any pledged collateral. Our larger corporate and specialized industry loans are underwritten to the underlying enterprise value of the borrower. The value is in the equity of the business as a going concern. Many valuation approaches are used in these situations including discounted cash flow, multiple of cash flow, or comparable sales approaches. The Impairment Group, a cross-functional working group, reviews the results of each evaluation and approves the final specific provision amounts, which are then included in the analysis of the adequacy of the ACL in accordance with FASB ASC 326. These loans are internally classified as impaired.

A new appraisal is generally ordered for loans \$1.0 million or greater that have characteristics of potential specific provision, such as delinquency or other loan-specific factors identified by management, when a current appraisal (dated within the prior 12 months) is not available or when a current appraisal uses assumptions that are not consistent with the expected disposition of the loan collateral. In order to measure specific provision properly at the time that a loan is reviewed, a bank officer may estimate the collateral fair value based upon earlier appraisals received from outside appraisers, sales contracts, approved foreclosure bids, comparable sales, officer estimates or current market conditions until a new appraisal is received.

This estimate can be used to determine the extent of the specific provision on the loan. After a loan is determined to be collateral-dependent, it is management's policy to obtain an updated appraisal on at least an annual basis. Management performs a review of the pertinent facts and circumstances of each collateral-dependent loan, such as changes in outstanding balances, information received from loan officers and receipt of re-appraisals, at least quarterly. As of each review date, management considers whether additional provision and/or charge-offs should be recorded based on recent activity related to the loan-specific collateral as well as other relevant comparable assets. Any adjustment to reflect further exposure, either as a result of management's periodic review or as a result of an updated appraisal, are made through recording additional provisions for credit loss and/or charge-offs.

At December 31, 2021, loans with an internally assigned grade of impaired, irrespective of troubled debt restructured ("TDR") status, totaled \$25.2 million, which was net of cumulative charge-offs of \$2.4 million. Additionally, the Company had specific reserves of \$4.5 million included in the ACL. Impaired loans at December 31, 2021 were primarily from the Company's C&I owner occupied and C&I non-real estate portfolios. Impaired loan charge-offs are determined necessary when management determines that the amount is not likely to be collected.

When a guarantor is relied upon as a source of repayment, the Company analyzes the strength of the guaranty. This analysis varies based on circumstances, but may include a review of the guarantor's personal and business financial statements and credit history, a review of the guarantor's tax returns and the preparation of a cash flow analysis of the guarantor. Management will continue to update its analysis on individual guarantors as circumstances change.

In the normal course of business, management may grant concessions, which would not otherwise be considered, to borrowers that are experiencing financial difficulty. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified period or the rescheduling of payments in accordance with a bankruptcy plan. In most cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. Other conditions that warrant a loan being considered a TDR include reductions in interest rates to below market rates due to bankruptcy plans or by the bank in an attempt to assist the borrower in working through liquidity problems. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection in determining the appropriate accrual status at the time of restructure. TDRs recorded as nonaccrual loans may generally be returned to accrual status when the loan is current under the terms of the restructured loan. During 2021, the most common concessions that were granted involved rescheduling payments of principal and interest over a longer amortization period, granting a period of reduced principal payment or interest only payment for a limited time period, or the rescheduling of payments in accordance with a bankruptcy plan.

In the normal course of business, the Company assumes risks in extending credit. The Company manages these risks through underwriting in accordance with its lending policies, loan review procedures and the diversification of its loan and lease portfolio. Although it is not possible to predict credit losses with certainty, management regularly reviews the characteristics of the loan and lease portfolio to determine its overall risk profile and quality.

The provision for credit losses is the periodic cost (or credit) of providing an allowance or reserve for expected losses on loans and leases. The Board of Directors has appointed a Credit Committee, composed of senior management and lending administration staff which meets on a quarterly basis, or more frequently if required, to review the recommendations of several internal working groups developed for specific purposes including the allowance for credit losses, specific provision amounts, and charge-offs. The ACL group bases its estimates of credit losses on three primary components: (1) estimates of expected losses that exist in various segments of performing loans and leases over the remaining life of the loan portfolio using a reasonable and supportable economic forecast; (2) specifically identified losses in individually analyzed credits which are collateral dependent; and (3) qualitative factors related to economic conditions, portfolio concentrations, regulatory policy updates, and other relevant factors that address estimates of expected losses not fully addressed based upon management's judgment of portfolio conditions.

The Company utilizes credit risk models to estimate the probability of default and loss given default of loans over their remaining life. The probability of default settings in the models incorporate a risk grading process by utilizing pool-specific historical default rates. In addition, the loss given default settings in the models utilize historical losses for different types of collateral on defaulted loans while giving consideration for the loan-to-value at the time of default. The product of the probability of default and loss given default derives a base expected loss rate for each loan. The base expected loss rate is adjusted by way of econometric models that measure the direction and magnitude of change in expected loss rates given a change in forecasted economic variables.

The aforementioned credit risk models and econometric models were developed and are recalibrated upon the basis of historical experience. Credit factors such as financial condition of the borrower and guarantor, recent credit performance, delinquency, liquidity, cash flows, collateral type and value are used by the models to assess credit risk. Estimates of expected losses are influenced by the historical net losses experienced by the Company for loans and leases of comparable creditworthiness and structure. Specific loss assessments are performed for loans and leases based upon the collateral protection. The Company's reasonable and supportable economic eight quarter forecast is utilized to estimate credit losses before reverting back to longer term historical loss experience. The Company subscribes to various economic services and

publications to assist with the development of inputs used in the modeling and qualitative framework for the ACL calculation. The economic forecast considers changes in real gross domestic product, nominal disposable income, unemployment rate, equity valuations and related volatility, valuations for residential and commercial real estate, and other indicators that may be correlated with the Company's expected credit losses.

The Company excludes accrued interest from interest income when it is determined that it is probable that all contractual principal and interest will not be collected for loans. For loans with available commitments that are not unconditionally cancellable, expected losses were calculated by applying comparable loss rates on funded loans to the unfunded commitment balances. In addition, the weighted average maturity and relatively stable line utilization were considered when estimating losses on unfunded commitments.

Attention is paid to the quality of the loan and lease portfolio through a formal loan review process. An independent loan review department of the Company is responsible for reviewing the credit rating and classification of individual credits and assessing trends in the portfolio, adherence to internal credit policies and procedures and other factors that may affect the overall adequacy of the allowance for credit losses. The ACL group is responsible for ensuring that the ACL provides adequate coverage of expected losses. The ACL group meets at least quarterly to determine the amount of adjustments to the ACL. The ACL group is composed of senior management from the Company's credit administration, risk and finance departments. The Impairment Group is responsible for evaluating individual loans that have been specifically identified through various channels, including examination of the Company's watch list, past due listings, and loan officer assessments. For all loans identified, an analysis is prepared to determine if the loan is collateral dependent and the extent of any loss exposure to be reviewed by the Impairment Group. The Impairment Group reviews all loans restructured in a TDR if the loan is \$1.0 million or greater to determine if it is probable that the Company will be unable to collect the contractual principal and interest on the loan. An evaluation of the circumstances surrounding the loan is performed in order to determine whether the loan was collateral-dependent. The fair value of the underlying collateral is considered if the loan is collateral-dependent. The Impairment Group meets at least quarterly. The Impairment Group is made up of senior management from the Company's lending administration, risk, and finance departments.

If financial concessions are granted to a borrower as a result of financial difficulties, the loan is classified as a TDR, with the amount of provision determined by estimating the net present value of future cash flows for TDRs that are not deemed to be collateral-dependent. TDRs are reserved in accordance with FASB ASC 326. Should the borrower's financial condition, collateral protection or performance deteriorate, warranting reassessment of the loan rating or specific provision, additional reserves and/or charge-offs may be required.

Any loan or portion thereof which is classified as "loss" or which is determined by management to be uncollectible, because of factors such as the borrower's failure to pay interest or principal, the borrower's financial condition, economic conditions in the borrower's industry or the inadequacy of underlying collateral, is charged off.

For all loans determined to be collateral-dependent, which generally include loans internally classified as impaired and PCD Loss, and all loans restructured in a TDR, an evaluation of the circumstances surrounding the loan is performed in order to determine if and in what amount the Bank expects to encounter a loss. For loans which are collateral-dependent, a reserve will be established to cover the difference between the loan balance and the fair value of the collateral less costs to sell or that difference may be charged off. Large groups of smaller balance homogenous loans that are collectively evaluated for specific provision are excluded from review by the Impairment Group.

Prior to the adoption of ASU 2016-13, the allowance for credit losses on loans was established to reserve for estimated probable losses on loans and leases. The allowance for credit losses included calculations in accordance with ASC Topic 310, Receivables, and allowance allocations calculated in accordance with ASC Topic 450, Contingencies.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Provisions for depreciation and amortization, computed using straight-line methods, are charged to expense over the estimated useful lives of the assets. Costs of major additions and improvements are capitalized. Expenditures for routine maintenance and repairs are charged to expense as incurred. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any gains or losses are included in income.

Leases

The Company leases various premises and equipment. At the inception of the contract, the Company determines if an arrangement is or contains a lease and will recognize on the balance sheet a lease asset for its right to use the underlying asset ("ROU") and a lease liability for the corresponding lease obligation for contracts longer than a year. Both the asset and liability are initially measured at the present value of the future minimum lease payments over the lease term. In determining the present value of lease payments, the Company uses our incremental borrowing rate as the discount rate for the leases.

The Company has elected the practical expedient to not separate non-lease components from lease components and instead to account for both as a single lease component. The Company's leases do not contain residual value guarantees or

material variable lease payments. The Company does not have any material restrictions or covenants imposed by leases that would impact the Company's ability to pay dividends or cause the Company to incur additional financial obligations.

The Company elected to apply the short-term lease exception to existing leases that meet the definition of a short-term lease (less than 12 months), considering the lease term from the commencement date, not the remaining term at the date of adoption. Certain of the Company's leases contain options to renew the lease therefore these renewal options are included in the determination of the capitalization period and calculation of the lease liability and ROU asset as they are reasonably certain to be exercised.

Leases for which the Company is the lessor are substantially all accounted for as operating leases and the lease components and non-lease components are accounted for separately. The remaining lease periods vary from one month to five years and the contractual maturities of gross lease receivables were not material to the financial position of our Company. See Note 22 for additional required disclosures under ASC 842.

Other Real Estate Owned and Repossessed Assets

Other real estate owned ("OREO") consists of properties acquired through foreclosure. Repossessed assets consists of non-real estate assets acquired in partial or full settlement of loans. OREO and repossessed assets totaled \$33.0 million and \$11.4 million as of December 31, 2021 and 2020, respectively. These assets are recorded at fair value, less estimated costs to sell, on the date of foreclosure or repossession, establishing a new cost basis for the asset. Subsequent to the foreclosure or repossession date the asset is maintained at the lower of cost or fair value. Any write-down to fair value required at the time of foreclosure or repossession is charged to the ACL. Subsequent gains or losses resulting from the sale of the property or additional valuation allowances required due to further declines in fair value are reported in other noninterest expense.

Goodwill and Other Intangible Assets

Goodwill is not amortized but is evaluated for impairment at least annually in the fourth quarter, or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. As part of its testing, the Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the results of the qualitative assessment indicate that more likely than not a reporting unit's fair value is less than its carrying amount, the Company determines the fair value of the respective reporting unit (through the application of various quantitative valuation methodologies) relative to its carrying amount to determine whether quantitative indicators of potential impairment are present (i.e., Step 1). The Company may also elect to bypass the qualitative assessment and begin with Step 1. With the adoption of ASU No. 2017-04, effective January 1, 2020, if the results of Step 1 indicate that the fair value of the reporting unit is below its carrying amount, the Company will recognize an impairment loss for the amount that the reporting unit's carrying amount exceeds its fair value (up to the amount of goodwill recorded). A reporting unit is defined as an operating segment or a component of that operating segment. Reporting units may vary, depending on the level at which performance of the segment is reviewed. Goodwill is reviewed annually within the fourth quarter for possible impairment, or sooner if a goodwill impairment indicator is identified. If impaired, the asset is written down to its estimated fair value. No impairment charges were recognized in any reporting unit through December 31, 2021. See Note 7, Goodwill and Other Intangible Assets, for additional information.

Other identifiable intangible assets consist primarily of core deposit premiums and customer relationships arising from acquisitions. These intangibles were established using the discounted cash flow approach and are being amortized using an accelerated method over the estimated remaining life of each intangible recorded at acquisition. Additionally, trademarks and trade names, considered finite-lived intangible assets, are reviewed for impairment when events or changes in circumstances indicate that the asset's carrying amount may not be recoverable from undiscounted future cash flows or that it may exceed its fair value. No impairment to these intangible assets has been identified in any period presented.

Servicing Rights Assets

The Company recognizes as assets the rights to service mortgage loans for others, known as MSR. The Company records MSR at fair value for all loans sold on a servicing retained basis with subsequent adjustments to fair value of MSR in accordance with FASB ASC 860. An estimate of the fair value of the Company's MSR is determined utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. Because the valuation is determined by using discounted cash flow models, the primary risk inherent in valuing the MSR is the impact of fluctuating interest rates on the estimated life of the servicing revenue stream. The use of different estimates or assumptions could also produce different fair values. The Company hedges the fair value of MSR. At December 31, 2021, there was a hedge in place designed to cover approximately 33.1% of the MSR value. The Company is susceptible to fluctuations in their value in changing interest rate environments. MSR are included in the other assets category

of the consolidated balance sheet. Changes in the fair value of MSRs are recorded as part of mortgage banking revenue on the consolidated statements of income.

Cash Surrender Value of Life Insurance

The Company invests in bank-owned life insurance (“BOLI”), which involves the purchasing of life insurance on selected employees. The Company is the owner of the policies and, accordingly, the cash surrender value of the policies is included in total assets and increases in cash surrender values are reported as income in the consolidated statements of income. The cash value accumulation on BOLI is permanently tax deferred if the policy is held to the insured person’s death and certain other conditions are met.

Variable Interest Entities and Other Investments

The Company is deemed to be the primary beneficiary and required to consolidate a VIE if it has a variable interest in the VIE that provides it with a controlling financial interest. For such purposes, the determination of whether a controlling financial interest exists is based on whether a single party has both the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and the obligation to absorb the losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Conclusions reached regarding which interest holder is a VIE’s primary beneficiary must be continuously evaluated. The Company has determined that certain of its investments meet the definition of VIE.

The Company invests in certain affordable housing projects as a limited partner and accounts for these investments and the related tax credits using either the effective yield method or the proportional amortization method, depending upon the date of the investment. Under the effective yield method, the Company recognizes the tax credits as they are allocated and amortizes the initial costs of the investments to provide a constant effective yield over the period that the tax credits are allocated. Under the proportional amortization method, the Company amortizes the cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense.

Equity securities with readily determinable fair values not held for trading consist of marketable equity securities which are carried at fair value with changes in fair value reported in net income.

For other investments in limited partnerships without readily determinable fair values, the Company has elected to account for these investments using the practical expedient of the fair value of underlying net asset value. For investments in other limited partnerships without readily determinable fair values that do not qualify for the practical expedient, these investments are accounted for at their cost minus impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Any changes in fair value are reported in net income.

See Note 24 for more information about our variable interest entities and other investments.

Pension and Postretirement Benefits

The Company accounts for its defined benefit pension plans using an actuarial model as required by GAAP. This model uses an approach that allocates pension costs over the service period of employees in the plan. The Company also accounts for its other postretirement benefits using the requirements of GAAP. GAAP requires the Company to recognize net periodic postretirement benefit costs as employees render the services necessary to earn their postretirement benefits. The principle underlying the accounting as required by GAAP is that employees render service ratably over the service period and, therefore, the income statement effects of the Company’s defined benefit pension and postretirement benefit plans should follow the same pattern. The Company accounts for the over-funded or under-funded status of its defined benefit and other postretirement plans as an asset or liability in its consolidated balance sheets.

The discount rate is the rate used to determine the present value of the Company’s future benefit obligations for its pension and other postretirement benefit plans. The Company determines the discount rate to be used to discount plan liabilities at the measurement date with the assistance of its actuary using the actuary’s proprietary model. The Company developed a level equivalent yield using its actuary’s model as of December 31, 2021 and the expected cash flows from the BancorpSouth Bank Retirement Plan (the “Basic Plan”), the BancorpSouth Bank Restoration Plan (the “Restoration Plan”) and the BancorpSouth Bank Supplemental Executive Retirement Plan (the “Supplemental Plan”). Based on this analysis, the Company established its discount rate assumptions for determination of the projected benefit obligation at 2.73% for the Basic Plan, 2.77% for the Restoration Plan and 2.41% for the Supplemental Plan based on a December 31, 2021 measurement date.

The Company offers a 401(k) defined contribution benefit plan to its employees. The plan provides for a 100% match of employee contributions up to five percent of employee compensation. All contributions and related earnings are 100% vested.

As a result of the prior acquisitions, the Company has various legacy unqualified supplemental retirement plans. The plans allow for fixed payment amounts to begin on a monthly basis at a specified age. The annual cost charged to expense and the estimated present value of the projected payments was determined in accordance with the provisions of ASC 715. The present value of projected payments is recorded as a liability in the Company's consolidated balance sheets.

The Company provides a voluntary deferred compensation plan for certain of its executive and senior officers. Under this plan, the participants may defer up to 25% of their base compensation and 100% of certain incentive compensation. The Company may, but is not obligated to, contribute to the plan. Amounts contributed to this plan are credited to a separate account for each participant and are subject to a risk of loss in the event of the Company's insolvency. The Company made no contributions to this plan in 2021, 2020, or 2019.

Stock-Based Compensation

The Company administers several long-term incentive compensation plans that provide for the granting of various forms of incentive stock-based compensation. The Company values these units at the grant date fair value and recognizes expense over the requisite service period. The Company's stock-based compensation costs are recorded as a component of salaries and employee benefits in the consolidated statements of income. See Note 14 for additional information.

Income Taxes

The Company and its significant subsidiaries are subject to income taxes in federal, state and local jurisdictions, and such corporations account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The recognition of a deferred tax asset is dependent upon a "more likely than not" expectation of realization of the deferred tax asset, based upon the analysis of available evidence. The deferred tax asset recoverability is calculated using a consistent approach, which considers the relative impact of negative and positive evidence, including review of historical financial performance, and all sources of future taxable income, such as projections of future taxable income exclusive of future reversals of temporary differences and carryforwards, tax planning strategies, and any carryback availability. A valuation allowance is required to sufficiently reduce the deferred tax asset to the amount that is expected to be realized on a "more likely than not" basis. Changes in the valuation allowance are generally recorded through income.

See Note 11 for more information about the Company's income taxes.

Common Stock Repurchases

The Company purchases shares of its common stock pursuant to share repurchase programs authorized by its Board of Directors. Repurchased shares are available for use in the Company's stock compensation programs and other transactions or for other corporate purposes as determined by the Company's Board of Directors. At the date of repurchase, shareholders' equity is reduced by the repurchase price. See Note 19 for additional information.

Revenue Recognition

Service Charges on Deposit Accounts

Service charges on deposit accounts consist of non-sufficient funds fees, account analysis fees, and other service charges on deposits which consist primarily of monthly account fees. Non-sufficient funds fees are recognized at the time the account overdraft occurs in accordance with regulatory guidelines. Account analysis fees consist of fees charged to certain commercial demand deposit accounts based upon account activity (and reduced by a credit which is based upon cash levels in the account). The Company's performance obligation for these fees is satisfied and related revenue recognized, when the service is rendered.

Fees and Other Service Charges

Fees and other service charges primarily consist of debit and credit card income, merchant services and other service fees. These fees are earned at a point in time as the Company's performance obligation for service charges are satisfied, and related revenue recognized, when the services are rendered.

Assets Under Administration and Asset Management Fees

The Company does not include assets held in fiduciary or agency capacities in the consolidated balance sheets, as such items are not assets of the Company. Fees from asset management activities are recorded on an accrual basis, over the period in which the service is provided. Fees are a function of the market value of assets administered and managed, the volume of transactions, and fees for other services rendered, as set forth in the underlying client agreement. This revenue recognition involves the use of estimates and assumptions, including components that are calculated based on estimated asset valuations and transaction volumes. The Company does not earn performance-based incentives. The Company's performance obligation for these fees is satisfied, and related revenue recognized, when services are rendered.

Advisory Fees for Brokerage Services

Advisory fees for brokerage services are collected monthly through a third party vendor at a predetermined rate in the contract. Revenue for such performance obligations are recognized at the time the performance obligations are satisfied and is reflected in the Wealth Management line in the Consolidated Statements of Income.

Credit Related Fees

Credit related fees primarily include fees assessed on the unused portion of commercial lines of credit ("unused commitment fees") and syndication agent fees. Unused commitment fees are recognized when earned. Syndication agent fees are earned to act as an agent for a period of time, usually one year. Arranger fees are earned to arrange a syndicate of lenders and are generally recognized when the transaction is closed.

Bankcard Fees

Bankcard fees include primarily bankcard interchange revenue, which is recorded when services are provided.

Payroll Processing Revenue

Payroll processing revenue consists principally of payroll processing fees, property and casualty brokerage and employee benefits brokerage. Payroll processing fees are charged as the services are provided and the Company satisfied its performance obligation simultaneously. Property and casualty brokerage include the brokerage of both personal and commercial coverages. The placement of the policy is completion of the Company's performance obligation and revenue is recognized at that time. The Company's commission is a percentage of the premium. Employee benefits brokerage consists of assisting companies in designing and managing comprehensive employee benefit programs. The services provided by the Company are collectively benefit management services which are considered a bundle of services that are highly interrelated. Each of the underlying services are activities to fulfill the benefit management service and are not distinct and separate performance obligations. Revenue is recognized over the contract term as services are rendered on a monthly basis. Customer payments are usually received on a monthly basis. This revenue is reflected in Other income in the Consolidated Statements of Income.

SBA Income

Small Business Administration ("SBA") income consists of gains on sales of SBA loans, servicing fees, changes in the fair value of servicing rights, and other miscellaneous fees. Servicing fee income is recorded for fees earned for servicing SBA loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. This revenue is reflected in Other income in the Consolidated Statements of Income.

Insurance Commissions

Insurance commissions consists of several types of insurance revenue related to insurance policy sales including direct bill commissions, agency commissions, installment and agency fee income, and contingency income. The Company acts as an intermediary between the Company's customer and the insurance carrier. For agency commissions, the Company's performance obligation is satisfied upon the issuance of the insurance policy, and therefore the Company recognizes the revenue at the time of policy issuance. For direct bill commissions, the carrier remits the commission payment to the Company according to the policy statement and the Company recognizes revenue monthly as the performance obligation is satisfied and no significant material reversal of revenue based on policy cancellations are anticipated.

Installment and agency fee income is for revenue billed on a more frequent basis than annually. Contingency income is additional revenue based on insurance carriers' profitability, loss ratios and production growth as determined by the insurance carriers. These fees are typically collected in the first quarter of the subsequent year following the calendar year of service.

Under Topic 606, these are recognized during the calendar year of service. Due to the volatility of the income, significant judgment is required to estimate revenue. The Company considers several quantitative factors deemed by management to be appropriate for the estimate and it is periodically reviewed for any changes throughout the year to adjust revenue recognized for contingency income. Topic 606 requires that even with variable consideration, an estimate of revenue should be recorded at the time that the performance obligation is completed.

Basic and Diluted Earnings Per Share

Basic earnings per share is calculated using the two-class method to determine income attributable to common shareholders. Nonvested share-based payment awards that contain non-forfeitable rights to dividends are considered participating securities under the two-class method. Net income attributable to common shareholders is then divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared on the net income of the Company. Diluted earnings per share is calculated by dividing net income available to common shareholders by the total of the weighted average number of common shares outstanding during the period, plus the dilutive effect of outstanding share-based compensation awards.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, pension liability and cash flow hedges, are reported as a separate component of the shareholders' equity section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income. See Note 16 for additional information.

Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks, interest-bearing deposits with banks, and federal funds sold. Generally, federal funds are sold for one to seven day periods.

Cash flows from loans, either originated or acquired, are classified at the time according to management's intent to either sell or hold the loan for the foreseeable future. When management's intent is to hold the loan for the foreseeable future, the cash flows of that loan are presented as investing cash flows.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company enters into off-balance sheet financial instruments consisting of commitments to extend credit, credit card lines, standby letters of credit and commitments to purchase securities. Such financial instruments are recorded in the consolidated financial statements when they are exercised.

Fair Value of Financial Instruments

Fair value estimates are made at a specific point in time, based on relevant market information and other information about the Company's financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale, at one time, the entire holdings of a particular financial instrument. Because no market exists for a portion of the financial instruments, fair value estimates are also based on judgments regarding estimated cash flows, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Management employs independent third-party pricing services to provide fair value estimates for the Company's financial instruments. Management uses various validation procedures to validate that the prices received from pricing services and quotations received from dealers are reasonable for each relevant financial instrument, including reference to relevant broker/dealer quotes or other market quotes and a review of valuations and trade activity of comparable securities. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by the third-party pricing service.

Understanding the third-party pricing service's valuation methods, assumptions and inputs used by the firm is an important part of the process of determining that reasonable and reliable fair values are being obtained. Management evaluates quantitative and qualitative information provided by the third-party pricing services to assess whether they continue to exhibit the high level of expertise and internal controls that management relies upon.

Fair value estimates are based on existing financial instruments on the consolidated balance sheets, without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial instruments include deferred income taxes, premises and equipment, goodwill and other intangible assets. In addition, the income tax ramifications related to the realization of the unrealized gains and losses on available-for-sale investment securities can have a significant effect on fair value estimates and have not been considered in any of the estimates.

For further information about fair value measurements, see Note 13.

Related Party Transactions

In the normal course of business, loans are made to directors and executive officers and to companies in which they have a significant ownership interest. In the opinion of management, these loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other parties, are consistent with sound banking practices, and are within applicable regulatory and lending limitations. The aggregate balances of related party loans and deposits are insignificant as of December 31, 2021 and 2020.

Recently Adopted Accounting Pronouncements

ASU No. 2018-12

In August 2018, the FASB issued No. ASU 2018-12 *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. This ASU is effective for interim and annual periods after December 15, 2020. The Company adopted this guidance on January 1, 2021, with no material impact on the consolidated financial statements.

ASU No. 2018-14

In August 2018, the FASB issued No. ASU 2018-14 *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. This ASU is effective for interim and annual periods after December 15, 2020. This ASU modifies certain disclosures related to defined benefit plans.

The Company adopted this guidance on January 1, 2021. The adoption of this ASU impacts disclosures only and did not have a material impact on the consolidated financial statements.

ASU No. 2019-12

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU eliminates certain exceptions to the guidance in ASC 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The Company adopted this guidance on January 1, 2021, with no material impact on the consolidated financial statements.

ASU No. 2020-01

In January 2020, the FASB issued ASU No. 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)*. The ASU clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under ASC 323 for the purposes of applying the measurement alternative in accordance with ASC 321 immediately before applying or upon discontinuing the equity method. The ASU also clarifies that, when determining the accounting for certain forward contracts and purchased options, a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. The Company adopted this guidance on January 1, 2021, with no material impact on the consolidated financial statements.

ASU No. 2020-08

In October 2020, the FASB issued ASU No. 2020-08, *Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs*. The amendments clarify that an entity should reevaluate whether a callable debt security

is within the scope of paragraph ASC 310-20-35-33 for each reporting period. The Company adopted this guidance on January 1, 2021, with no immediate material impact on our consolidated financial statements.

ASU No. 2020-10

In October 2020, the FASB issued ASU No. 2020-10, *Codification Improvements*. The amendments affect a wide variety of Topics in the Codification. They apply to all reporting entities within the scope of the affected accounting guidance. This ASU primarily contains amendments that ensure inclusion of all disclosure guidance in the appropriate Disclosure Section (Section 50). The Company adopted this guidance on January 1, 2021. The amendments in this Update did not change GAAP and, therefore, did not have a material impact on the consolidated financial statements.

ASU No. 2021-01

In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*. The amendments clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform.

This guidance was effective for all entities upon issuance and generally can be applied through December 31, 2022, similar to existing relief provided under ASC 848. Entities may elect to apply the guidance on contract modifications either (1) retrospectively as of any date from the beginning of any interim period that includes March 12, 2020 or (2) prospectively to new modifications from any date in an interim period that includes or is after January 7, 2021, up to the date that financial statements are available to be issued. Entities may elect to apply the guidance on hedge accounting to eligible hedging relationships that existed as of the beginning of an interim period that includes March 12, 2020 and to those entered into after the beginning of the interim period that includes that date. The adoption of this guidance had no immediate impact on our consolidated financial statements.

Pending Accounting Pronouncements

ASU No. 2020-06

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. The ASU simplifies an issuer’s (i) accounting for convertible instruments by eliminating two of the three models in ASC 470-20 that require separate accounting for embedded conversion features and (ii) application of the derivatives scope exception in ASC 815-40 for contracts in its own equity. The new guidance also requires enhanced disclosures. Further, for the diluted earnings-per-share calculation, the guidance requires entities to use the if-converted method for all convertible instruments and generally requires entities to include the effect of share settlement for instruments that may be settled in cash or shares, among other things.

The guidance is effective for annual periods beginning after December 15, 2021, and interim periods within those fiscal years. The FASB specified that an entity should adopt the guidance as of the beginning of its annual fiscal year. As the Company does not currently have any convertible debt or hedging contracts in our own equity, this guidance will have no impact on our consolidated financial statements.

ASU No. 2021-04

In May 2021, the FASB issued ASU No. 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force)*. The ASU clarifies the accounting for certain modifications or exchanges of freestanding equity-classified written call options (e.g., warrants) that remain equity classified after modification or exchange. The amendments do not apply to modifications or exchanges of financial instruments that are within the scope of another Topic and do not affect a holder’s accounting for freestanding call options.

The guidance is effective for annual periods beginning after December 15, 2021, and interim periods within those fiscal years. The amendments should be applied prospectively to modifications or exchanges occurring on or after the effective date of the amendments. As the Company does not currently hold any freestanding equity-classified written call options, this guidance will have no immediate impact on our consolidated financial statements.

ASU No. 2021-06

This ASU incorporates recent SEC rule changes into the FASB Codification, including SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants. These incorporations do not change the accounting rules as issued by the FASB. The SEC guidance that is included in the Codification does not originate with the FASB—it is provided on a “pass through” basis merely as a convenience to Codification users. The SEC Sections do not contain the entire population of SEC rules, regulations, interpretive releases, and staff guidance. For example, the Codification does not include all content related to matters outside the basic financial statements, such as Management’s Discussion and Analysis, or to auditing or independence matters.

ASU No. 2021-08

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The guidance primarily addresses the accounting for contract assets and contract liabilities from revenue contracts with customers in a business combination. However, the guidance also applies to contract assets and contract liabilities from other contracts to which the provisions of Topic 606 apply, such as contract liabilities from the sale of nonfinancial assets within the scope of Subtopic 610-20, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets*.

The guidance does not affect the accounting for other assets or liabilities that may arise from revenue contracts with customers in accordance with ASC 606, such as refund liabilities, or in a business combination, such as customer-related intangible assets and contract-based intangible assets.

The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption of the amendments is permitted, including adoption in an interim period. As this guidance is to be applied prospectively to business combinations occurring on or after the effective date, this guidance will have no immediate impact to our consolidated financial statements.

NOTE 2. BUSINESS COMBINATIONS

Texas First Acquisition

On January 1, 2020, the Company completed the merger with Texas First Bancshares Inc., and its wholly owned subsidiary, Texas First State Bank, (collectively referred to as “Texas First”), pursuant to which Texas First was merged with and into the Company. Texas First operated six full-service banking offices in Waco, Texas and Killeen-Temple, Texas metropolitan statistical areas. Under the terms of the definitive merger agreement, the Company issued approximately 1.0 million shares of the Company’s common stock, plus \$13.0 million in cash for all outstanding shares of Texas First’s capital stock. As of December 31, 2021, total goodwill related to the Texas First acquisition was \$22.0 million. Goodwill is calculated as the excess of both the consideration exchanged and liabilities assumed as compared to the fair value of identifiable assets acquired, none of which is expected to be deductible for tax purposes. Additionally, the Company recognized \$2.4 million of core deposit intangibles in conjunction with this acquisition. This acquisition was not considered significant to the Company’s consolidated financial statements and, therefore, pro forma data and related disclosures are not included.

The following table presents the amounts recorded on the consolidated balance sheet on the acquisition date of January 1, 2020 for Texas First, showing the fair value as adjusted during the measurement period (in thousands):

Assets acquired:	
Cash and due from banks	\$ 19,714
Interest bearing deposits with other banks	139
Available-for-sale securities and other equity investments	154,568
Federal funds sold	20,000
Loans and leases	180,430
Premises and equipment	10,869
Accrued interest receivable	1,266
Other identifiable intangibles	2,445
Other assets	4,796
Total assets acquired	\$ 394,227
Liabilities assumed:	
Deposits	\$ 370,072
Accrued interest payable	138
Other liabilities	378
Total liabilities assumed	\$ 370,588
Net assets acquired	\$ 23,639
Consideration paid:	
Market value of common stock	32,643
Total cash paid	13,001
Total fair value of consideration paid	\$ 45,644
Goodwill	\$ 22,005

Alexander & Sanders Acquisition

On October 7, 2020, the Company completed the acquisition of Alexander & Sanders Insurance Agency, Inc., headquartered in Baton Rouge, Louisiana. Alexander & Sanders provides risk management and insurance services to professional firms across Louisiana. The acquisition is considered immaterial to the Company’s financial statements.

National United Merger

On May 1, 2021, the Company completed the merger with National United Bancshares Inc., the parent company of National United (collectively referred to as “National United”), pursuant to which National United was merged with and into the Company. National United operated six full-service banking offices in the Killeen-Temple, Texas; Waco, Texas; and Austin-Round Rock-Georgetown, Texas metropolitan statistical areas. Under the terms of the definitive merger agreement, the Company issued approximately 3.1 million shares of the Company’s common stock, plus \$33.3 million in cash for all outstanding shares of National United’s capital stock. As of December 31, 2021, total goodwill related to the National United acquisition was \$48.4 million. Goodwill is calculated as the excess of both the consideration exchanged and liabilities assumed as compared to the fair value of identifiable assets acquired, none of which is expected to be deductible for tax purposes. Additionally, the Company recognized \$2.5 million of core deposit intangibles in conjunction with this acquisition. This acquisition was not considered significant to the Company’s consolidated financial statements and, therefore, pro forma data and related disclosures are not included.

Due to the Company’s evaluation of post-merger activity and the extensive information gathering and management review processes required to properly record acquired assets and liabilities, the Company considers its valuations of National United’s assets and liabilities to be provisional estimates as management continues to identify and assess information regarding the nature of these assets and liabilities for the associated valuation assumptions and methodologies used.

The following table presents the amounts recorded on the consolidated balance sheets on the acquisition date of May 1, 2021 for National United, showing the fair value as adjusted during the measurement period (in thousands):

Assets acquired:	
Cash and due from banks	\$ 198,315
Interest bearing deposits with other banks	3,963
Available-for-sale securities and other equity investments	132,046
Federal fund sold	30,300
Loans and leases	431,910
Premises and equipment	9,802
Accrued interest receivable	1,932
Other identifiable intangibles	2,541
Other real estate owned	663
Bank-owned life insurance	6,651
Other assets	5,468
Total assets acquired	\$ 823,591
Liabilities assumed:	
Deposits	\$ 744,602
Accrued interest payable	138
Other liabilities	1,985
Total liabilities assumed	\$ 746,725
Net assets acquired	\$ 76,866
Consideration paid:	
Market value of common stock	92,018
Total cash paid	33,256
Total fair value of consideration paid	\$ 125,274
Goodwill	\$ 48,408

FNS Merger

On May 1, 2021, the Company completed the merger with FNS Bancshares Inc., the parent company of FNB Bank, (collectively referred to as “FNS”), pursuant to which FNS was merged with and into the Company. FNS operated 17 full-service banking offices in Alabama, Georgia, and Tennessee. Under the terms of the definitive merger agreement, the Company issued approximately 3.0 million shares of the Company’s common stock, plus \$18.0 million in cash for all outstanding shares of FNS’s capital stock. As of December 31, 2021, total goodwill related to the FNS acquisition was \$56.2 million. Goodwill is calculated as the excess of both the consideration exchanged and liabilities assumed as compared to the fair value of identifiable assets acquired, none of which is expected to be deductible for tax purposes. Additionally, the Company recognized approximately \$0.9 million of core deposit intangibles in conjunction with this acquisition. This acquisition was not considered significant to the Company’s consolidated financial statements and, therefore, pro forma data and related disclosures are not included.

Due to the Company’s evaluation of post-merger activity and the extensive information gathering and management review processes required to properly record acquired assets and liabilities, the Company considers its valuations of FNS’s assets and liabilities to be provisional estimates as management continues to identify and assess information regarding the nature of these assets and liabilities for the associated valuation assumptions and methodologies used.

The following table presents the amounts recorded on the consolidated balance sheet on the acquisition date of May 1, 2021 for FNS, showing the fair value as adjusted during the measurement period (in thousands):

Assets acquired:	
Cash and due from banks	\$ 139,337
Interest bearing deposits with other banks	3,842
Available-for-sale securities and other equity investments	170,158
Loans and leases	453,035
Premises and equipment	14,671
Accrued interest receivable	2,531
Other identifiable intangibles	938
Other real estate owned	1,023
Bank-owned life insurance	12,064
Other assets	12,079
Total assets acquired	\$ 809,678
Liabilities assumed:	
Deposits	\$ 721,462
Accrued interest payable	174
Junior subordinated debt	10,000
Long-term debt	20,206
Other liabilities	8,011
Total liabilities assumed	\$ 759,853
Net assets acquired	\$ 49,825
Consideration paid:	
Market value of common stock issued	88,028
Cash paid in lieu of fractional shares	18,003
Total fair value of consideration paid	\$ 106,031
Goodwill	\$ 56,206

Legacy Cadence Merger

On October 29, 2021, the Company completed its merger with Cadence Bancorporation, the parent company of Cadence Bank, N.A., (collectively referred to as “Legacy Cadence”), pursuant to which Legacy Cadence merged with and into the Company, with the Company continuing as the surviving entity. Legacy Cadence operated 99 full-service banking offices in the southeast. Each Legacy Cadence shareholder, other than Legacy Cadence and the Company, received 0.70 shares of the Company’s common stock for each share of Legacy Cadence Class A common stock. In addition, Legacy Cadence paid a one-time, special cash dividend of \$1.25 per share of Legacy Cadence Class A common stock on October 28, 2021. The merger is anticipated to build a stronger banking franchise with relationship-focused financial services and better opportunities for employees, customers, communities and shareholders. As of December 31, 2021, total goodwill related to the Legacy Cadence acquisition was \$451.7 million. Goodwill is calculated as the excess of both the consideration exchanged and liabilities assumed as compared to the fair value of identifiable assets acquired, none of which is expected to be deductible for tax purposes. Additionally, the Company recognized \$25.0 million of core deposit intangibles in conjunction with this merger. The Company also recorded \$78.6 million of customer relationship intangibles and \$48.7 million for the Cadence trade name.

Due to the Company’s evaluation of post-merger activity and the extensive information gathering and management review processes required to properly record acquired assets and liabilities, the Company considers its valuations of Legacy Cadence’s assets and liabilities to be provisional estimates as management continues to identify and assess information regarding the nature of these assets and liabilities for the associated valuation assumptions and methodologies used.

The following table presents the preliminary allocation of merger consideration to the valuations of the assets acquired and liabilities assumed as of October 29, 2021 for Legacy Cadence (in thousands):

Assets acquired:	
Cash and cash equivalents	\$ 2,340,995
Available-for-sale securities	4,172,313
Loans held for sale	83,475
Loans and leases	11,534,035
Allowance for credit losses	(64,576)
Premises and equipment	197,214
Other identifiable intangible assets	152,341
Other assets	580,332
Total assets acquired	\$ 18,996,129
Liabilities assumed:	
Deposits	\$ 16,350,287
Borrowings	206,805
Other liabilities	411,969
Total liabilities assumed	\$ 16,969,061
Net assets acquired	\$ 2,027,068
Consideration paid:	
Market value of common stock	2,464,546
Fair value of equity awards	14,236
Total cash paid	8
Total fair value of consideration paid	\$ 2,478,790
Goodwill	\$ 451,722

In relation to the Legacy Cadence merger, the Company recorded \$451.7 million provisional estimate of goodwill, representing the excess of the purchase price over the acquisition accounting value of net assets acquired, net of deferred taxes. See Note 7 for additional information. Due to the fact that back office functions (including loan and deposit processing) still have not been integrated, the evaluation of post-merger activity, and the extended information gathering and management review processes required to properly record acquired assets and liabilities, the Company considers its valuations of Legacy Cadence's assets acquired and liabilities assumed to be provisional as management continues to identify and assess information regarding the nature of these assets and liabilities and reviews the associated valuation assumptions and methodologies. Accordingly, the amounts recorded for current and deferred tax assets and liabilities are also considered provisional as the Company continues to evaluate the nature and extent of permanent and temporary (timing) differences between the book and tax bases of the assets acquired and liabilities assumed. Additionally, the accounting policies of both the Company and Legacy Cadence are in the process of being reviewed in detail. Upon completion of such review, conforming adjustments or financial statement reclassification may be determined.

The following is a description of the methods used to estimate the fair values of significant assets acquired and liabilities assumed above.

Cash and due from banks and interest-bearing deposits with banks: The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Securities available-for-sale: Fair values for securities were based on quoted market prices where available. If quoted market prices are not available, fair value estimates were based on observable inputs obtained from market transactions in similar securities.

Loans: Fair values for loans were estimated based on a discounted cash flow methodology (income approach) that considered factors including loan type and related collateral, classification status, remaining term of the loan (in months), fixed or variable interest rate, past delinquencies, timing of principal and interest payments, current market rates, LTV, and current discount rates. The discount rate did not include an explicit factor for credit losses, as that was included as a reduction to the

estimated cash flows. Large loans were specifically reviewed to evaluate credit risk. Additionally, purchased credit deteriorated (PCD) loans that were determined to have more-than-insignificant deterioration were generally identified by the delinquency status, risk rating changes, credit rating, accruing status or other indicators of credit deterioration since origination. Loans were valued individually although multiple inputs were applied to loans with similar characteristics as appropriate.

Unfunded commitments are contractual obligations by a financial institution for future funding as it relates to closed end or revolving lines of credit. The Company valued these unfunded commitments at \$24.4 million and recorded a liability using the “Netback” method. Because the borrower can draw upon their credit anytime until maturity, the lender must increase its capital on hand to meet funding requirements. Therefore, the undrawn portion is considered a liability (or asset if the loan is valued above par) and is netted back against the asset or the drawn portion. Generally, amortization for revolving lines occurs straight-line over the life of the loan and for closed end loans using the effective yield method over the remaining life of the loan when the loan funds.

Allowance for Credit Losses: The allowance for credit losses of \$65 million was recorded on the identified PCD loans. As discussed in Note 1, the adoption of ASC 326 impacted the way in which the allowance for credit losses is determined for acquired loans. Prior to the Legacy Cadence merger, on January 1, 2020, Legacy Cadence also adopted ASC 326 through the development of multiple current expected credit loss models (ECL Models) which segmented Legacy Cadence’s loan and lease portfolio by borrower and loan type to estimate lifetime expected credit losses for loans and leases. Within each ECL Model, loans and leases were further segregated based on additional risk characteristics specific to that loan or lease type and the ECL Models used both internal and external historical loss data, as appropriate.

While there were significant similarities in the manner of adoption of ASC 326 by Legacy BXS and Legacy Cadence, numerous steps were taken to align the Legacy Cadence process to ensure that the ACL reported at the time of the Legacy Cadence merger in the table below and in all subsequent reporting periods is consistent with the ACL policies as outlined in Note 1 – Summary of Significant Accounting Policies and Note 5 – Allowance for Credit Losses. This included conforming certain Legacy Cadence assumptions (e.g., the reasonable and supportable forecast of future economic conditions and the reasonable and supportable forecast period, among others) to that of Legacy BXS. This was accomplished primarily through qualitative adjustments for alignment.

Intangible assets: Core deposit intangible asset represents the value of the relationships with deposit clients. The fair value for the core deposit intangible asset was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected client attrition rates, net maintenance cost of the deposit base, alternative costs of funds, and the interest costs associated with the client deposits. The core deposit intangible asset is being amortized over its estimated useful life of approximately ten years utilizing an accelerated method. Client relationship intangibles are valued using a discounted cash flow methodology that reflects the estimated value of the future net earnings from the relationships which includes adjustments for estimated attrition. See Note 7 for additional information. Trade name assets are valued through the application of a relief-from-royalty method, which presumes a trade name owner would license the rights to use the trade name and would recognize revenues based on its use.

ROU Assets and Lease Liabilities: ROU assets and lease liabilities were measured using a methodology that involved estimating the future rental payments over the remaining lease term with discounting using a fully-collateralized discount rate. The lease term was determined for individual leases based on management’s assessment of the probability of exercising existing renewal options. The net effect of any off-market terms in a lease were also discounted and applied to the balance of the lease asset.

Premises: Land and buildings held for use were valued at appraised values, which reflect considerations of recent disposition values for similar property types with adjustments for characteristics of individual properties.

Deposits: The fair values used for the demand and savings deposits by definition equal the amount payable on demand at the acquisition date. Fair values for time deposits were estimated using a discounted cash flow analysis applying the prevailing market interest rates currently offered to the contractual interest rates on such time deposits resulting in a \$3.4 million premium to be accreted over a two-year period.

Borrowings: The fair value of the subordinated debentures were estimated using a discounted cash flow calculation that used recent issuance rates for similar notes offerings for similar sized issuers.

Cadence's operating results for the year ended December 31, 2021 include the operating results of the acquired assets and assumed liabilities of Legacy Cadence subsequent to the merger transaction on October 29, 2021. Due to various system conversions of Legacy Cadence during the fourth quarter of 2021, as well as other streamlining and integration of the operating activities into those of the Company, historical reporting for the Legacy Cadence operations is impracticable and thus disclosures of the revenue from the assets acquired and income before income taxes is impracticable for the period subsequent to acquisition.

The following table presents certain unaudited pro forma information for the results of operations for the years ended December 31, 2021 and 2020, as if Legacy Cadence had been acquired on January 1, 2020. The pro forma results combine the historical results of Legacy Cadence into the Company's consolidated revenue and net income available to common shareholders including the impact of certain acquisition accounting adjustments including loan discount accretion, investment securities discount accretion, intangible assets amortization and deposit premium accretion. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of what would have occurred had the acquisition taken place on January 1, 2020. No assumptions have been applied to the proforma results of operations regarding possible revenue enhancements, provision for credit losses, expense efficiencies or asset dispositions. Merger-related costs of \$59.9 million recorded by the Company and \$56 million recorded by Legacy Cadence in 2021 are not included in the pro forma statements below.

(In thousands)	Pro Forma Information for the Years Ended	
	December 31, 2021	December 31, 2020
Total revenues (net interest income and noninterest income) ⁽¹⁾	\$ 1,799,458	\$ 1,952,681
Net income available to common shareholders ⁽²⁾	534,050	16,121

(1) Includes accelerated hedge revenue of \$169.2 million in Noninterest income, \$129.5 million after tax that was recognized by Legacy Cadence in 2020.

(2) Includes the non-cash goodwill impairment charge of \$443.7 million in noninterest expense, \$412.9 million after-tax that was recognized by Legacy Cadence in 2020.

Merger-related expenses of \$59.9 million incurred during 2021 are recorded in the consolidated income statement and include incremental costs related to the closing of the transaction, including legal, accounting and auditing, investment banker fees, certain employment related costs, travel, printing, supplies, and other costs.

Branch Divestitures

In December 2021, Cadence Bank completed the divestiture of seven branches to The First, A National Banking Association, a wholly owned subsidiary of The First Bancshares, Inc., to satisfy regulatory requirements in connection with the Legacy Cadence merger. The branches were located in Mississippi. There were \$41 million in loans and leases and \$410 million in deposits divested in this transaction.

NOTE 3. AVAILABLE-FOR-SALE SECURITIES AND EQUITY SECURITIES

A comparison of amortized cost and estimated fair values of available-for-sale securities follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2021				
U.S. Treasury securities	\$ 1,497,169	\$ 124	\$ 828	\$ 1,496,465
Obligations of U.S. government agencies	2,623,356	22,618	7,532	2,638,442
Mortgage-backed securities issued or guaranteed by U.S. agencies (MBS):				
Residential pass-through:				
Guaranteed by GNMA	113,028	1,073	674	113,427
Issued by FNMA and FHLMC	8,233,875	1,556	106,240	8,129,191
Other residential mortgage-backed securities	244,440	155	1,238	243,357
Commercial mortgage-backed securities	2,076,494	12,979	28,340	2,061,133
Total MBS	10,667,837	15,763	136,492	10,547,108
Obligations of states and political subdivisions	560,458	5,948	886	565,520
Other domestic debt securities	62,693	971	19	63,645
Foreign debt securities	295,643	63	416	295,290
Total available-for-sale securities	<u>\$ 15,707,156</u>	<u>\$ 45,487</u>	<u>\$ 146,173</u>	<u>\$ 15,606,470</u>
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2020				
U.S. Government agency securities	\$ 2,805,581	\$ 65,827	\$ —	\$ 2,871,408
Obligations of U.S. government agencies				
Mortgage-backed securities issued or guaranteed by U.S. agencies (MBS):				
Residential pass-through:				
Guaranteed by GNMA	56,310	1,184	34	57,460
Issued by FNMA and FHLMC	2,365,641	3,820	5,512	2,363,949
Commercial mortgage-backed securities	773,578	33,050	422	806,206
Total MBS	3,195,529	38,054	5,968	3,227,615
Obligations of states and political subdivisions	110,871	3,082	—	113,953
Other domestic debt securities	18,000	78	48	18,030
Total available-for-sale securities	<u>\$ 6,129,981</u>	<u>\$ 107,041</u>	<u>\$ 6,016</u>	<u>\$ 6,231,006</u>

In the merger with Legacy Cadence on October 29, 2021, the Company acquired additional available-for-sale securities (see Note 2 of the Consolidated Financial Statements for more details). The fair value of the acquired portfolio is as follows:

(In thousands)

Obligations of U.S. government agencies	\$ 283,940
Mortgage-backed securities issued or guaranteed by U.S. agencies (MBS):	
Residential pass-through:	
Guaranteed by GNMA	70,649
Issued by FNMA and FHLMC	2,499,086
Other residential mortgage-backed securities	268,253
Commercial mortgage-backed securities	509,094
Total MBS	3,347,082
Obligations of states and municipal subdivisions	378,363
Other domestic debt securities	12,136
Foreign debt securities	150,792
Total acquired available-for-sale securities	<u>\$ 4,172,313</u>

For available-for-sale securities, gross gains of approximately \$383.0 thousand and gross losses of approximately \$514.1 thousand were recognized in 2021, gross gains of approximately \$88.0 thousand and no gross losses were recognized in 2020, and gross gains of approximately \$158.0 thousand and no gross losses were recognized in 2019 on available-for-sale securities. No allowance for credit losses was recorded in 2021 and 2020, and no other-than-temporary impairment was recorded in 2019. Proceeds from the sales of securities available-for-sale totaled \$564.0 million in 2021 and \$147.6 million in 2020 and \$119.2 million in 2019.

Available-for-sale securities with a carrying value of \$5.1 billion at December 31, 2021 were pledged to secure public and trust funds on deposit and for other purposes.

The amortized cost and estimated fair value of available-for-sale securities at December 31, 2021 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)	Amortized Cost	Estimated Fair Value
Maturing in one year or less	\$ 1,054,099	\$ 1,062,666
Maturing after one year through five years	2,897,394	2,902,573
Maturing after five years through ten years	399,178	399,992
Maturing after ten years	688,648	694,131
Mortgage-backed securities	10,667,837	10,547,108
Total	<u>\$ 15,707,156</u>	<u>\$ 15,606,470</u>

As of December 31, 2021 and December 31, 2020, approximately 74% and 26% of securities were at a unrealized loss position, respectively. At December 31, 2021, there was 1 security that had been in a loss position for more than twelve months, and 806 securities that have been in a loss position for less than 12 months. A summary of available-for-sale investments with continuous unrealized loss positions for which an allowance for credit losses has not been recorded follows:

(In thousands)	Less Than 12 Months		12 Months or Longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2021				
U.S. Treasury securities	\$ 996,290	\$ 828	\$ —	\$ —
U.S. government agency securities	574,877	7,532	—	—
Mortgage-backed securities	9,614,551	136,320	5,815	172
Obligations of states and political subdivisions	74,629	886	—	—
Other domestic debt securities	24,616	19	—	—
Foreign debt securities	205,227	416	—	—
Total	<u>\$ 11,490,190</u>	<u>\$ 146,001</u>	<u>\$ 5,815</u>	<u>\$ 172</u>

(In thousands)	Less Than 12 Months		12 Months or Longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2020				
Mortgage-backed securities	1,579,010	5,967	885	1
Other domestic debt securities	11,952	48	—	—
Total	<u>\$ 1,590,962</u>	<u>\$ 6,015</u>	<u>\$ 885</u>	<u>\$ 1</u>

Management evaluates available-for-sale securities in unrealized loss positions to determine whether the impairment is due to credit-related factors or noncredit-related factors. Based upon a review of the credit quality of these securities, management has no intent to sell these securities until the full recovery of unrealized losses, which may not be until maturity, and it is more likely than not that the Company would not be required to sell the securities prior to recovery of costs. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Management believes that the unrealized losses detailed in the previous tables are due to noncredit-related factors, such as changes in interest rates and other market conditions. Therefore, no allowance for credit losses was recorded related to these securities as of December 31, 2021 and December 31, 2020. No unrealized losses were recorded into income during 2021 and 2020.

Held in other assets, the Company also has investments in equity securities totaling \$33.9 million as of December 31, 2021. Included in these securities is an investment of \$24.5 million in the Impact Shares Affordable Housing MBS EFT which is carried at fair value and an investment of \$8.3 million in common stock of the FHLB of Dallas. The Company is required to own stock in the FHLB of Dallas for membership in the FHLB system and in relation to the level of FHLB advances. The FHLB stock does not have readily determinable fair value therefore the Company accounts for this investment as a long-term asset and carries it at cost.

NOTE 4. LOANS AND LEASES

The Company's loan and lease portfolio is disaggregated into the following three segments: commercial and industrial, commercial real estate, and consumer. The commercial and industrial segment is further disaggregated into two classes: non-real estate and owner occupied. The commercial real estate segment is further disaggregated into two classes: construction, acquisition, and development; and income producing. The consumer segment is further disaggregated into two classes: residential mortgages and other consumer. The increase in loan and lease portfolio from 2020 reflects the business combinations that closed in 2021 (see Note 2 for more information). The following table is a summary of our loan and lease portfolio by segment and class at December 31, 2021 and 2020.

(In thousands)	2021	2020
Commercial and industrial		
Non-real estate	\$ 7,847,473	\$ 2,918,192
Owner occupied	3,567,746	2,599,121
Total commercial and industrial	11,415,219	5,517,313
Commercial real estate		
Construction, acquisition and development	2,924,343	1,728,682
Income producing	4,924,369	3,211,434
Total commercial real estate	7,848,712	4,940,116
Consumer		
Residential mortgages	7,311,306	4,356,338
Other consumer	307,751	208,712
Total consumer	7,619,057	4,565,050
Total loans and leases, net of unearned ⁽¹⁾	\$ 26,882,988	\$ 15,022,479

(1) Total loans and leases are net of \$103.2 million and \$36.3 million of unearned income at December 31, 2021 and 2020, respectively.

The Company engages in lending primarily to consumers, small and medium-sized business enterprises and government entities through its community banking locations and to regional and national business enterprises through its corporate banking division. The bank acts as agent or participant in Shared National Credits ("SNC") and other financing arrangements with other financial institutions. Loans are issued generally to finance home purchases and improvements, personal expenditures, business investment and operations, construction and development and income producing properties. Loans are underwritten to be repaid primarily by available cash flow from personal income, investment income, business operations, rental income or the sale of developed or constructed properties. Collateral and personal guaranties of business owners are generally required as a condition of financing arrangements and provide additional cash flow and proceeds from asset sales of guarantors in the event primary sources of repayment are no longer sufficient.

While loans are structured to provide protection to the Company if borrowers are unable to repay as agreed, the Company recognizes that there are numerous risks that may result in deterioration of the repayment ability of borrowers and guarantors. These risks include failure of business operations due to economic, legal, market, logistical, weather, health, governmental and *force majeure* events. Concentrations in the Company's loan and lease portfolio also present credit risks. The economic disruption resulting from the coronavirus ("COVID-19") pandemic, which developed during 2020 and has continued with variants through 2021 and beyond, had a substantial impact on the risk that businesses may experience difficulty in meeting repayment obligations and that the Company may experience losses or deterioration in performance in its loan portfolio. Economic conditions have improved in recent months now that COVID-19 vaccinations are available, however, some local governments and businesses reinstated restrictions after seeing an uptick in cases in the second half of 2021. Economic disruption from the COVID-19 pandemic continued into 2021 as virus variants emerged and attenuated the economic recovery which began in the fall of 2020. Interruptions in the return to school and workplace were accompanied with supply chain disruptions, worker shortages and inflationary pressure. Despite significant government intervention and improvement in economic conditions, the economic disruption continued to impact business operations which placed borrowers at additional risk due to reduced capacity. The emergence of the Delta and Omicron variants in late 2021 resulted in additional concern that similar economic conditions may continue into 2022 and the risk of future defaults remains.

The Company actively participated in assisting its customers with applications for resources through the Paycheck Protection Program ("PPP"), which is administered by the Small Business Administration ("SBA") with the intent to help businesses keep their workforce employed during the COVID-19 pandemic. A significant portion of the Company's PPP loan portfolio was sold during the second quarter of 2021 and the Company believes that the remaining loans will ultimately be

forgiven by the SBA in accordance with the terms of the program. The PPP loans are designed to be fully guaranteed by the U.S. government and as such should not present a credit risk. During the second quarter of 2021, the Company sold PPP loans totaling \$725.4 million which generated a gain on sale of \$21.6 million. The remaining balance of PPP loans of \$50.0 million is included in the non-real estate loan class.

The Company has identified the following pools of loans and leases with similar risk characteristics for measuring expected credit losses:

Commercial and Industrial (“C&I”)

Non-Real Estate – The Company engages in lending to small and medium-sized business enterprises and government entities through its community banking locations and to regional and national business enterprises through its corporate banking division. The bank acts as agent or participant in SNC and other financing arrangements with other financial institutions. Commercial and industrial loans are loans and leases to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal and/or corporate guarantees are generally obtained where available and prudent. Also included in this category are loans to finance agricultural production. The Company recognizes that risk from economic cycles, commodity prices, pandemics, including COVID-19, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans. In addition, risks in the agricultural sector including crop failures due to weather, insects and other blights, commodity prices, governmental intervention, lawsuits, labor or logistical disruptions.

Owner Occupied – Owner occupied loans include loans secured by business facilities to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal guarantees, if applicable, are generally required for these loans. The Company recognizes that risk from economic cycles, pandemics, including COVID-19, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans.

Commercial Real Estate (“CRE”)

Construction, Acquisition, and Development – Construction, acquisition and development loans include both loans and credit lines for the purpose of purchasing, carrying and developing land into commercial developments or residential subdivisions. Also included are loans and credit lines for construction of residential, multi-family and commercial buildings. The Company generally engages in construction and development lending primarily in local markets served by its branches. The Company recognizes that risks are inherent in the financing of real estate development and construction. These risks include location, market conditions and price volatility, demand for developed land, lots and buildings, desirability of features and styling of completed developments and buildings, competition from other developments and builders, traffic patterns, governmental jurisdiction, tax structure, availability of utilities, roads, public transportation and schools, interest rates, availability of permanent financing for homebuyers, zoning, environmental restrictions, lawsuits, economic and business cycle, labor and reputation of the builder or developer.

The underwriting process for construction, acquisition and development loans with interest reserves is essentially the same as that for a loan without interest reserves and may include analysis of borrower and guarantor financial strength, market demand for the proposed project, experience and success with similar projects, property values, time horizon for project completion and the availability of permanent financing once the project is completed. Construction, acquisition and development loans, with or without interest reserves, are inspected periodically to ensure that the project is on schedule and eligible for requested draws. Inspections may be performed by construction inspectors hired by the Company or by appropriate loan officers and are done periodically to monitor the progress of a particular project. These inspections may also include discussions with project managers and engineers.

Each construction, acquisition and development loan is underwritten to address: (i) the desirability of the project, its market viability and projected absorption period; (ii) the creditworthiness of the borrower and the guarantor as to liquidity, cash flow and assets available to ensure performance of the loan; (iii) equity contribution to the project; (iv) the developer's experience and success with similar projects; and (v) the value of the collateral.

A substantial portion of construction, acquisition and development loans are secured by real estate in markets in which the Company is located. The Company's loan policy generally prohibits loans for the sole purpose of carrying interest reserves. Certain of the construction, acquisition and development loans were structured with interest-only terms. A portion of the consumer mortgage and commercial real estate portfolios were originated through the permanent financing of construction,

acquisition and development loans. Future economic distress could negatively impact borrowers' and guarantors' ability to repay their debt which would make more of the Company's loans collateral dependent.

Income Producing – Commercial loans include loans to finance income-producing commercial and multi-family properties. Lending in this category is generally limited to properties located in the Company's market area with only limited exposure to properties located elsewhere but owned by in-market borrowers. Loans in this category include loans for neighborhood retail centers, medical and professional offices, single retail stores, warehouses and apartments leased generally to local businesses and residents. The underwriting of these loans takes into consideration the occupancy and rental rates as well as the financial health of the borrower. The Company's exposure to national retail tenants is limited. The Company has not purchased commercial real estate loans from brokers or third-party originators. The Company recognizes that risk from economic cycles, pandemics, including COVID-19, government restrictions, delayed or missed rent payments, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans.

Consumer

Residential Mortgages – Consumer mortgages are first or second-lien loans to consumers secured by a primary residence or second home. This category includes traditional mortgages and home equity loans and revolving lines of credit. The loans are generally secured by properties located within the local market area of the community bank which originates and services the loan. These loans are underwritten in accordance with the Company's general loan policies and procedures which require, among other things, proper documentation of each borrower's financial condition, satisfactory credit history and property value. In addition to loans originated through the Company's branches, the Company originates and services consumer mortgages sold in the secondary market which are underwritten and closed pursuant to investor and agency guidelines.

Other Consumer – Other consumer lending includes consumer credit cards and installment loans. The Company offers credit cards primarily to its deposit and loan customers. Consumer installment loans and leases include term loans of up to five years secured by automobiles, boats and recreational vehicles.

The Company recognizes that there are risks in consumer lending which include interruptions in the borrower's personal and investment income due to loss of employment, market conditions, and general economic conditions, deterioration in the health and well-being of the borrower and family members, natural disasters, pandemics, lawsuits, losses or inability to generate income due to injury, accidents, theft, vandalism or incarceration.

The following tables provide details regarding the aging of the Company's loan and lease portfolio, net of unearned income, at December 31, 2021 and 2020; the increase from 2020 reflects the business combinations that closed in 2021 (see Note 2 for more information):

(In thousands)	2021						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
Commercial and industrial							
Non-real estate	\$ 4,930	\$ 3,652	\$ 18,293	\$ 26,875	\$ 7,820,598	\$ 7,847,473	\$ 2,966
Owner occupied	1,375	123	9,489	10,987	3,556,759	3,567,746	—
Total commercial and industrial	6,305	3,775	27,782	37,862	11,377,357	11,415,219	2,966
Commercial real estate							
Construction, acquisition and development	1,628	5,109	6,039	12,776	2,911,567	2,924,343	535
Income producing	188	904	10,370	11,462	4,912,907	4,924,369	—
Total commercial real estate	1,816	6,013	16,409	24,238	7,824,474	7,848,712	535
Consumer							
Residential mortgages	53,914	12,896	52,857	119,667	7,191,639	7,311,306	21,099
Other consumer	1,458	575	449	2,482	305,269	307,751	184
Total consumer	55,372	13,471	53,306	122,149	7,496,908	7,619,057	21,283
Total loans and leases, net of unearned	\$ 63,493	\$ 23,259	\$ 97,497	\$ 184,249	\$26,698,739	\$26,882,988	\$ 24,784
2020							
(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
Commercial and industrial							
Non-real estate	\$ 2,668	\$ 1,203	\$ 8,325	\$ 12,196	\$ 2,905,996	\$ 2,918,192	\$ 308
Owner occupied	4,335	621	8,278	13,234	2,585,887	2,599,121	—
Total commercial and industrial	7,003	1,824	16,603	25,430	5,491,883	5,517,313	308
Commercial real estate							
Construction, acquisition and development	650	2,092	8,073	10,815	1,717,867	1,728,682	—
Income producing	865	1,500	8,165	10,530	3,200,904	3,211,434	—
Total commercial real estate	1,515	3,592	16,238	21,345	4,918,771	4,940,116	—
Consumer							
Residential mortgages	27,999	9,133	35,036	72,168	4,284,170	4,356,338	13,743
Other consumer	1,157	403	770	2,330	206,382	208,712	269
Total consumer	29,156	9,536	35,806	74,498	4,490,552	4,565,050	14,012
Total loans and leases, net of unearned	\$ 37,674	\$ 14,952	\$ 68,647	\$ 121,273	\$14,901,206	\$15,022,479	\$ 14,320

The Company utilizes an internal loan classification system that is perpetually updated to grade loans according to certain credit quality indicators. These credit quality indicators include, but are not limited to, recent credit performance, delinquency, liquidity, cash flows, debt coverage ratios, collateral type and loan-to-value ratio. The Company's internal loan classification system is compatible with classifications used by regulatory agencies. Loans may be classified as follows:

Pass: Loans which are performing as agreed with few or no signs of weakness. These loans show sufficient cash flow, capital and collateral to repay the loan as agreed.

Special Mention: Loans where potential weaknesses have developed which could cause a more serious problem if not corrected.

Substandard: Loans where well-defined weaknesses exist that require corrective action to prevent further deterioration. Loans are further characterized by the possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans having all the characteristics of Substandard and which have deteriorated to a point where collection and liquidation in full is highly questionable.

Loss: Loans that are considered uncollectible or with limited possible recovery.

Impaired: An internal grade for individually analyzed collateral-dependent loans for which a specific provision has been considered to address the unsupported exposure.

Purchased Credit Deteriorated (Loss): An internal grade for loans with evidence of deterioration of credit quality since origination that are acquired by completion of a transfer, and for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. While these loans are generally collateral-dependent, loans purchased with credit deterioration that are not collateral-dependent are initially classified as substandard but may improve or deteriorate in credit quality after acquisition with their ratings adjusted accordingly.

The following tables provide details of the Company's loan and lease portfolio, net of unearned income, by segment, class and internally assigned grade at December 31, 2021 and 2020; any increases from 2020 reflect the business combinations that closed in 2021 (see Note 2 for more information):

December 31, 2021								
(In thousands)	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Purchased Credit Deteriorated (Loss)	Total
Commercial and industrial								
Non-real estate	\$ 7,655,502	\$ 43,009	\$ 103,134	\$ 153	\$ —	\$ 5,350	\$ 40,325	\$ 7,847,473
Owner occupied	3,484,116	3,440	55,247	—	—	11,229	13,714	3,567,746
Total commercial and industrial	11,139,618	46,449	158,381	153	—	16,579	54,039	11,415,219
Commercial real estate								
Construction, acquisition and development	2,884,673	441	31,263	—	—	3,765	4,201	2,924,343
Income producing	4,686,699	28,964	174,936	—	—	3,810	29,960	4,924,369
Total commercial real estate	7,571,372	29,405	206,199	—	—	7,575	34,161	7,848,712
Consumer								
Residential mortgages	7,196,106	990	110,429	2,560	—	1,047	174	7,311,306
Other consumer	300,175	—	7,381	137	—	—	58	307,751
Total consumer	7,496,281	990	117,810	2,697	—	1,047	232	7,619,057
Total loans and leases, net of unearned	<u>\$26,207,271</u>	<u>\$ 76,844</u>	<u>\$ 482,390</u>	<u>\$ 2,850</u>	<u>\$ —</u>	<u>\$ 25,201</u>	<u>\$ 88,432</u>	<u>\$26,882,988</u>

(1) Impaired loans are shown exclusive of \$6.9 million of accruing TDRs, \$1.8 million of non-accruing TDRs, and approximately \$11 thousand of accruing TDRs that are 90 or more days past due.

December 31, 2020								
(In thousands)	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Purchased Credit Deteriorated (Loss)	Total
Commercial and industrial								
Non-real estate	\$ 2,859,157	\$ 7,202	\$ 41,117	\$ 172	\$ —	\$ 1,949	\$ 8,595	\$ 2,918,192
Owner occupied	2,518,980	—	63,209	—	—	12,356	4,576	2,599,121
Total commercial and industrial	5,378,137	7,202	104,326	172	—	14,305	13,171	5,517,313
Commercial real estate								
Construction, acquisition and development	1,686,907	1,534	32,363	—	—	2,054	5,824	1,728,682
Income producing	3,062,894	—	134,054	—	—	10,780	3,706	3,211,434
Total commercial real estate	4,749,801	1,534	166,417	—	—	12,834	9,530	4,940,116
Consumer								
Residential mortgages	4,269,938	—	83,803	—	—	2,406	191	4,356,338
Other consumer	204,203	—	4,442	—	—	—	67	208,712
Total consumer	4,474,141	—	88,245	—	—	2,406	258	4,565,050
Total loans and leases, net of unearned	<u>\$14,602,079</u>	<u>\$ 8,736</u>	<u>\$ 358,988</u>	<u>\$ 172</u>	<u>\$ —</u>	<u>\$ 29,545</u>	<u>\$ 22,959</u>	<u>\$15,022,479</u>

(1) Impaired loans are shown exclusive of \$10.5 million of accruing TDRs, \$1.0 million of non-accruing TDRs, and approximately \$5 thousand of accruing TDRs that are 90 or more days past due.

The following tables provide credit quality indicators by class and period of origination as of December 31, 2021:

Non-Real Estate									
Period Originated:									
(In thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 2,070,476	\$ 809,423	\$ 525,299	\$ 512,108	\$ 314,026	\$ 457,706	\$2,899,229	\$ 67,235	\$7,655,502
Special Mention	327	110	17,588	18,301	70	103	6,386	124	43,009
Substandard	4,951	8,981	8,960	17,208	5,875	19,380	35,734	2,045	103,134
Doubtful	—	—	—	—	—	153	—	—	153
Impaired	462	79	733	19	—	112	3,945	—	5,350
PCD (Loss)	1,136	—	1,322	8,761	1,333	3,728	16,032	8,013	40,325
Total	\$ 2,077,352	\$ 818,593	\$ 553,902	\$ 556,397	\$ 321,304	\$ 481,182	\$2,961,326	\$ 77,417	\$7,847,473
% Criticized	0.3%	1.1%	5.2%	8.0%	2.3%	4.9%	2.1%	13.2%	2.4%

Owner Occupied									
Period Originated:									
(In thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 769,207	\$ 549,880	\$ 448,641	\$ 446,209	\$ 332,441	\$ 681,992	\$ 215,568	\$ 40,178	\$3,484,116
Special Mention	195	1,426	369	—	—	1,450	—	—	3,440
Substandard	3,381	131	8,371	15,237	5,935	21,146	1,046	—	55,247
Impaired	—	—	8,208	—	—	3,021	—	—	11,229
PCD (Loss)	582	—	1,156	3,538	571	7,867	—	—	13,714
Total	\$ 773,365	\$ 551,437	\$ 466,745	\$ 464,984	\$ 338,947	\$ 715,476	\$ 216,614	\$ 40,178	\$3,567,746
% Criticized	0.5%	0.3%	3.9%	4.0%	1.9%	4.7%	0.5%	—%	2.3%

Construction, Acquisition, and Development									
Period Originated:									
(In thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 709,675	\$ 594,465	\$ 266,438	\$ 135,307	\$ 72,082	\$ 63,217	\$1,013,981	\$ 29,508	\$2,884,673
Special Mention	—	251	—	—	—	—	190	—	441
Substandard	6,133	2,076	2,431	10,847	880	345	2,791	5,760	31,263
Impaired	—	—	—	—	—	—	—	3,765	3,765
PCD (Loss)	—	—	—	399	—	—	3,802	—	4,201
Total	\$ 715,808	\$ 596,792	\$ 268,869	\$ 146,553	\$ 72,962	\$ 63,562	\$1,020,764	\$ 39,033	\$2,924,343
% Criticized	0.9%	0.4%	0.9%	7.7%	1.2%	0.5%	0.7%	24.4%	1.4%

Income Producing									
Period Originated:									
(In thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 908,543	\$ 583,740	\$ 655,504	\$ 660,226	\$ 466,154	\$ 897,031	\$ 454,843	\$ 60,658	\$4,686,699
Special Mention	189	—	—	5,073	12,134	11,568	—	—	28,964
Substandard	7,026	2,565	10,253	22,456	70,143	46,783	15,710	—	174,936
Impaired	—	—	—	—	—	3,108	702	—	3,810
PCD (Loss)	1,965	—	15,528	—	—	12,467	—	—	29,960
Total	\$ 917,723	\$ 586,305	\$ 681,285	\$ 687,755	\$ 548,431	\$ 970,957	\$ 471,255	\$ 60,658	\$4,924,369
% Criticized	1.0%	0.4%	3.8%	4.0%	15.0%	7.6%	3.5%	—%	4.8%

Residential Mortgages									
Period Originated:									
(In thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 1,885,709	\$ 1,392,013	\$ 754,576	\$ 712,921	\$ 478,856	\$ 1,046,689	\$ 911,933	\$ 13,409	\$ 7,196,106
Special Mention	—	54	341	—	55	540	—	—	990
Substandard	2,902	15,040	23,434	19,047	10,954	34,879	3,430	743	110,429
Doubtful	—	—	—	523	287	1,730	20	—	2,560
Impaired	—	449	—	—	—	598	—	—	1,047
PCD (Loss)	—	—	—	—	126	48	—	—	174
Total	\$ 1,888,611	\$ 1,407,556	\$ 778,351	\$ 732,491	\$ 490,278	\$ 1,084,484	\$ 915,383	\$ 14,152	\$ 7,311,306
% Criticized	0.2%	1.1%	3.1%	2.7%	2.3%	3.5%	0.4%	5.3%	1.6%

Other Consumer									
Period Originated:									
(In thousands)	2021	2020	2019	2018	2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 122,625	\$ 37,696	\$ 19,570	\$ 9,126	\$ 9,654	\$ 3,993	\$ 97,135	\$ 376	\$ 300,175
Substandard	620	861	3,527	713	391	459	730	80	7,381
Doubtful	10	—	—	3	1	1	122	—	137
PCD (Loss)	—	—	58	—	—	—	—	—	58
Total	\$ 123,255	\$ 38,557	\$ 23,155	\$ 9,842	\$ 10,046	\$ 4,453	\$ 97,987	\$ 456	\$ 307,751
% Criticized	0.5 %	2.2 %	15.5 %	7.3 %	3.9 %	10.3 %	0.9 %	17.5 %	2.5 %

In connection with the acquisitions discussed in Note 2 – Business Combinations, the Company acquired loans both with and without evidence of credit quality deterioration since origination. Acquired loans are recorded at their fair value at the time of acquisition with no carryover from the acquired institution’s previously recorded allowance for credit losses. Acquired loans are accounted for under the following accounting pronouncements: ASC 326, *Financial Instruments—Credit Losses*.

The fair value for acquired loans recorded at the time of acquisition is based upon several factors including the timing and payment of expected cash flows, as adjusted for estimated credit losses and prepayments, and then discounting these cash flows using comparable market rates. The resulting fair value adjustment is recorded in the form of premium or discount to the unpaid principal balance of each acquired loan. As it relates to acquired loans that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination (“PCD”), the net premium or net discount is adjusted to reflect the Company’s allowance for credit losses (“ACL”) recorded for PCD loans at the time of acquisition, and the remaining fair value adjustment is accreted or amortized into interest income over the remaining life of the loan. As it relates to acquired loans not classified as PCD (“non-PCD”) loans, the credit loss and yield components of the fair value adjustment are aggregated, and the resulting net premium or net discount is accreted or amortized into interest income over the remaining life of the loan. The Company records an ACL for non-PCD loans at the time of acquisition through provision expense, and therefore, no further adjustments are made to the net premium or net discount for non-PCD loans.

In addition, a grade is assigned to each loan during the valuation process. For acquired loans that are not individually reviewed during the valuation process, such loans are assumed to have characteristics similar to the assigned rating of the acquired institution’s risk rating, adjusted for any estimated differences between the Company’s rating methodology and the acquired institution’s rating methodology.

In the acquisition of Legacy Cadence on October 29, 2021, the Company acquired additional loans (see Note 2 for more details). The following table represents the acquisition date fair value of loans purchased through the acquisition of Legacy Cadence by portfolio segment:

(In thousands)	Fair Value
Commercial and industrial	
Non-real estate	\$ 5,554,007
Owner occupied	818,068
Total commercial and industrial	6,372,075
Commercial real estate	
Construction, acquisition and development	1,067,155
Income producing	1,591,950
Total commercial real estate	2,659,105
Consumer	
Residential mortgages	2,499,517
Other consumer	86,813
Total consumer	2,586,330
Total loans and leases, net of unearned	<u>\$ 11,617,510</u>

The estimated fair value of the non-PCD loans acquired in the Legacy Cadence transaction was \$11.1 billion, which is net of a \$64.3 million discount. The gross contractual amounts receivable of the acquired non-PCD loans at acquisition was approximately \$12.1 billion, of which \$111.0 million is the amount of contractual cash flows not expected to be collected.

The Company purchased loans through the acquisition of Legacy Cadence for which there was, at the date of acquisition, more than insignificant deterioration of credit quality since origination. The carrying amount of those loans at acquisition date was as follows:

(In thousands)	Carrying Amount
Purchase price of loans at acquisition	\$ 303,576
Allowance for credit losses at acquisition	64,576
Non-credit discount (premium) at acquisition	18,563
Par value of acquired loans at acquisition	<u>\$ 386,715</u>

The Company's collateral-dependent loans totaling \$113.6 million at December 31, 2021 are generally considered impaired and include loans internally classified as impaired and PCD Loss. The majority of these loans are within the C&I segment and are typically supported by collateral such as real estate, receivables, equipment or inventory, or by an enterprise valuation. Loans within the CRE and consumer segments are generally secured by commercial and residential real estate.

Loans of \$1.0 million or greater are considered for specific provision when management has determined based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the note and that the loan is collateral dependent. The Company's amortized cost in collateral-dependent loans at December 31, 2021 and 2020 was \$113.6 million and \$52.5 million, respectively. At December 31, 2021 and 2020, \$92.5 million and \$23.6 million, respectively, of those loans had a valuation allowance of \$24.8 million and \$5.7 million, respectively. The remaining balance of collateral-dependent loans of \$21.2 million and \$28.9 million at December 31, 2021 and 2020, respectively, have sufficient collateral supporting the collection of all contractual principal and interest or were charged down to the underlying collateral's fair value, less estimated selling costs. Therefore, such loans did not have an associated valuation allowance.

Nonperforming loans (“NPLs”) consist of nonaccrual loans and leases, loans and leases 90 days or more past due and still accruing, and loans and leases that have been restructured because of the borrower's weakened financial condition. The following table presents information concerning NPLs at December 31, 2021 and 2020:

(In thousands)	2021	2020
Nonaccrual loans and leases	\$ 122,104	\$ 96,378
Loans and leases 90 days or more past due, still accruing	24,784	14,320
Restructured loans and leases, still accruing	6,903	10,475
Total nonperforming loans and leases	<u>\$ 153,791</u>	<u>\$ 121,173</u>

The Company’s policy for all loan classifications provides that loans and leases are generally placed in nonaccrual status if, in management’s opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due, unless such loan or lease is both well-secured and in the process of collection. At December 31, 2021, the Company’s geographic NPL distribution was concentrated primarily in its Mississippi and Texas markets.

The following table presents the amortized cost basis of loans on nonaccrual status and loans 90 days or more past due by segment and class at December 31, 2021:

(In thousands)	December 31, 2021			December 31, 2020		
	Nonaccrual Loans	Nonaccrual Loans with No Related Allowance	Loans 90+ Days Past Due, still Accruing	Nonaccrual Loans	Nonaccrual Loans with No Related Allowance	Loans 90+ Days Past Due, still Accruing
Commercial and industrial						
Non-real estate	\$ 33,690	\$ 5,579	\$ 2,966	\$ 13,071	\$ 2,481	\$ 308
Owner occupied	22,058	11,038	—	20,796	12,356	—
Total commercial and industrial	55,748	16,617	2,966	33,867	14,837	308
Commercial real estate						
Construction, acquisition and development	5,568	3,765	535	9,738	7,454	—
Income producing	16,086	5,397	—	16,249	12,513	—
Total commercial real estate	21,654	9,162	535	25,987	19,967	—
Consumer						
Residential mortgages	44,180	1,173	21,099	35,608	2,544	13,743
Other consumer	522	—	184	916	—	269
Total consumer	44,702	1,173	21,283	36,524	2,544	14,012
Total loans and leases, net of unearned	<u>\$ 122,104</u>	<u>\$ 26,952</u>	<u>\$ 24,784</u>	<u>\$ 96,378</u>	<u>\$ 37,348</u>	<u>\$ 14,320</u>

The following table presents the interest income recognized on loans on nonaccrual status by segment and class for the years ended December 31, 2021 and 2020:

(In thousands)	2021	2020
Commercial and industrial		
Non-real estate	\$ 1,295	\$ 190
Owner occupied	2,527	778
Total commercial and industrial	3,822	968
Commercial real estate		
Construction, acquisition and development	524	49
Income producing	1,663	323
Total commercial real estate	2,187	372
Consumer		
Residential mortgages	1,085	1,016
Other consumer	102	50
Total consumer	1,187	1,066
Total loans and leases, net of unearned	\$ 7,196	\$ 2,406

The total amount of interest recorded on NPLs was \$5.6 million, \$7.0 million and \$4.1 million in 2021, 2020 and 2019, respectively. The gross interest income which would have been recorded under the original terms of those loans and leases amounted to \$6.8 million, \$9.6 million and \$6.8 million in 2021, 2020 and 2019, respectively.

In the normal course of business, management may grant concessions, which would not otherwise be considered, to borrowers that are experiencing financial difficulty. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified period or the rescheduling of payments in accordance with a bankruptcy plan. In most cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. Other conditions that warrant a loan being considered a TDR include reductions in interest rates to below market rates due to bankruptcy plans or by the bank in an attempt to assist the borrower in working through liquidity problems. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection in determining the appropriate accrual status at the time of restructure. TDRs recorded as nonaccrual loans may generally be returned to accrual status in years after the restructure if the loan is paid current in accordance with the terms of the restructured loan. The most common concessions that were granted involved rescheduling payments of principal and interest over a longer amortization period, granting a period of reduced principal payment or interest only payment for a limited time period, or the rescheduling of payments in accordance with a bankruptcy plan.

The following tables summarize the financial effect of TDRs for the years ended December 31, 2021 and 2020:

(Dollars in thousands)	December 31, 2021		
	Number of Contracts	Pre-Modification Outstanding Amortized Cost	Post-Modification Outstanding Amortized Cost
Commercial and industrial			
Non-real estate	6	\$ 403	\$ 400
Owner occupied	6	492	490
Total commercial and industrial	12	895	890
Commercial real estate			
Construction, acquisition and development	1	3	3
Income producing	3	1,857	1,819
Total commercial real estate	4	1,860	1,822
Consumer			
Residential mortgages	20	1,359	1,352
Other consumer	3	44	44
Total consumer	23	1,403	1,396
Total loans and leases, net of unearned	39	\$ 4,158	\$ 4,108

(Dollars in thousands)	December 31, 2020		
	Number of Contracts	Pre-Modification Outstanding Amortized Cost	Post-Modification Outstanding Amortized Cost
Commercial and industrial			
Non-real estate	8	\$ 377	\$ 359
Owner occupied	4	2,844	2,843
Total commercial and industrial	12	3,221	3,202
Commercial real estate			
Construction, acquisition and development	2	151	151
Income producing	—	—	—
Total commercial real estate	2	151	151
Consumer			
Residential mortgages	13	1,039	924
Other consumer	11	129	128
Total consumer	24	1,168	1,052
Total loans and leases, net of unearned	38	\$ 4,540	\$ 4,405

The following tables summarize TDRs modified within 2021 and 2020 for which there was a payment default during the indicated year (i.e., 30 days or more past due at any given time during 2021 or 2020):

(Dollars in thousands)	Year Ended December 31, 2021	
	Number of Contracts	Amortized Cost
Commercial and industrial		
Non-real estate	2	\$ 55
Owner occupied	—	—
Total commercial and industrial	2	55
Commercial real estate		
Construction, acquisition and development	—	—
Income producing	1	30
Total commercial real estate	1	30
Consumer		
Residential mortgages	8	446
Other consumer	3	35
Total consumer	11	481
Total loans and leases, net of unearned	14	\$ 566

(Dollars in thousands)	Year Ended December 31, 2020	
	Number of Contracts	Amortized Cost
Commercial and industrial		
Non-real estate	3	\$ 178
Owner occupied	1	2,465
Total commercial and industrial	4	2,643
Commercial real estate		
Construction, acquisition and development	1	26
Income producing	—	—
Total commercial real estate	1	26
Consumer		
Residential mortgages	4	202
Other consumer	1	3
Total consumer	5	205
Total loans and leases, net of unearned	10	\$ 2,874

During 2021, 2020 and 2019, the most common concessions involved rescheduling payments of principal and interest over a longer amortization period, granting a period of reduced principal payment or interest only payment for a limited time period, or the rescheduling of payments in accordance with a bankruptcy plan or a reduction in interest rates.

NOTE 5. ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the changes in the allowance for credit losses (“ACL”) for the years ended December 31, 2021, 2020 and 2019:

(In thousands)	2021	2020	2019
Balance at beginning of year	\$ 244,422	\$ 119,066	\$ 120,070
Impact of adopting CECL	—	62,634	—
Initial allowance on loans purchased with credit deterioration	75,124	4,226	—
Provision for credit losses	121,555	86,000	1,500
Recoveries	24,035	8,357	14,086
Charge-offs	(18,721)	(35,861)	(16,590)
Balance at end of year	<u>\$ 446,415</u>	<u>\$ 244,422</u>	<u>\$ 119,066</u>

The following tables summarize the changes in the ACL by segment and class for the years ended December 31, 2021, 2020 and 2019:

(In thousands)	2021					
	Balance, Beginning of Period	Initial Allowance on Loans Purchased with Credit Deterioration	Charge-offs	Recoveries	Provision	Balance, End of Period
Commercial and industrial						
Non-real estate	\$ 31,906	\$ 31,614	\$ (7,213)	\$ 11,754	\$ 70,635	\$ 138,696
Owner occupied	35,488	7,597	(1,912)	4,140	13,941	59,254
Total commercial and industrial	67,394	39,211	(9,125)	15,894	84,576	197,950
Commercial real estate						
Construction, acquisition and development	28,891	6,323	(1,024)	1,831	16,509	52,530
Income producing	64,291	14,932	(1,601)	1,262	19,443	98,327
Total commercial real estate	93,182	21,255	(2,625)	3,093	35,952	150,857
Consumer						
Residential mortgages	70,493	14,009	(1,509)	2,424	317	85,734
Other consumer	13,353	649	(5,462)	2,624	710	11,874
Total consumer	83,846	14,658	(6,971)	5,048	1,027	97,608
Total loans and leases, net of unearned	<u>\$ 244,422</u>	<u>\$ 75,124</u>	<u>\$ (18,721)</u>	<u>\$ 24,035</u>	<u>\$ 121,555</u>	<u>\$ 446,415</u>

2020

(In thousands)	2020						
	Balance, Beginning of Period	Impact of Adopting ASC 326	Initial Allowance on Loans Purchased with Credit Deterioration	Charge- offs	Recoveries	Provision	Balance, End of Period
Commercial and industrial							
Non-real estate	\$ 19,509	\$ 13,372	\$ 1,043	\$ (17,201)	\$ 1,705	\$ 13,478	\$ 31,906
Owner occupied	15,563	10,608	1,191	(2,047)	1,554	8,619	35,488
Total commercial and industrial	35,072	23,980	2,234	(19,248)	3,259	22,097	67,394
Commercial real estate							
Construction, acquisition and development	12,912	1,091	—	(4,955)	545	19,298	28,891
Income producing	22,297	12,891	1,920	(3,939)	439	30,683	64,291
Total commercial real estate	35,209	13,982	1,920	(8,894)	984	49,981	93,182
Consumer							
Residential mortgages	38,762	26,937	69	(2,294)	1,946	5,073	70,493
Other consumer	10,023	(2,265)	3	(5,425)	2,168	8,849	13,353
Total consumer	48,785	24,672	72	(7,719)	4,114	13,922	83,846
Total loans and leases, net of unearned	<u>\$ 119,066</u>	<u>\$ 62,634</u>	<u>\$ 4,226</u>	<u>\$ (35,861)</u>	<u>\$ 8,357</u>	<u>\$ 86,000</u>	<u>\$ 244,422</u>

2019

(In thousands)	2019					Balance, End of Period
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision		
Commercial and industrial						
Non-real estate	\$ 17,382	\$ (3,176)	\$ 2,295	\$ 3,008	\$ 19,509	
Owner occupied	17,491	(268)	271	(1,931)	15,563	
Total commercial and industrial	34,873	(3,444)	2,566	1,077	35,072	
Commercial real estate						
Construction, acquisition and development	11,745	(71)	1,841	(603)	12,912	
Income producing	25,485	(4,114)	4,537	(3,611)	22,297	
Total commercial real estate	37,230	(4,185)	6,378	(4,214)	35,209	
Consumer						
Residential mortgages	35,801	(2,053)	3,211	1,803	38,762	
Other consumer	12,166	(6,908)	1,931	2,834	10,023	
Total consumer	47,967	(8,961)	5,142	4,637	48,785	
Total loans and leases, net of unearned	<u>\$ 120,070</u>	<u>\$ (16,590)</u>	<u>\$ 14,086</u>	<u>\$ 1,500</u>	<u>\$ 119,066</u>	

The following table represents a rollforward of the reserve for unfunded commitments for the periods indicated. The reserve for unfunded commitments is classified in other liabilities in the consolidated balance sheets.

(In thousands)	2021		2020	
Balance at beginning of year	\$	7,044	\$	4,000
Provision for unfunded commitments for loans acquired during the year		13,007		—
Provision for credit losses for unfunded commitments		3,500		3,044
Balance at end of year	<u>\$</u>	<u>23,551</u>	<u>\$</u>	<u>7,044</u>

The initial ACL on PCD loans recorded in 2021 of \$75 million includes \$65 million related to the Legacy Cadence merger and \$10 million related to the National United and FNS mergers. The 2021 provision for credit losses includes \$132 million associated with the day one post-merger accounting provision recorded for non-PCD loans and unfunded commitments acquired in the Legacy Cadence merger. See Notes 1, 2 and 4 for additional information.

Economic disruption from the COVID-19 pandemic continued into 2021 as virus variants emerged and attenuated the economic recovery which began in the Fall of 2020. Interruptions in the return to school and workplace were accompanied with supply chain disruptions, worker shortages and inflationary pressure. Despite significant Government intervention and improvement in economic conditions, the economic disruption continued to impact business operations which placed borrowers at additional risk due to reduced capacity. The emergence of the Delta and Omicron variants in late 2021 resulted in additional concern that similar economic conditions may continue into 2022 and the risk of future defaults remains.

The ACL estimate includes both portfolio changes and changes in economic conditions experienced during the period. The unemployment rate has the highest weighting within the Company’s credit modeling framework. The Company’s forecast for unemployment includes a range between 4.46% and 5.63% through the fourth quarter of 2023. The Company considers several forecasts from external sources with management utilizing a equal weighting of a base case and severe scenario. The Company recognizes that despite vaccines and treatments, a recurrence in COVID-19 infections may occur and have short-term, long-term and regional impacts to the economic recovery. In addition, qualitative factors such as changes in economic conditions, concentrations of risk, and changes in portfolio risk resulting from regulatory changes are considered in determining the adequacy of the level of the allowance for credit losses.

NOTE 6. PREMISES AND EQUIPMENT

A summary by asset classification at December 31, 2021 and 2020 follows:

(In thousands)	Estimated Useful Life (Years)	2021	2020
Land	N/A	\$ 144,485	\$ 103,697
Buildings and improvements	10-40	512,340	444,695
Leasehold improvements	10-39	19,021	13,937
Equipment, furniture and fixtures	3-12	396,467	354,990
Construction in progress	N/A	57,463	27,421
Right of use - lease	N/A	211,686	70,388
Subtotal		1,341,462	1,015,128
Accumulated depreciation and amortization		555,036	506,981
Premises and equipment, net		<u>\$ 786,426</u>	<u>\$ 508,147</u>

Depreciation expense was \$31.6 million, \$27.9 million, and \$25.2 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Included in other assets is net software cost totaling \$28.9 million and \$26.2 million as of December 31, 2021 and 2020, respectively. Software amortization expense was \$6.7 million, \$5.9 million, and \$4.3 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The Company leases various premises and equipment. At the inception of the contract, the Company determines if an arrangement is or contains a lease and will recognize on the balance sheet a lease asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation for contracts longer than a year. See Note 22 for additional disclosures related to our lease obligations.

NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

As further discussed in Note 20, the Company reorganized its management reporting structure during the fourth quarter of 2021 and, accordingly, its segment reporting structure and reporting units used for goodwill impairment evaluation. In connection with the reorganization, management reallocated goodwill to the new reporting units using a relative fair value approach.

Subsequent to the merger of Legacy Cadence into BancorpSouth Bank (“BancorpSouth”) to form the new Cadence Bank, the Company made significant changes to the structure of our internal organization that resulted in the composition of our reporting units and operating segments to change. As such, prior period segment information has not been restated to conform to the current period presentation as required by GAAP because it would be impracticable to do so. In addition, current year

segment information has not been disclosed under the old basis of segmentation as required by GAAP because such information is not available and impracticable to maintain.

The following tables present the carrying amounts of goodwill assigned to each of the Company's reporting units as of December 31, 2021 and December 31, 2020. Due to the timing of the Legacy Cadence merger, the allocation of goodwill to the reporting units is considered a provisional estimate and is expected to be finalized during the remaining measurement period in 2022. Refer to Note 2 for additional information on the mergers and acquisitions, and Note 20 for additional information on segments, including the redetermination of both the operating segments and the reporting units as a result of the Legacy Cadence acquisition in the fourth quarter of 2021.

(In thousands)	December 31, 2021
Corporate Banking	\$ 259,101
Community Banking	940,089
Mortgage	40,716
Insurance Agencies	90,745
Banking Services	77,297
Total	<u>\$ 1,407,948</u>

(In thousands)	December 31, 2020
Banking Services Group	\$ 765,147
Insurance Agencies	86,465
Total	<u>\$ 851,612</u>

The Company's policy is to assess goodwill for impairment at the reporting unit level on an annual basis or sooner if an event occurs or circumstances change which indicate that the fair value of a reporting unit is below its carrying amount. Impairment is the condition that exists when the carrying amount of the reporting unit exceeds the fair value of that reporting unit. The Company's annual assessment date is during the Company's fourth quarter. The Company's annual goodwill impairment evaluation for 2021 was based on a qualitative assessment and indicated no impairment of goodwill for its reporting units.

Because of the volatile market conditions in 2020, the Company's market value fell below book value. As such, the Company performed a qualitative assessment of whether it was more likely than not that a reporting unit's fair value was less than its carrying value during each quarter of 2020 including a goodwill impairment assessment performed by a third party valuation specialist during the third quarter of 2020. Based on these assessments, it was determined that the Company's reporting units' fair value exceeded their carrying value and no goodwill impairment was recorded during 2020.

In the current economic environment, forecasting cash flows, credit losses and growth in addition to valuing the Company's assets with any degree of assurance is very difficult and subject to significant changes over very short periods of time. Management will continue to update its analysis as circumstances change. As market conditions continue to be volatile and unpredictable, impairment of goodwill related to the Company's reporting units may be necessary in future periods.

The carrying value of other intangible assets was \$198.3 million and \$55.9 million as of December 31, 2021 and 2020, respectively. In connection with the mergers and acquisitions detailed in Note 2, the Company recorded core deposit intangible assets of \$28.5 million during the year ended December 31, 2021. The core deposit intangible assets are being amortized over an estimated useful life of ten years utilizing an accelerated method. In connection with the Legacy Cadence merger, the Company also recorded \$78.6 million of customer relationship intangibles and \$48.7 million for the Cadence trade name. The customer relationship intangibles are being amortized over an estimated useful life of ten years utilizing an accelerated method. The trade name is considered indefinite-lived and is not subject to amortization.

The following table, which excludes fully amortized intangibles, shows the gross carrying amount and accumulated amortization of the Company's other intangible assets as of December 31, 2021 and 2020.

(In thousands)	December 31, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Core deposit intangibles	\$ 112,378	\$ 47,281	\$ 65,097	\$ 84,690	\$ 39,995	\$ 44,695
Customer relationship intangibles	126,371	43,238	83,133	47,771	38,779	8,992
Non-solicitation intangibles	3,461	2,808	653	3,461	1,937	1,524
Trade names ⁽¹⁾	49,388	—	49,388	688	—	688
Total other intangible assets	<u>\$ 291,598</u>	<u>\$ 93,327</u>	<u>\$ 198,271</u>	<u>\$ 136,610</u>	<u>\$ 80,711</u>	<u>\$ 55,899</u>

(1) The trade names are considered indefinite-lived and are not subject to amortization.

The following table presents intangible asset amortization expense for each of the years in the three-year period ended December 31, 2021.

(In thousands)	Year Ended December 31,		
	2021	2020	2019
Core deposit intangibles	\$ 7,286	\$ 6,704	\$ 5,842
Customer relationship intangibles	4,459	2,023	2,288
Non-solicitation intangibles	871	878	988
Total intangible asset amortization expense	<u>\$ 12,616</u>	<u>\$ 9,605</u>	<u>\$ 9,118</u>

The following table presents the estimated intangible asset amortization expense for the next five years.

(In thousands)	Core Deposit Intangibles	Customer Relationship Intangibles	Non-Solicitation Intangibles	Total
2022	\$ 9,408	\$ 16,258	\$ 653	\$ 26,319
2023	9,104	14,416	—	23,520
2024	8,799	12,620	—	21,419
2025	8,451	10,824	—	19,275
2026	8,061	9,031	—	17,092

NOTE 8. TIME DEPOSITS AND SHORT-TERM DEBT

Time deposits with a balance of \$250,000 or more amounting to \$1.1 billion and \$794.1 million were outstanding at December 31, 2021 and 2020, respectively.

At December 31, 2021, time deposits that will mature in under one year totaled \$2.9 billion. For time deposits with a remaining maturity of more than one year at December 31, 2021, the aggregate amount maturing in each of the following five years is presented in the following table:

(In thousands)	Amount
2023	\$ 580,175
2024	203,397
2025	85,686
2026	85,971
2027	—
Thereafter	200
Total	<u>\$ 955,429</u>

The following tables present information relating to short-term debt for the years ended December 31, 2021 and 2020:

(Dollars in thousands)	2021				
	End of Period		Daily Average		Maximum Outstanding at any Month End
	Balance	Interest Rate	Balance	Interest Rate	
Federal funds purchased	\$ 595,000	0.12%	\$ 5,438	0.11%	\$ 1,595,000
Securities sold under agreement to repurchase	687,188	0.10	708,169	0.11	926,764
Short-term FHLB advances	—	—	3	0.13	—
Total	<u>\$ 1,282,188</u>		<u>\$ 713,610</u>		<u>\$ 2,521,764</u>

(Dollars in thousands)	2020				
	End of Period		Daily Average		Maximum Outstanding at any Month End
	Balance	Interest Rate	Balance	Interest Rate	
Federal funds purchased	\$ —	—%	\$ 36,516	0.85%	\$ 100,000
Securities sold under agreement to repurchase	637,715	0.16	635,042	0.31	683,183
Short-term FHLB advances	—	—	165,477	1.35	450,224
Total	<u>\$ 637,715</u>		<u>\$ 837,035</u>		<u>\$ 1,233,407</u>

Federal funds purchased generally mature the day following the date of purchase. Federal Reserve (“FRB”) discount window borrowings generally mature within 90 days following the date of purchase. Borrowings from the FRB will be collateralized by \$2.6 billion in commercial, agriculture, and consumer loans pledged under a borrower-in-custody agreement. At December 31, 2021, the Company had established non-binding federal funds borrowing lines of credit with other banks aggregating \$1.6 billion.

Short-term FHLB borrowings generally mature within 30 days following the date of purchase. All borrowings from the FHLB are collateralized by commercial, construction, and real estate loans pledged under a blanket lien arrangement as of December 31, 2021. See Note 9.

Additionally, the Company utilizes securities sold under agreements to repurchase to facilitate the needs of our customers and to facilitate secured short-term funding needs. Securities sold under repurchase agreements generally mature within 30 days from the date of sale. Securities sold under agreements to repurchase are stated at the amount of cash received in connection with the transaction. The Company monitors collateral levels on a continuous basis and may be required to provide additional collateral based on the fair value of the underlying securities.

NOTE 9. LONG-TERM AND SUBORDINATED DEBT

The Company has entered into a blanket floating lien security agreement with the FHLB of Dallas. Under the terms of this agreement, the Company is required to maintain sufficient collateral to secure borrowings in an aggregate amount of the lesser the book value (i.e., unpaid principal balance), after applicable FHLB haircuts, of the Company's eligible mortgage loans pledged as collateral or 35% of the Company's assets. Loans totaling \$12.8 billion at December 31, 2021 were pledged to the FHLB of Dallas. At December 31, 2021, the remaining borrowing availability totaled \$7.5 billion. At December 31, 2021, there were no call features on long-term FHLB borrowings. The Company had long-term FHLB and other borrowings totaling \$3.7 million and \$4.4 million at December 31, 2021 and 2020, respectively.

The following table presents the details of the subordinated notes the Company has assumed through public offerings or mergers:

(In thousands)	December 31, 2021	December 31, 2020
Advances from FHLB of Dallas	\$ 3,742	\$ 4,402
4.125% subordinated notes, due November 20, 2029, callable in 2024	300,000	300,000
7.250% subordinated notes, due June 28, 2029, callable in 2024	35,000	—
4.750% subordinated notes, due June 30, 2029, callable in 2024	85,000	—
6.250% subordinated notes, due June 28, 2029, callable in 2024	25,000	—
Junior subordinated debentures, 3 month LIBOR plus 1.75%, due 2037	15,000	—
5.000% fixed to floating rate, subordinated notes, due June 30, 2030, callable in 2025	10,000	—
Purchase accounting adjustment, net of amortization	10,717	—
Debt issue costs	(2,048)	(2,750)
Total advances and subordinated debt	<u>\$ 482,411</u>	<u>\$ 301,652</u>

On November 20, 2019, the Company completed its public offering of \$300 million aggregate principal amount of its 4.125% Fixed-to-Floating Rate Subordinated Notes due November 20, 2029 ("the Notes"). The Company received net proceeds, after deducting the underwriting discount and estimated expenses, of approximately \$296.9 million. Beginning November 20, 2019, the Notes began to bear interest at a fixed annual interest rate equal to 4.125%, payable semiannually in arrears commencing May 20, 2020. Beginning November 20, 2024, the interest rate will reset quarterly to an annual interest rate equal to the three-month LIBOR plus 2.47%, payable quarterly in arrears. The Notes are unsecured obligations of the Company and will not be guaranteed by any of its subsidiaries. The Notes are subordinated and rank junior in right of payment to all of the Company's existing and future senior indebtedness. There is no sinking fund for the Notes. The Company may on or after November 20, 2024, and on any interest payment date thereafter, redeem the Notes, in whole or in part, subject to certain conditions. The Notes do not contain any covenants or restrictions restricting the incurrence of debt, or restrictions on the payment of dividends.

Due to the merger with Cadence Bancorporation on October 29, 2021, the Company assumed subordinated notes with the par value totaling \$145.0 million and junior subordinated notes par value totaling \$50.6 million. The Company redeemed, at par, \$35 million of the junior subordinated debentures in December 2021 and \$15 million on January 3, 2022. On May 1, 2021, the Company assumed \$10.0 million in subordinated notes from the merger with FNS Bancshares Inc. See Note 2 of the Consolidated Financial Statements for more details related to the mergers.

NOTE 10. PREFERRED STOCK

On November 20, 2019, the Company completed its public offering of 6,900,000 shares of 5.50% Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share, with a liquidation preference of \$25 per share of Series A Preferred Stock (the "Series A Preferred Stock"), which represents \$172.5 million in aggregate liquidation preference (the "Series A Preferred Stock Offering"). The Company received net proceeds from the Series A Preferred Stock Offering, after deducting the underwriting discount and estimated expenses, of approximately \$167.5 million. Holders of the Series A Preferred Stock are entitled to receive, only when, as, and if declared by the Company's board of directors, non-cumulative cash dividends based upon the liquidation preference of \$25 per share of Series A Preferred Stock, and no more, at a rate equal to 5.50% per annum, payable quarterly, in arrears, on February 20, May 20, August 20 and November 20 of each year. The Series A Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provision. The Company may redeem shares of Series A Preferred Stock at its option, subject to regulatory approval, at a redemption price equal to \$25 per share, plus any declared and unpaid dividends. The Board of Directors declared total cash dividends of \$1.375 per share of Series A Preferred Stock for a total of \$9.5 million in 2021 and in 2020.

NOTE 11. INCOME TAXES

Total income taxes for the years ended December 31, 2021, 2020 and 2019 were allocated as follows:

(In thousands)	2021	2020	2019
Income tax expense	\$ 51,766	\$ 59,494	\$ 65,257
Shareholders' equity for other comprehensive (loss) income	(50,299)	24,794	5,928
Total	<u>\$ 1,467</u>	<u>\$ 84,288</u>	<u>\$ 71,185</u>

The components of income tax expense attributable to operations were as follows for the years ended December 31, 2021, 2020 and 2019:

(In thousands)	2021	2020	2019
Current:			
Federal	\$ 66,194	\$ 51,229	\$ 54,728
State	7,635	8,505	9,027
Deferred:			
Federal	(17,847)	637	1,994
State	(4,216)	(877)	(492)
Total	<u>\$ 51,766</u>	<u>\$ 59,494</u>	<u>\$ 65,257</u>

The Company had income tax receivable of \$53.2 million, \$32.2 million and \$13.3 million at December 31, 2021, 2020 and 2019, respectively.

Income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 21% to income before income taxes resulting from the following:

(In thousands)	2021	2020	2019
Tax expense at statutory rates	\$ 51,855	\$ 60,384	\$ 62,899
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal tax benefit	2,701	5,625	6,635
Tax-exempt interest revenue	(1,783)	(2,101)	(2,839)
Tax-exempt earnings on life insurance	(2,304)	(1,718)	(1,907)
Deductible dividends paid on 401(k) plan	(492)	(546)	(530)
Stock equity awards	(362)	134	(441)
Excess salary disallowance	1,459	903	523
Tax credits	(3,406)	(3,203)	(321)
FDIC disallowance	1,721	497	517
Nondeductible merger costs	3,449	582	256
Meals and entertainment	238	242	471
CARES Act benefit	41	(832)	—
Other, net	(1,351)	(473)	(6)
Total	<u>\$ 51,766</u>	<u>\$ 59,494</u>	<u>\$ 65,257</u>

On March 27, 2020, the CARES Act was signed into law in response to the COVID-19 pandemic. Section 2303(b) of the CARES Act allows for certain net operating losses generated after December 31, 2017, but before December 31, 2021, to be carried back to the five tax years preceding the loss. The Company recorded a benefit of \$0.8 million due to the carryback of these net operating losses.

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2021 and 2020 were as follows:

(In thousands)	2021	2020
Deferred tax assets:		
Loans, principally due to allowance for credit losses	\$ 117,661	\$ 58,152
Other real estate owned	3,558	2,406
Fair value adjustment on loans	19,434	4,254
Fair value adjustment on securities	4,648	—
Accrued liabilities	23,918	9,191
Net operating loss carryforwards	8,395	25
Lease liability	50,412	16,511
Investments	—	160
Other	7,265	1,577
Unrealized net gains on available-for-sale-securities	25,121	—
Unrecognized pension expense	21,211	21,241
Total gross deferred tax assets	281,623	113,517
Less: valuation allowance	(590)	—
Deferred tax assets	281,033	113,517
Deferred tax liabilities:		
Lease transactions	410	2,326
Employment benefits	22,752	30,337
Premises and equipment, principally due to differences in depreciation	22,368	17,774
Mortgage servicing rights	16,597	11,318
Intangible assets	51,920	18,626
Investments	6,497	—
Deferred net loan fees	21,734	7,913
Right of use asset	46,557	16,099
Unrealized net losses on available-for-sale securities	—	25,206
Other	5,624	8,652
Total gross deferred tax liabilities	194,459	138,251
Net deferred tax assets (liabilities)	\$ 86,574	\$ (24,734)

At December 31, 2021, the Company had a net deferred income tax asset of \$86.6 million compared to a net deferred income tax liability of \$24.7 million at December 31, 2020. The changes to gross deferred tax assets and liabilities during 2021 was primarily due to deferred tax adjustments related to the Company's acquisitions.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences existing at December 31, 2021 with the exception of a state net operating loss carryforward that will not be realized which resulted in a \$0.6 million valuation allowance.

As of December 31, 2021, the Company has federal net operating loss carryforwards of \$35.9 million which will begin to expire in 2030. The Company has state net operating loss carryforwards of \$4.8 million which will begin to expire in 2030. The Company believes it is more likely than not the benefit from certain state net operating loss carryforwards will not be realized, and accordingly, has established a pre-tax valuation allowance of \$13.0 million, \$0.6 million after tax, associated with those net operating losses at December 31, 2021.

The Company recognizes accrued interest related to unrecognized tax benefits and penalties as a component of other noninterest expense. The Company accrued interest of approximately \$32,000 in 2021 and none for 2020 and 2019. The Company's accrued interest and penalties on unrecognized tax benefits was \$0.5 million as of December 31, 2021. There was no accrued interest and penalties on unrecognized tax benefits as of December 31, 2020. Accrued interest and penalties are included in other liabilities.

As of December 31, 2021 and 2020, the balance of unrecognized tax benefits, if recognized that would reduce the effective tax rate is approximately \$71,000. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next 12 months.

The following table presents a summary of the beginning and ending amounts of unrecognized income tax benefits:

(In thousands)	Years Ended December 31,		
	2021	2020	2019
Balance at January 1	\$ 491	\$ 399	\$ 325
Additions based on income tax positions related to current year	—	—	74
Additions for income tax positions for prior years	—	92	—
Additions from acquisition	1,351	—	—
Settlements	(401)	—	—
Balance at December 31	\$ 1,441	\$ 491	\$ 399

Note: Unrecognized state income tax benefits are not adjusted for the federal income tax impact.

The Company is subject to taxation in the United States and various states and local jurisdictions. The Company files a consolidated United States federal return. Based on the laws of the applicable state where the Company conducts business operations, the Company and its applicable subsidiaries either file a consolidated, combined or separate return. The tax years that remain open for examination for the Company's major jurisdictions of the United States—federal, Mississippi, Arkansas, Tennessee, Alabama, Louisiana, Texas, Georgia and Missouri—are 2018, 2019 and 2020.

NOTE 12. PENSION, OTHER POST RETIREMENT BENEFIT AND PROFIT SHARING PLANS

The Basic Plan is a non-contributory defined benefit pension plan managed by a trustee covering substantially all full-time employees who have at least one year of service, worked at least 1,000 hours and have attained the age of 18. For such employees hired prior to January 1, 2006, benefits were based on years of service and the employee's compensation until January 1, 2017, at which time benefits were based on a 2.5% cash balance formula. For such employees hired on or after January 1, 2006, benefits accrue based on a cash balance formula, effective January 1, 2012. The Company's funding policy is to contribute to the Basic Plan the amount that meets the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Company determines to be appropriate. The difference between the plan assets and projected benefit obligation is included in other assets or other liabilities, as appropriate. Actuarial assumptions are evaluated periodically.

The Restoration Plan provides for the payment of retirement benefits to certain participants in the Basic Plan. The Restoration Plan is a non-qualified plan that covers any employee whose benefit under the Basic Plan is limited by the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and any employee who elects to participate in the Cadence Frozen Deferred Compensation Plan, which reduces the employee's benefit under the Basic Plan. For employees hired prior to January 1, 2006, benefits were based on years of service and the employee's compensation until January 1, 2017, at which time benefits were based on a 2.5% cash balance formula. For such employees hired on or after January 1, 2006, benefits accrue based on a cash balance formula, effective January 1, 2012. The Supplemental Plan is a non-qualified defined benefit supplemental retirement plan for certain key employees. Benefits commence when the employee retires and are payable over a period of ten years.

The Company measured benefit obligations using the most recent Pri-2012 mortality tables and MP-2021 mortality improvement scale in selecting mortality assumptions as of December 31, 2021. The Company uses a December 31 measurement date for its pension and other benefit plans.

As a result of the merger with Legacy Cadence, three new participants were invited to participate in the Supplemental Plan. The merger also triggered certain change in control provision of the Supplemental Plan where existing active participants became fully vested in their benefits under the plan. The Company elected to recognize the fair value of the additional liabilities resulting from these plan amendments, totaling \$5.7 million, immediately as a one-time charge to merger expense during 2021.

A summary of the three defined benefit retirement plans at and for the years ended December 31, 2021, 2020 and 2019 follows:

(In thousands)	Pension Benefits		
	2021	2020	2019
Change in benefit obligations:			
Projected benefit obligations at beginning of year	\$ 303,319	\$ 309,007	\$ 278,201
Service cost	7,363	7,411	5,918
Interest cost	4,397	6,991	10,436
Actuarial loss	29,009	10,500	38,586
Benefits paid	(10,870)	(10,254)	(23,233)
Administrative expenses paid	(1,262)	(1,261)	(901)
Plan amendments	3,570	—	—
Settlements	(12,252)	(19,075)	—
Projected benefit obligations at end of year	<u>\$ 323,274</u>	<u>\$ 303,319</u>	<u>\$ 309,007</u>
Change in plans' assets:			
Fair value of plans' assets at beginning of year	\$ 393,224	\$ 351,307	\$ 325,235
Actual return on assets	42,546	32,797	47,592
Employer contributions	2,681	41,613	2,614
Benefits paid	(10,870)	(10,254)	(23,233)
Administrative expenses paid	(1,262)	(1,261)	(901)
Settlements (1)	(12,252)	(20,978)	—
Fair value of plans' assets at end of year	<u>\$ 414,067</u>	<u>\$ 393,224</u>	<u>\$ 351,307</u>
Funded status:			
Projected benefit obligations	\$ (323,274)	\$ (303,319)	\$ (309,007)
Fair value of plans' assets	414,067	393,224	351,307
Net amount recognized	<u>\$ 90,793</u>	<u>\$ 89,905</u>	<u>\$ 42,300</u>

(1) The total lump sums paid during 2021 and 2020 were \$12.3 million and \$21.0 million, respectively, compared to a settlement threshold of \$9.3 million and \$12.8 million. As a result, a charge of \$3.1 million and \$5.8 million were recognized for 2021 and 2020, respectively.

The funded status of the Basic Plan improved during 2021 due to asset gains. In addition, the discount rates for all plans increased during 2021, decreasing the pension benefit obligation. Finally, census data updates and changes to demographic assumptions based on an experience study resulted in losses on the pension benefit obligation for all plans. The weighted-average interest crediting rates for both the Basic Plan and the Restoration Plan were 1.50% in 2021. The Supplemental Plan does not have a minimum interest crediting rate.

Amounts recognized in the consolidated balance sheets consisted of:

(In thousands)	Pension Benefits		
	2021	2020	2019
Prepaid benefit cost	\$ 207,855	\$ 201,571	\$ 165,387
Accrued benefit liability	(32,047)	(26,530)	(26,708)
Accumulated other comprehensive loss adjustment	(85,015)	(85,136)	(96,379)
Net amount recognized	<u>\$ 90,793</u>	<u>\$ 89,905</u>	<u>\$ 42,300</u>

Pre-tax amounts recognized in accumulated other comprehensive loss consisted of:

(In thousands)	December 31,	
	2021	2020
Net prior service benefit	\$ 218	\$ (264)
Net actuarial loss	84,797	85,400
Total accumulated other comprehensive loss	<u>\$ 85,015</u>	<u>\$ 85,136</u>

The components of net periodic benefit cost were as follows:

(In thousands)	Pension Benefits		
	2021	2020	2019
<u>Components of net periodic benefit cost:</u>			
Service cost	\$ 7,363	\$ 7,411	\$ 5,918
Interest cost	4,397	6,991	10,436
Expected return on assets	(22,901)	(20,409)	(19,108)
Recognized prior service benefit	3,088	(718)	(718)
Recognized net loss	6,916	6,130	6,001
Settlement loss	3,051	5,846	—
Net periodic benefit cost (1)	<u>\$ 1,914</u>	<u>\$ 5,251</u>	<u>\$ 2,529</u>

- (1) While service cost is included in salaries and employee benefits, the other components of net periodic pension costs are included in other noninterest expense in the consolidated statements of income for 2021, 2020 and 2019.

The weighted-average assumptions used to determine benefit obligations at December 31, 2021 and 2020 were as follows:

	Basic Plan		Restoration Plan		Supplemental Plan	
	2021	2020	2021	2020	2021	2020
Discount rate	2.73%	2.26%	2.77%	2.32%	2.41%	1.67%
Rate of compensation increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

The weighted-average assumptions used to determine net periodic benefit cost for 2021, 2020 and 2019 were as follows:

	Basic Plan		
	2021	2020	2019
Discount rate-service cost	2.45%	3.27%	3.64%
Discount rate-interest cost	1.42%	2.59%	3.28%
Rate of compensation increase	3.00%	3.00%	3.00%
Expected rate of return on plan assets	6.00%	6.00%	6.00%
	Restoration Plan		
	2021	2020	2019
Discount rate-service cost	1.64%	2.77%	3.19%
Discount rate-interest cost	1.70%	2.77%	3.22%
Rate of compensation increase	3.00%	3.00%	3.00%
Expected rate of return on plan assets	N/A	N/A	N/A
	Supplemental Plan		
	2021	2020	2019
Discount rate-service cost	1.81%	2.91%	3.48%
Discount rate-interest cost	1.20%	2.44%	2.84%
Rate of compensation increase	3.00%	3.00%	3.00%
Expected rate of return on plan assets	N/A	N/A	N/A

The following table presents information related to the defined benefit plans that had accumulated benefit obligations in excess of plan assets at December 31, 2021 and 2020:

(In thousands)	2021	2020
Projected benefit obligation	\$ 42,871	\$ 38,082
Accumulated benefit obligation	39,125	36,075
Fair value of assets	—	—

In selecting the expected long-term rate of return on assets used for the Basic Plan, the Company considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of the plan. This included considering the trust asset allocation and the expected returns likely to be earned over the life of the plan. This basis is consistent with the prior year. The discount rate is the rate used to determine the present value of the Company's future benefit obligations for its pension and other postretirement benefit plans.

Plan assets are managed on a total return basis to meet future obligations. Risk is managed through asset allocation, diversification, asset valuation analysis and maintaining a long-term focus. Assets are invested in multiple asset classes including, but not limited to, domestic equities, international equities and fixed income securities. Factors considered for the Plan's asset allocation include, but are not limited to, the Plan's funding status, long-term expected liabilities and expected long-term investment performance. To meet the Plan's obligation, long-term returns take priority over short term market volatility and uncertainty. The Plan asset allocation, diversification and long-term performance are evaluated by the Retirement Committee multiple times throughout each calendar year.

The Company's pension plan weighted-average asset allocations at December 31, 2021 and 2020 and the Company's target allocations for 2022, by asset category, were as follows:

Asset category:	Plan assets at December 31		Target for
	2021	2020	2022
Equity securities	51 %	53 %	33-60%
Debt securities	47 %	45 %	40-67%
Cash and equivalents	2 %	2 %	
Total	100 %	100 %	

Equity securities held in the Basic Plan included shares of the Company's common stock with a fair value of \$2.5 million (0.59% of total plan assets) and \$2.3 million (0.58% of total plan assets) at December 31, 2021 and 2020, respectively. An analysis by management is performed annually to determine whether the Company will make a contribution to the Basic Plan.

The following table presents information regarding expected future benefit payments, which reflect expected service, as appropriate:

(In thousands)	Pension Benefits
Expected future benefit payments:	
2022	\$ 31,402
2023	31,388
2024	30,395
2025	28,825
2026	28,654
2027-2031	105,998

The following table presents the fair value of each major category of plan assets held in the Basic Plan at December 31, 2021 and 2020:

(In thousands)	2021	2020
Investments, at fair value:		
Cash and cash equivalents	\$ 10,013	\$ 5,574
U.S. agency debt obligations	21,806	23,095
Mutual funds	318,511	284,480
Common stock of Cadence Bank	2,451	2,257
Brokered certificates of deposit	60,659	77,044
Total investments, at fair value	413,440	392,450
Accrued interest and dividends	627	774
Fair value of plan assets	\$ 414,067	\$ 393,224

Fair values are determined based on valuation techniques categorized as follows: Level 1 means the use of quoted prices for identical instruments in active markets; Level 2 means the use of quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; Level 3 means the use of unobservable inputs. Quoted market prices, when available, are used to value investments. Pension plan investments include funds which invest in various types of investment securities and in various companies within various markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Because of the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported.

The following tables set forth the plan investments at fair value as of December 31, 2021 and 2020:

(In thousands)	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 10,013	\$ —	\$ —	\$ 10,013
U.S. agency debt obligations	—	21,806	—	21,806
Mutual funds	318,511	—	—	318,511
Common stock of Cadence Bank	2,451	—	—	2,451
Brokered certificates of deposit	—	60,659	—	60,659
Total	<u>\$ 330,975</u>	<u>\$ 82,465</u>	<u>\$ —</u>	<u>\$ 413,440</u>

(In thousands)	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 5,574	\$ —	\$ —	\$ 5,574
U.S. agency debt obligations	—	23,095	—	23,095
Mutual funds	284,480	—	—	284,480
Common stock of Cadence Bank	2,257	—	—	2,257
Brokered certificates of deposit	—	77,044	—	77,044
Total	<u>\$ 292,311</u>	<u>\$ 100,139</u>	<u>\$ —</u>	<u>\$ 392,450</u>

The following investments represented 5% or more of the total plan asset value as of December 31, 2021:

(In thousands)	2021
John Hancock Discip Value Fund	\$ 24,994
John Hancock Discip Value Mid Cap Fund	21,773
Curasset Capital Management Core Bond Fund	35,075
Curasset Capital Management Limited Term Inc Fund	35,000
JP Morgan Equity Income R6	28,252
Pioneer Multi-Asset Ultrashort Inc Fund	24,946
JP Morgan Strategic Income Opp Fund	25,458

The Company has a defined contribution plan (commonly referred to as a “401(k) Plan”). Pursuant to the 401(k) Plan, employees may contribute a portion of their compensation, as set forth in the 401(k) Plan, subject to the limitations as established by the Code. Employee contributions (up to 5% of defined compensation) are matched dollar-for-dollar by the Company. Employer contributions were \$16.7 million, \$14.9 million and \$12.6 million for 2021, 2020 and 2019, respectively.

NOTE 13. FAIR VALUE DISCLOSURES

Fair value is defined by US GAAP as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. US GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy requires the Company to maximize the use of observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Each fair value measurement is placed into the proper level based on the lowest level of significant input. These levels are:

- **Level 1:** Valuation is based upon quoted prices for identical instruments traded in active markets.
- **Level 2:** Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- **Level 3:** Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models, and similar techniques.

Transfers between fair value levels are recognized at the end of the fiscal quarter in which the associated change in inputs occurs.

Determination of Fair Value

Fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following describes the assumptions and methodologies used to estimate the fair value of financial instruments recorded at fair value in the consolidated balance sheets and for estimating the fair value of financial instruments for which fair value is disclosed.

Available-for-sale securities and equity investments. Available-for-sale securities and equity investments are recorded at fair value on a recurring basis. The Company's available-for-sale securities and equity investments that are traded on an active exchange are classified as Level 1. If quoted prices are not available, the Company obtains fair value measurements from an independent pricing service. These fair value measurements consider observable market data that may include benchmark yield curves, reported trades, broker/dealer quotes, issuer spreads and credit information, among other inputs. These securities are classified as Level 2.

Mortgage servicing rights. The Company records MSRMs at fair value on a recurring basis with subsequent remeasurement of MSRMs based on change in fair value. An estimate of the fair value of the Company's MSRMs is determined by utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. All of the Company's MSRMs are classified as Level 3.

Derivative instruments. Derivative instruments are measured at fair value based on modeling that utilizes observable market inputs for various interest rates published by leading third-party financial news and data providers. This is observable data that represents the rates used by market participants for instruments entered into at that date; however, they are not based on actual transactions, so they are classified as Level 2. Derivative instruments that are measured at fair value based on either an observable market price or a discounted cash flow valuation using the terms of a derivative agreement are classified as Level 3.

Loans held for sale. Loans held for sale are carried at fair value. The fair value of loans held for sale is based on commitments outstanding from investors as well as what secondary markets are currently offering for portfolios with similar characteristics. Therefore, loans held for sale are subjected to recurring fair value adjustments and are classified as Level 2. The Company obtains quotes, bids, or pricing indications on all or part of these loans directly from the buyers. Premiums and discounts received or to be received on the quotes, bids or pricing indications are indicative of the fact that the cost is lower or higher than fair value.

Net interest profits. The fair value of the net profit interests in oil and gas reserves was estimated using discounted cash flow analyses applied to the expected cash flows from producing developed wells. Expected cash flows are derived from reports prepared by consulting engineers under established professional standards for the industry. These expected cash flow projections contain significant unobservable inputs regarding the net recoverable oil and gas reserves and forward-looking commodity prices. The Company classifies the net profit interests as Level 3.

Investments in limited partnerships. The fair value of certain investments in limited partnerships was estimated using the practical expedient of net asset value. For other investments in limited partnerships that do not qualify for the practical expedient, we use a measurement alternative which measures these investments at cost, less any impairment, plus or minus any changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. The Company classifies these investments in limited partnerships as Level 3.

SBA servicing assets. The fair value of the SBA servicing assets was estimated using the gross coupon less an assumed contractual servicing cost (CSC) of 40 basis points for Section 7a loans and 12.5 basis points for USDA loans. The Company classifies SBA servicing assets as Level 3.

Other real estate owned and other repossessed assets. OREO is carried at the lower of cost or estimated fair value, less estimated selling costs and is subjected to nonrecurring fair value adjustments. Estimated fair value is determined on the basis of independent appraisals and other relevant factors. Appraisals that are not based on observable inputs or that require significant adjustments or fair value measurements that are not based on third-party appraisals are considered to be based on significant unobservable inputs. The fair value of other repossessed assets is determined using net orderly liquidation valuation on a nonrecurring basis. The Company's OREO and other repossessed assets are classified as Level 3.

Collateral-dependent loans. Collateral-dependent loans considered for specific reserve are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Collateral-dependent loans include impaired loans and classified purchased credit deteriorated (loss) loans (as defined by management). Collateral-dependent loans are subject to nonrecurring fair value adjustments to reflect (1) partial write-downs that are based on the observable market price or current appraised value of the collateral, or (2) the full charge-off of the loan carrying value. All of the Company's collateral-dependent loans are classified as Level 3.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis:

(In thousands)	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	\$ —	\$ 15,606,470	\$ —	\$ 15,606,470
Equity investments	24,924	684	—	25,608
Mortgage servicing rights	—	—	69,552	69,552
Derivative instruments	—	16,598	6,749	23,347
Loans held for sale	—	340,175	—	340,175
Investments in limited partnerships	—	—	46,750	46,750
SBA servicing assets	—	—	5,358	5,358
Net profits interest	—	—	2,000	2,000
Total	\$ 24,924	\$ 15,963,927	\$ 130,409	\$ 16,119,260
Liabilities:				
Derivative instruments	\$ —	\$ 7,279	\$ 1,787	\$ 9,066

(In thousands)	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	\$ —	\$ 6,231,006	\$ —	\$ 6,231,006
Equity investments	230	671	—	901
Mortgage servicing rights	—	—	47,571	47,571
Derivative instruments	—	—	22,542	22,542
Loans held for sale	—	397,076	—	397,076
Investments in limited partnerships	—	—	3,497	3,497
Total	\$ 230	\$ 6,628,753	\$ 73,610	\$ 6,702,593
Liabilities:				
Derivative instruments	\$ —	\$ —	\$ 5,700	\$ 5,700

Level 3 financial instruments typically include unobservable components but may also include some observable components that may be validated to external sources. The table below includes a roll-forward of the consolidated balance sheet amounts for each of the years ended December 31, 2021 and 2020 for changes in the fair value of financial instruments within Level 3 of the valuation hierarchy that are recorded on a recurring basis. The gains or (losses) in the following table (which are reported in Other Noninterest Income in the consolidated income statements) may include changes to fair value due in part to observable factors that may be part of the valuation methodology.

(In thousands)	December 31, 2021				
	Mortgage Servicing Rights	Net Profits Interests	Investments in Limited Partnerships	SBA Servicing Assets	Derivative Instruments
Balance at December 31, 2020	\$ 47,571	\$ —	\$ 3,497	\$ —	\$ 16,842
Acquired in a business combination	—	2,278	41,999	5,135	—
Total net gains for the year included in:					
Net (loss) gain	(1,946)	(278)	1,587	(285)	(11,880)
Additions	23,927	—	—	508	—
Contributions paid	—	—	3,067	—	—
Distributions received	—	—	(3,400)	—	—
Balance at December 31, 2021	\$ 69,552	\$ 2,000	\$ 46,750	\$ 5,358	\$ 4,962
Net unrealized (losses) gains included in net income for the year relating to assets and liabilities held at December 31, 2021	\$ 12,015	\$ (278)	\$ 1,587	\$ (285)	\$ (11,880)

(In thousands)	December 31, 2020				
	Mortgage Servicing Rights	Net Profits Interests	Investments in Limited Partnerships	SBA Servicing Assets	Derivative Instruments
Balance at December 31, 2019	\$ 57,109	\$ —	\$ 2,966	\$ —	\$ 2,795
Total net gains for the year included in:					
Net (loss) gain	(30,563)	—	266	—	14,047
Additions	21,025	—	—	—	—
Contributions paid	—	—	275	—	—
Distributions received	—	—	(10)	—	—
Balance at December 31, 2020	\$ 47,571	\$ —	\$ 3,497	\$ —	\$ 16,842
Net unrealized (losses) gains included in net income for the year relating to assets and liabilities held at December 31, 2020	\$ (17,816)	\$ —	\$ 266	\$ —	\$ 14,047

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

From time to time, the Company may be required to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of lower of cost or fair value accounting or write-downs of individual assets. The following tables present the balances of assets and liabilities measured at fair value on a nonrecurring basis:

(In thousands)	December 31, 2021				Year ended
	Level 1	Level 2	Level 3	Total	December 31, 2021
Assets:					
Impaired loans, collateral dependent	\$ —	\$ —	\$ 25,201	\$ 25,201	\$ (1,300)
Purchased Credit Deteriorated (Loss)	—	—	88,432	88,432	(219)
Other real estate owned and repossessed assets	—	—	17,788	17,788	(1,534)

(In thousands)	December 31, 2020				Year ended December 31, 2020
	Level 1	Level 2	Level 3	Total	Net Losses
Assets:					
Impaired loans, collateral dependent	\$ —	\$ —	\$ 29,545	\$ 29,545	\$ (3,075)
Purchased Credit Deteriorated (Loss)	—	—	22,959	22,959	(4,591)
Other real estate owned	—	—	11,395	11,395	(351)

Unobservable Inputs

The following table presents the significant unobservable inputs used in Level 3 fair value measurements for financial assets measured at fair value on a recurring and nonrecurring basis:

(In thousands)	Quantitative Information about Level 3 Fair Value Measurements				
	Carrying Value	Valuation Methods	Unobservable Inputs	Range	Weighted Average ⁽¹⁾
December 31, 2021					
Measured at fair value on a recurring basis:					
Mortgage servicing rights	69,552	Discounted cash flow	Discount rate	7.7%-11.1%	9.4%
			Repayment speed (CPR)	7.4-30.5	11.6
			Coupon interest rate	2.6%-9.2%	3.5%
			Remaining maturity (months)	117.0-445.9	332.0
			Servicing fee (bps)	21.0 bps-81.5 bps	27.8 bps
Investments in limited partnerships	46,750	Practical expedient	Net asset value	NM	NM
SBA servicing asset	5,358	Coupon less contractual servicing cost	Contractual servicing cost (bps)	12.5 bps-40 bps	26.3 bps
Derivative instruments	4,962	Discounted cash flow	Discount rate	NM	NM
Net interest profits	2,000	Discounted cash flow	Discount rate	10%	10%
Measured at fair value on a nonrecurring basis:					
Impaired loans, collateral dependent	25,201	Appraised value, as adjusted	Discount to fair value	0%-76%	45%
Purchased credit deteriorated (loss)	88,432	Collateral value	Discount to fair value	0%-100%	43%
		Enterprise value	EBITDA multiples times sale multiples	5.00x-7.00x	6.44x
		Discounted cash flow	Discount rate	10%-11%	10%
Other real estate and repossessed assets	17,788	Appraised value, as adjusted	Estimated closing costs	7%	7%

Quantitative Information about Level 3 Fair Value Measurements

(In thousands)	Carrying Value	Valuation Methods	Unobservable Inputs	Range	Weighted Average ⁽¹⁾
December 31, 2020					
Measured at fair value on a recurring basis:					
Mortgage servicing rights	\$ 47,571	Discounted cash flow	Discount rate	7.2%-12.7%	9.5%
			Repayment speed	6.9-38.0	15.6
			Coupon interest rate	2.7%-9.2%	3.8%
			Remaining maturity (months)	177.8-440.1	332.0
			Servicing fee (bps)	17.2 bps-81.5 bps	27.5 bps
Derivative instruments	16,842	Discounted cash flow	Discount rate	NM	NM
Measured at fair value on a nonrecurring basis:					
Impaired loans, collateral dependent	29,545	Appraised value, as adjusted	Discount to fair value	19%-86%	40%
Purchased credit deteriorated (loss)	22,959	Appraised value, as adjusted	Discount to fair value	5%-82%	46%
Other real estate owned	11,395	Appraised value, as adjusted	Estimated closing costs	7%	7%

⁽¹⁾ Weighted averages were calculated using the input attributed and the outstanding balance of the loan.

Fair Value of Financial Instruments

GAAP requires that the Company disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions that are used by the Company in estimating fair values of financial instruments that are not disclosed above are set forth below.

Cash and Cash Equivalents. The carrying amounts for cash and cash equivalents approximate fair values due to their immediate and shorter-term maturities. Cash and equivalents include cash and amounts due from banks, including interest bearing deposits with other banks.

Net Loans. Loans are valued on an individual basis, with consideration given to the loans' underlying characteristics, including account types, remaining terms, annual interest rates or coupons, interest types, accrual basis, timing of principal and interest payments, current market rates, and remaining balances. A discounted cash flow model is used to estimate the fair value of the loans using assumptions for prepayments speeds, projected default probabilities by risk grade, and estimates of prevailing discount rates. The discounted cash flow approach models the projected cash flows, applying various assumptions regarding interest and payment risks for the loans based on the loan types, payment types and fixed or variable interest rate classifications. Estimated fair values are disclosed through the application of the exit price notion. The assumptions used to estimate fair value are intended to approximate those that a market participant would use in an orderly transaction on the measurement date. All of the Company's loans and leases are classified as Level 3.

Deposits. The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). Fair values for time deposits are estimated using a discounted cash flow calculation that uses recent issuance rates over the prior three months and a market rate analysis of recent offering rates for retail products. For wholesale products, brokered pricing offering rates were used. The Company's deposits are classified as Level 2.

Borrowings. The carrying amounts for federal funds purchased and repurchase agreements approximate fair value because of their short-term maturity. The Company's federal funds purchased and repurchase agreements are classified as Level 1. The fair value of the Company's fixed-term FHLB advances is based on the discounted value of contractual cash flows. The discount rate is estimated using the prevailing rates available for advances of similar maturities. The fair value of the subordinated debentures was estimated using a discounted cash flow calculation that uses recent issuance rates for similar notes offerings for similar sized issuers. FHLB advances and the subordinate notes are classified as Level 2.

Lending Commitments. The Company's lending commitments are negotiated at prevailing market rates and are relatively short-term in nature. As a matter of policy, the Company generally makes commitments for fixed-rate loans for

relatively short periods of time. Therefore, the estimated value of the Company's lending commitments approximates the carrying amount and is immaterial to the financial statements. The Company's lending commitments are classified as Level 2. The Company's off-balance sheet commitments, including letters of credit, which totaled \$360.5 million at December 31, 2021, are funded at current market rates at the date they are drawn upon. It is management's opinion that the fair value of these commitments would approximate their carrying value, if drawn upon. See Note 22 for additional information regarding lending commitments.

Limitations. The following fair value estimates are determined as of a specific point in time utilizing various assumptions and estimates. The use of assumptions and various valuation techniques, as well as the absence of secondary markets for certain financial instruments, will likely reduce the comparability of fair value disclosures between financial institutions. The fair values for loans involve the use of various assumptions due to market-illiquidity as of December 31, 2021 and 2020. These assumptions are considered to reflect inputs that market participants would use in transactions involving these instruments as of the measurement date. This table only includes financial instruments of the Company, and, accordingly, the total of the fair value amounts does not represent, and should not be construed to represent, the underlying value of the Company.

The following table presents carrying and fair value information of financial instruments at December 31, 2021 and 2020:

(In thousands)	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Cash and due from banks	656,132	656,132	284,095	284,095
Interest bearing deposits with other banks	638,547	638,547	133,273	133,273
Available-for-sale securities, FHLB, and equity investments	15,641,379	15,641,379	6,239,897	6,239,897
Net loans and leases	26,436,573	26,587,853	14,778,057	15,226,569
Loans held for sale	340,175	340,175	397,076	397,076
Accrued interest receivable	142,340	142,340	106,318	106,318
Mortgage servicing rights	69,552	69,552	47,571	47,571
Investments in limited partnerships and other investments	227,229	227,229	29,254	29,254
Other assets	25,145	25,145	11,395	11,395
Liabilities:				
Noninterest bearing demand deposits	13,634,505	13,634,505	6,341,457	6,341,457
Savings and interest bearing demand deposits	22,283,667	22,283,667	10,976,069	10,976,069
Time deposits	3,899,501	3,915,733	2,528,915	2,557,269
Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings	1,282,188	1,282,188	637,715	624,536
Accrued interest payable	8,483	8,483	10,885	10,885
Subordinated debt and other borrowings	482,411	475,614	301,652	302,599
Derivative instruments:				
Assets:				
Risk participation agreements	20,150	20,150	—	—
Interest rate swap, cap, and floor position to receive	17,567	17,567	2,577	2,577
Held-for-sale interest rate lock commitments	4,675	4,675	16,800	16,800
US Treasury futures	732	732	50	50
Forward commitments to sell mortgage loans	218	218	3,115	3,115
Foreign exchange contracts	155	155	—	—
Liabilities:				
Risk participation agreements	3,518	3,518	50,640	50,640
Interest rate swap, cap, and floor position to pay	8,487	8,487	2,885	2,885
Held-for-sale interest rate lock commitments	21	21	21	21
US Treasury futures	6	6	—	—
Forward commitments to sell mortgage loans	371	371	2,794	2,794
Foreign exchange contracts	181	181	—	—

NOTE 14. STOCK-BASED COMPENSATION

The Company's Long-Term Equity Incentive Plan ("Incentive Plan"), 1995 Non-Qualified Stock Option Plan for Non-Employees (the "1995 Plan"), 2021 Long-Term Equity Incentive Plan and the Amended and Restated 2015 Omnibus Incentive Plan (the "2015 Plan" assumed from Legacy Cadence) permits the Company to grant to employees and directors various forms of stock-based incentive compensation. Performance shares entitle the recipient to receive shares of the Company's common stock upon the achievement of performance goals that are specified in the award over a performance period. The recipient of performance shares is not treated as a shareholder of the Company and is not entitled to vote or receive dividends until the performance conditions stated in the award are satisfied and the shares of stock are actually issued to the recipient. All of the performance shares vest over a three-year period and are valued at the fair value of the Company's stock at the grant date based upon the estimated number of shares expected to vest. Restricted stock awards entitle the recipient to vote the shares of stock but the recipient does not actually receive the shares until they are fully vested. Restricted stock units enable the recipient to receive the shares once they are vested but with no voting rights until the shares are received.

Restricted Stock Awards ("RSA")

The following table summarizes the Company's restricted stock award activity for the years ended December 31, 2021, 2020 and 2019:

	Year ended December 31,					
	2021		2020		2019	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of year	1,647,282	\$ 29.00	1,696,597	\$ 28.37	1,474,959	\$ 27.98
Granted	—	—	366,850	28.96	481,592	27.67
Forfeited	(85,672)	30.23	(94,130)	31.55	(72,308)	30.47
Vested	(238,541)	25.03	(322,035)	24.86	(187,646)	23.46
Nonvested at end of year	1,323,069	\$ 29.64	1,647,282	\$ 29.00	1,696,597	\$ 28.37

RSA grants are entitled to receive dividends. Compensation expense related to the restricted stock awards was \$8.1 million, \$10.2 million and \$9.7 million for 2021, 2020, and 2019, respectively. As of December 31, 2021, there was \$15.1 million of unrecognized compensation cost related to restricted stock awards that is expected to be recognized over a weighted average period of 2.59 years.

Performance Shares ("PS")

The Company granted performance shares of 394,508, 138,974 and 138,028 during 2021, 2020, and 2019, respectively. The performance period for each of these grants is two years and each grant vests over a three-year period and are valued at the fair value of the Company's common stock price at the grant date based upon the estimated number of shares to vest.

Additionally, in October 2021, the Company made a special retention grant of 581,068 performance-vesting RSU with a weighted average fair value of \$30.16 per unit to selected executive officers of the Company related to the acquisition of Legacy Cadence. The awards are eligible to vest based on the level of achievement (subject to a maximum of 150% of target level) of pre-established performance goals tied to return on average assets, operating efficiency and strategic measures, such as customer satisfaction, talent retention and systems integration during the three year period following the acquisition of Legacy Cadence. The number of shares of Company common stock subject to such award was determined by dividing the target grant date value by the product of (1) the average of the volume weighted average prices of a share of the Company's Common Stock as reported by Bloomberg for the consecutive period of twenty (20) full trading days ending on the full trading day preceding the date of consummation of the acquisition, and (2) the exchange ratio in the acquisition, with such number of shares of Company common stock subject to the awards to be adjusted at the effective time to reflect the exchange ratio. Pursuant to the award agreements, the awards will remain outstanding and eligible to be earned based on the level of achievement of the applicable goals, upon certain terminations of the award holder's employment, including a termination without cause and/or for good reason following the effective time.

Compensation expense related to the performance shares was \$0.5 million, \$7.1 million and \$6.2 million for 2021, 2020, and 2019, respectively. As of December 31, 2021, there was \$28.9 million of unrecognized compensation cost related to performance stock units that is expected to be recognized over a weighted average period of 2.44 years.

Restricted Stock Units (“RSU”)

In 2020 and 2019, the Company granted RSU covering 26,983 and 16,800 shares, respectively, to directors of the Company. Each of the grants vest in one year. Also in 2021, the Company granted 595,470 RSU with a weighted average fair value of \$28.75 per unit to officers and key employees. Additionally, in October 2021, the Company made a special retention grant of 554,679 time-vesting RSU with a weighted average fair value of \$30.16 per unit to selected officers of the Company related to the acquisition of Legacy Cadence. Current year RSU grants are entitled to dividend equivalents.

Compensation expense related to the RSU was \$7.5 million, \$0.5 million and \$0.5 million for 2021, 2020, and 2019, respectively. As of December 31, 2021, there was \$45.8 million of unrecognized compensation cost related to restricted stock units that is expected to be recognized over a weighted average period of 2.95 years.

Stock Options

Key employees and directors of the Company may be granted stock options. Compensation expense is measured using estimates of fair value of all stock-based awards. No stock options were granted during 2021, 2020 or 2019. However, the Company assumed outstanding stock options from its acquisition of Legacy Cadence in October 2021. The outstanding options were converted according to the exchange rate used in the acquisition and became fully vested at that time. The options have a seven year life and will expire in four years. At the acquisition date and at December 31, 2021, options outstanding totaled 1,121,994 and had a weighted average exercise price of \$27.40.

The following table presents information regarding the vesting of the Company’s nonvested stock-based compensation grants at December 31, 2021:

Vesting in	Number of Shares		
	RSA	RSU	PS
2022	167,172	135,931	125,452
2023	428,703	222,467	509,056
2024	384,012	1,416,162	581,068
2025	306,682	—	—
2026	—	514,199	—
2027	36,500	—	—
Total Nonvested Shares	1,323,069	2,288,759	1,215,576

NOTE 15. EARNINGS PER SHARE AND DIVIDEND DATA

Basic and diluted earnings per share (“EPS”) are calculated in accordance with ASC 260, *Earnings Per Share*. Basic EPS is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed using the weighted-average number of shares determined for the basic EPS computation plus the shares resulting from the assumed exercise of all outstanding share-based awards using the treasury stock method. There were antidilutive other equity awards of approximately 325 thousand shares excluded from dilutive shares for the year ended December 31, 2021. There were no antidilutive other equity awards for 2020 and 2019.

The following tables provide a reconciliation of the numerators and denominators of the basic and diluted EPS computations for the years ended December 31, 2021, 2020 and 2019:

(In thousands, except per share amounts)	2021		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS:			
Net income	\$ 195,162		
Preferred stock dividends	9,488		
Income available to common shareholders	185,674	120,250	\$ 1.54
Dilutive effect of stock compensation	—	419	
Diluted EPS:			
Income available to common shareholders plus assumed exercise	\$ 185,674	120,669	\$ 1.54

(In thousands, except per share amounts)	2020		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS:			
Net income	\$ 228,051		
Preferred stock dividends	9,488		
Income available to common shareholders	\$ 218,563	103,023	\$ 2.12
Dilutive effect of stock compensation	—	282	
Diluted EPS:			
Income available to common shareholders plus assumed exercise	\$ 218,563	103,305	\$ 2.12

(In thousands, except per share amounts)	2019		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS:			
Net income	\$ 234,261		
Preferred stock dividends	—		
Income available to common shareholders	\$ 234,261	101,507	\$ 2.31
Dilutive effect of stock compensation	—	304	
Diluted EPS:			
Income available to common shareholders plus assumed exercise	\$ 234,261	101,811	\$ 2.30

Dividends to shareholders are subject to approval by the applicable state regulatory authority.

NOTE 16. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following tables present the components of other comprehensive income (loss) and the related tax effects allocated to each component for the years ended December 31, 2021, 2020 and 2019:

(In thousands)	2021		
	Before Tax Amount	Tax Effect	Net of Tax Amount
Net unrealized gains (losses) on available-for-sale securities:			
Unrealized (losses) gains arising during holding period	\$ (201,843)	\$ 50,362	\$ (151,481)
Reclassification adjustment for net losses (gains) realized in net income ⁽¹⁾	132	(33)	99
Recognized employee benefit plan net periodic benefit cost ⁽²⁾	120	(30)	90
Other comprehensive loss	<u>\$ (201,591)</u>	<u>\$ 50,299</u>	<u>\$ (151,292)</u>
Net income			195,162
Comprehensive income			<u>\$ 43,870</u>

(In thousands)	2020		
	Before Tax Amount	Tax Effect	Net of Tax Amount
Net unrealized gains on available-for-sale securities:			
Unrealized gains (losses) arising during holding period	\$ 88,225	\$ (22,012)	\$ 66,213
Reclassification adjustment for net (gains) losses realized in net income ⁽¹⁾	(87)	22	(65)
Recognized employee benefit plan net periodic benefit cost ⁽²⁾	11,243	(2,805)	8,438
Other comprehensive income	<u>\$ 99,381</u>	<u>\$ (24,795)</u>	<u>\$ 74,586</u>
Net income			228,051
Comprehensive income			<u>\$ 302,637</u>

(In thousands)	2019		
	Before Tax Amount	Tax Effect	Net of Tax Amount
Net unrealized gains on available-for-sale securities:			
Unrealized gains (losses) arising during holding period	\$ 28,733	\$ (7,169)	\$ 21,564
Reclassification adjustment for net (gains) losses realized in net income ⁽¹⁾	(158)	39	(119)
Recognized employee benefit plan net periodic benefit cost ⁽²⁾	(4,819)	1,202	(3,617)
Other comprehensive income	<u>\$ 23,756</u>	<u>\$ (5,928)</u>	<u>\$ 17,828</u>
Net income			234,261
Comprehensive income			<u>\$ 252,089</u>

(1) Reclassification adjustments for net gains on available-for-sale securities are reported as security gains, net on the consolidated statement of income.

(2) Recognized employee benefit plan net periodic benefit cost includes recognized prior service cost and recognized net loss. For more information, see Note 12 – Pension, Other Post Retirement Benefit and Profit Sharing Plans.

Activity within the balances in accumulated other comprehensive income (loss) is shown in the following table for the years ended December 31, 2021, 2020 and 2019:

(In thousands)	Unrealized gains (losses) on AFS securities	Unrealized gains (losses) on employee benefit plan	Accumulated other comprehensive income (loss)
Balance as of December 31, 2018	\$ (11,776)	\$ (68,715)	\$ (80,491)
Net change	21,445	(3,617)	17,828
Balance as of December 31, 2019	9,669	(72,332)	(62,663)
Net change	66,148	8,438	74,586
Balance as of December 31, 2020	75,817	(63,894)	11,923
Net change	(151,382)	90	(151,292)
Balance as of December 31, 2021	\$ (75,565)	\$ (63,804)	\$ (139,369)

NOTE 17. RELATED PARTY TRANSACTIONS

The Company has made, and expects in the future to continue to make in the ordinary course of business, loans to directors and executive officers of the Company and their affiliates. In management's opinion, these transactions with directors and executive officers were made on substantially the same terms as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present any other unfavorable features. A summary of such outstanding loans is as follows:

(In thousands)	Amount
Loans outstanding at December 31, 2020	\$ 15,815
New loans to related parties	28,131
Repayments	(4,420)
Changes in directors and executive officers	(23,137)
Loans outstanding at December 31, 2021	\$ 16,389

NOTE 18. MORTGAGE SERVICING RIGHTS

MSRs, which are recognized as a separate asset on the date the corresponding mortgage loan is sold on a servicing retained basis, are recorded at fair value as determined at each accounting period end. An estimate of the fair value of the Company's MSRs is determined utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. Data and assumptions used in the fair value calculation related to MSRs as of December 31, 2021, 2020 and 2019 were as follows:

(Dollars in thousands)	2021	2020	2019
Unpaid principal balance	\$ 7,553,917	\$ 7,330,293	\$ 6,898,195
Weighted-average prepayment speed (CPR)	11.6	15.6	13.9
Discount rate (annual percentage)	9.4	9.5	9.5
Weighted-average coupon interest rate (percentage)	3.5	3.8	4.1
Weighted-average remaining maturity (months)	332.0	332.0	335.0
Weighted-average servicing fee (basis points)	27.8	27.5	27.4

Because the valuation is determined by using discounted cash flow models, the primary risk inherent in valuing the MSRs is the impact of fluctuating interest rates on the estimated life of the servicing revenue stream. The use of different estimates or assumptions could also produce different fair values. As of December 31, 2021, 2020 and 2019, the Company had an economic hedge in place designed to cover approximately 33.1%, 16.7% and 24.0%, respectively, of the MSR (see Note 21). The Company is susceptible to fluctuations in the fair value of its MSRs in changing interest rate environments.

The Company has one class of mortgage servicing asset comprised of closed end loans for one-to-four family residences, secured by first liens. The following table presents the activity in this class for the years indicated:

(In thousands)	2021	2020
Fair value at beginning of year	\$ 47,571	\$ 57,109
Additions:		
Origination of servicing assets	23,927	21,025
Changes in fair value:		
Due to loans payoffs/paydowns	(13,961)	(12,746)
Due to change in valuation inputs or assumptions used in the valuation model	12,015	(17,816)
Other changes in fair value	—	(1)
Fair value at end of year	<u>\$ 69,552</u>	<u>\$ 47,571</u>

All of the changes to the fair value of the MSR's are recorded as part of mortgage banking noninterest revenue on the consolidated statements of income. As part of mortgage banking noninterest revenue, the Company recorded contractual servicing fees of \$20.8 million, \$19.3 million and \$18.7 million, and late and other ancillary fees of \$1.2 million, \$6.8 million and \$1.5 million in 2021, 2020, and 2019, respectively.

NOTE 19. CAPITAL AND REGULATORY MATTERS

The Company is subject to various regulatory capital requirements administered by the federal and state banking agencies. Regulatory capital ratios at December 31, 2021 were calculated in accordance with the Basel III capital framework as well as the interagency final rule published on September 30, 2020 entitled “Revised Transition of the Current Expected Credit Losses Methodology for Allowances.” Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Company’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company’s assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company’s capital amounts and classification are also subject to qualitative judgments by regulators about components, risk weightings and other factors. Quantitative measures established by the FDIC to ensure capital adequacy require the Company to maintain minimum capital amounts and ratios.

The actual capital amounts and ratios for the Company as of December 31, 2021 and 2020, are presented in the following tables and as shown, exceed the thresholds necessary to be considered “well capitalized.” Management believes that no events or changes have occurred subsequent to the indicated dates that would change this designation.

(Dollars in thousands)	2021		2020	
	Amount	Ratio	Amount	Ratio
Actual:				
Common equity Tier 1 capital (to risk-weighted assets)	\$ 3,754,848	11.11 %	\$ 1,803,226	10.74 %
Tier 1 capital (to risk-weighted assets)	3,921,841	11.61	1,970,219	11.74
Total capital (to risk-weighted assets)	4,683,361	13.86	2,430,884	14.48
Tier 1 leverage capital (to average assets)	3,921,841	9.90	1,970,219	8.67
Minimum requirement:				
Common equity Tier 1 capital (to risk-weighted assets)	1,520,353	4.50	755,349	4.50
Tier 1 capital (to risk-weighted assets)	2,027,138	6.00	1,007,133	6.00
Total capital (to risk-weighted assets)	2,702,850	8.00	1,342,844	8.00
Tier 1 leverage capital (to average assets)	1,584,531	4.00	908,901	4.00
Well capitalized requirement under prompt corrective action provisions:				
Common equity Tier 1 capital (to risk-weighted assets)	2,196,066	6.50	1,091,060	6.50
Tier 1 capital (to risk-weighted assets)	2,702,850	8.00	1,342,844	8.00
Total capital (to risk-weighted assets)	3,378,563	10.00	1,678,554	10.00
Tier 1 leverage capital (to average assets)	1,980,664	5.00	1,136,126	5.00

On December 9, 2020, the Company announced a share repurchase program whereby the Company was authorized to acquire up to an aggregate of 6,000,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period January 4, 2021 through December 31, 2021. As of December 31, 2021, the Company had repurchased 6,000,000 shares under this repurchase program.

On December 8, 2021, the Company announced a new share repurchase program whereby the Company may acquire up to an aggregate of 10,000,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period January 3, 2022 through December 30, 2022.

The extent and timing of any repurchases depends on market conditions and other corporate, legal and regulatory considerations. Repurchased shares are held as authorized and unissued shares. These authorized but unissued shares are available for use in the Company’s stock compensation programs, other transactions, or for other corporate purposes as determined by the Company’s Board of Directors.

Federal and state banking laws and regulations and state corporate laws restrict the amount of dividends that the Company may declare and pay. Under Mississippi law, the Company cannot pay any dividend on its common stock unless it has received written approval of the Commissioner of the MDBC. The federal banking agencies have indicated that paying dividends that deplete a depository institution’s capital base to an inadequate level would be an unsafe and unsound banking practice. Moreover, the federal agencies have issued policy statements providing that insured banks should generally only pay dividends out of current operating earnings.

The Company is required to maintain average reserve balances in the form of cash or deposits with the Federal Reserve Bank. The reserve balance varies depending upon the types and amounts of deposits. Effective March 26, 2020, the Federal Reserve Board reduced reserve requirement ratios to zero percent in response to the COVID-19 pandemic in order to help support lending. This action eliminated the reserve requirements for many depository institutions, such as Cadence.

NOTE 20. SEGMENT REPORTING

The Company determines operating segments based upon the services offered, the significance of those services to the Company's financial condition and operating results, and management's regular review of the operating results of those services. During the fourth quarter of 2021, the Company reorganized its internal management structure and, accordingly, its operating segment reporting structure. On October 29, 2021, Cadence Bank (NYSE: CADE) closed its previously announced merger in which Legacy Cadence merged into BancorpSouth, with BancorpSouth as the surviving company. Upon the completion of the merger, BancorpSouth was renamed Cadence Bank. This transaction prompted organizational changes to better integrate and execute the combined Company's strategic priorities across all lines of business. As a result, the Company revised its operating segments as described below.

Historically, BancorpSouth had five operating segments: Banking Services, Mortgage, Wealth Management, Insurance Agencies, and General Corporate and Other.

- Banking Services segment provided all traditional banking products and services, including commercial or consumer loans, and deposits.
- Mortgage segment included mortgage banking activities of originating mortgage loans, selling mortgage loans in the secondary market and servicing the mortgage loans that were sold on a servicing-retained basis.
- Wealth Management segment offered individuals, businesses, governmental institutions and non-profit entities a wide range of solutions to help protect, grow and transfer wealth. Offerings included credit-related products, trust and investment management, asset management, retirement and savings solutions, estate planning and annuity products.
- Insurance Agencies segment provided service as agents in the sale of commercial lines of insurance and full lines of property and casualty, life, health and employee benefit products and services.
- General Corporate and Other segment included other activities not allocated to other aforementioned operating segments.

During the finalization of the merger between BancorpSouth and Cadence Bancorporation, the new Cadence Bank's management reviewed the existing operating segment reporting formats for each legacy entity to determine how Cadence's business would be managed. After review and discussion including key members of senior management, it was determined effective October 29, 2021, Cadence will make operating decisions based on the following six operating segments as described below.

- Corporate Banking segment focuses on C&I, business banking, and commercial real estate lending to clients in the geographic footprint.
- Community Banking segment provides a broad range of banking services through the branch network to serve the needs of community businesses in the geographic footprint.
- Mortgage segment includes mortgage banking activities of originating mortgage loans, selling mortgage loans in the secondary market and servicing the mortgage loans that are sold on a servicing retained basis.
- Insurance Agencies segment provides service as agents in the sale of commercial lines of insurance and full lines of property and casualty, life health and employee benefit products and services.
- Banking Services segment offers individuals, businesses, governmental institutions, and non-profit entities a wide range of solutions to help protect, grow, and transfer wealth. Offerings include credit-related products, trust and investment management, asset management, retirement and savings solutions, estate planning and annuity products.
- General Corporate and Other segment includes other activities not allocated to other aforementioned operating segments. The disaggregation of General Corporate and Other better defines the results from the individual segments due to the direct relationship of the internal support provided by the strategic business units within the Bank.

Subsequent to the merger of Cadence Bancorporation and BancorpSouth to form the new Cadence Bank, the Company had to make significant changes to the structure of our internal organization that caused the composition of our operating segments to change. As such, prior period segment information has not been restated to conform to the current period presentation as required by GAAP because it would be impracticable to do so. In addition, current year segment information has not been disclosed under the old basis of segmentation as required by GAAP because such information is not available and impracticable to maintain.

Results of operations and selected financial information by operating segment for the years ended December 31, 2021, 2020 and 2019 were as follows:

(in thousands)	Corporate Banking	Community Banking	Mortgage	Insurance Agencies	Banking Services	General Corporate and Other	Total
Results of Operations							
Year ended December 31, 2021							
Net interest revenue	\$ 69,509	\$ 562,302	\$ 57,349	\$ 16	\$ 4,648	\$ 111,903	\$ 805,727
Provision for credit losses	123,801	9,832	4,429	—	—	—	138,062
Net interest revenue after provision for credit losses	(54,292)	552,470	52,920	16	4,648	111,903	667,665
Noninterest revenue	6,768	84,864	57,912	137,529	42,705	48,375	378,153
Noninterest expense	19,818	287,697	34,338	114,272	31,120	311,645	798,890
Income before income taxes	(67,342)	349,637	76,494	23,273	16,233	(151,367)	246,928
Income tax expense (benefit)	12,402	74,093	16,198	4,760	3,251	(58,938)	51,766
Net income	\$ (79,744)	\$ 275,544	\$ 60,296	\$ 18,513	\$ 12,982	\$ (92,429)	\$ 195,162
Selected Financial Information							
Total assets at end of period	\$ 8,026,776	\$ 15,593,803	\$ 3,633,213	\$ 326,711	\$ 1,114,550	\$ 18,974,698	\$ 47,669,751

(in thousands)	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
Results of Operations						
Year ended December 31, 2020						
Net interest revenue	\$ 664,722	\$ 39,366	\$ 39	\$ 23	\$ (13,183)	\$ 690,967
Provision for credit losses	—	—	—	—	86,000	86,000
Net interest revenue after provision for credit losses	664,722	39,366	39	23	(99,183)	604,967
Noninterest revenue	81,792	86,295	130,739	28,528	9,150	336,504
Noninterest expense	416,693	27,227	109,286	18,508	82,212	653,926
Income before income taxes	329,821	98,434	21,492	10,043	(172,245)	287,545
Income tax expense (benefit)	68,466	20,884	5,708	2,131	(37,695)	59,494
Net income	\$ 261,355	\$ 77,550	\$ 15,784	\$ 7,912	\$ (134,550)	\$ 228,051
Selected Financial Information						
Total assets at end of period	\$ 20,450,240	\$ 1,586,658	\$ 296,495	\$ 51,606	\$ 1,696,195	\$ 24,081,194

(in thousands)	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
Results of Operations						
Year ended December 31, 2019						
Net interest revenue	\$ 621,772	\$ 30,449	\$ 95	\$ 112	\$ (2,484)	\$ 649,944
Provision for credit losses	—	—	—	—	1,500	1,500
Net interest revenue after provision for credit losses	621,772	30,449	95	112	(3,984)	648,444
Noninterest revenue	96,115	19,786	125,684	27,362	11,734	280,681
Noninterest expense	379,112	30,999	110,201	18,258	91,037	629,607
Income before income taxes	338,775	19,236	15,578	9,216	(83,287)	299,518
Income tax expense (benefit)	75,228	4,399	4,242	2,108	(20,720)	65,257
Net income	\$ 263,547	\$ 14,837	\$ 11,336	\$ 7,108	\$ (62,567)	\$ 234,261
Selected Financial Information						
Total assets at end of period	\$ 17,963,067	\$ 1,102,245	\$ 275,545	\$ 42,468	\$ 1,669,251	\$ 21,052,576

The following table shows revenue disaggregated by operating segment for non-interest revenue type as of the following years:

(in thousands)	Corporate Banking	Community Banking	Mortgage	Insurance Agencies	Banking Services	General Corporate and Other	Total
Year ended December 31, 2021							
Noninterest Income							
<i>In Scope of Topic 606</i>							
Credit card, debit card and merchant fees	\$ 76	\$ 35,367	\$ —	\$ —	\$ —	\$ 10,076	\$ 45,519
Deposit service charges	2,600	41,047	—	—	151	188	43,986
Insurance commissions	—	—	—	135,183	—	—	135,183
Trust income	—	—	—	—	22,190	—	22,190
Brokerage commissions and fees	—	—	—	—	16,731	—	16,731
Total noninterest income (in-scope of Topic 606)	2,676	76,414	—	135,183	39,072	10,264	263,609
Total noninterest income (out-of-scope of Topic 606)	4,092	8,450	57,912	2,346	3,633	38,111	114,544
Total noninterest income	<u>\$ 6,768</u>	<u>\$ 84,864</u>	<u>\$ 57,912</u>	<u>\$ 137,529</u>	<u>\$ 42,705</u>	<u>\$ 48,375</u>	<u>\$ 378,153</u>

(in thousands)	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
Year ended December 31, 2020						
Noninterest Income						
<i>In Scope of Topic 606</i>						
Credit card, debit card and merchant fees	\$ 38,247	\$ —	\$ —	\$ —	\$ —	\$ 38,247
Deposit service charges	37,929	—	—	—	—	37,929
Insurance commissions	—	—	125,286	—	—	125,286
Trust income	—	—	—	16,025	—	16,025
Brokerage commissions and fees	—	—	—	9,973	—	9,973
Total noninterest income (in-scope of Topic 606)	76,176	—	125,286	25,998	—	227,460
Total noninterest income (out-of-scope of Topic 606)	5,616	86,295	5,453	2,530	9,150	109,044
Total noninterest income	<u>\$ 81,792</u>	<u>\$ 86,295</u>	<u>\$ 130,739</u>	<u>\$ 28,528</u>	<u>\$ 9,150</u>	<u>\$ 336,504</u>

(in thousands)	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
Year ended December 31, 2019						
Noninterest Income						
<i>In Scope of Topic 606</i>						
Credit card, debit card and merchant fees	\$ 38,656	\$ —	\$ —	\$ —	\$ —	\$ 38,656
Deposit service charges	46,015	—	—	—	—	46,015
Insurance commissions	—	—	123,291	—	—	123,291
Trust income	—	—	—	16,042	—	16,042
Brokerage commissions and fees	—	—	—	7,937	—	7,937
Total noninterest income (in-scope of Topic 606)	84,671	—	123,291	23,979	—	231,941
Total noninterest income (out-of-scope of Topic 606)	11,444	19,786	2,393	3,383	11,734	48,740
Total noninterest income	\$ 96,115	\$ 19,786	\$ 125,684	\$ 27,362	\$ 11,734	\$ 280,681

NOTE 21. DERIVATIVE INSTRUMENTS

The Company primarily uses derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. Management may designate certain derivatives as hedging instruments in a qualifying hedge accounting relationship. The Company's derivative instruments consist of economic hedges that do not qualify for hedge accounting and derivatives held for customer accommodation, or other purposes.

The fair value of derivative positions outstanding is included in other assets and other liabilities in the accompanying consolidated balance sheets and in the net change in each of these financial statement line items in the accompanying consolidated statements of cash flows. For derivatives not designated as hedging instruments or determined to be an ineffective hedge under the accounting guidance, gains and losses due to changes in fair value are included in noninterest income and the operating section of the consolidated statement of cash flows. For derivatives designated as hedging instruments, the entire change in the fair value related to the derivative instrument is recognized as a component of other comprehensive income and subsequently reclassified into interest income when the forecasted transaction affects income. The notional amounts and estimated fair values as of December 31, 2021 and 2020 were as follows:

(In thousands)	December 31, 2021			December 31, 2020		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Other Assets	Other Liabilities		Other Assets	Other Liabilities
Risk participation agreements	\$ 656,135	\$ 20,150	\$ 3,518	\$ 714,364	\$ —	\$ 50,640
Commercial loan interest rate swaps	1,039,260	12,725	3,645	89,492	2,577	2,885
Commercial loan interest rate caps	106,042	44	44	—	—	—
Commercial loan interest rate floors	336,200	4,798	4,798	—	—	—
Mortgage loan held-for-sale interest rate lock commitments	189,765	4,675	21	406,998	16,800	21
U.S. Treasury futures (used to hedge MSR, see Note 18)	78,000	732	6	28,500	50	—
Mortgage loan forward sale commitments	298,398	218	371	446,017	3,115	2,794
Mortgage loan held-for-sale floating commitments	337	—	—	—	—	—
Foreign exchange contracts	70,491	155	181	—	—	—
Total derivatives	\$2,774,628	\$ 43,497	\$ 12,584	\$1,685,371	\$ 22,542	\$ 56,340

The Company is party to collateral support agreements with certain derivative counterparties. Such agreements require that the Company maintain collateral based on the fair values of derivative transactions. In the event of default by the Company, the counterparty would be entitled to the collateral. At December 31, 2021, the Company was required to post \$22.2 million in cash or securities as collateral for its derivative transactions, which are included in “interest-bearing deposits in banks” on the Company’s consolidated balance sheets. In addition, the Company had recorded the obligation to return cash collateral provided by counterparties of \$0.3 million as of December 31, 2021 within deposits on the Company’s consolidated balance sheet. Certain financial instruments, such as derivatives, may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements or similar agreements. The Company’s derivative transactions with upstream financial institution counterparties are generally executed under International Swaps and Derivative Association master agreements which include “right of set-off” provisions. In such cases, there is generally a legally enforceable right to offset recognized amounts and there may be an intention to settle such amounts on a net basis. Nonetheless, the Company does not generally offset such financial instruments for financial reporting purposes.

The Company records gains and losses for derivatives not designated as hedging instruments in noninterest income on the consolidated statements of income. For the years ended December 31, 2021, 2020, and 2019, mortgage loans held for sale interest rate lock commitments incurred losses of \$18.5 million, gains of \$19.6 million, and gains of \$2.9 million, respectively. The Company acquired foreign exchange contracts in the merger with Legacy Cadence during 2021. Foreign exchange contract gains totaled \$0.7 million for the year ended December 31, 2021.

The Company enters into certain interest rate swaps, floors, and caps on commercial loans that are not designated as hedging instruments. These derivative contracts relate to transactions in which the Company enters into an interest agreement with a loan customer while at the same time entering into an offsetting interest rate agreement with another financial institution. In connection with each swap transaction, the Company agrees to pay interest to the customer on a notional amount at a variable interest rate and receive interest from the customer on a similar notional amount at a fixed interest rate. At the same time, the Company agrees to pay another financial institution the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. The interest rate swap transaction allows the Company’s customer to effectively convert a variable rate loan to a fixed rate. The interest rate cap transaction allows the Company’s customer to minimize interest rate risk exposure to rising interest rates. Because the Company acts as an intermediary for its customer, changes in the fair value of the underlying derivative contracts for the most part offset each other and do not significantly impact the Company’s consolidated statements of income. The Company is exposed to credit loss in the event of nonperformance by the parties to the interest rate agreements. However, the Company does not anticipate nonperformance by the counterparties. The estimated fair value has been recorded as an asset and a corresponding liability in the accompanying consolidated balance sheets as of December 31, 2021 and 2020.

The Company has both bought and sold credit protection in the form of participations on interest rate swaps (swap participations). These swap participations, which meet the definition of credit derivatives, were entered into in the ordinary course of business to serve the credit needs of customers. Swap participations, whereby the Company has purchased credit protection, entitle the Company to receive a payment from the counterparty if the customer fails to make payment on any amounts due to the Company upon early termination of the swap transaction. For contracts where the Company sold credit protection, the Company would be required to make payment to the counterparty if the customer fails to make payment on any amounts due to the counterparty upon early termination of the swap transaction.

Other derivative instruments held by the Company include commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual, fixed-rate mortgage loans. The Company’s objective in obtaining the forward commitments is to mitigate the interest rate risk associated with the commitments to fund the fixed-rate mortgage loans. Both the commitments to fund fixed-rate mortgage loans and the forward commitments to sell individual fixed-rate mortgage loans are reported at fair value, with adjustments being recorded in current period earnings, and are not accounted for as hedges.

NOTE 22. COMMITMENTS AND CONTINGENT LIABILITIES

Leases

For the years ended December 31, 2021 and 2020, the weighted average remaining lease term for operating leases was 14.1 years and 13.7 years, respectively, and the weighted average discount rate used in the measurement of operating lease liabilities was 2.6% and 3.1% at December 31, 2021 and 2020, respectively.

Lease costs were as follows at December 31, 2021 and 2020:

(In thousands)	2021	2020
Operating lease costs	\$ 11,150	\$ 8,861
Short-term lease costs	—	—
Variable lease costs	1,270	1,233
Sublease income	(187)	(29)
Total operating lease costs	<u>\$ 12,233</u>	<u>\$ 10,065</u>

There were no leveraged leases or lease transactions with related parties during the years ended December 31, 2021 and 2020. At December 31, 2021 and 2020, the Company had no leases that had not yet commenced.

For leases that may contain renewal options or options to extend the lease term, the Company is reasonably certain to do so, therefore, these extended terms are included in our lease liability calculation. A maturity analysis of operating lease liabilities is included in the table below as of December 31, 2021:

(In thousands)	Amount
2022	\$ 21,218
2023	21,218
2024	19,403
2025	18,604
2026	18,602
Thereafter	155,348
Total future minimum lease payments	<u>254,393</u>
Discount effect of cash flows	44,334
Present value of net future minimum lease payments	<u>\$ 210,059</u>

As of December 31, 2021 and 2020, the Company's operating lease ROU assets were \$194.8 million and \$70.4 million, respectively, and ROU liabilities were \$211.0 million and \$72.2 million, respectively.

Mortgage Loans Serviced for Others

The Company services mortgage loans for others that are not included as assets in the Company's accompanying consolidated financial statements. Included in the \$7.6 billion of loans serviced for investors at December 31, 2021 was \$1.5 million of primary recourse servicing pursuant to which the Company is responsible for any losses incurred in the event of nonperformance by the mortgagor. The Company's exposure to credit loss in the event of such nonperformance is the unpaid principal balance at the time of default. This exposure is limited by the underlying collateral, which consists of single family residences and either federal or private mortgage insurance.

Lending Commitments

The consolidated financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of banking business and which involve elements of credit risk, interest rate risk, and liquidity risk. Such financial instruments are recorded when they are funded. As of December 31, 2021, these included \$360.5 million in letters of credit and \$9.2 billion in extensions of credit such as interim mortgage financing, construction credit, credit card and revolving line of credit arrangements.

Commitments to extend credit and letters of credit include some exposure to credit loss in the event of nonperformance of the customer. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. In addition, the Company has entered certain contingent commitments to grant loans.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit policies and procedures for such commitments are the same as those used for lending activities. Because these instruments have fixed maturity dates and because a number expire without being drawn upon, they generally do not present any significant liquidity risk. The Company did not realize significant credit losses from these commitments and arrangements during the years ended December 31, 2021, 2020, and 2019.

Other Commitments

The Company makes investments in limited partnerships, including certain low-income housing partnerships for which tax credits are received. As of December 31, 2021 and 2020, unfunded capital commitments totaled \$123.1 million and \$27.1 million, respectively. See Note 24 for more information.

Litigation

The nature of the Company's business ordinarily results in certain types of claims, litigation, investigations and legal and administrative cases and proceedings. Although the Company and its subsidiaries have developed policies and procedures to minimize legal noncompliance and the impact of claims and other proceedings and endeavored to procure reasonable amounts of insurance coverage, litigation and regulatory actions present an ongoing risk.

The Company and its subsidiaries are engaged in lines of business that are heavily regulated and involve a large volume of financial transactions and potential transactions with numerous customers or applicants, and the Company is a public company with a large number of shareholders. From time to time, applicants, borrowers, customers, shareholders, former employees and other third parties have brought actions against the Company or its subsidiaries, in some cases claiming substantial damages. Financial services companies are subject to the risk of class action litigation, and, from time to time, the Company and its subsidiaries are subject to such actions brought against it. Additionally, the Company is, and management expects it to be, engaged in a number of foreclosure proceedings and other collection actions as part of its lending and leasing collections activities, which, from time to time, have resulted in counterclaims against the Company and its subsidiaries. Various legal proceedings have arisen and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations. The Company and its subsidiaries may also be subject to enforcement actions by federal or state regulators, including the FDIC, the Consumer Financial Protection Bureau (the "CFPB"), the United States Department of Justice (the "DOJ"), state attorneys general and the Mississippi Department of Banking and Consumer Finance (the "MDBCFC").

When and as the Company determines it has meritorious defenses to the claims asserted, it vigorously defends against such claims. The Company will consider settlement of claims when, in management's judgment and in consultation with counsel, it is in the best interests of the Company to do so.

The Company cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against it, its subsidiaries and its directors, management or employees, including remedies or damage awards. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of the Company's business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, the Company establishes an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings and the potential loss, however, may turn out to be substantially higher than the amount accrued. Further, the Company's insurance policies have deductibles and coverage limits, and such policies will likely not cover all costs and expenses related to the defense or prosecution of such legal proceedings or any losses arising therefrom.

Although the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, if applicable, management believes that the litigation-related liability of \$0.6 million accrued as of December 31, 2021 is adequate and that any incremental change in potential liability arising from the Company's legal proceedings and threatened claims, including the matters described herein and those otherwise arising in the ordinary course of business, will not have a material adverse effect on the Company's business or consolidated results of operations or financial condition. It is possible, however, that future developments could result in an unfavorable outcome for or resolution of any one or more of the legal proceedings in which the Company or its subsidiaries are defendants, which may be material to the Company's business or consolidated results of operations or financial condition for a particular fiscal period or periods.

On August 30, 2021, Legacy Cadence Bank and the DOJ agreed to a settlement set forth in the consent order related to the investigation by the DOJ of Legacy Cadence Bank's fair lending program in Harris, Fort Bend and Montgomery Counties located in Houston, Texas during the period between 2014 and 2016 (the "Consent Order"). The Consent Order was signed by the United States District Court for the Northern District of Georgia, Atlanta Division, on August 31, 2021. Pursuant to Section

5.2 of the Agreement and Plan of Merger and Paragraph 50 of the Consent Order, Legacy BancorpSouth Bank approved the negotiated settlement, and subsequently, the Company agreed to accept the obligations of the Consent Order. The Consent Order is in effect for five years. For additional information regarding the terms of this settlement and the Consent Order, see Legacy Cadence’s Current Report on Form 8-K that was filed with the SEC on August 30, 2021.

NOTE 23. OTHER NONINTEREST INCOME AND EXPENSE

The following table details other noninterest income for the three years ended December 31, 2021, 2020, and 2019:

(In thousands)	2021	2020	2019
Bank-owned life insurance	\$ 11,180	\$ 8,181	\$ 9,632
Other miscellaneous income	23,548	14,337	18,322
Total other noninterest income	<u>\$ 34,728</u>	<u>\$ 22,518</u>	<u>\$ 27,954</u>

The following table details other noninterest expense for the years ended December 31, 2021, 2020, and 2019:

(In thousands)	2021	2020	2019
Advertising and public relations	\$ 10,780	\$ 6,908	\$ 8,557
Foreclosed property expense	4,548	4,074	2,868
Telecommunications	6,240	5,883	5,663
Amortization of intangibles	12,616	9,605	9,118
Legal fees	4,036	3,431	3,555
Postage and shipping	6,050	5,256	5,263
Other miscellaneous expense	56,678	51,488	57,874
Total other noninterest expense	<u>\$ 100,948</u>	<u>\$ 86,645</u>	<u>\$ 92,898</u>

NOTE 24. VARIABLE INTEREST ENTITIES AND OTHER INVESTMENTS

Under ASC 810-10-65, the Company is deemed to be the primary beneficiary and required to consolidate a variable interest entity (“VIE”) if it has a variable interest in the VIE that provides it with a controlling financial interest. For such purposes, the determination of whether a controlling financial interest exists is based on whether a single party has both the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and the obligation to absorb the losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. ASC 810-10-65 requires continual reconsideration of conclusions reached regarding which interest holder is a VIE’s primary beneficiary.

The Company is invested in several tax credit projects as a limited partner. The Company has determined that these structures meet the definition of a VIE but that consolidation is not required, as the Company is not the primary beneficiary. At December 31, 2021 and 2020, the Company’s maximum exposure to loss associated with these limited partnerships was limited to its investment. Most of the investments are in affordable housing projects. The partnerships have qualified to receive annual affordable housing federal tax credits that are recognized as a reduction of current tax expense. The Company accounts for these investments and the related tax credits using either the effective yield method or the proportional amortization method, depending upon the date of the investment. Under the effective yield method, the Company recognizes the tax credits as they are allocated and amortizes the initial costs of the investments to provide a constant effective yield over the period the tax credits are allocated. Under the proportional amortization method, the Company amortizes the cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense. The Company also has, to a lesser degree, investments in new markets tax credit and historic tax credit projects. These types of investments are accounted for by either the deferred method or the flow-through method. The Company has elected to account for these investments using the flow-through method which reduces federal income taxes in the year in which the credit arises. At December 31, 2021 and 2020, the Company had recorded investments in other assets on its consolidated balance sheets of approximately \$140.6 million and \$16.4 million, respectively, related to these investments.

Additionally, the Company has investments in other certain limited partnerships accounted for under the fair value practical expedient of net asset value (“NAV”) totaling \$46.8 million and \$3.5 million as of December 31, 2021 and 2020, respectively. The Company recognized gains of \$1.6 million and \$266 thousand for the years ended December 31, 2021 and 2020, respectively, related to these assets recorded at fair value through net income. Other limited partnerships without readily determinable fair values that do not qualify for the practical expedient are accounted for at their cost minus impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. These investments totaled \$4.6 million and \$0.5 million as of December 31, 2021 and 2020, respectively. Other limited partnerships accounted for under the equity method totaled \$23.6 million as of December 31, 2021. There were no limited partnerships accounted for under the equity method as of December 31, 2020. The following table presents a summary of the Company’s investments in limited partnerships as of:

(In thousands)	December 31, 2021	December 31, 2020
Tax credit investments (amortized cost)	\$ 140,619	\$ 16,395
Limited partnerships accounted for under the fair value practical expedient of NAV	46,750	3,497
Limited partnerships without readily determinable fair values that do not qualify for the practical expedient of NAV accounted for under the cost method	4,563	526
Limited partnerships required to be accounted for under the equity method	23,622	—
Total investments in limited partnerships	<u>\$ 215,554</u>	<u>\$ 20,418</u>

Equity investments with readily determinable fair values not held for trading are recorded at fair value, with changes in fair value reported in net income (see Note 3). Cadence elected a measurement alternative to fair value for certain equity investments in limited partnerships described above without a readily determinable fair value. During the years and as of December 31, 2021 and 2020, there were no downward and upward adjustments to these investments for impairments or price changes from observable transactions. The carrying amount of these equity investments in limited partnerships measured under the measurement alternative for the specified years are as follows:

(In thousands)	December 31, 2021	December 31, 2020
Carrying value, Beginning of Year	\$ 526	\$ 337
Legacy Cadence merger	3,668	—
Reclassifications	—	255
Distributions	(43)	(73)
Contributions	412	7
Carrying value, End of Year	<u>\$ 4,563</u>	<u>\$ 526</u>

The Company acquired net profits interests in oil and gas reserves, in connection with the merger with Legacy Cadence. The Company has determined that these contracts meet the definition of VIE’s under Topic ASC 810, but that consolidation is not required as the Bank is not the primary beneficiary. The net profits interests are financial instruments and recorded at estimated fair value, which was \$2.0 million at December 31, 2021, representing the maximum exposure to loss as of that date.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

CONCLUSION REGARDING THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES

The Company, with the participation of its management, including the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Report.

Based upon that evaluation and as of the end of the period covered by this Report, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed in its reports that the Company files or submits to the FDIC under the Exchange Act is recorded, processed, summarized and reported on a timely basis.

Pursuant to Section 404 of the Sarbanes-Oxley Act, the Company has included a report of management's assessment of the design and operating effectiveness of its internal controls over financial reporting as part of this Report. The Company's independent registered public accounting firm reported on the effectiveness of the Company's internal control over financial reporting. Management's report and the independent registered public accounting firm's report are included in Item 8 of this Report under the captions entitled "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm."

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company is working to integrate Legacy Cadence into its overall internal control over financial reporting processes. Except for changes made in connection with this integration of Legacy Cadence there have been no changes in the Company's internal control over financial reporting that occurred during the fourth fiscal quarter ended December 31, 2021 covered by this Report that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The required information regarding our executive officers is included under the section captioned "Information about our Executive Officers" in Part I, Item 1 of this Report.

MATERIAL CHANGES TO PROCEDURES BY WHICH SECURITY HOLDERS MAY RECOMMEND NOMINEES

The Company has not made any material changes to the procedures by which its shareholders may recommend nominees to the Company's Board of Directors since the date of the Company's Definitive Proxy Statement for its 2021 Annual Meeting of Shareholders.

CERTAIN CORPORATE GOVERNANCE DOCUMENTS

The Company has adopted a Code of Business Conduct and Ethics that applies to its directors, officers, and employees. The Company has also adopted Corporate Governance Principles for its Board of Directors. These documents, as well as the links to charters of the Audit Committee, Executive Compensation and Stock Incentive Committee and Nominating and Corporate Governance Committee of the Board of Directors, are available on the Company’s website at <https://ir.cadencebank.com> on the Investors Relations webpage under the captions “Corporate Information - Governance Documents” and “- Board Committees,” or shareholders may request a free copy of these documents from:

Cadence Bank
Attn: Corporate Secretary
One Mississippi Plaza
201 South Spring Street
Tupelo, Mississippi 38804
(662) 680-2000

The Company intends to disclose any amendments to its Code of Business Conduct and Ethics and any waiver from a provision of the code on the Company’s website within four business days following such amendment or waiver.

The other information required by this Item 10 will be presented in, and is incorporated herein by reference to, Cadence’s Definitive Proxy Statement for the 2022 Annual Meeting of Shareholders which will be filed with the FDIC within 120 days of December 31, 2021.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item 11 will be presented in, and is incorporated herein by reference to, Cadence’s Definitive Proxy Statement for the 2022 Annual Meeting of Shareholders which will be filed with the FDIC within 120 days of December 31, 2021.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table provides information as of December 31, 2021 with respect to compensation plans (including individual compensation arrangements) under which shares of Company common stock are authorized for issuance:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities related to column (a))
	(a)	(b)	(c)
Equity compensation plans approved by shareholders ⁽¹⁾	—	\$27.40	4,240,973

⁽¹⁾ Excludes 1,323,069 restricted shares that were nonvested, 2,288,759 restricted stock units that were nonvested and 1,215,576 performance shares that were unearned as of December 31, 2021. Equity compensation plans approved by shareholders include the BancorpSouth Equity Incentive Plan for Non-employee Directors, the BancorpSouth Bank Long-Term Equity Incentive Plan, the BancorpSouth 2021 Long-Term Equity Incentive Plan and the Legacy Cadence 2015 Omnibus Incentive Plan.

The other information required by this Item 12 will be presented in, and is incorporated herein by reference to, Cadence’s Definitive Proxy Statement for the 2022 Annual Meeting of Shareholders which will be filed with the FDIC within 120 days of December 31, 2021.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item 13 will be presented in, and is incorporated herein by reference to Cadence's Definitive Proxy Statement for the 2022 Annual Meeting of Shareholders which will be filed with the FDIC within 120 days of December 31, 2021.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this Item 14 will be presented in, and is incorporated herein by reference to Cadence's Definitive Proxy Statement for the 2022 Annual Meeting of Shareholders which will be filed with the FDIC within 120 days of December 31, 2021.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(2)

- a) Agreement and Plan of Reorganization, dated as of July 26, 2017, by and between BancorpSouth, Inc. and BancorpSouth Bank. (Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on July 27, 2017 (file number 1-12991) and incorporated herein by reference thereto).
- b) Amended and Restated Agreement and Plan of Reorganization, dated as of August 15, 2017, by and between BancorpSouth, Inc. and BancorpSouth Bank. (Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on August 15, 2017 (file number 1-12991) and incorporated herein by reference thereto).
- c) Agreement and Plan of Merger, dated as of April 12, 2021, and as amended on May 27, 2021, by and between BancorpSouth Bank and Cadence Bancorporation. (Filed as Annex A to the Company's Definitive Proxy Statement/Prospectus on Schedule 14A filed with the FDIC on July 7, 2021 and incorporated herein by reference thereto).

(3)

- a) Amended and Restated Articles of Incorporation of the Company. (Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the FDIC on November 1, 2017 and incorporated herein by reference thereto).
- b) Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company. (Filed as Exhibit 3.2 to the Company's Form 8-A filed with the FDIC on November 20, 2019 and incorporated herein by reference thereto).
- c) Articles of Second Amendment to the Amended and Restated Articles of the Company. (Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the FDIC on October 29, 2021 and incorporated herein by reference thereto).
- d) Amended and Restated Bylaws of the Company. (Filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the FDIC on November 1, 2017 and incorporated herein by reference thereto).
- e) First Amendment to the Amended and Restated Bylaws of the Company. (Filed as Exhibit 3(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the FDIC on February 25, 2021 and incorporated herein by reference thereto).
- f) Second Amendment to the Amended and Restated Bylaws of the Company. (Filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the FDIC on October 29, 2021 and incorporated herein by reference thereto).

(4)

- a) Specimen Common Stock Certificate. (Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the FDIC on November 1, 2017 and incorporated herein by reference thereto).
- b) Form of Certificate Representing the Series A Preferred Stock. (Filed as Exhibit 4.1 to the Company's Form 8-A filed with the FDIC on November 20, 2019 and incorporated herein by reference thereto).
- c) Fiscal and Paying Agency agreement, dated November 20, 2019, between BancorpSouth Bank and U.S. Bank National Association. (Filed as Exhibit 4.2 to the Company's Form 8-A filed with the FDIC on November 20, 2019 and incorporated herein by reference thereto).

- d) Form of Global Subordinated Note, dated November 20, 2019, made by BancorpSouth Bank. (Filed as Exhibit 4.3 to the Company's Form 8-A filed with the FDIC on November 20, 2019 and incorporated herein by reference thereto).
 - e) Description of the Company's Capital Stock. (Filed as Exhibit 4(e) to the Company's Form 10-K filed with the FDIC on February 27, 2020 and incorporated herein by reference thereto).
- (10)
- a) BancorpSouth, Inc. Supplemental Executive Retirement Plan, as amended and restated. (Filed with the SEC as Exhibit 10(A) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 (file number 1-12991) and incorporated herein by reference thereto). †
 - b) Amendment to the BancorpSouth, Inc. Supplemental Executive Retirement Plan. (Filed with the SEC as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2012 (file number 1-12991) and incorporated herein by reference thereto). †
 - c) Amended and Restated BancorpSouth Bank Long-Term Equity Incentive Plan. (Filed as Exhibit 10(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the FDIC on February 25, 2021 and incorporated herein by reference thereto). †
 - d) BancorpSouth, Inc. Amended and Restated Executive Performance Incentive Plan., effective January 1, 2020 (Filed as Exhibit 10(e) to the Company's Annual Report on Form 10-K filed with the FDIC on February 27, 2020 and incorporated herein by reference thereto). †
 - e) Form of Performance Share Award Agreement. (Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 7, 2007 (file number 1-12991) and incorporated herein by reference thereto). †
 - f) Form of Long-Term Equity Incentive Plan Restricted Stock Agreement. (Filed with the SEC as Exhibit 10(E) to the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2013 (file number 1-12991) and incorporated herein by reference thereto). †
 - g) Amended and Restated BancorpSouth Equity Incentive Plan for Non-Employee Directors. (Filed as Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the FDIC on February 25, 2021 and incorporated herein by reference thereto). †
 - h) Amendment to BancorpSouth, Inc. Long-Term Equity Incentive Plan. (Filed with the SEC as Exhibit 10(D) to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 (file number 1-12991) and incorporated herein by reference thereto). †
 - i) BancorpSouth, Inc. Restoration Plan, as amended and restated. (Filed with the SEC as Exhibit 10(F) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 (file number 1-12991) and incorporated herein by reference thereto). †
 - j) BancorpSouth, Inc. Amended and Restated Deferred Compensation Plan. (Filed with the SEC as Exhibit 10(G) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 (file number 1-12991) and incorporated herein by reference thereto). †
 - k) Description of Dividend Reinvestment Plan. (Filed with the SEC as the Company's prospectus pursuant to Rule 424(b)(2) filed on January 5, 2004 (Registration No. 033-03009) and incorporated herein by reference thereto). †
 - l) Form of BancorpSouth Bank Change in Control Agreement. (Filed as Exhibit 10(t) to the Company's Annual Report on Form 10-K filed with the FDIC on February 27, 2020). †
 - m) BancorpSouth, Inc. Deferred Directors' Fee Unfunded Plan, as amended and restated. (Filed with the SEC as Exhibit 10(U) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 (file number 1-12991) and incorporated herein by reference thereto). †
 - n) Employment Details for Chris Bagley. (Filed with the SEC as Exhibit 10(PP) to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 (file number 1-12991) and incorporated herein by reference thereto).
 - o) Consent Order. (Filed as Exhibit 10.1 to the Company's Current Report on form 8-K filed with the SEC on June 29, 2016 (file number 1-12991) and incorporated herein by reference thereto).
 - p) Order Terminating Consent Order, dated January 27, 2020. (Filed with the SEC as Exhibit 10(aa) to the Company's Current Report on form 10-K filed with the FDIC on February 27, 2020 and incorporated herein by reference thereto).
 - q) Retirement and Consulting Agreement, dated September 26, 2017, by and between BancorpSouth, Inc., BancorpSouth Bank and James R. Hodges. (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 2, 2017 (file-number 1-12991) and incorporated herein by reference thereto). †

- r) BancorpSouth Split Dollar Life Insurance Plan, as amended and restated. (Filed as Exhibit 10(gg) to the Company's Annual Report on Form 10-K filed with the FDIC on February 26, 2018 and incorporated herein by reference thereto). †
- s) Cadence Bank, N.A. Consent Order, dated August 30, 2021.*
- t) Letter Agreement, dated as of April 12, 2021, by and between BancorpSouth Bank and James D. Rollins, III. (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the FDIC on April 16, 2021 and incorporated herein by reference thereto). †
- u) Letter Agreement, dated as of April 12, 2021, by and between BancorpSouth Bank and Chris A. Bagley. (Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the FDIC on April 16, 2021 and incorporated herein by reference thereto). †
- v) Letter Agreement, dated as of April 12, 2021, by and between BancorpSouth Bank and Paul B. Murphy, Jr. (Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the FDIC on April 16, 2021 and incorporated herein by reference thereto). †
- w) Letter Agreement, dated as of April 12, 2021, by and between BancorpSouth Bank and Rudolph H. Holmes, IV. (Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the FDIC on April 16, 2021 and incorporated herein by reference thereto). †
- x) Letter Agreement, dated as of April 12, 2021, by and between BancorpSouth Bank and Valerie C. Toalson. (Filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the FDIC on April 16, 2021 and incorporated herein by reference thereto). †
- y) Amendment to the BancorpSouth Amended and Restated Long-Term Equity Incentive Plan. (Filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the FDIC on March 11, 2021). †
- z) BancorpSouth 2021 Long-Term Equity Incentive Plan. (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the FDIC on April 30, 2021 and incorporated herein by reference thereto). †
- aa) Form of Retention Award Agreement for Performance Units issued pursuant to the BancorpSouth Bank 2021 Long-Term Equity Incentive Plan. (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the FDIC on October 29, 2021 and incorporated herein by reference thereto).
- ab) Form of Retention Award Agreement for Performance Units issued pursuant to the BancorpSouth Bank 2021 Long-Term Equity Incentive Plan. (Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the FDIC on October 29, 2021 and incorporated herein by reference thereto).

(21) Subsidiaries of the Registrant.*

- (31.1) Certification of the Chief Executive Officer of Cadence Bank pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- (31.2) Certification of the Chief Financial Officer of Cadence Bank pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- (32.1) Certification of the Chief Executive Officer of Cadence Bank pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
- (32.2) Certification of the Chief Financial Officer of Cadence Bank pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

† Management contract or compensatory plan or arrangement.

* Filed herewith.

** Furnished herewith.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CADENCE BANK

DATE: February 25, 2022

By: /s/ James D. Rollins III

James D. Rollins III

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>/s/ James D. Rollins III</u> James D. Rollins III	Chief Executive Officer (Principal Executive Officer) and Chairman	February 25, 2022
<u>/s/ Valerie C. Toalson</u> Valerie C. Toalson	Senior Executive Vice President and Chief Financial Officer (Principal Accounting Officer)	February 25, 2022
<u>/s/ Paul B. Murphy Jr.</u> Paul B. Murphy Jr.	Executive Vice Chairman	February 25, 2022
<u>/s/ Larry G. Kirk</u> Larry G. Kirk	Director	February 25, 2022
<u>/s/ Gus J. Blass III</u> Gus J. Blass III	Director	February 25, 2022
<u>/s/ Shannon A. Brown</u> Shannon A. Brown	Director	February 25, 2022
<u>/s/ Deborah M. Cannon</u> Deborah M. Cannon	Director	February 25, 2022
<u>/s/ Charlotte N. Corley</u> Charlotte N. Corley	Director	February 25, 2022
<u>/s/ Joseph W. Evans</u> Joseph W. Evans	Director	February 25, 2022
<u>/s/ J. Richard Fredericks</u> J. Richard Fredericks	Director	February 25, 2022
<u>/s/ Virginia A. Hepner</u> Virginia A. Hepner	Director	February 25, 2022
<u>/s/ William G. Holliman</u> William G. Holliman	Director	February 25, 2022
<u>/s/ Warren A. Hood Jr.</u> Warren A. Hood Jr.	Director	February 25, 2022
<u>/s/ Keith J. Jackson</u> Keith J. Jackson	Director	February 25, 2022
<u>/s/ Precious W. Owodunni</u> Precious W. Owodunni	Director	February 25, 2022
<u>/s/ Alan W. Perry</u> Alan W. Perry	Director	February 25, 2022
<u>/s/ Marc J. Shapiro</u> Marc J. Shapiro	Director	February 25, 2022
<u>/s/ Thomas R. Stanton</u> Thomas R. Stanton	Director	February 25, 2022
<u>/s/ Kathy N. Waller</u> Kathy N. Waller	Director	February 25, 2022
<u>/s/ J. Thomas Wiley Jr.</u> J. Thomas Wiley Jr.	Director	February 25, 2022

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	
)	
v.)	Civil Action No.
)	1:21-cv-03586-JPB
)	
CADENCE BANK, N.A,)	
)	
Defendant.)	
_____)	

CONSENT ORDER

The United States of America and Cadence Bank, N.A. (“Cadence Bank,” “Cadence,” or the “Bank”) jointly submit this Consent Order for approval and entry by the Court to resolve the claims of the United States under the Fair Housing Act (“FHA”), [42 U.S.C. §§ 3601-3619](#) and the Equal Credit Opportunity Act (“ECOA”), [15 U.S.C. §§ 1691-1691f](#).

I. Introduction and Background

1. In the Complaint filed simultaneously with this Consent Order, the United States alleged that Cadence Bank engaged in a pattern or practice of unlawful redlining in violation of the FHA and ECOA, by discriminating on the basis of race, color, and national origin. Specifically, the United States alleged that

the Bank engaged in illegal redlining by avoiding providing home loans and other home mortgage services in majority-Black and Hispanic neighborhoods in and around Houston, Texas.

2. There has been no factual finding or adjudication in this case. The parties enter into this Consent Order to voluntarily resolve the United States' claims in a manner consistent with the Bank's legitimate business interests and to avoid the risks, expense, and burdens of litigation. The Bank denies any liability, wrongdoing, or non-compliance with the provisions of the FHA and ECOA.

3. The Bank represented to the United States that it improved its internal fair lending compliance and monitoring controls and increased its lending in majority-Black and Hispanic areas within the Houston assessment area through the development of new loan products, new marketing strategies, increased community investment, hiring of community lending specialists, strategic partnerships with local housing groups, and additional community outreach initiatives. The Bank adopted these strategies and initiatives before entry of this Consent Order.

II. Terms of the Order

A. Lending Practices

4. The Bank, including all of its agents, successors, and assigns, is enjoined from engaging in any act or practice that discriminates on the basis of race, color, or national origin that: (1) violates the FHA in any aspect of a

residential real estate-related transaction; or (2) violates ECOA in any aspect of a credit transaction.

5. The Bank will ensure that it offers and provides all persons with an equal opportunity to apply for and obtain credit, regardless of the demographic composition of the area in which a person lives or the location of the property securing the loan.

6. For purposes of this Consent Order, the Bank's "Houston assessment area" consists of Harris, Fort Bend, and Montgomery Counties.

7. For purposes of this Consent Order, a "majority-Black and Hispanic" census tract is one where more than 50 percent of the residents are identified as either "Black or African American" or "Hispanic or Latino" by the United States Census Bureau. A "majority-white" census tract is one where more than 50 percent of the residents are identified as "non-Hispanic white" by the United States Census Bureau.

B. Fair Lending Compliance Consultant and Fair Lending Plan

8. Within 120 days of the date this Consent Order is entered ("Effective Date"), the Bank will submit to the United States a detailed evaluation of the Bank's fair lending program as it relates to fair lending obligations and lending in majority-Black and Hispanic census tracts in the Houston assessment area. The evaluation will include: (1) a review and recommended revisions, as necessary, of

the Bank's fair lending policies and practices; (2) an analysis of the Bank's policies and practices related to selecting and maintaining branch locations; (3) an analysis of loan officers' solicitation of applications, training, and oversight; (4) an analysis of marketing; (5) consideration of the Bank's initiatives set forth in Paragraph 3 of this Consent Order; and (6) an analysis of existing fair lending compliance monitoring.

9. The assessment will be conducted by an independent, qualified third-party consultant selected by the Bank and approved by the United States. Within 60 days of the Effective Date, the Bank will submit the qualifications of the third-party consultant to the United States for approval.

10. Within 150 days of the Effective Date, the Bank will submit a Fair Lending Plan to the United States for approval. The Fair Lending Plan will explain which of the consultant's recommendations it will adopt and when and how it will adopt and implement them. If the Bank declines to adopt or implement a recommendation, the report will include an explanation of the decision.

11. The Bank will begin implementing its Fair Lending Plan within 14 days of receiving approval from the United States. Any material changes to the Bank's Fair Lending Plan must be approved by the United States.

12. The Fair Lending Plan will include a monitoring program that involves periodic statistical analyses of mortgage underwriting, pricing, and redlining risk.

C. Fair Lending Training

13. Within 30 days of the Effective Date, the Bank will provide a copy of this Consent Order to all employees with substantive involvement in mortgage lending, marketing, or fair lending or CRA compliance, or who have management responsibility over such employees; senior management with fair lending and advertising oversight; and members of the Board of Directors (collectively, “the Relevant Bank Staff and Officials”). The Bank will provide an opportunity for the Relevant Bank Staff and Officials to ask any questions concerning the Consent Order and will provide answers. The Bank will implement a system for each individual to acknowledge that they received a copy of this Consent Order and had the opportunity to ask questions. The Bank will provide a report that includes these acknowledgements to the United States within 45 days of the Effective Date.

14. Within 120 days of the Effective Date, the Bank will provide training to the Relevant Bank Staff and Officials on the Bank’s obligations under fair lending laws and this Consent Order. The training will be conducted by an independent, qualified third-party trainer selected by the Bank and approved by the United States. Within 90 days of the Effective Date, the Bank will submit the

qualifications of the third-party trainer and the proposed training curriculum to the United States for approval. The Bank will implement a system for each individual to acknowledge that they completed fair lending training. The Bank will provide a report that includes these acknowledgements to the United States within 150 days of the Effective Date.

15. The Bank will provide the training described in Paragraph 14 annually to the Relevant Bank Staff and Officials. The Bank will implement a system for each individual to acknowledge that they completed fair lending training. The Bank will provide a report that includes these acknowledgements to the United States within 10 days of the training. Any proposed changes to the third-party trainer or the training curriculum must be approved by the United States.

16. Any individual who becomes a Relevant Bank Staff or Official will receive a copy of this Consent Order, with the opportunity to ask questions, as referenced in Paragraph 13, as well as the training referenced in Paragraph 14. The Bank will implement a system for each individual to acknowledge that they received a copy of this Consent Order, with the opportunity to ask questions, and that they completed fair lending training. The Bank will provide a report that includes these acknowledgements to the United States no later than 10 days after an individual becomes a Relevant Bank Staff or Official.

17. The Bank will bear all costs associated with the trainings.

D. Community Credit Needs Assessment

18. Within 120 days of the Effective Date, the Bank will submit a Community Credit Needs Assessment for majority-Black and Hispanic census tracts in the Houston assessment area to the United States. A Community Credit Needs Assessment is a research-based market study to help a lender identify the needs for financial services in an area. This assessment must include the following information about majority-Black and Hispanic census tracts within the Houston assessment area: (1) an evaluation of residential mortgage credit needs and current lending opportunities available in the area; (2) recent demographic information; (3) potential strategies to provide residential mortgage lending services in these census tracts; (4) a review of loan products offered by other lenders and their success in the market; and (5) an overview of federal, state, and local programs that are available to residents seeking and obtaining residential mortgage loans.

19. The Community Credit Needs Assessment will be conducted by an independent, qualified third-party consultant selected by the Bank and approved by the United States. Within 60 days of the Effective Date, the Bank will submit the qualifications of the third-party consultant to the United States for approval.

20. Within 120 days of the Effective Date, the Bank will provide a copy of the Community Credit Needs Assessment to the United States for approval. Once the United States has approved the Community Credit Needs Assessment,

the Bank will present the assessment to all Bank committees and personnel responsible for overseeing fair lending compliance.

E. Director of Community Lending and Development

21. The Bank will designate a full-time Director of Community Lending and Development, whose primary responsibility will be overseeing the development of the Bank's lending in majority-Black and Hispanic census tracts (including in the Houston assessment area). The Director of Community Lending and Development will be an officer-level position that reports directly to the Executive Vice President of the Mortgage Division or similar officer. The Director of Community Lending and Development will provide reports on at least a quarterly basis to the Board of Directors and the Chairman and CEO regarding the following responsibilities: (1) monitoring loan officers' solicitation and origination of loans in majority-Black and Hispanic census tracts in the Houston assessment area, including the loan subsidy fund described in Section G; (2) coordinating the Bank's involvement in community lending initiatives and outreach programs; (3) encouraging and developing more lending within majority-Black and Hispanic census tracts; (4) promoting financial education; (5) providing financial counseling; and (6) building relationships with community groups.

F. Physical Expansion to Serve Majority-Black and Hispanic Census Tracts

22. Subject to appropriate regulatory approval, the Bank will open one new full-service branch located in a majority-Black and Hispanic census tract in the Houston assessment area within 12 months of the Effective Date. This branch will have signage that is visible to, and a location that is easily accessible to, the general public. The branch will provide the complete range of services offered at the Bank's full-service branches and will accept first-lien mortgage loan applications. The Bank will assign a mortgage loan officer to this branch full time.

23. The Bank will evaluate future opportunities for expansion within the Houston assessment area, whether by acquisition or opening new branches, and consider the goals of this Consent Order and the Community Credit Needs Assessment. The Bank must notify the United States of any plans to open or acquire any new branches or other offices within the Houston assessment area at the same time that it notifies its regulators.

24. Within 180 days of the Effective Date, the Bank will assign no fewer than four mortgage loan officers to actively solicit applications from majority-Black and Hispanic census tracts within the Houston assessment area. These mortgage loan officers must together cover all majority-Black and Hispanic census tracts within the Houston assessment area. The compensation of mortgage loan

officers working in majority-Black and Hispanic census tracts should be comparable to the compensation of other mortgage loan officers.

G. Loan Subsidy Fund

25. The Bank will invest a minimum of \$4.17 million in a loan subsidy program to increase the credit that the Bank offers for home mortgage loans, home improvement loans, and home refinance loans to residents in majority-Black and Hispanic census tracts in the Houston assessment area. No more than twenty-five percent of the loan subsidy fund may be used for home refinances. The loan subsidy fund may be used for down payment assistance, closing cost assistance, mortgage insurance premiums, and any other appropriate assistance measures approved by the United States in writing. No applicant may receive a total subsidy greater than \$10,000 per loan.

26. Under the loan subsidy fund, the Bank will subsidize loans made to “qualified applicants.” A “qualified applicant” is any applicant who: (1) qualifies for a loan under the Bank’s underwriting standards; and (2) applies for a loan secured by residential property located in a majority-Black and Hispanic census tract in the Houston assessment area that will serve as the borrower’s primary residence.

27. No provision of the Consent Order, including any loan subsidy or equivalent program, requires Cadence to make any unsafe or unsound loan or to

make a loan to a person who is not qualified for the loan based upon lawful, nondiscriminatory terms; however, the Bank may choose to apply more flexible underwriting standards in connection with its programs under this Consent Order. The Bank's underwriting standards applied to residents of majority-Black and Hispanic census tracts must be no less favorable than the standards applied in majority-white census tracts.

H. Community Development Partnership Program

28. The Bank will partner with one or more community-based or governmental organizations that provide the residents of majority-Black and Hispanic census tracts in the Houston assessment area with services related to credit, financial education, homeownership, and foreclosure prevention. The Bank will develop these partnerships in a manner consistent with achieving the goals of the Consent Order. Through these partnerships, the Bank must spend a minimum of \$750,000 over the term of the Consent Order on services to residents of majority-Black and Hispanic census tracts in the Houston assessment area that increase access to residential mortgage credit.

29. Within 180 days of the Effective Date, the Bank will submit a proposal to the United States describing how it will implement the requirements of Paragraph 28. The proposal will include an explanation of its proposed partner(s). The proposal should also describe, to the extent available, the Bank's plans to

implement the partnership(s). The proposal will be subject to the approval of the United States.

30. The Bank will evaluate the partnership(s) outlined in Paragraph 28 annually, including by considering the Community Credit Needs Assessment, in order to identify any needed changes to the program or better assist residents of majority-Black and Hispanic census tracts in the Houston assessment area in obtaining credit. The Bank will present a summary of its evaluation and any proposed changes to the United States as part of its annual reporting requirement under Paragraph 43. Any proposed changes will be subject to approval by the United States.

I. Advertising, Community Outreach, Consumer Financial Education, and Credit Repair Initiatives

31. The Bank will spend at least \$125,000 per year on advertising, outreach, consumer financial education, and credit repair counseling as described in this Section.

32. Within 90 days of the Effective Date, the Bank will submit an Advertising, Outreach, and Education Plan (“Outreach Plan”) to the United States detailing how it will spend these funds. The Outreach Plan will include an explanation of why the Bank selected certain strategies. The Outreach Plan is subject to the approval of the United States. If the United States objects to any portion of the Outreach Plan, the Bank will make revisions and resubmit its

proposal within 14 days of receiving the United States' objections. The Bank will begin implementation of its Outreach Plan within 14 days of receiving approval from the United States.

33. The Bank will evaluate the strategies outlined in its Outreach Plan annually, including by considering the Community Credit Needs Assessment, in order to identify any changes necessary to better assist residents of majority-Black and Hispanic census tracts in the Houston assessment area in obtaining credit. The Bank will present a summary of its evaluation and any proposed changes to the United States as part of its annual reporting requirement under Paragraph 43. Any proposed changes will be subject to approval by the United States.

i. Advertising

34. The Bank will endeavor to effectively advertise all of its residential loan products and the loan subsidy fund outlined in Section G to residents of majority-Black and Hispanic census tracts in the Houston assessment area, and will target advertising to generate mortgage loan applications from qualified applicants in these census tracts. The Bank's advertising may include print media, radio, Internet advertising, television, direct mail, and any other appropriate medium approved by the United States in writing. These advertisements must include similar information to other advertisements by the Bank. The Bank must advertise to majority-Black and Hispanic census tracts in its Houston assessment area to the

same extent, and by the same means, that it advertises to majority-white census tracts in its Houston assessment area.

35. The Bank will create point-of-distribution materials, such as posters and brochures, targeted toward majority-Black and Hispanic census tracts to advertise products and services. The Bank will place or display these promotional materials in its branch offices. Any promotional materials relevant to the seminars described below in Paragraph 40 will be translated into Spanish.

36. All of the Bank's print advertising and promotional materials referencing residential mortgage loans will contain an equal housing opportunity logo, slogan, or statement. All radio or television advertisements will include an audible statement that the Bank is an "Equal Opportunity Lender" or "Equal Housing Lender."

ii. Outreach

37. The Bank will provide two outreach programs per year for real estate brokers and agents, developers, and public or private entities engaged in residential real estate-related business in majority-Black and Hispanic census tracts to inform them of its products and services and to develop business relationships. These programs will be offered at a location reasonably convenient to the business operations of the attendees.

38. The Bank may underwrite or sponsor non-profit events in support of the majority-Black and Hispanic census tracts in the Houston assessment area that are related to building relationships within those areas and designed to generate applications for home mortgages.

iii. Financial Education and Credit Repair

39. The Bank will develop a consumer education program designed to provide information, training, and counseling services to individuals in majority-Black and Hispanic census tracts in the Houston assessment area about consumer finance and credit repair.

40. The Bank will provide a minimum of four seminars per year targeted toward residents in majority-Black and Hispanic census tracts in the Houston assessment area and held at a location convenient to those residents. At least one seminar per year will be conducted in Spanish and will contain similar information to the Bank's other seminars. These seminars will cover credit counseling, financial literacy, and other related education to help identify and develop qualified loan applicants.

III. Evaluating and Monitoring Compliance

41. The Bank will retain its records related to its obligations under this Consent Order. The United States has the right to review and copy these records.

42. Every year, within 30 days of its submission of data to the Federal Financial Institutions Examination Council (“FFIEC”) in accordance with the Home Mortgage Disclosure Act of 1975, [12 U.S.C. §§ 2801-2811](#), the Bank will provide this data to the United States in the same format, including the record layout.

43. Beginning 12 months after the Effective Date, the Bank will submit annual reports to the United States on its progress in complying with the terms of the Consent Order and associated plans and programs. The final report will be delivered to the United States at least 60 days prior to the expiration of the Consent Order. The reports will provide a complete account of the Bank’s actions to comply with the Consent Order, the Bank’s assessment of the extent to which each obligation was met, an explanation of why the Bank fell short of meeting its goals for any particular component, and recommendations for additional actions to achieve the goals set forth in the Consent Order and associated plans and programs. The Bank will attach to its reports copies of training materials and advertising and marketing materials distributed under this Consent Order. The Bank’s Board of Directors and Chairman and CEO will review and approve the reports. If the United States raises any objections to a report, the parties will have 14 days to confer and resolve their differences. The parties may mutually agree to additional time to confer, if necessary.

44. All materials required by this Consent Order will be sent to the United States by email to the Department of Justice attorney(s) assigned to this matter, and by commercial overnight delivery service addressed as follows:

Chief, Housing and Civil Enforcement Section
Civil Rights Division, U.S. Department of Justice
150 M Street NE, 8th Floor
Washington, D.C. 20002
Attn: DJ# 175-19-395

IV. Administration

45. The requirements of this Consent Order will remain in effect for five years, except as provided in Paragraph 46.

46. If, within five years of the Effective Date, the Bank has not invested all money in the loan subsidy fund described in Section G, the Consent Order will remain in full effect until three months after the Bank has invested all the money in the loan subsidy fund and has submitted a final report to the United States that demonstrates the fulfillment of this obligation.

47. Any time limits for performance may be extended by mutual written agreement of the parties. Other modifications may be made only upon approval of the Court. If there are changes in material factual circumstances, the parties will work cooperatively to discuss and attempt to agree to proposed modifications to the Consent Order.

48. If disputes arise about the interpretation of, or compliance with, the Consent Order, the parties will endeavor in good faith to resolve any dispute before bringing it to the Court for resolution. If the United States believes that the Bank has violated any provision of this Consent Order, it will provide the Bank with written notice and 30 days to resolve the alleged violation before presenting the matter to the Court. If the Bank violates any provision of the Consent Order or fails to perform an act required by the Consent Order, the United States may move the Court to impose any remedy authorized by law or equity, including attorneys' fees and costs.

49. Nothing in the Consent Order excuses the Bank's compliance with any currently or subsequently effective provision of law or order of a regulator.


50. If the Bank seeks to transfer or assign all or part of its operations to a successor or assign that intends to carry on the same or similar business, the Bank will obtain the written agreement of the successor or assign to obligations under the Consent Order as a condition of sale, merger, or other transfer.

51. The parties agree that litigation is not reasonably foreseeable. If any party implemented a litigation hold to preserve information, the party is no longer required to maintain it.

52. The parties to this Consent Order will bear their own costs and attorneys' fees.

53. The Court will retain jurisdiction over this civil action to enforce the terms of this Consent Order.

SO ORDERED, this 31st day of August, 2021.

A handwritten signature in blue ink, appearing to read "J. P. Boulee". The signature is written in a cursive style with a horizontal line extending to the right.

HONORABLE J. P. BOULEE
UNITED STATES DISTRICT JUDGE

The undersigned hereby apply for and consent to the entry of this Consent Order:

For the United States of America:

MERRICK B. GARLAND
Attorney General

KURT R. ERSKINE
Acting United States Attorney
Northern District of Georgia

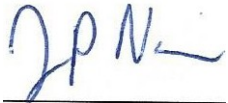
KRISTEN CLARKE
Assistant Attorney General
Civil Rights Division

SAMEENA SHINA MAJEED
Chief

/s/ Y. Soo Jo
Y. SOO JO
Assistant United States Attorney
United States Attorney's Office
Northern District of Georgia
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/s/ Marta Campos
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For Cadence Bank, N.A.:



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SUBSIDIARIES OF THE REGISTRANT

<u>Name</u>	<u>Jurisdiction of Incorporation/ Organization</u>	<u>Holder of Outstanding Stock</u>
Cadence Holdings, Inc.	Mississippi	Cadence Bank
Cadence Community Capital, LLC	Mississippi	Cadence Bank
Cadence Investor, LLC	Mississippi	Cadence Bank
BXS Insurance, Inc.	Mississippi	Cadence Bank
Linscomb & Williams, Inc.	Texas	Cadence Bank
Cadence Investment Services, Inc.	Alabama	Cadence Bank
Altera Payroll and Insurance, Inc.	Delaware	Cadence Bank

**CADENCE BANK
CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James D. Rollins III, certify that:

1. I have reviewed this annual report on Form 10-K of Cadence Bank;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2022

/s/ James D. Rollins III

James D. Rollins III
Chief Executive Officer

**CADENCE BANK
CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Valerie C. Toalson, certify that:

1. I have reviewed this annual report on Form 10-K of Cadence Bank;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2022

/s/ Valerie C. Toalson

Valerie C. Toalson
Senior Executive Vice President and
Chief Financial Officer

**CADENCE BANK
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of Cadence Bank (the “Company”), for the year ended December 31, 2021, as filed with the Federal Deposit Insurance Corporation on the date hereof (the “Report”), I, James D. Rollins III, Chief Executive Officer of the Company, certify in my capacity as an executive officer of the Company, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 25, 2022

/s/ James D. Rollins III

James D. Rollins III

Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Federal Deposit Insurance Corporation or its staff upon request.

**CADENCE BANK
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of Cadence Bank (the “Company”), for the year ended December 31, 2021, as filed with the Federal Deposit Insurance Corporation on the date hereof (the “Report”), I, Valerie C. Toalson, Chief Financial Officer of the Company, certify in my capacity as an executive officer of the Company, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 25, 2022

/s/ Valerie C. Toalson

Valerie C. Toalson
Senior Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Federal Deposit Insurance Corporation or its staff upon request.