UNITED STATES
FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

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:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, $2.50 par value per share	CADE	New York Stock Exchange
5.50% Series A Non-Cumulative Perpetual Preferred Stock, par value $0.01 per share	CADE Pr A	New York Stock Exchange

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 ☒ 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 ☒

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

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

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

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

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

Indicate by check mark whether the registrant 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 ☒ No ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the registrant’s common stock held by non-affiliates of the registrant on June 30, 2022 was approximately $4.2 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, 2022.

As of February 24, 2023, the registrant had outstanding 182,462,377 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 2023 Annual Meeting of Shareholders, scheduled to be held April 26, 2023, 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, 2022

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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 remaining 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 our subordinated notes; 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, 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; the risks of changes in interest rates and their effects on the level and composition of deposits, loan demand, loan repayment velocity, 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; 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; significant turbulence or a disruption in the capital or financial markets; the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage and wealth management businesses; 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; 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, 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; increased competition in the financial services industry, particularly from regional and national institutions, as well as from fintech companies, 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 remaining adverse effects of the 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 (including the impacts related to or resulting from Russia's military action in Ukraine, including the imposition of additional sanctions and export controls, as well as the broader impacts to financial markets and the global macroeconomic and geopolitical environments); 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.

Risks specifically related to the Legacy Cadence Merger include, but are not limited to: the possibility that the anticipated benefits of the merger will not be realized when expected or at all, including as a result of the impact of, or problems arising from, the integration of the two companies, or as a result of the strength of the economy and competitive factors in the areas where the combined company does business; the possibility that the parties may be unable to achieve expected synergies and operating efficiencies within the expected timeframes, or at all, and to successfully integrate legacy Cadence's operations and those of the Company or because such integration may be more difficult, time consuming, or costly than expected, including as a result of unexpected factors or events; the risk that revenues following the Legacy Cadence merger may be lower than expected; and the risk of potential adverse reactions or changes to business or employee relationships, including those resulting from the completion of the Legacy Cadence Merger. There are also risks of adverse outcomes for any legal proceedings that may be instituted against the Company or legacy Cadence in respect of the Legacy Cadence Merger; the risk that any announcements relating to the Cadence Merger could have adverse effects on the market price of the capital stock of the combined company; and risks arising from the dilution caused by the Company's issuance of additional shares of its capital stock in connection with the Legacy Cadence Merger and other factors as detailed from time to time in the Company's press and news releases, periodic and current reports, and other filings the Company files with the FDIC.

The Company also faces risks from: possible adverse rulings, judgments, settlements or other outcomes of pending, ongoing and future litigation, as well as governmental, administrative and investigatory matters; the impairment of the company's goodwill or other intangible assets; losses of key employees and personnel; the diversion of management's attention from ongoing business operations and opportunities; and the combined company's success in executing its business plans and strategies, and managing the risks involved in all of the foregoing.

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 dual headquarters in Tupelo, Mississippi and 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, 2022, the Company had total assets of $48.7 billion; total loans, net of unearned income, of $30.3 billion; total deposits of $39.0 billion; and shareholders' equity of $4.3 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. At December 31, 2022, we have $4.1 billion of outstanding SNC, representing 13.5% 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. At December 31, 2022, our total deposits were $39.0 billion and were comprised of 32.7% noninterest-bearing deposits and 67.3% 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 SERVICES

Cadence Insurance, Inc., the Company's insurance service brokerage and payroll services subsidiary, serves as an agent in the sale of commercial and personal lines of insurance with a full line of property, casualty, life, health and employee benefits products and risk management services and operates offices across the Gulf- and Mid-South regions. Our business model centers on developing a customized experience with a strategy centered on our clients' goals related to risk management, human capital, and/or their insurance program. Operating globally as a member of the Worldwide Broker Network, our team consists of nearly 800 insurance and risk management specialists.

Through Linscomb & Williams Inc., a subsidiary of Cadence Bank, and Cadence Trust, a division of the Bank, 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 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.

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 contractual 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, unemployment rate, interest rates, 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.

During 2022, the impact of inflation, rising interest rates, and the remaining effects of the economic disruption from COVID-19 resulted in additional concern that similar economic conditions may continue into 2023 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 3.80% and 6.82% through the fourth quarter of 2024. The Company considers several forecasts from external sources with management weighting the forecast more to the downside forecast scenario in the fourth quarter of 2022 than in the first half of 2022. 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 ACL, and it 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, which is reviewed 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 it 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 "MDBCF"). 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 MDBCF 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 CFPB 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, including the Company.

The CFPB regulates the origination of mortgages, mortgage disclosures, mortgage servicing, foreclosures, and overdrafts, as well as many other consumer issues. The CFPB has authority to enforce a prohibition of unfair, deceptive, or abusive practices in connection with the offering of consumer financial products. 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 rules impact the operations and financial condition of the Company, such rules may have a material impact on the Company'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 MDBCF 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.

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: common equity Tier 1 (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.

For more information, see the "Regulatory Capital" section of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K.

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 2022, 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 $192.3 million in brokered deposits at December 31, 2022.

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.

On October 18, 2022, the FDIC adopted a final rule, applicable to all insured depository institutions, to increase initial base deposit insurance assessment rate schedules uniformly by two basis points. The final rule is effective for the first quarter of 2023. The increase in the assessment rate schedules in intended to increase the likelihood that the reserve ratio of the DIF reaches the statutory minimum if 1.35% by the statutory deadline of September 30, 2028. The new assessment rate schedules will remain in effect unless and until the reserve ratio meets or exceeds 2% in order to support growth in the DIF in progressing toward the FDIC's long-term goal of a 2% Designated Reserve Ratio. Progressively lower assessment rate schedules will take effect when the reserve ratio reaches 2%, and again when it reaches 2.5%.

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. Both BancorpSouth Bank (FDIC) and Legacy Cadence (OCC) received "Satisfactory" ratings at their respective most recent CRA exams. Cadence Bank has not yet been rated by the FDIC.

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. On May 5, 2022, the OCC, FRB, and FDIC issued a notice of proposed rulemaking to provide for a coordinated approach to modernize their respective CRA regulations, such that all banks will be subject to the same set of CRA rules. No final rule has been issued, but the rulemaking may affect the Company's CRA compliance obligations in the future. The Company monitors developments with respect to any CRA rulemaking and assesses 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. As of December 31, 2022, no such regulations have been proposed. The Company continues to monitor developments related to the enacted and proposed rulemaking.

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.

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 to the requirements of this guidance.

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."

A notification incident includes, among other things, a computer-security incident that materially disrupts or degrades, or is reasonable likely to materially disrupt or degrade, a banking organization's operations or activities or its ability to deliver products or services to a material portion of its customer base. The final rule also requires a bank service provider to notify a banking organization of certain material disruptions in services provided to the banking organization.

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 Service Members 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 risk-based 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 risk-based 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. At December 31, 2022, 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.

On October 26, 2022, the SEC adopted rules to require securities exchanges to adopt listing standards that require issuers to develop and implement a policy providing for the recovery of erroneously awarded incentive-based compensation received by current or former executive officers. The final rules require a listed issuer to file the policy as an exhibit to its annual report and to include disclosures related to its recovery policy and recovery analysis where a recovery is triggered. The final rules will become effective 60 days following publication of the adopting release in the Federal Register. Exchanges will be required to file proposed listing standards no later than 90 days following publication of the release in the Federal Register, and the listing standards must be effective no later than one year following such publication. Issuers subject to such listing standards will be required to adopt a recovery policy no later than 60 days following the date on which the applicable listing standards become effective.

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.

LIBOR

On March 15, 2022, Congress enacted the Adjustable Interest Rate (LIBOR) Act (the “LIBOR Act”) to address references to LIBOR in contracts that (i) are governed by U.S. law; (ii) will not mature before June 30, 2023; and (iii) lack fallback provisions providing for a clearly defined and practicable replacement for LIBOR. On December 16, 2022, the FRB adopted a final rule to implement the LIBOR Act by identifying benchmark rates based on SOFR (Secured Overnight Financing Rate) that will replace LIBOR in certain financial contracts after June 30, 2023. The final rule identifies replacement benchmark rates based on SOFR to replace overnight, one-month, three-month, six-month, and 12-month LIBOR in contracts subject to the LIBOR Act.

EFFECT OF GOVERNMENTAL POLICIES

The Company is affected by the policies of regulatory authorities, including the Federal Reserve, the FDIC, and the MDBCF. 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.

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 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

As of December 31, 2023, our full-time equivalent employees numbered 6,572. 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:

- Strategic Purpose & Partnerships
- Impediments to Inclusion and Culture Competence

- Unconscious 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

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
150 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 23 following this Summary.

RISKS RELATED TO OUR BUSINESS

Market Risk

- Current uncertain economic conditions pose challenges, and could adversely affect our business, financial condition and results of operations;
- Changes in interest rates could have an adverse impact on our results of operations and financial condition;
- Inflationary pressures and rising prices may affect 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.

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 (SNCs), 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. 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.

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;
- An increased level of 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, fintech companies, other financial services companies and nonbank financial institutions, and consumers may decide not to use banks to complete their financial transactions;
- 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;
- 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; and
- We may be adversely affected by the soundness of other financial institutions.

Public Health and Impact of COVID-19

- The ongoing COVID-19 pandemic and resulting adverse economic conditions have adversely impacted, and could continue to adversely impact, our business 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;
- 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 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;
- 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; and
- 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.

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 and Preferred 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 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; and
- Shares of our common stock and preferred stock are not deposits insured by the FDIC and are subject to risk of loss and uncertain return on 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;
- 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 and environmental, social, and governance (ESG) risk may impact our results;
- Our framework for managing risks may not be effective in mitigating risk and any resulting loss; and
- Certain weather conditions have the potential to disrupt our business and adversely impact the operations and creditworthiness of our clients.

RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including, but not limited, to the material risks described below. 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

Market Risk

Current uncertain economic conditions pose challenges, and could adversely affect our business, financial condition and results of operations.

We are operating in an uncertain economic environment. The pandemic caused a global economic slowdown, and while we have seen economic recovery, continuing supply chain issues, labor shortages and inflation risk are affecting the continued recovery. Continued economic uncertainty and a recessionary or stagnant economy could result in financial stress on our borrowers, which could adversely affect our business, financial condition and results of operations. We decreased the expense for credit losses for 2022 from the amounts recorded in fiscal year 2021 and 2020 as the economy began to recover, however, deteriorating conditions in the regional economies we serve, or in certain sectors of those economies, could drive losses beyond that which is provided for in our allowance for credit losses. We could also face the following risks in connection with the following events:

- market developments and economic stagnation or slowdown may affect consumer confidence levels and may cause adverse changes in payment patterns, resulting in increased delinquencies and default rates on loans and other credit facilities;
- the processes we use to estimate the allowance for credit losses and other reserves may prove to be unreliable. Such estimates rely upon complex modeling inputs and judgments, including forecasts of economic conditions, which may be rendered inaccurate and/or no longer subject to accurate forecasting;
- our ability to assess the creditworthiness of our borrowers may be impaired if the models and approaches we use to select, manage, and underwrite loans become less predictive of future charge-offs;
- regulatory scrutiny of the industry could increase, leading to increased regulation of the industry that could lead to a higher cost of compliance, limit our ability to pursue business opportunities and increase our exposure to litigation or fines;

- ineffective monetary policy or other market conditions could cause rapid changes in interest rates and asset values that would have a materially adverse impact on our profitability and overall financial condition;
- further erosion in the fiscal condition of the U.S. Treasury could lead to new taxes that would limit our ability to pursue growth and return profits to shareholders; and
- The U.S. government's decisions regarding its debt ceiling and the possibility that the U.S. could default on its debt obligations may cause further interest rate increases, disrupt access to capital markets and deepen recessionary conditions.

If these conditions or similar ones continue to exist or worsen, we could experience continuing or increased adverse effects on our financial condition.

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

Significant increases in market interest rates on loans, or the perception that an increase may occur, could adversely affect both our ability to originate new loans and our ability to grow. Beginning early in 2022, in response to growing signs of inflation, the Federal Reserve increased interest rates rapidly, which are expected to continue in 2023. Further, the Federal Reserve has increased the benchmark rapidly and has announced an intention to take further actions to mitigate inflationary pressures. Rapid changes in interest rates make it difficult for us to balance our loan and deposit portfolios, which may adversely affect our results of operations by, for example, reducing asset yields or spreads, creating operating and system issues, or having other adverse impacts on our business. Conversely, decreases in interest rates could result in an acceleration of loan prepayments. The increased market interest rates could also adversely affect the ability of our floating-rate borrowers to meet their higher payment obligations. If this occurred, it could cause an increase in nonperforming assets and charge offs, which could adversely affect our business.

Further, 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.

Accordingly, fluctuations in interest rates could adversely affect our interest rate spread, and, in turn, our profitability. Although it is expected that the Federal Reserve will continue to increase the target federal funds rate in 2023 to combat recent inflationary trends, if interest rates do not rise, or if the Federal Reserve were to lower the target federal funds rate to below 0%, these low rates could continue to constrain our interest rate spread and may adversely affect our business forecasts. On the other hand, increases in interest rates, to combat inflation or otherwise, may result in a change in the mix of noninterest and interest bearing accounts. All else being equal, if the interest rates on the Company's interest bearing liabilities increase at a faster pace than the interest rates on our interest-earning assets, the result would be a reduction in net interest income and with it, a reduction in net earnings. Moreover, 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.

Inflationary pressures and rising prices may affect our results of operations and financial condition.

Inflation has continued rising in 2022 at levels not seen for over 40 years. Inflationary pressures are likely to continue into 2023. Inflation could lead to increased costs to our customers, making it more difficult for them to repay their loans or other obligations increasing our credit risk. Sustained higher interest rates by the Federal Reserve may be needed to tame persistent inflationary price pressures, which could push down asset prices and weaken economic activity. A deterioration in economic conditions in the United States and our markets could result in an increase in loan delinquencies and non-performing assets, decreases in loan collateral values and a decrease in demand for our products and services, all of which, in turn, would adversely affect our business, financial condition and results of operations.

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."

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 as some of these risks are outside of our control. 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.

Due to the declining economic conditions, our customers may not be able to repay their loans according to the original terms, and the collateral securing the payment of those loans may be insufficient to pay any remaining loan balance. While we maintain our ACL to provide for loan defaults and non-performance, losses may exceed the value of the collateral securing the loans and the allowance may not fully cover any excess loss.

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, 2022, our real estate construction, acquisition and development loans represented 11.7% 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.

At December 31, 2022, 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. Future declines in the real estate values in our markets could significantly impair the value of the particular collateral securing our loans and our ability to sell the collateral upon foreclosure for an amount necessary to satisfy the borrower's obligations to us. This could require increasing our allowance for loan losses to address the decrease in the value of the real estate securing our loans, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects. 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. At December 31, 2022, 6.5% of our total loans outstanding were to companies operating in the hospitality 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 war and 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.

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, however, energy prices have risen significantly during 2022 contributing to the overall inflation rate 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), 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, 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. At December 31, 2022, approximately 13.5% of our total loans, consisted of SNC. For the vast majority of SNC, 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, 2022 and 2021, our nonperforming assets to total assets were 0.24% and 0.39%, respectively. Total criticized loans at December 31, 2022 and 2021, were $622.8 million and $675.7 million, respectively (see "Asset Quality" section in Part II, Item 7, Management's Discussion and Analysis). 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.

At December 31, 2022, the fair value of our available for sale securities portfolio was approximately $11.9 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.

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, which may be exacerbated in an inflationary, recessionary, or elevated rate environment. 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 primary 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 (particularly in an elevated rate environment) 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. At December 31, 2022, we had $11.2 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.

At December 31, 2022, the Company had $462.6 million of subordinated and long-term debt outstanding. Total interest expense on this debt was $19.3 million on a pre-tax basis for 2022. An increase in interest rates will increase our interest expense on any new debt we issue. 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 portion of our residential mortgage loans. 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, fintech, other financial services companies and nonbank financial institutions, and consumers may decide not to use banks to complete their financial transactions, which could adversely affect our net income.

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, including fintech companies, 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.

Further, 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 bank 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 deposits, 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.. Regardless, the federal banking agencies also issued guidance on November 30, 2020, encouraging banks to (i) stop using LIBOR in new financial contracts no later than December 31, 2021; and (ii) either use a rate other than LIBOR or include clear language defining the alternative rate that will be applicable after LIBOR’s discontinuation.

To address the problem created by legacy financial contracts that incorporate LIBOR as their reference interest rate, but extend beyond the date after which LIBOR will be published, on March 15, 2022, Congress enacted the Adjustable Interest Rate (LIBOR) Act (the “LIBOR Act”). On December 16, 2022, the Federal Reserve adopted a final rule implementing the LIBOR Act by adopting benchmark rates based on the Secured Overnight Financing Rate (“SOFR”) that will replace LIBOR in certain financial contracts after June 30, 2023. Even with provisions allowing for designation of alternative benchmarks or “fallback” provisions, the discontinuance of LIBOR could result in customer uncertainty and disputes arising as a consequence of the transition from LIBOR. All of this could result in damage to our reputation, loss of customers and additional costs to us, all of which could be material.

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.

At December 31, 2022, the Company has identified approximately $3.5 billion in loans for which the repricing index is tied to LIBOR.

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 and our geographic footprint. 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 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.

Public Health and Impact of COVID-19

The ongoing COVID-19 pandemic and resulting adverse economic conditions have adversely impacted, and could continue to adversely impact, our business and results.

Our business is dependent on the willingness and ability of our customers to conduct banking and other financial transactions. The ongoing COVID-19 global and national health emergency caused significant disruption in the United States and international economies and financial markets and continues to cause illness, quarantines, reduced attendance at events and reduced travel, reduced commercial and financial activity, and overall economic and financial market instability.

While the level of disruption caused by, and the economic impact of, COVID-19 has lessened in 2022, there is no assurance that the pandemic will not worsen again, including as a result of the emergence of new strains of the virus. Any worsening of the pandemic and its effects on the economy could further impact our business, our provision and allowance for credit losses, and the value of certain assets that we carry on our balance sheet such as goodwill. Our customers, business partners, and third-party providers, including those who perform critical services for our business, may also be adversely affected.

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 20 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, with a phasing in of the output floor to January 1, 2027.

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.

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

The FDIC, the MDBCF 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(g) of the Agreement and Plan of Merger with Legacy Cadence, dated April 12, 2021, 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.

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.

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, the Federal Reserve implemented a series of accommodative domestic monetary initiatives. Several of these have emphasized so-called quantitative easing strategies and decreases to the Federal funds target rate. The Federal Reserve reduced rates five times during 2019 through 2021. However, in response to the significant increase in the domestic inflation rate in the U.S, the Federal Reserve increased the federal funds target rate seven times in 2022 for a total increase of 4.25%, and indicated additional increases would be forthcoming in 2023. Also during 2022, the Federal Reserve has implemented quantitative tightening. 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. Changes in monetary policy, including changes in interest rates, could influence (i) the amount of interest we receive on loans and securities, (ii) the amount of interest we pay on deposits and borrowings, (iii) our ability to originate loans and obtain deposits, (iv) the fair value of our assets and liabilities, and (v) the reinvestment risk associated with changes in the duration of our mortgage-backed securities portfolio.

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. The global credit and financial markets have from time to time experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, high rates of inflation, and uncertainty about economic stability. As a result, 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 financial markets and the global economy may also be adversely affected by the current or anticipated impact of military conflict, including the current conflict between Russia and Ukraine, which is increasing volatility in commodity and energy prices, creating supply chain issues and causing instability in financial markets. Sanctions imposed by the United States and other countries in response to such conflict could further adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others could exacerbate market and economic instability.

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 and Preferred 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.

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, as well as our classified or "staggered" board of directors, change-in-control agreements with members of management and supermajority voting requirements, 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 and uncertain return on investment.

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 all of your 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. 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 and ESG risk may impact our results.

Our ability to originate and maintain deposit 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 business faces increasing public, investor, activist, legislative and regulatory scrutiny related to ESG and “anti-ESG” developments. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as DEI, environmental stewardship, human capital management, support for our local communities, corporate governance and transparency, or fail to consider ESG factors in our business operations. Additionally, investors and shareholder advocates are placing ever increasing emphasis on how corporations address ESG issues in their business strategy when making investment decisions and when developing their investment theses and proxy recommendations. We may incur meaningful costs with respect to our ESG efforts and if such efforts are negatively perceived, our reputation and stock price may suffer.

In response to ESG developments, there are increasing instances of “anti-ESG” legislation, regulation, and litigation that could have unintended impacts on ordinary banking operations and increase litigation risk related to actions we choose to take. If legislatures in the states in which we operate adopt legislation intended to protect certain industries by limiting or prohibiting consideration of business and industry factors in lending activities, certain portions of our lending operations may be impacted.

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.

Certain weather conditions have the potential to disrupt our business and adversely impact the operations and creditworthiness of our clients.

We have operations in Alabama, Arkansas, Florida, Georgia, Illinois, Louisiana, Mississippi, Missouri, Tennessee and Texas, which include areas susceptible to hurricanes, tornados and 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

At December 31, 2022, 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 98% of the space, with the remainder leased to various unaffiliated tenants. The Company also owns an additional 318 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, 120 branch-banking, mortgage banking, insurance and operational facilities that are occupied under leases with unexpired terms ranging from one to twenty-eight years. Of the owned and leased properties described above, 407 properties are used by the Community and Corporate Banking segments, 115 are used by the Mortgage segment, 30 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 23 - Commitments and Contingent Liabilities - Litigation” in the notes to the consolidated financial statements included in Part II., Item 8. “Financial Statements” of this Report.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

PART II—FINANCIAL INFORMATION

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 23, 2023, there were 6,424 shareholders of record of the Company's common stock.

DIVIDENDS

The Company declared cash dividends each quarter in an aggregate annual amount of $0.880 and $0.780 per share of common stock during 2022 and 2021, 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 MDBCF 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, 2022 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 31, 2022	840	$ 27.35	—	3,928,475
November 30, 2022	151	27.58	—	3,928,475
December 31, 2022	2,347	27.64	—	3,928,475
Total	3,338			

(1) This column included 840 shares redeemed in October 2022, 151 shares redeemed in November 2022, and 2,347 shares redeemed in December 2022 from employees for tax withholding purposes for stock compensation and no shares were repurchased under the stock repurchase program in the fourth quarter of 2022.

(2) On December 8, 2021, the Company announced a share repurchase program whereby the Company could 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. Repurchased shares are held as authorized but unissued shares. These authorized but unissued shares are 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. At December 31, 2022, the Company had repurchased 6,071,525 shares under this repurchase program.

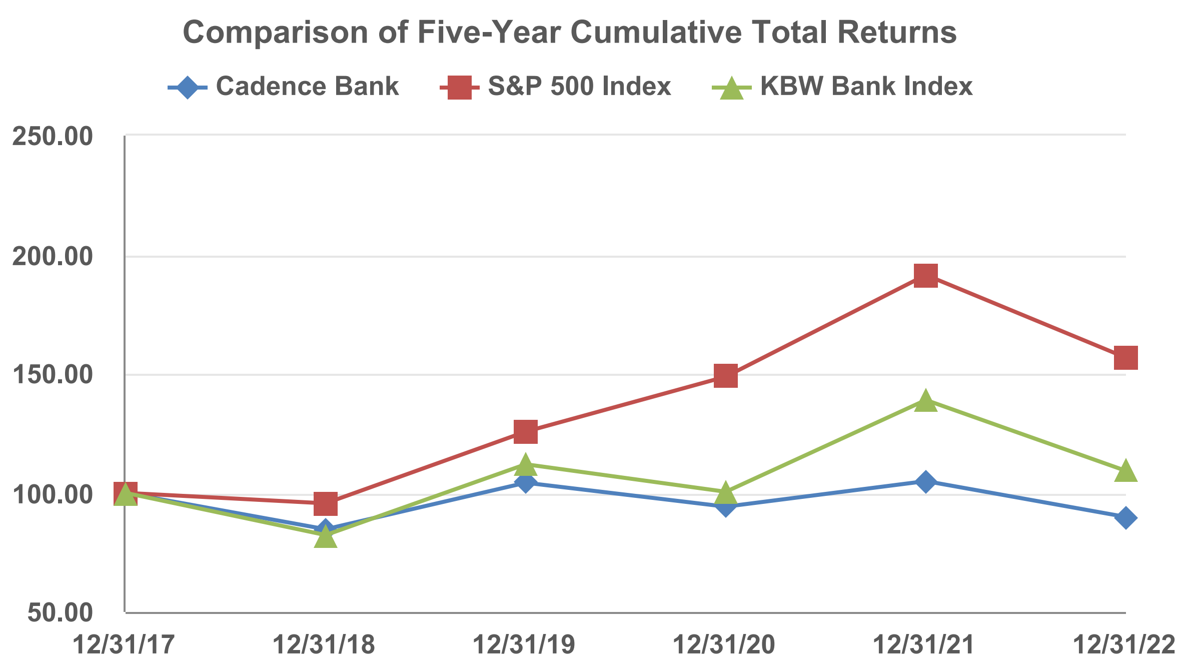
(3) On December 14, 2022, the Company announced a new share repurchase program whereby the Company may acquire up to an aggregate of 10,000,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period between January 3, 2023 through December 29, 2023. 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.

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, 2017 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.



	Period Ending					
Index	***12/31/17***	***12/31/18***	***12/31/19***	***12/31/20***	***12/31/21***	***12/31/22***
Cadence Bank	*100.00*	*84.74*	*104.26*	*94.22*	*104.94*	*89.89*
S&P 500 Index	*100.00*	*95.61*	*125.70*	*148.81*	*191.48*	*156.77*
KBW Bank Index	*100.00*	*82.29*	*112.01*	*100.47*	*138.99*	*109.25*

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 $48.7 billion in assets at December 31, 2022. 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 subsidiaries provide commercial banking, leasing, mortgage origination and servicing, insurance, brokerage, trust, investment advisory 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, headquartered in Houston, Texas, the bank holding company for Cadence Bank, N.A. (collectively "Legacy Cadence"). 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 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, 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 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 it serves. Management believes 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 corporate and community 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 values 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 common shareholders' equity," "tangible common shareholders' equity (excluding AOCI)," "tangible assets," "tangible assets (excluding AOCI)," "tangible shareholders' equity to tangible assets," "tangible common shareholders' equity to tangible assets," "tangible common shareholders' equity to tangible assets (excluding AOCI)," "tangible book value per common share," and "tangible book value per common share (excluding AOCI)" 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 is defined by the Company as total shareholders' equity less preferred stock, goodwill, and other identifiable intangible assets.
- Tangible common shareholders' equity (excluding AOCI) is defined by the Company as total shareholders' equity less preferred stock, goodwill, other identifiable intangible assets, and accumulated other comprehensive income (loss).
- Tangible assets are defined by the Company as total assets less goodwill and identifiable intangible assets.
- Tangible assets (excluding AOCI) are defined by the Company as total assets less goodwill, identifiable intangible assets, and accumulated other comprehensive income (loss).
- Tangible book value per common share is defined by the Company as tangible common shareholders' equity divided by total shares of common stock outstanding.
- Tangible book value per common share (excluding AOCI) is defined by the Company as tangible common shareholders' equity less accumulated other comprehensive income (loss) divided by total shares of common stock outstanding.

Management believes the ratios of tangible common shareholders' equity to tangible assets and tangible common shareholders' equity to tangible assets (excluding AOCI) to be important to investors who are interested in evaluating the adequacy of the Company's capital levels. Management also believes that tangible book value per share and tangible book value per common share (excluding AOCI) are 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 these Non-GAAP financial measures as presented above to U.S. GAAP financial measures as reflected in the Company's consolidated financial statements for the periods indicated:

TABLE 1—NON-GAAP FINANCIAL MEASURES

	Year Ended December 31,		
(Dollars in thousands)	2022	2021	2020
Total tangible assets, excluding AOCI			
Total assets	$ 48,653,414	$ 47,669,751	$ 24,081,194
Less: Goodwill	1,458,795	1,407,948	851,612
Other identifiable intangible assets	132,764	198,271	55,899
Total tangible assets	$ 47,061,855	$ 46,063,532	$ 23,173,683
Less: Accumulated other comprehensive (loss) income	(1,222,538)	(139,369)	11,923
Total tangible assets, excluding AOCI	$ 48,284,393	$ 46,202,901	$ 23,161,760
Total tangible common shareholders' equity, excluding AOCI			
Total shareholders' equity	$ 4,311,374	$ 5,247,987	$ 2,822,477
Less: Goodwill	1,458,795	1,407,948	851,612
Other identifiable intangible assets	132,764	198,271	55,899
Total tangible shareholders' equity	$ 2,719,815	$ 3,641,768	$ 1,914,966
Less: Preferred stock	166,993	166,993	166,993
Total tangible common shareholders' equity	$ 2,552,822	$ 3,474,775	$ 1,747,973
Less: Accumulated other comprehensive (loss) income	(1,222,538)	(139,369)	11,923
Total tangible common shareholders' equity, excluding AOCI	$ 3,775,360	$ 3,614,144	$ 1,736,050
Total common shares outstanding	182,437,265	188,337,658	102,561,480
Tangible shareholders' equity to tangible assets	5.78 %	7.91 %	8.26 %
Tangible common shareholders' equity to tangible assets	5.42	7.54	7.54
Tangible common shareholders' equity to tangible assets, excluding AOCI	7.82 %	7.82 %	7.50 %
Tangible common book value per share	$ 13.99	$ 18.45	$ 17.04
Tangible book value per common share, excluding AOCI	$ 20.69	$ 19.19	$ 16.93

FINANCIAL HIGHLIGHTS

The following table presents financial highlights for the periods indicated:

TABLE 2—FINANCIAL HIGHLIGHTS

	As of and For the Year Ended December 31,		
(Dollars in thousands, except per share amounts)	2022	2021	2020
Common share data:			
Basic earnings per share	$ 2.47	$ 1.54	$ 2.12
Diluted earnings per share	2.46	1.54	2.12
Cash dividends per share	0.88	0.78	0.745
Book value per share	22.72	26.98	25.89
Tangible common book value per share (1)	13.99	18.45	17.04
Dividend payout ratio	35.77 %	50.65 %	35.12 %
Financial Ratios:			
Return on average assets	0.97 %	0.65 %	1.00 %
Return on average shareholders' equity	10.13	5.85	8.37
Return on average common shareholders' equity	10.30	5.86	8.54
Total shareholders' equity to total assets	8.86	11.01	11.72
Total common shareholders' equity to total assets	8.52	10.66	11.03
Tangible common shareholders' equity to tangible assets (1)	5.42	7.54	7.54
Net interest margin-fully taxable equivalent	3.15	2.96	3.36
Credit Quality Ratios:			
Net (recoveries) charge-offs to average loans and leases	— %	(0.03)%	0.18 %
Provision for credit losses to average loans and leases	0.02	0.81	0.57
Allowance for credit losses ("ACL") to net loans and leases	1.45	1.66	1.63
ACL to nonperforming loans and leases (“NPL”)	402.47	290.27	201.71
ACL to nonperforming assets (“NPA”)	379.16	238.96	184.37
NPL to net loans and leases	0.36	0.57	0.81
NPA to total assets	0.24	0.39	0.55
Capital Adequacy Ratios:			
Common Equity Tier 1 capital	10.22 %	11.11 %	10.74 %
Tier 1 capital	10.66	11.61	11.74
Total capital	12.81	13.86	14.48
Tier 1 leverage capital	8.43	9.90	8.67

(1) Non-GAAP financial measure. See “Non-GAAP Financial Measures and Reconciliations.”

The Company reported net income available to common shareholders of $453.7 million for 2022 compared to $185.7 million in 2021 and $218.6 million for 2020. A primary factor contributing to the increase in net income available to common shareholders in 2022 was the impact of the three bank mergers which occurred during 2021. The increase in net interest revenue from $805.7 million in 2021 to $1.4 billion in 2022 combined with the increase in noninterest revenue from $378.2 million in 2021 to $493.0 million in 2022 were offset somewhat by the increase in noninterest expense from $798.9 million in 2021 to $1.2 billion in 2022. Almost all categories of noninterest expense increased as a result of the two smaller mergers in the second quarter of 2021 and the one larger merger in the fourth quarter of 2021. 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 previously mentioned mergers. The decrease in net income was also a result of the increase in noninterest expenses from $650.9 million to $798.9 million in 2021 which resulted primarily from the aforementioned mergers. 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.

Net interest revenue for 2022 was $1.4 billion compared to $805.7 million for 2021 and $691.0 million for 2020. The 67.7% increase in net interest revenue in 2022 compared to 2021 was primarily a result of the increase in interest revenue related to the increasing average balances of the loan and lease portfolio and available-for-sale securities resulting from the mergers previously mentioned as well as the increase in short-term interest rates. The increase in interest revenue was offset somewhat by the increase in average interest-bearing liabilities, as average interest-bearing liabilities increased to $28.5 billion in 2022 from $17.9 billion in 2021, with this increase also a result of the three previously mentioned mergers coupled with the increase in rates paid on average interest bearing liabilities. As a result of the increase in average interest-bearing liabilities coupled with the increase in rates paid on average interest bearing liabilities, interest expense increased 174.2% in 2022 compared to 2021. 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 available-for-sale securities combined with the decrease in interest expense associated with interest bearing demand and other time deposits due to declining market interest rates during 2021.

The Company attempts to diversify its revenue streams by increasing the amount of noninterest 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 2022 was $493.0 million, compared to $378.2 million for 2021 and $336.5 million for 2020. The primary contributor to the increase in noninterest revenue from 2021 to 2022 was the three mergers that occurred during 2021. Noninterest revenue from 2020 to 2021 was also impacted by the $21.6 million gain on sale of PPP loans during 2021. This gain was offset by the decrease of $28.2 million in mortgage banking revenue to $58.1 million in 2021 compared to $86.3 million in 2020.

Credit card, debit card and merchant fees increased $15.5 million to $58.2 million in 2022 compared to $42.6 million in 2021 and $36.0 million in 2020. A primary factor contributing to the increase in 2022 was the result of an annual incentive payment received during the second quarter of 2022 and improved contractual pricing, coupled with an increased number of transactions primarily related to the activity from the three mergers in 2021 previously mentioned. The increase in credit card, debit card and merchant fees from 2020 to 2021 was mainly the result of an increased number of transactions. Deposit service charges increased $27.1 million to $73.5 million in 2022 compared to $46.4 million in 2021 and $40.2 million in 2020. The increases in 2022 and 2021 are primarily related to the activity from the three mergers in 2021. Insurance commissions increased $15.1 million in 2022 to $150.3 million after increasing $9.9 million in 2021 to $135.2 million, and up from $125.3 million in 2020. The increase was primarily a result of higher property and causality commissions related to new customers, firm pricing and high retention rates of existing customers. Wealth management revenue increased to $80.5 million in 2022 up from $39.5 million in 2021 and $26.2 million in 2020. The increases in wealth management revenue are related to increased trust income and brokerage commissions and fees related to activities from the three mergers in 2021.

Other noninterest revenue fluctuations in 2022 compared to 2021 included the increase of bank-owned life insurance income of $4.4 million, or 39.5% as a result of higher life insurance proceeds recorded in 2022 than 2021. The increase in 2021 compared to 2020 was due to the same dynamic. Other noninterest revenue increased in 2022 compared to 2021 primarily as a result of SBA income, including gains on sale of SBA loans, payroll processing revenue and improved earnings in limited partnership investments and were primarily offset by write-downs on equity securities. 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 and payroll processing revenue.

Noninterest expense in 2022 was $1.2 billion, an increase of 55.0% from $798.9 million for 2021, which was an increase of 22.7% from $650.9 million for 2020. The increase in noninterest expense in 2022 compared to 2021 was primarily a result of salary increases, increased commissions and compensation costs associated with the three bank mergers in 2021. In 2022, salaries and employee benefits increased $273.2 million, or 57.9% compared to 2021, including a charge of $9.0 million in 2022 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 2022 compared to a related charge of $3.1 million in 2021. Other increases in noninterest expense for 2022 compared to 2021 were also primarily the result of the three bank mergers occurring in 2021 and included the increase in occupancy and equipment, data processing and software and amortization of intangibles. 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 mergers 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 mergers in 2021 was $59.9 million and $51.2 million in 2021 and 2022, respectively, which was primarily comprised of advisor fees, legal fees and compensation related expenses. Occupancy and equipment and data processing and software expenses also increased from 2020 to 2021 as a result of the three bank mergers occurring in 2021.

RESULTS OF OPERATIONS

The following is a summary of our results of operations for the periods indicated:

TABLE 3—SUMMARY OF RESULTS OF OPERATIONS

	Year Ended December 31,		
(Dollars in thousands)	2022	2021	2020
Earnings Summary:			
Interest revenue	$ 1,560,593	$ 882,049	$ 799,493
Interest expense	209,290	76,322	108,526
Net interest revenue	1,351,303	805,727	690,967
Provision for credit losses	7,000	138,062	89,044
Net interest revenue, after provision for credit losses	1,344,303	667,665	601,923
Noninterest revenue	493,032	378,153	336,504
Noninterest expense	1,237,960	798,890	650,882
Income before income taxes	599,375	246,928	287,545
Income tax expense	136,138	51,766	59,494
Net income	463,237	195,162	228,051
Less: preferred dividends	9,488	9,488	9,488
Net income available to common shareholders	$ 453,749	$ 185,674	$ 218,563

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 (FTE) net interest revenue by average earning assets. For purposes of the following discussion, revenue from tax-exempt loans and investment securities have been adjusted to a FTE basis, using an effective tax rate of 21% for the years ended December 31, 2022, 2021 and 2020.

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 periods presented:

TABLE 4—CONSOLIDATED AVERAGE BALANCES AND YIELD/RATE ANALYSIS

	2022			2021			2020		
(Dollars in thousands)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
ASSETS									
Loans and leases (net of unearned income) [(1)(2)]	$28,418,658	$1,344,195	4.73 %	$17,055,429	$ 759,648	4.45 %	$14,984,356	$ 701,772	4.68 %
Loans held for sale, at fair value	122,079	7,554	6.19	278,447	8,035	2.89	246,007	8,357	3.40
Available-for-sale securities, at fair value:									
Taxable	13,163,403	183,918	1.40	9,152,620	111,050	1.21	4,879,279	85,466	1.75
Non-taxable [(3)]	432,969	12,758	2.95	157,327	4,381	2.78	131,099	5,043	3.85
Other investments	926,253	16,380	1.77	638,559	1,323	0.21	375,443	1,621	0.43
Total interest earning assets and revenue	43,063,362	1,564,805	3.63 %	27,282,382	884,437	3.24 %	20,616,184	802,259	3.89 %
Other assets	4,909,491			3,001,809			2,331,023		
Allowance for credit losses	439,696			289,543			223,821		
Total	$47,533,157			$29,994,648			$22,723,386		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits:									
Interest bearing demand and money market	$18,541,402	$ 109,893	0.59 %	$11,114,242	$ 33,688	0.30 %	$ 7,859,680	$ 47,692	0.61 %
Savings	3,657,718	5,519	0.15	2,946,629	2,764	0.09	2,199,405	4,117	0.19
Time	3,545,402	24,253	0.68	2,784,733	24,394	0.88	2,649,809	38,940	1.47
Short-term debt	2,249,354	50,295	2.24	713,788	838	0.12	837,036	4,525	0.54
Subordinated and long-term debt	465,004	19,330	4.16	341,170	14,638	4.29	301,526	13,252	4.39
Total interest bearing liabilities and expense	28,458,880	209,290	0.74 %	17,900,562	76,322	0.43 %	13,847,456	108,526	0.78 %
Demand deposits - noninterest bearing	13,733,384			8,382,997			5,850,761		
Other liabilities	766,490			373,514			299,624		
Total liabilities	42,958,754			26,657,073			19,997,841		
Shareholders' equity	4,574,403			3,337,575			2,725,545		
Total	$47,533,157			$29,994,648			$22,723,386		
Net interest revenue-FTE		$1,355,515			$ 808,115			$ 693,733	
Net interest margin-FTE			3.15 %			2.96 %			3.36 %
Net interest rate spread			2.90 %			2.82 %			3.11 %
Interest bearing liabilities to interest earning assets			66.09 %			65.61 %			67.17 %

(1) Includes taxable equivalent adjustment to interest of approximately $1.5 million, $1.5 million and $1.7 million in 2022, 2021 and 2020, using an effective tax rate of 21% for all periods presented.

(2) Nonaccrual loans are included in loans and leases (net of unearned income). Nonaccrual loans were $98.7 million, $122.1 million and $96.4 million in 2022, 2021 and 2020, respectively.

(3) Includes taxable equivalent adjustment to interest of approximately $2.7 million, $0.9 million and $1.1 million in 2022, 2021 and 2020, respectively, using an effective tax rate of 21% for all periods presented.

Net interest revenue-FTE increased 67.7% to $1.4 billion in 2022 from $808.1 million in 2021, which represented an increase of 16.5% from $693.7 million in 2020. The increase in net interest revenue-FTE for 2022 compared to 2021 was primarily a result of the increase in interest revenue-FTE related to the increases in average balances in available-for-sale securities and the loan and lease portfolio from the three bank mergers in 2021. The mix of average interest-earning assets improved during 2022, and average loans increased from 62% of average interest-earning assets in 2021 to 66% in 2022. In 2022, market interest rates increased as a result of the increases in the Federal funds target rate effected by the Federal Reserve as part of its actions to reduce the inflation rate. This increase in market interest rates resulted in an increase in yields earned on those interest-earning assets. Additionally, the average interest bearing liabilities increased due primarily to the acquisition mentioned above. The rates paid on average interest bearing liabilities increased as rates paid for deposits and short-term debt increased due to the increase in market interest rates. 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 average 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.

Interest revenue-FTE increased 76.9% to $1.6 billion in 2022 from $884.4 million in 2021, which represented an increase of 10.2% from $802.3 million in 2020. The increase in interest revenue-FTE in 2022 compared to 2021 was primarily a result of increases in average balances in the loan and lease portfolio and available-for-sale securities related to the aforementioned bank acquisitions and the increase in yields earned on interest-earning assets over the prior year due to the increase in market interest rates that occurred during 2022. Additionally, interest revenue-FTE included $46.8 million (0.16%) and $26.2 million (0.15%) in accretion related to the purchase discounts on acquired loans for 2022 and 2021, respectively. The increase in interest revenue-FTE in 2021 compared to 2020 was a result of increases in average 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 yields earned on interest earning assets. Interest revenue-FTE included $26.2 million (0.15%) and $11.3 million (0.08%) in accretion related to the purchase discounts on acquired loans for 2021 and 2020, respectively.

Interest expense increased 174.2% to $209.3 million in 2022 from $76.3 million in 2021 after decreasing 29.7% from $108.5 million in 2020. The increase in interest expense in 2022 compared to 2021 was primarily a result of average interest-bearing liabilities that increased 59.0% to $28.5 billion in 2022 compared to $17.9 billion in 2021 due to the 2021 bank acquisitions. Also, the overall rates paid on average interest-bearing liabilities increased 31 basis points for 2022 compared to 2021 in response to rising short-term interest rates. The decrease in interest expense in 2021 compared to 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 bank 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. Average interest bearing liabilities increased 29.3% to $17.9 billion in 2021 compared to $13.8 billion in 2020.

Net interest margin-FTE for 2022 was 3.15%, an increase of 19 basis points, from 2.96% for 2021, which represented a decrease of 40 basis points from 3.36% for 2020. Net interest revenue-FTE may also be analyzed by segregating the yield/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 2021 to 2022 and from 2020 to 2021. The changes in net interest income due to both rate and volume have been allocated to volume.

TABLE 5—RATE/VOLUME ANALYSIS

	2022 over 2021 - Increase (Decrease)				
	Net Interest Income		Increase		
(In thousands)	2022	2021	(Decrease)	Volume	Yield / Rate
INTEREST REVENUE					
Loans and leases, net of unearned income	$ 1,344,195	$ 759,648	$ 584,547	$ 506,118	$ 78,429
Loans held for sale	7,554	8,035	(481)	(4,512)	4,031
Available-for-sale securities:					
Taxable	183,918	111,050	72,868	48,663	24,205
Non-taxable	12,758	4,381	8,377	7,676	701
Other	16,380	1,323	15,057	596	14,461
Total interest income	1,564,805	884,437	680,368	558,541	121,827
INTEREST EXPENSE					
Demand deposits - interest bearing	109,893	33,688	76,205	22,512	53,693
Savings deposits	5,519	2,764	2,755	667	2,088
Time deposits	24,253	24,394	(141)	6,663	(6,804)
Short-term debt	50,295	838	49,457	1,803	47,654
Subordinated and long-term debt	19,330	14,638	4,692	5,313	(621)
Total interest expense	209,290	76,322	132,968	36,958	96,010
Net interest income	$ 1,355,515	$ 808,115	$ 547,400	$ 521,583	$ 25,817

	2021 over 2020 - Increase (Decrease)				
	Net Interest Income		Increase		
(In thousands)	2021	2020	(Decrease)	Volume	Yield / Rate
INTEREST REVENUE					
Loans and leases, net of unearned income	$ 759,648	$ 701,772	$ 57,876	$ 92,246	$ (34,370)
Loans held for sale	8,035	8,357	(322)	936	(1,258)
Available-for-sale securities:					
Taxable	111,050	85,466	25,584	51,849	(26,265)
Non-taxable	4,381	5,043	(662)	731	(1,393)
Other	1,323	1,621	(298)	545	(843)
Total interest income	884,437	802,259	82,178	146,307	(64,129)
INTEREST EXPENSE					
Demand deposits - interest bearing	33,688	47,692	(14,004)	9,865	(23,869)
Savings deposits	2,764	4,117	(1,353)	701	(2,054)
Time deposits	24,394	38,940	(14,546)	1,182	(15,728)
Short-term debt	838	4,525	(3,687)	(145)	(3,542)
Subordinated and long-term debt	14,638	13,252	1,386	1,653	(267)
Total interest expense	76,322	108,526	(32,204)	13,256	(45,460)
Net interest income	$ 808,115	$ 693,733	$ 114,382	$ 133,051	$ (18,669)

Provision for Credit Losses and Allowance for Credit Losses ("ACL")

An analysis of the ACL for the periods indicated is provided in the following table:

TABLE 6—ACL

	Year Ended December 31,		
(In thousands)	2022	2021	2020
Balance, beginning of period	$ 446,415	$ 244,422	$ 119,066
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	(17,874)	(7,213)	(17,201)
Owner occupied	(824)	(1,912)	(2,047)
Total commercial and industrial	(18,698)	(9,125)	(19,248)
Commercial real estate			
Construction, acquisition and development	(298)	(1,024)	(4,955)
Income producing	(1,832)	(1,601)	(3,939)
Total commercial real estate	(2,130)	(2,625)	(8,894)
Consumer			
Residential mortgages	(1,430)	(1,509)	(2,294)
Other consumer	(7,606)	(5,462)	(5,425)
Total consumer	(9,036)	(6,971)	(7,719)
Total charge-offs	(29,864)	(18,721)	(35,861)
Recoveries:			
Commercial and industrial			
Non-real estate	14,165	11,754	1,705
Owner occupied	2,292	4,140	1,554
Total commercial and industrial	16,457	15,894	3,259
Commercial real estate			
Construction, acquisition and development	4,352	1,831	545
Income producing	3,521	1,262	439
Total commercial real estate	7,873	3,093	984
Consumer			
Residential mortgages	3,017	2,424	1,946
Other consumer	2,566	2,624	2,168
Total consumer	5,583	5,048	4,114
Total recoveries	29,913	24,035	8,357
Net recoveries (charge-offs)	49	5,314	(27,504)
Initial allowance on PCD loans (See Notes 2 and 5 in the consolidated financial statements)	(8,117)	75,124	4,226
Provision (release):			
Initial provision for acquired non-PCD loans	—	130,555	1,000
Provision (release) for credit losses related to loans and leases	2,000	(9,000)	85,000
Balance, end of period	$ 440,347	$ 446,415	$ 244,422
Loans and leases, net of unearned income - average	$ 28,418,658	$ 17,055,429	$ 14,984,356
Loans and leases, net of unearned income - period end	$ 30,349,277	$ 26,882,988	$ 15,022,479

TABLE 7—ACL RELATED RATIOS

	Year Ended December 31,		
	2022	2021	2020
RATIOS			
Provision for credit losses to average loans and leases, net of unearned income	0.02 %	0.81 %	0.57 %
ACL to loans and leases, net of unearned income	1.45	1.66	1.63
Non-performing loans to loans and leases, net of unearned income	0.36	0.57	0.81
ACL to non-performing loans	402.47	290.27	201.71
Net (recoveries) charge-offs to average loans and leases:			
Commercial and industrial			
Non-real estate	0.01 %	(0.03)%	0.10 %
Owner occupied	—	(0.01)	0.01
Total commercial and industrial	0.01	(0.04)	0.11
Commercial real estate			
Construction, acquisition and development	(0.01)	—	0.03
Income producing	(0.01)	—	0.02
Total commercial real estate	(0.02)	—	0.05
Consumer			
Residential mortgages	(0.01)	(0.01)	—
Other consumer	0.02	0.02	0.02
Total consumer	0.01	0.01	0.02
Total loans and leases (recovered) charged off	— %	(0.03)%	0.18 %

For the years ended December 31, 2022, 2021, and 2020, net recoveries totaled $49 thousand compared to net recoveries of $5.3 million and net charge-offs of $27.5 million, respectively. As a percentage of average loans and leases, net recoveries were insignificant for 2022. For 2021, net recoveries as a percentage of average loans and leases totaled 0.03% compared to net charge-offs totaling 0.18% for 2020. Net recoveries in 2022 were primarily in the commercial real estate segment and residential mortgages class offset somewhat by net charge-offs in the non-real estate and other consumer classes. Net recoveries in 2021 were primarily in the commercial and industrial segment and residential mortgages class and was offset by net charge-offs in the other consumer class. Net charge-offs in 2020 were primarily driven by net charge-offs within the commercial and industrial segment followed by net charge-offs in the commercial real estate segment and the other consumer class.

The Company recorded $7.0 million in provision for credit losses during 2022 compared to $138.1 million for 2021 and $89.0 million during 2020. The $7.0 million recorded in provision for credit losses during 2022 was related to the provision for unfunded commitments of $5.0 million and $2.0 million for provision related to loans and leases. The provision recorded for 2022 reflects stable credit quality and a modest provision for credit losses necessary to support continued growth in loans and unfunded commitments.

The $138.1 million of provision recorded during 2021 included $130.6 million for initial provision for non-PCD acquired loans, a release of $9.0 million for provision related to loans and leases, $13.0 million for provision for acquired unfunded commitments and $3.5 million for provision for unfunded commitments. The elevated provision for credit losses of $89.0 million in 2020 was impacted by the COVID-19 pandemic on the economic factors included in the Company's allowance for credit losses methodology and the adoption of ASC 326.

The ACL decreased $6.1 million to $440.3 million at December 31, 2022 from $446.4 million at December 31, 2021. The ACL to non-performing loans increased to 402.47% at December 31, 2022 from 290.27% at December 31, 2021. For more information about the Company's classified, non-performing, purchased credit deteriorated, and impaired loans, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Loans and Leases" in Part II of the 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 the impact of forecasted economic conditions on the portfolio segments or geographical areas. Accordingly, because these conditions are subject to change, the allocation is not necessarily indicative of the breakdown of any future allowance for losses. Several forecasts from external sources are used in the estimation and allocation of the ACL. The forecasts cover eight-quarter forecast horizons to establish a forecast range and are based on upside, downside, and base case scenarios. A blended scenario is selected by management to reflect the probable economic conditions within the range. During the fourth quarter, the forecast was weighted more to the downside forecast scenario than in the first half of the year.

The Company recognizes inflation, rising interest rates, and a slowing economy may have short-term, long-term, and regional impacts to the economy. 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 ACL.

TABLE 8—ACL BY SEGMENT AND CLASS

	December 31, 2022		December 31, 2021	
(Dollars in thousands)	ACL	% of Loans in Each Category to Total Loans	ACL	% of Loans in Each Category to Total Loans
Commercial and industrial				
Non-real estate	$ 147,669	29.6 %	$ 138,696	29.2 %
Owner occupied	35,548	13.4	59,254	13.3
Total commercial and industrial	183,217	43.0	197,950	42.5
Commercial real estate				
Construction, acquisition and development	68,902	11.7	52,530	10.9
Income producing	74,727	17.0	98,327	18.3
Total commercial real estate	143,629	28.7	150,857	29.2
Consumer				
Residential mortgages	106,142	27.4	85,734	27.2
Other consumer	7,359	0.9	11,874	1.1
Total consumer	113,501	28.3	97,608	28.3
Total	$ 440,347	100.0 %	$ 446,415	100.0 %

Noninterest Revenue

The components of noninterest revenue for the years ended December 31, 2022, 2021, and 2020 and the percentage change between the periods are shown in the following table:

TABLE 9—NONINTEREST REVENUE

	2022		2021		2020
(Dollars in thousands)	Amount	% Change	Amount	% Change	Amount
Mortgage banking, excluding MSR and MSR hedge market value adjustment	$ 24,642	(48.6)%	$ 47,914	(51.6)%	$ 99,067
MSR and MSR hedge market value adjustment	20,218	99.4	10,139	179.1	(12,814)
Credit card, debit card and merchant fees	58,160	36.4	42,636	18.5	35,972
Deposit service charges	73,478	58.3	46,418	15.5	40,181
Securities (losses) gains, net	(384)	2.8	(395)	(781.0)	58
Insurance commissions	150,275	11.2	135,183	7.9	125,286
Trust income [(1)]	37,314	68.2	22,190	38.5	16,025
Annuity fees [(1)]	2,908	396.2	586	172.6	215
Brokerage commissions and fees [(1)]	40,264	140.7	16,731	67.8	9,973
Gain on sale of PPP loans	—	NM	21,572	NM	—
Bank-owned life insurance	15,594	39.5	11,180	36.7	8,181
Credit related fees	26,768	437.6	4,979	133.4	2,133
SBA income (expenses)	15,341	NM	438	283.3	(239)
Other miscellaneous income	28,454	53.1	18,582	49.1	12,466
Total noninterest revenue	$ 493,032	30.4 %	$ 378,153	12.4 %	$ 336,504

(1) Included in wealth management revenue on the Consolidated Statements of Income.

NM - not meaningful.

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

In the course of conducting the 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 the year ended December 31, 2022, fifty-one mortgage loans were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests, compared to nineteen mortgage loans for the same period in 2021. Losses of approximately $1.2 million and $170 thousand were recognized in the years ended December 31, 2022 and 2021, respectively, related to these repurchased and make whole loans.

At December 31, 2022, the Company had reserved $1.9 million for probable losses from representation and warranty obligations, flat with the amount reserved for these losses at December 31, 2021. 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.

Origination revenue is comprised of gains or losses from the sale of the mortgage loans held for sale, origination fees, underwriting fees and other fees associated with the origination of loans. For the years ended December 31, 2022, 2021, and 2020, mortgage loan held for sale origination volumes totaled $1.1 billion, $2.2 billion, and $3.3 billion, respectively, which produced origination revenue of $12.9 million, $39.9 million, and $90.3 million, respectively. The 2022 increase in market interest rates caused decreases to the margins of loans sold for the year ended December 31, 2022 compared to the same period in 2021.

Revenue from the servicing process, another component of mortgage banking revenue, includes fees from the actual servicing of loans. For the years ended December 31, 2022, 2021, and 2020, revenue from the servicing of loans was $23.6 million, $22.0 million, and $21.5 million, respectively.

Changes in the fair value of the Company's MSR 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 MSR while a decrease in mortgage interest rates typically results in a decrease in the fair value of the MSR. The fair value of the MSR 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 $11.8 million, $14.0 million, and $12.7 million for the years ended December 31, 2022, 2021, and 2020, respectively. The Company hedges the change in fair value of its MSR. At December 31, 2022 and 2021, respectively, there was a hedge in place designed to cover approximately 47.9% and 33.1%, respectively, 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 the MSR, including the hedge, experienced an increase of $20.2 million for the year ended December 31, 2022 and an increase of $10.1 million in the same period in 2021, compared to a decrease of $12.8 million in 2020.

The following table presents the Company's mortgage banking operations for the periods indicated:

TABLE 10— MORTGAGE BANKING OPERATIONS

	2022		2021		2020
(Dollars in thousands)	Amount	% Change	Amount	% Change	Amount
Production revenue:					
Origination	$ 12,869	(67.7)%	$ 39,855	(55.9)%	$ 90,293
Servicing	23,565	7.0	22,020	2.3	21,520
Payoffs/Paydowns	(11,792)	15.5	(13,961)	(9.5)	(12,746)
Total origination and servicing revenue	24,642	(48.6)	47,914	(51.6)	99,067
MSR and hedge market value adjustment	20,218	99.4	10,139	179.1	(12,814)
Total mortgage banking revenue	$ 44,860	(22.7)%	$ 58,053	(32.7)%	$ 86,253
(Dollars in millions)					
Origination of mortgage loans held for sale	$ 1,098	(49.8)%	$ 2,189	(32.6)%	$ 3,250
Mortgage loans serviced at quarter-end	7,693	1.8	7,554	3.1	7,330

Credit card, debit card and merchant fees increased $15.5 million for 2022 compared to 2021 and increased $6.7 million in 2021 compared to 2020. The increases for the periods, which primarily relate to credit card-related fees, reflects an increase in number of transactions related to two smaller mergers which occurred during the second quarter of 2021 as well as the Legacy Cadence merger in the fourth quarter of 2021.

Deposit service charge revenue increased $27.1 million for 2022 compared to 2021 and increased $6.2 million in 2021 compared to 2020. The increases for the periods presented primarily resulted from three mergers in 2021 previously mentioned. For 2022, this was partially offset by increase in the earnings credit rate on corporate analysis accounts and NSF representment refunds due to policy changes.

Insurance commissions increased $15.1 million for 2022 compared to 2021 and increased $9.9 million for 2021 compared with 2020. The increase for 2022 is primarily as a result of new customers and high retention rates of existing customers, as well as higher property and causality commissions related to new customers. In 2021, increases were largely driven by higher insurance premiums related to the firming premium market.

Trust income increased $15.1 million for 2022 compared to 2021 and increased $6.2 million in 2021 compared to 2020. Annuity fees increased $2.3 million for 2022 compared to the same period in 2021 and increased $0.4 million in 2021 compared to 2020. Brokerage commissions and fees increased $23.5 million for 2022 compared to the same period in 2021 and increased $6.8 million in 2021 compared to 2020. The increases in the three categories during 2022 and 2021 are primarily related to the three mergers in 2021 previously mentioned.

In 2021, the Company recorded a gain on sale of PPP loans of $21.6 million. No such gain was recorded during 2022.

Bank-owned life insurance revenue increased $4.4 million for 2022 compared to 2021 and increased $3.0 million in 2021 compared to 2020. The increase in revenue for the periods presented reflects the impact of the three mergers in 2021 previously mentioned, as well as proceeds from death benefits in 2022.

Credit-related fees includes those associated with unused fees, letter of credit fees, derivative fee income, and arrangement fees, among other loan-related fees. This category increased $21.8 million for 2022 compared to 2021 and increased $2.8 million in 2021 compared to 2020. The increase was largely attributable to unused fees, as well as letter of credit fees and derivative fees income.

SBA income increased $14.9 million for 2022 compared to 2021 and increased $0.7 million in 2021 compared with 2020. For both periods, this was largely attributable to gains on sales of SBA loans. The increase in SBA income is largely related to timing of the merger with Legacy Cadence in October 2021.

Other miscellaneous income includes payroll processing revenue, foreign exchange revenue, wire transfer fees, and other miscellaneous items. Other miscellaneous income increased $9.9 million for 2022 compared to 2021 and increased $6.1 million in 2021 compared to 2020. The increases for the periods presented were primarily driven by an increase in payroll processing revenue and foreign exchange revenue.

Noninterest Expense

The components of noninterest expense for the years ended December 31, 2022, 2021, and 2020, and the percentage change between years is shown in the following table:

TABLE 11—NONINTEREST EXPENSE

	2022		2021		2020
(Dollars in thousands)	Amount	% Change	Amount	% Change	Amount
Salaries and employee benefits	$ 745,023	57.9 %	$ 471,815	12.9 %	$ 417,809
Occupancy and equipment	119,548	46.9	81,394	15.7	70,341
Data processing and software	113,932	55.9	73,085	25.6	58,170
Merger expense	51,214	(14.5)	59,896	NM	5,345
Deposit insurance assessments	18,712	115.1	8,701	29.4	6,726
Pension settlement expense	9,023	195.7	3,051	(47.8)	5,846
Advertising and public relations	41,754	NM	10,780	56.1	6,908
Foreclosed property expense	832	(81.7)	4,548	11.6	4,074
Telecommunications	7,413	18.8	6,240	6.1	5,883
Travel and entertainment	15,682	148.2	6,319	27.7	4,949
Amortization of intangibles	20,490	62.4	12,616	31.3	9,605
Professional, consulting and outsourcing	13,828	85.2	7,465	114.5	3,480
Legal fees	6,068	50.3	4,036	17.6	3,431
Postage and shipping	8,079	33.5	6,050	15.1	5,256
Other miscellaneous expense	66,362	54.7	42,894	(0.4)	43,059
Total noninterest expense	$ 1,237,960	55.0 %	$ 798,890	22.7 %	$ 650,882

NM - not meaningful.

Salaries and employee benefits expense is the largest category of our noninterest expense. Salaries and employee benefits increased $273.2 million for 2022 compared to 2021. For 2021, salaries and employee benefits expense increased

$54.0 million compared to 2020. The increase in salaries and benefits expense for both periods was a result of salary, compensation costs, and commissions increases related to the Legacy Cadence merger which occurred in the fourth quarter in 2021 and two smaller mergers which occurred during the second quarter of 2021, as well as annual compensation increases. The increase during 2022 also included an increase in incentive compensation linked to corporate performance, a decrease in deferred salaries due to lower mortgage originations, and the impacts from the increase in our minimum wage to $18 per hour from $15 per hour. This was partially offset by revised estimates of various insurance accruals and the annual assessment of employee benefit obligations impacted by higher discount rates.

The components of salary and employee benefits expense for the years ended December 31, 2022, 2021, and 2020 and the percentage change between years are shown in the following table:

TABLE 12—SALARIES AND EMPLOYEE BENEFITS EXPENSE

	2022		2021		2020
(Dollars in thousands)	Amount	% Change	Amount	% Change	Amount
Regular compensation	$ 410,579	62.4 %	$ 252,884	13.5 %	$ 222,822
Commissions and incentive compensation	223,117	58.7	140,582	17.6	119,521
Taxes and employee benefits	111,327	42.1	78,349	3.8	75,466
Total salaries and employee benefits	$ 745,023	57.9 %	$ 471,815	12.9 %	$ 417,809

Occupancy and equipment expense increased $38.2 million for 2022 compared to 2021 and increased $11.1 million in 2021 compared to 2020. The increases for the periods were largely driven by the increased number of properties related to the three mergers in 2021 previously mentioned.

Data processing and software expense increased $40.8 million for 2022 compared to 2021 and increased $14.9 million in 2021 compared to 2020. The increases for the periods presented were largely driven by increases in data processing, maintenance, and depreciation expense recorded as a result of the three mergers in 2021 previously mentioned.

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 related to the merger for which the entity receives a future benefit. Incremental merger related expenses for 2022 totaled $52.2 million compared to $4.6 million in 2021. The increase in 2022 included costs related to the franchise-wide rebranding of the Company under the Cadence Bank name in October 2022, as well as employee retention, marketing, and technology related expenses, which are included in the appropriate expense categories.

Deposit insurance assessments expense increased $10.0 million for 2022 compared to 2021 and increased $2.0 million in 2021 compared to 2020. The increases for the periods presented were the result of the movement in several variables utilized by the FDIC in calculating the deposit insurance assessment coupled with the impacts from the three mergers in 2021. Deposit insurance assessments expense is expected to increase in 2023 given the FDIC’s adoption of a final rule, applicable to all insured depository institutions, implementing an increase in the assessment rate schedules of 2 basis points beginning in the first quarter of 2023.

Advertising and public relations expense increased $31.0 million for 2022 compared to 2021 and increased $3.9 million in 2021 compared to 2020. The increase for 2022 is largely driven by the incremental merger expenses related to the Company’s rebranding across our footprint.

Other miscellaneous expense includes insurance, operational and fraud losses, supplies expense, franchise taxes, training and business development expenses, various regulatory fees, SBA sold loan costs, and various other items. This category increased $23.5 million for 2022 and was flat for 2021. The 2022 increase in other miscellaneous expense occurred as a result of the three mergers in 2021 previously mentioned.

Income Taxes

The Company recorded income tax expense of $136.1 million, $51.8 million, $59.5 million for the years ended December 31, 2022, 2021, and 2020, respectively. The increase in tax expense in 2022 can be attributed to higher pre-tax income. The decrease in tax expense in 2021 can be attributed to lower pre-tax income.

The effective tax rate was 22.7%, 21.0%, and 20.7% for the years ended December 31, 2022, 2021, and 2020, respectively. The increase in the effective tax rate for 2022 resulted from the increase in pre-tax income. For 2021, the effective tax rate was negatively impacted primarily by the non-deductible merger costs incurred in the fourth quarter of 2021. The effective tax rate for 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.

In August 2022, the Inflation Reduction Act of 2022 ("IRA of 2022") was signed into law to address inflation, healthcare costs, climate change and renewal energy incentives, among other things. Included in the IRA of 2022 are provisions for the creation of a 15% corporate alternative minimum tax rate ("CAMT") that is effective for tax years beginning January 1, 2023 for corporations with an average annual adjusted financial statement income in excess of $1 billion. Based on information available to date, we do not anticipate that the Company will be subject to the 15% CAMT, absent any further changes in law.

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, 2022 were $43.7 billion, or 89.9% of total assets, compared with $43.5 billion, or 91.3% of total assets, at December 31, 2021.

TABLE 13—FINANCIAL CONDITION SUMMARY

(In thousands)	As of and For the Year Ended December 31, 2022	As of and For the Year Ended December 31, 2021
Period-End Balances:		
Total assets	$ 48,653,414	$ 47,669,751
Available-for-sale securities	11,944,096	15,606,470
Loans and leases, net of unearned income	30,349,277	26,882,988
Total deposits	38,956,614	39,817,673
Federal funds purchased and short-term FHLB advances	3,300,231	595,000
Subordinated and long-term debt	462,554	482,411
Total shareholders' equity	4,311,374	5,247,987
Common shareholders' equity	4,144,381	5,080,994
Average Balances:		
Total assets	47,533,157	29,994,648
Available-for-sale securities	13,596,372	9,309,947
Loans and leases, net of unearned income	28,418,658	17,055,429
Total deposits	39,477,906	25,228,601
Federal funds purchased and short-term FHLB advances	1,580,409	5,441
Subordinated and long-term borrowings	465,004	341,170
Total shareholders' equity	4,574,403	3,337,575
Common shareholders' equity	4,407,410	3,170,582

Securities

The Company uses its securities portfolio as a source of revenue and liquidity, and to serve as collateral to secure certain types of deposits and borrowings. These securities, which are available for a possible sale, are recorded at fair value. The following tables show the carrying value of the Company's available-for-sale securities by investment category for the periods indicated:

TABLE 14—AVAILABLE-FOR-SALE SECURITIES SUMMARY

	December 31,		
(In thousands)	2022	2021	2020
Available-for-sale securities:			
U.S. Treasury securities	$ 1,458,513	$ 1,496,465	$ —
Obligations of U.S. government agencies	1,477,127	2,638,442	2,871,408
Mortgage-backed securities issued or guaranteed by U.S. agencies (MBS)			
Residential pass-through:			
Guaranteed by GNMA	84,368	113,427	57,460
Issued by FNMA and FHLMC	6,274,970	8,129,191	2,363,949
Other residential mortgage-backed securities	168,452	243,357	—
Commercial MBS	1,881,853	2,061,133	806,206
Total MBS	8,409,643	10,547,108	3,227,615
Obligations of states and municipal subdivisions	466,002	565,520	113,953
Other domestic debt securities	82,718	63,645	18,030
Foreign debt securities	50,093	295,290	—
Total	$ 11,944,096	$ 15,606,470	$ 6,231,006

At December 31, 2022, the Company's available-for-sale securities totaled $11.9 billion compared to $15.6 billion at December 31, 2021. The decrease of $3.7 billion, or 23.5%, was driven by the decrease in the fair valuation of the portfolio given the rising interest rate environment as well as portfolio cash flows. During the year ended December 31, 2022, approximately $369.6 million of available-for-sale securities were sold and $2.6 billion of available-for-sale securities matured, were called, or paid down. The Company purchased approximately $787.3 million in available-for-sale securities during the year ended December 31, 2022. The cash from the maturing securities was used to fund loan growth during 2022.

Net unrealized losses on available-for-sale securities at December 31, 2022 totaled $1.5 billion compared to net unrealized losses totaling $100.7 million at December 31, 2021. The increase in net unrealized losses was due to multiple increases in interest rates which occurred in 2022. At December 31, 2022, none of the unrealized losses on the portfolio were due to any material credit related issues; therefore, no allowance for credit losses was recorded on these securities (see Note 3 to the consolidated financial statements).

In February 2023, the Company initiated a balance sheet repositioning related to a portion of its investment securities portfolio. The Company executed the sale of $1.5 billion in book value of available-for-sale U.S. Treasury debt securities yielding approximately 0.70% for an estimated after-tax realized loss of approximately $39.5 million. Proceeds from the sale of $1.5 billion will be redeployed in accretive activities including reinvestment in higher-yielding debt securities, funding loans, and/or paying off existing borrowings. The Company estimates that the loss will be recouped within approximately 8.5 months.

The loss on the sale of securities has a neutral impact on shareholders' equity and the Company's book value per share as the unrealized loss was previously recognized in accumulated other comprehensive loss. This repositioning is expected to be accretive to earnings, net interest margin, and return on assets during the year.

The following table shows the maturities and weighted average yields for the carrying value of the available-for-sale securities for the periods indicated:

TABLE 15—MATURITY DISTRIBUTION OF AVAILABLE-FOR-SALE SECURITIES

	Contractual Maturity			
	December 31, 2022		December 31, 2021	
(Dollars in thousands)	Estimated Fair Value	Weighted Average Yield	Estimated Fair Value	Weighted Average Yield
U.S. Treasury securities:				
Due in less than one year	$ 1,458,513	0.70 %	$ —	— %
Due in one to five years	—	—	1,496,465	0.69
U.S. Treasury securities total	1,458,513	0.70	1,496,465	0.69
Obligations of U.S. government agencies:				
Due in less than one year	796,830	1.57	1,056,035	1.83
Due in one to five years	437,156	0.88	1,302,758	1.32
Due in five to ten years	156,506	3.16	99,418	1.11
Due after ten years	86,635	2.06	180,231	2.00
Obligations of U.S. government agencies total	1,477,127	1.56	2,638,442	1.56
Obligations of states and municipal subdivisions:				
Due in less than one year	5,819	3.25	6,631	2.82
Due in one to five years	16,704	3.03	20,835	3.24
Due in five to ten years	24,292	2.35	26,274	3.06
Due after ten years	419,187	2.52	511,780	2.36
Obligations of states and municipal subdivisions total	466,002	2.54	565,520	2.43
Other domestic debt securities:				
Due in one to five years	12,906	4.45	28,064	0.64
Due in five to ten years	68,153	4.42	33,461	4.20
Due after ten years	1,659	4.50	2,120	4.50
Other domestic debt securities total	82,718	4.42	63,645	2.64
Foreign debt securities:				
Due in one to five years	50,093	0.90	54,451	0.75
Due in five to ten years	—	—	240,839	0.35
Foreign debt securities total	50,093	0.90	295,290	0.43
Total securities due in less than one year	2,261,162	1.01	1,062,666	1.83
Total securities due in one to five years	516,859	1.04	2,902,573	0.99
Total securities due in five to ten years	248,951	3.43	399,992	1.04
Total securities due after ten years	507,481	2.45	694,131	2.28
Mortgage-backed securities	8,409,643	1.54	10,547,108	1.27
Total estimated fair value	$ 11,944,096	1.50 %	$ 15,606,470	1.29 %

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 loans and leases held for investment portfolio represents the largest single component of the Company's earning asset base. Average loans and leases comprised 66.0% of average earning assets during the year ended December 31, 2022. The Company's lending activities include both commercial and consumer loans and leases. 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 $30.3 billion at December 31, 2022, representing a 12.9% increase from $26.9 billion at December 31, 2021. The bank also acts as agent or participant in Shared National Credits ("SNC") and other financing arrangements with other financial institutions.

The Company actively participated in assisting its customers with applications for resources through the Paycheck Protection Program ("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 $14.4 million at December 31, 2022 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 the periods indicated.

TABLE 16—LOAN PORTFOLIO

(In thousands)	December 31, 2022	December 31, 2021
Commercial and industrial		
Non-real estate	$ 8,985,547	$ 7,847,473
Owner occupied	4,068,659	3,567,746
Total commercial and industrial	13,054,206	11,415,219
Commercial real estate		
Construction, acquisition and development	3,547,986	2,924,343
Income producing	5,150,680	4,924,369
Total commercial real estate	8,698,666	7,848,712
Consumer		
Residential mortgages	8,319,242	7,311,306
Other consumer	277,163	307,751
Total consumer	8,596,405	7,619,057
Total loans and leases, net of unearned income (1)	$ 30,349,277	$ 26,882,988

(1) Total loans and leases are net of $100.8 million and $103.2 million of unearned income at December 31, 2022 and December 31, 2021, respectively.

The following table shows the Company's loan and lease portfolio by segment and class at December 31, 2022 by geographical location.

TABLE 17—LOANS BY GEOGRAPHICAL LOCATION

(In thousands)	Alabama	Arkansas	Florida	Georgia	Louisiana	Mississippi	Missouri	Tennessee	Texas	Other	Total
Commercial and industrial											
Non-real estate	$ 367,656	$ 156,600	$ 446,454	$ 543,854	$ 317,127	$ 515,897	$ 67,208	$ 315,410	$ 3,948,846	$ 2,306,495	$ 8,985,547
Owner occupied	370,125	248,015	296,159	304,096	287,915	553,376	96,500	177,315	1,481,888	253,270	4,068,659
Total commercial and industrial	737,781	404,615	742,613	847,950	605,042	1,069,273	163,708	492,725	5,430,734	2,559,765	13,054,206
Commercial real estate											
Construction, acquisition and development	226,990	82,356	180,017	396,250	54,945	246,402	35,861	162,977	1,738,098	424,090	3,547,986
Income producing	425,617	260,602	369,848	580,819	216,519	403,491	188,775	302,252	1,900,831	501,926	5,150,680
Total commercial real estate	652,607	342,958	549,865	977,069	271,464	649,893	224,636	465,229	3,638,929	926,016	8,698,666
Consumer											
Residential mortgages	1,155,001	374,544	574,308	373,371	442,087	1,044,746	150,952	647,556	3,301,528	255,149	8,319,242
Other consumer	31,270	17,816	5,294	12,827	12,487	86,499	1,439	17,115	63,029	29,387	277,163
Total consumer	1,186,271	392,360	579,602	386,198	454,574	1,131,245	152,391	664,671	3,364,557	284,536	8,596,405
Total loans and leases, net of unearned income	$ 2,576,659	$ 1,139,933	$ 1,872,080	$ 2,211,217	$ 1,331,080	$ 2,850,411	$ 540,735	$ 1,622,625	$ 12,434,220	$ 3,770,317	$ 30,349,277

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.

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 a 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. Acquired loans that are individually evaluated at the acquisition date are assigned a specific reserve in the same manner as other loans individually evaluated and are assigned an internal grade of "P" for Purchased Credit Deteriorated with Loss Exposure.

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

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. Commercial and industrial loans are loans and leases to finance business operations, equipment and owner-occupied facilities. 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, 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 increased 14.5% from December 31, 2021 to December 31, 2022.

Owner Occupied – Owner occupied loans include loans secured by business facilities to finance business operations, equipment, agricultural land and owner-occupied facilities. 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 obtained where available and prudent. The Company recognizes that risk from economic cycles, pandemics, 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 14.0% from December 31, 2021 to December 31, 2022.

Commercial Real Estate ("CRE")

Construction, Acquisition and Development – Construction, acquisition and development loans include both loans and credit lines for construction of commercial, industrial, residential, and multi-family buildings and for purchasing, carrying, and developing land into commercial developments or residential subdivisions. 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, or labor and reputation of the builder or developer. Construction, acquisition and development loans increased 21.3% from December 31, 2021 to December 31, 2022.

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. Construction loans 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.

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. 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. Generally, the Company has not purchased commercial real estate loans from brokers or third-party originators. The Company recognizes that risk from economic cycles, pandemics, 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 4.6% from December 31, 2021 to December 31, 2022.

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 primarily in markets served by the Company's branches. These loans are underwritten in accordance with the Company's general loan policy 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 increased 13.8% from December 31, 2021 to December 31, 2022.

Other Consumer – Other consumer lending includes consumer credit card accounts as well as personal revolving lines of credit and installment loans. The Company offers credit cards primarily to its deposit and loan customers. Consumer installment loans 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 decreased 9.9% from December 31, 2021 to December 31, 2022.

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 (See - Item 7A - Quantitative and Qualitative Disclosures About Market Risk). The following table shows the maturity distribution based on remaining maturities of the Company's loan and lease portfolio and the interest rate sensitivity of the Company's loans and leases maturing after one year at December 31, 2022:

TABLE 18—INTEREST RATE SENSITIVITY OF LOANS

					Rate Structure for Loans Maturing Over One Year	
(In thousands)	One Year or Less	Over One Year through Five Years	Over Five Years through Fifteen Years	Over Fifteen Years	Fixed Interest Rate	Variable Interest Rate
Commercial and industrial						
Non-real estate	$ 1,491,886	$ 6,400,152	$ 1,013,400	$ 80,109	$ 1,067,208	$ 6,426,453
Owner occupied	284,091	632,609	2,074,243	1,077,716	1,616,437	2,168,131
Total commercial and industrial	1,775,977	7,032,761	3,087,643	1,157,825	2,683,645	8,594,584
Commercial real estate						
Construction, acquisition and development	1,223,501	1,345,342	472,631	506,512	486,511	1,837,974
Income producing	799,321	1,300,613	1,234,412	1,816,334	951,090	3,400,269
Total commercial real estate	2,022,822	2,645,955	1,707,043	2,322,846	1,437,601	5,238,243
Consumer						
Residential mortgages	343,521	398,438	1,316,171	6,261,112	3,311,092	4,664,629
Other consumer	67,862	189,686	17,507	2,108	98,185	111,116
Total consumer	411,383	588,124	1,333,678	6,263,220	3,409,277	4,775,745
Total loans and leases, net of unearned income	$ 4,210,182	$ 10,266,840	$ 6,128,364	$ 9,743,891	$ 7,530,523	$ 18,608,572

Loans Held-for-Sale

At December 31, 2022 and 2021, loans held for sale totaled $187.9 million and $340.2 million, respectively. Included in loans held for sale, loans sold to Government National Mortgage Association ("GNMA") with an optional repurchase totaled $71.4 million and $91.9 million at December 31, 2022 and 2021, respectively. The Company records the loans at fair value on consolidated balance sheets with an offsetting liability. GNMA optional repurchase programs allow financial institutions to buy back individual delinquent mortgage loans that meet certain criteria (90 days or more past due) 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 buyback 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 buyback 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 not included in the nonperforming loans totals.

Asset Quality

Nonperforming Assets ("NPA")

NPA consists of nonperforming loans ("NPL"), other real estate owned ("OREO"), and other repossessed assets. The decrease from December 31, 2021 to December 31, 2022 in NPA was led by the decrease of $26.3 million, or 79.6%, in foreclosed OREO and other NPA followed by the decrease of $23.4 million, or 19.1%, in nonaccrual loans and leases and the decrease of $22.7 million, or 91.7%, in loans and leases past due 90 or more days that are still accruing. The decreases were offset by the increase of $1.7 million, or 24.6%, in accruing restructured loans and leases from December 31, 2021 to December 31, 2022. The majority of the increase is located in the C&I and CRE segments and is slightly offset by a decrease in the consumer segment. NPAs, which are reported as a loan or OREO on the Company's consolidated balance sheets, depending on foreclosure status, were as follows at the end of each period presented:

TABLE 19—NONPERFORMING ASSETS

(In thousands)	December 31, 2022	December 31, 2021
Nonaccrual loans and leases	$ 98,745	$ 122,104
Loans and leases 90 days or more past due, still accruing	2,068	24,784
Restructured loans and leases, still accruing	8,598	6,903
Total NPL	109,411	153,791
Foreclosed OREO and other NPA	6,725	33,021
Total NPA	$ 116,136	$ 186,812
NPL to total loans and leases	0.36 %	0.57 %
NPA to total assets	0.24 %	0.39 %
GNMA loans 90 or more days past due eligible for repurchase (1)	$ 71,367	$ 91,902

(1) The company did not exercise the buy-back option during 2022 and 2021.

Nonperforming Loans

NPL consist of nonaccrual loans and leases, loans and leases 90 days or more past due and 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 financial difficulty. 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 decreased 28.9% at December 31, 2022, compared to December 31, 2021. NPL as a percentage of net loans and leases decreased from 0.57% at December 31, 2021, to 0.36% at December 31, 2022.

Included in NPL at December 31, 2022, were $7.2 million of loans that were internally risk rated as impaired. These impaired loans had a specific reserve of $2.3 million included in the allowance for credit losses of $440.3 million at December 31, 2022, and were net of $84 thousand in partial charge-downs previously taken on these impaired loans. Additionally, certain loans internally risk rated as PCD (loss) were included in NPL. At December 31, 2022, these loans totaled $5.8 million and had a specific reserve of $311 thousand included in the allowance for credit losses. There were no net partial charge-downs previously taken on these PCD (loss) loans.

NPL at December 31, 2021, included $25.2 million of loans that were internally risk rated impaired and had a specific reserve of $4.5 million included in the allowance for credit losses of $446.4 million at December 31, 2021. PCD (loss) loans included in NPL totaled $17.1 million and had a specific reserve of $6.1 million included in the allowance for credit losses.

The following table presents the Company's NPL by geographical location at December 31, 2022:

TABLE 20—NONPERFORMING LOANS BY GEOGRAPHICAL LOCATION

(In thousands)	Amortized Cost	90+ Days Past Due, Still Accruing	Nonaccrual Loans	Restructured, Still Accruing	Total NPL	NPL as a % of Amortized Cost
Alabama	$ 2,576,659	$ 242	$ 17,542	$ 1,836	$ 19,620	0.76 %
Arkansas	1,139,933	29	2,958	883	3,870	0.34
Florida	1,872,080	12	2,210	1,870	4,092	0.22
Georgia	2,211,217	200	13,674	—	13,874	0.63
Louisiana	1,331,080	304	5,451	204	5,959	0.45
Mississippi	2,850,411	363	14,962	2,486	17,811	0.62
Missouri	540,735	—	1,214	276	1,490	0.28
Tennessee	1,622,625	127	4,745	333	5,205	0.32
Texas	12,434,220	784	21,653	679	23,116	0.19
Other	3,770,317	7	14,336	31	14,374	0.38
Total	$ 30,349,277	$ 2,068	$ 98,745	$ 8,598	$ 109,411	0.36 %

The following table provides additional details related to the Company's loan and lease portfolio and the distribution of NPL by segment and class at December 31, 2022:

TABLE 21—NONPERFORMING LOANS BY SEGMENT AND CLASS

(In thousands)	Amortized Cost	90+ Days Past Due, Still Accruing	Nonaccrual Loans	Restructured, Still Accruing	Total NPL	NPL as a % of Amortized Cost
Commercial and industrial						
Non-real estate	$ 8,985,547	$ 412	$ 23,907	$ 1,288	$ 25,607	0.28 %
Owner occupied	4,068,659	20	7,944	2,008	9,972	0.25
Total commercial and industrial	13,054,206	432	31,851	3,296	35,579	0.27
Commercial real estate						
Construction, acquisition and development	3,547,986	—	2,974	168	$ 3,142	0.09
Income producing	5,150,680	—	7,331	1,754	$ 9,085	0.18
Total commercial real estate	8,698,666	—	10,305	1,922	12,227	0.14
Consumer						
Residential mortgages	8,319,242	1,440	55,892	3,143	$ 60,475	0.73
Other consumer	277,163	196	697	237	$ 1,130	0.41
Total consumer	8,596,405	1,636	56,589	3,380	61,605	0.72
Total loans and leases, net of unearned income	$ 30,349,277	$ 2,068	$ 98,745	$ 8,598	$ 109,411	0.36 %

Nonaccrual loans at December 31, 2022 decreased by $23.4 million, or 19.1%, to $98.7 million from $122.1 million at December 31, 2021. The decline in nonaccrual loans resulted primarily from decreases of $23.9 million, or 42.9%, and $11.3 million, or 52.4%, in commercial and industrial and commercial real estate segments, respectively. The decreases were offset by an increase of $11.9 million, or 26.6%, in the consumer segment.

The following table provides details regarding the aging of the Company's nonaccrual loans and leases by segment and class at December 31, 2022:

TABLE 22—AGING OF NONACCRUAL LOANS

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Nonaccrual
Commercial and industrial						
Non-real estate	$ 452	$ 3,074	$ 13,377	$ 16,903	$ 7,004	$ 23,907
Owner occupied	653	—	5,248	5,901	2,043	7,944
Total commercial and industrial	1,105	3,074	18,625	22,804	9,047	31,851
Commercial real estate						
Construction, acquisition and development	—	—	6,935	6,935	(3,961)	2,974
Income producing	—	257	1,171	1,428	5,903	7,331
Total commercial real estate	—	257	8,106	8,363	1,942	10,305
Consumer						
Residential mortgages	3,441	2,112	46,277	51,830	4,062	55,892
Other consumer	31	3	602	636	61	697
Total consumer	3,472	2,115	46,879	52,466	4,123	56,589
Total loans and leases, net of unearned income	$ 4,577	$ 5,446	$ 73,610	$ 83,633	$ 15,112	$ 98,745

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 $6.7 million and $33.0 million at December 31, 2022, and December 31, 2021, respectively. The decrease of $26.3 million, or 79.6%, was primarily the result of write-downs on repossessed assets and sales of repossessed assets during 2022. During 2022, the writedowns totaled $7.6 million and the sales totaled $18.3 million.

Because a portion of the Company's NPL have been determined to be collateral-dependent, management expects the resolution of a significant number of these loans may necessitate foreclosure proceedings resulting in further additions to OREO. At December 31, 2022, residential mortgages in process of foreclosure increased to $4.6 million compared to $2.2 million at December 31, 2021.

At the time of foreclosure, the fair value of the collateral for loans backed by real estate 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 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 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 Restructurings ("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 TDR. The concessions granted most frequently for TDR involve reductions or delays in required payments of principal and/or interest for a specified time, reduced interest rate, or the rescheduling of payments in accordance with a bankruptcy plan. 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 after the restructure when the loan is current under the restructured loan terms. For reporting purposes, if a TDR 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 NPA. Total TDR were $9.8 million and $9.2 million at December 31, 2022, and December 31, 2021, respectively. TDRs of $1.2 million and $2.3 million were included in the nonaccrual and 90+ days past due, still accruing loan categories at December 31, 2022, and December 31, 2021, respectively. The majority of the increase was located in the commercial and industrial non-real estate portfolio.

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 NPL, totaled $7.2 million and $25.2 million at December 31, 2022, and December 31, 2021, respectively, with a valuation allowance of $2.3 million and $4.5 million, respectively. Individually analyzed PCD loans with loss exposure, irrespective of TDR status, totaled $33.2 million and $88.4 million at December 31, 2022, and December 31, 2021, respectively, with a valuation allowance of $2.1 million and $20.3 million, respectively.

At December 31, 2022, 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, 2022:

TABLE 23—GRADES ON LOANS

(In thousands)	Pass	Special Mention	Substandard	Impaired	PCD (Loss)	Total
Commercial and industrial						
Non-real estate	$ 8,735,337	$ 37,389	$ 205,246	$ 3,375	$ 4,200	$ 8,985,547
Owner occupied	4,024,179	6,062	32,912	3,824	1,682	4,068,659
Total commercial and industrial	12,759,516	43,451	238,158	7,199	5,882	13,054,206
Commercial real estate						
Construction, acquisition and development	3,498,990	18,667	23,073	—	7,256	3,547,986
Income producing	5,035,880	27,330	68,948	—	18,522	5,150,680
Total commercial real estate	8,534,870	45,997	92,021	—	25,778	8,698,666
Consumer						
Residential mortgages	8,159,904	232	157,532	—	1,574	8,319,242
Other consumer	272,182	—	4,981	—	—	277,163
Total consumer	8,432,086	232	162,513	—	1,574	8,596,405
Total loans and leases, net of unearned income	$ 29,726,472	$ 89,680	$ 492,692	$ 7,199	$ 33,234	$ 30,349,277

The following table provides details regarding the aging of the Company's loan and lease portfolio by internally assigned grade at December 31, 2022:

TABLE 24—AGING BY GRADE ON LOANS

(In thousands)	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Pass	$ 29,711,795	$ 7,881	$ 834	$ 5,962	$ 29,726,472
Special Mention	88,703	977	—	—	89,680
Substandard	364,227	48,000	17,812	62,653	492,692
Doubtful	—	—	—	—	—
Loss	—	—	—	—	—
Impaired	5,267	545	112	1,275	7,199
PCD (Loss)	27,446	—	—	5,788	33,234
Total	$ 30,197,438	$ 57,403	$ 18,758	$ 75,678	$ 30,349,277

At December 31, 2022, special mention, and substandard internally-assigned grade categories showed increases while the remaining grades showed decreased compared to December 31, 2021. Loans internally-assigned special mention increased $12.8 million, or 16.7%. The increase in special mention was driven primarily by increases in the construction, acquisition, and development and owner occupied classed and was partially offset by decreases in the non-real estate and income producing classes. Loans internally-assigned substandard slightly increased $10.3 million, or 2.1%, at December 31, 2022 compared to December 31, 2021. The increase was located in in the non-real estate and residential mortgage classes while seeing decreases in all other classes. The Company has maintained stable credit quality while continuing to grow loans. Of the total loans and leases, 99.5% were current on their contractual payments at December 31, 2022.

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 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 and the percentage change between the periods indicated:

TABLE 25—SUMMARY OF DEPOSITS

	2022		2021		2020
(Dollars in thousands)	Amount	% Change	Amount	% Change	Amount
Noninterest bearing demand deposits	$ 12,731,065	(6.6)%	$ 13,634,505	115.0 %	$ 6,341,457
Interest bearing demand and money market deposits	19,040,131	1.7	18,727,588	119.7	8,524,010
Savings	3,473,746	(2.3)	3,556,079	45.0	2,452,059
Time deposits	3,711,672	(4.8)	3,899,501	54.2	2,528,915
Total deposits	$ 38,956,614	(2.2)%	$ 39,817,673	100.6 %	$ 19,846,441

Deposits experienced a decrease of 2.2% at December 31, 2022 compared to December 31, 2021. The decrease in total deposits for 2022 included decreases in correspondent bank balances and average balance declines in customer accounts, partially offset by increases in public funds. Interest bearing demand and money market deposits increased $312.5 million, or 1.7%, to $19.0 billion at December 31, 2022 from $18.7 billion at December 31, 2021 and noninterest bearing demand deposits decreased $903.4 million, or 6.6%, to $12.7 billion at December 31, 2022 from $13.6 billion at December 31, 2021. Time deposits decreased 4.8% at December 31, 2022 compared to December 31, 2021. 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).

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

TABLE 26—AVERAGE BALANCE AND YIELD ON DEPOSITS

	2022		2021		2020	
(Dollars in thousands)	Average Amount	Average Rate	Average Amount	Average Rate	Average Amount	Average Rate
Noninterest bearing demand deposits	$ 13,733,384	—%	$ 8,382,997	—%	$ 5,850,761	—%
Interest bearing demand deposits	18,541,402	0.59	11,114,242	0.30	7,859,680	0.61
Savings	3,657,718	0.15	2,946,629	0.09	2,199,405	0.19
Time	3,545,402	0.68	2,784,733	0.88	2,649,809	1.47
Total deposits	$ 39,477,906		$ 25,228,601		$ 18,559,655	

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 estimated uninsured deposits were approximately $19.4 billion and $17.8 billion at December 31, 2022 and December 31, 2021, respectively, as calculated per regulatory guidance. The Company's estimated uninsured time deposits at December 31, 2022 had maturities as follows:

TABLE 27—MATURITY ON UNINSURED TIME DEPOSITS

(In thousands)	Amount
Three months or less	$ 135,428
Over three months through six months	93,552
Over six months through twelve months	341,731
Over 12 months	311,721
Total	$ 882,432

The average maturity of time deposits at December 31, 2022 was approximately 11.6 months, compared to approximately 10.6 months at December 31, 2021.

Borrowings

Short-term Borrowings

The Company utilizes 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. The Company continually monitors collateral levels. The Company utilizes short-term FHLB borrowings which generally mature within one year following the date of purchase. During 2022, short-term FHLB borrowings increased to $3.1 billion with the majority of the advances maturing within the next five months. At December 31, 2021, there were no short-term FHLB borrowings. All borrowings from the FHLB are collateralized by commercial and residential loans pledged under a blanket lien arrangement at December 31, 2022. Additionally, we utilize federal funds purchased which generally mature the day following the date of purchase. See Note 9 to the Company's consolidated financial statements for additional details.

Long-term Borrowings

Under the terms of the blanket floating lien security agreement with FHLB Dallas, the Company is required to maintain sufficient collateral to secure borrowings. At December 31, 2022, the remaining borrowing availability totaled $6.4 billion. At December 31, 2022, there were no call features on long-term FHLB borrowings.

Due to the merger with Legacy Cadence on October 29, 2021, the Company assumed subordinated notes with the par value totaling $145.0 million and junior subordinated notes with the 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. Also, during the third quarter of 2022, the Company redeemed the remaining long-term promissory notes.

The following is a summary of our long-term borrowings at the dates indicated:

TABLE 28—LONG-TERM BORROWINGS

(In thousands)	December 31, 2022	December 31, 2021
Advances from FHLB Dallas	$ 836	$ 2,315
5.750% fixed rate, long-term promissory notes	—	1,427
4.125% fixed to floating rate, 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	35,000
4.750% subordinated notes, due June 30, 2029, callable in 2024	85,000	85,000
6.250% subordinated notes, due June 28, 2029, callable in 2024	25,000	25,000
5.000% fixed to floating rate, subordinated notes, due June 30, 2030, callable in 2025	10,000	10,000
Junior subordinated debentures, 3 month LIBOR plus 1.75%, due 2037	—	15,000
Purchase accounting adjustment, net of amortization	8,064	10,717
Debt issue costs	(1,346)	(2,048)
Total long-term borrowings	$ 462,554	$ 482,411

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 as needed, the Company utilizes short-term financing through the purchase of federal funds, securities sold under agreements to repurchase, and borrowings at the FHLB. The Company had non-binding federal funds borrowing arrangements with other banks aggregating $1.8 billion at December 31, 2022, of which, $200.0 million was outstanding at December 31, 2022, compared to $595.0 million outstanding at December 31, 2021. The unencumbered fair value of the Company's federal government and government agencies securities portfolio may provide substantial additional liquidity.

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. The Company had securities sold under agreements to repurchase of $708.7 million and $687.2 million at December 31, 2022 and 2021, respectively.

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 at the Federal Reserve at December 31, 2022 and 2021. The Company had $3.1 billion in short-term borrowings at the FHLB at December 31, 2022 and had none at December 31, 2021. The increase in short-term borrowings at the FHLB offsets the decline in deposits during 2022. However, the available-for-sale securities portfolio cash flows have continued to provide funding for loan growth.

At December 31, 2022, the Company had $836 thousand in long-term borrowings from the FHLB compared to $2.3 million at December 31, 2021. The Company has pledged eligible loans to secure the FHLB borrowings and had $6.4 billion in additional borrowing capacity under the existing FHLB borrowing agreement at December 31, 2022. The Company had irrevocable letters of credit issued by the FHLB totaling $215.0 million at December 31, 2022 on behalf of our customers.

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 (See - Item 7A. Quantitative and Qualitative Disclosures About Market Risk).

Other Liquidity Considerations

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. At December 31, 2022, letters of credit totaled $691.2 million and unfunded extensions of credit totaled $11.2 billion (see Note 23 to the consolidated financial statement for more information). At December 31, 2022, the Company maintained a reserve for unfunded commitments of $28.6 million included in other liabilities.

Cash Obligations

The following table summarizes the Company's contractual obligations at December 31, 2022. See Notes 1, 7, 9, and 10 to the consolidated financial statements for further disclosures regarding contractual obligations.

	Payments Due by Periods				
(In thousands)	Total	Less Than One Year	One to Three Years	Three to Five Years	More than Five Years
Contractual Obligations:					
Deposits without a stated maturity	$ 35,244,942	$ 35,244,942	$ —	$ —	$ —
Deposits with a stated maturity	3,711,672	2,327,838	1,255,632	128,061	141
Subordinated and long-term borrowings	462,554	—	—	836	461,718
Operating lease obligations	223,071	15,625	28,421	28,683	150,342
Securities sold under agreement to repurchase	708,736	708,736	—	—	—
Federal funds purchased	200,000	200,000	—	—	—
Short-term FHLB advances	3,100,231	3,100,231	—	—	—
Limited partnership investments	186,676	148,716	35,105	664	2,191
Total contractual obligations	$ 43,837,882	$ 41,746,088	$ 1,319,158	$ 158,244	$ 614,392

Cash Flow Sources and Uses

Cash equivalents include cash and amounts due from banks, including interest bearing deposits with other banks. At December 31, 2022, cash and cash equivalents totaled $2.0 billion compared to $1.3 billion at December 31, 2021. The ratio of cash to total assets was 4.1% at December 31, 2022 compared to 2.7% at December 31, 2021.

During 2022, operating activities provided $923.0 million in cash compared to $1.2 billion during 2021. The decrease was primarily driven by a decrease of $1.0 billion in proceeds from payments and sales of loans held for sale and a decrease of $131.1 million in provision for credit losses. An increase of $268.1 million in net income and a decrease of $252.3 million in originations of loans held for sale somewhat offset the decreases.

During 2022, investing activities used $1.7 billion in cash compared to $3.2 billion during 2021. The change in investing activities of $1.4 billion resulted primarily from a decrease of $7.1 billion in purchases of available-for-sale securities and an increase of $393.7 million in proceeds from maturities, calls, and paydowns of available-for-sale securities. It was somewhat offset by an increase of $3.4 billion in funding of originated loans, a decrease of $2.7 billion in cash paid for business acquisitions, and a decrease of $194.4 million from proceeds from sales of available-for-sale securities.

During 2022, financing activities provided cash of $1.5 billion compared to $2.9 billion during 2021. The change in financing activities resulted from a decrease in cash provided by deposits of $3.4 billion which was offset by an increase of $2.1 billion in short-term borrowings. Additionally, cash dividends paid on common stock increased $61.5 million due to the increase in cash dividends for common shares during 2022.

Regulatory Capital

Regulatory capital at December 31, 2022 and 2021 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") were deferred over a two-year period ending January 1, 2022. At that point, the amount is 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 at December 31, 2022 and 2021, 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.

TABLE 29—REGULATORY CAPITAL

	December 31, 2022		December 31, 2021	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio
Common equity Tier 1 capital (to risk-weighted assets)	$ 3,880,508	10.22%	$ 3,754,848	11.11%
Tier 1 capital (to risk-weighted assets)	4,047,501	10.66	3,921,841	11.61
Total capital (to risk-weighted assets)	4,861,521	12.81	4,683,361	13.86
Tier 1 leverage capital (to average assets)	4,047,501	8.43	3,921,841	9.90

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 MDBCF. 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 MDBCF, 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 14, 2022, the Company authorized a new share repurchase program allowing the company to purchase up to an aggregate of 10,000,000 shares of the Company's common stock. The new share repurchase program became effective on January 3, 2023 and will expire on December 29, 2023. Under the new share repurchase program, Cadence's shares may be purchased periodically in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in accordance with federal securities laws. 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.

On December 8, 2021, the Company announced a new share repurchase program whereby the Company could have acquired 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. During the year ended December 31, 2022, the Company repurchased 6,071,525 shares under the share repurchase program leaving 3,928,475 shares remaining under the share repurchase program. During the first quarter of 2022, the Company increased the dividend to $0.22 per share.

The IRA of 2022 includes a provision for an excise tax equal to 1% of the fair market value of any stock repurchased by covered corporations during a taxable year, subject to certain limits and provisions. The excise tax is effective beginning in fiscal year 2023. While we may complete transactions subject to the new excise tax, we do not expect a material impact to our balance sheet or our results of operations.

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 1, Item 1.A., Risk Factors" for additional information regarding the risks of inflation.

The effect of inflation on a financial institution differs from the effect on other types of businesses. While a financial institution's operating expenses are affected by general inflation, the asset and liability structure of a financial institution consists largely of monetary items. Monetary items, such as cash, investments, loans, deposits, and borrowings, are those assets and liabilities which are or will be converted into a fixed number of dollars regardless of changes in prices. As a result, changes in interest rates have a more significant impact on a financial institution's performance than does general inflation. Inflation may also have impacts on the Company's customers, on businesses and consumers and their ability or willingness to invest, save or spend, and perhaps on their ability to repay loans. As such, there would likely be impacts on the general appetite for banking products and the credit health to the Company's customers.

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 MDBCF.

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 $0.3 million accrued at December 31, 2022 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 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(g) 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.

Recent Pronouncements

Refer to Note 1 "Summary of Significant Accounting Policies" in this consolidated financial statements for a discussion of accounting standards currently effective for 2022 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 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. Additionally, 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

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 lives. In some cases, including certain commercial real estate loans and credit cards, a loss rate model is used where lifetime loss rates are estimated using factors including vintage, loan-to-value ratios, 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 assumptions 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 credit. 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 using historical experience. Credit factors such as financial condition of the borrower and guarantor, recent credit performance, delinquency, liquidity, cash flows, collateral type and collateral 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 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 ACL 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.

Given the dynamic relationship between macroeconomic variables within our modeling framework, it is difficult to estimate the impact of a change in any one individual variable on the ACL. As a result, management uses a probability-weighted approach that incorporates a baseline and an downside risk economic scenario when formulating the quantitative estimate.

However, to illustrate a hypothetical sensitivity analysis, management calculated a quantitative allowance using a 100% weighting applied to a downside risk scenario. Under this scenario, as an example, the unemployment rate increases, to an estimated 6.1% and 6.6% at the end of 2023 and 2024, respectively. These numbers result in unemployment rates that are approximately 1.5% and 2.2% higher than baseline scenario projections of 4.6% and 4.4%, respectively for the same time periods.

To demonstrate the sensitivity to key economic parameters used in the calculation of our ACL at December 31, 2022, management calculated the difference between a 100% base forecast and a 100% downside risk scenario. These calculations are quantitative-only and exclude consideration of qualitative adjustments and produced a model result of difference of $86.8 million.

The resulting difference is not intended to represent an expected increase in ACL for a number of reasons including the following:

- Management uses a weighted approach applied to multiple economic scenarios for its ACL estimation process;
- The highly uncertain economic environment;
- The difficulty in predicting the inter-relationships between the economic parameters used in the various
- economic scenarios; and

- The sensitivity estimate does not account for our qualitative reserve and associated risk profile components incorporated by management as part of its overall ACL framework.

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 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 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, discount rates, 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, trademarks, 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, and these 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 reporting 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 quantitative 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 2022. Based on this assessment, it was determined the reporting units' fair value exceeded their carrying value. See Note 8 to the consolidated financial statements for additional information on the Company's goodwill balances and Note 2 to the consolidated financial statements 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 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 ("NII") and economic value of equity ("EVE") 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 within a desired risk tolerance for potential fluctuations in NII and EVE throughout different interest rate cycles, which we aim to achieve through management 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 acceptable 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 an individual asset or liability category, or externally with interest rate derivative contracts, such as interest rate swaps, caps, collars, and floors. See "—Interest Rate Exposure" below 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. 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. ALCO also establishes and approves pricing and funding strategies with respect to overall asset and liability composition. ALCO reports regularly to our Risk Committee of the 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 that we anticipate over a 60-month forecast horizon, however, past the 36-month mark, the growth of the balances is static in the forecast. Numerous assumptions are made in the modeling process, including balance sheet composition, re-pricing and maturity characteristics of existing 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 Exposure" 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 at December 31, 2022, our simulation model projects our sensitivity to an instantaneous increase or decrease in interest rates as follows:

TABLE 30—INTEREST RATE SENSITIVITY

	Increase (Decrease)			
(Dollars in thousands)	Net Interest Income		Economic Value of Equity	
Change (in Basis Points) in Interest Rates (12-Month Projection)	Amount	Percent	Amount	Percent
+ 200 BP	$ 134.0	9.0 %	$ 299.0	4.4 %
+ 100 BP	68.0	4.6 %	165.0	2.4 %
- 100 BP	(69.0)	(4.6)%	(199.0)	(2.9)%
- 200 BP	(139.0)	(9.3)%	(449.0)	(6.6)%

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. From time to time, we expect to use interest rate swaps, caps, collars, and floors as macro hedges against inherent rate sensitivity in our assets and our liabilities to synthetically alter the maturities or re-pricing characteristics of assets or liabilities to reduce imbalances.

We currently engage in only the following types of hedges: (1) those which enable us to transfer the interest rate risk exposure involved in our daily business activities; and (2) those which serve to alter the market risk inherent in our investment portfolio, mortgage pipeline, mortgage servicing rights, or liabilities and thus help us to manage earnings and market value volatility within approved risk tolerances.

The following is a discussion of our current 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.

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 (including but not limited to Treasury options, Treasury and TBA futures and forwards, etc.) as economic hedges. The MSR is sensitive to changes in interest rates.

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.

See Note 22 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 options 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. At December 31, 2022, the Company has approximately $3.5 billion in existing loans for which the repricing index is tied to LIBOR. In addition, the Company is on schedule to transition from LIBOR to an alternative reference rate for existing contracts upon the cessation of LIBOR, which includes an effective date of July 1, 2023 for the overnight and 1, 3, 6, and 12-months settings.

In March 2022, President Biden signed into law the Consolidated Appropriations Act, 2022, which contains the Adjustable Interest Rate (LIBOR) Act (the "LIBOR Act"). The LIBOR Act addresses certain issues relating to the transition from the use of LIBOR as a benchmark reference rate in contracts to the use of alternate reference rates. Among other things, the LIBOR Act (i) provides for the replacement, by operation of law, of LIBOR with a Secured Overnight Financing Rate ("SOFR") -based reference rate selected by the Federal Reserve for contracts which do not have effective fallback language; (ii) authorizes persons who have discretionary authority for selecting a LIBOR replacement to opt into a statutory safe harbor from liability by selecting the benchmark identified by the Federal Reserve; (iii) states that parties to a contract may opt out of the LIBOR Act; and (iv) provides that no federal supervisory agency may take supervisory action against a bank solely because the bank uses a benchmark rate other than SOFR. The LIBOR Act directs the Federal Reserve to promulgate regulations to implement this legislation by 180 days after the date of enactment.

In December 2022, the Federal Reserve adopted a rule to implement the LIBOR Act. The rule established Federal Reserve-selected benchmark replacements for contracts governed by federal or state law that use LIBOR as a benchmark reference rate but do not provide for a clearly defined or practicable replacement after June 30, 2023, when LIBOR will no longer be available in its current form. The rule identifies separate Federal Reserve-selected replacement rates for derivative transactions, consumer loans, contracts where a government sponsored enterprise is a party, and all other affected contracts. Consistent with the LIBOR Act, each proposed replacement rate is based on SOFR and established spread adjustments for each specified tenor of LIBOR. The rule defined various terms and provided clarification of certain provisions of the LIBOR Act.

The Company has identified loans to be transitioned to replacement rates and is in the process of obtaining modification documentation from customers, where required, to transition the loans to new indices on or before LIBOR ceases on June 30, 2023.

The Company may be adversely impacted by the transition from LIBOR to other reference rates, including SOFR-based rate indices. 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 the 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. SOFR is different from LIBOR in that it is a backward looking secured rate rather than a forward looking unsecured rate. These differences could lead to a greater disconnect between the Company's costs to raise funds for SOFR as compared to LIBOR. For cash products and loans, CME Term SOFR, which is a forward looking SOFR based on SOFR futures may in part reduce differences between SOFR and LIBOR. 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.

ITEM 8. FINANCIAL STATEMENTS.

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, 2022. 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, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2022.

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 87 of this Report.

Date: February 27, 2023

/s/ James D. Rollins III

James D. Rollins III
Chief Executive Officer

Date: February 27, 2023

/s/ Valerie C. Toalson

Valerie C. Toalson
Senior Executive Vice President and Chief Financial Officer (Principal Accounting 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, 2022, 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, 2022, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

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 as of December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and our report dated February 27, 2023, expressed an unqualified opinion on those financial statements.

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 reliable 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/ FORVIS, LLP (Formerly, BKD, LLP)

Jackson, Mississippi
February 27, 2023

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cadence Bank (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive (loss) income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, 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, 2022, 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 27, 2023, expressed an unqualified opinion thereon.

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 matter communicated below arises from the current-period audit of the financial statements that was 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 matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses

The Company's loan portfolio totaled $30.3 billion as of December 31, 2022, and the allowance for credit losses on loans was $440.3 million. The Company's unfunded loan commitments totaled $11.9 billion, with an allowance for credit loss of $28.9 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 AC L 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;
- 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;
- Evaluated the accuracy and completeness of Topic 326 disclosures in the consolidated financial statements.

/s/ FORVIS, LLP (Formerly, BKD, LLP)

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

Jackson, Mississippi
February 27, 2023

Consolidated Balance Sheets
Cadence Bank and Subsidiaries

(In thousands, except share and per share amounts)	December 31, 2022	December 31, 2021
ASSETS		
Cash and due from banks	$ 756,906	$ 656,132
Interest bearing deposits with other banks and Federal funds sold	1,241,246	638,547
Total cash and cash equivalents	1,998,152	1,294,679
Available-for-sale securities, at fair value	11,944,096	15,606,470
Loans and leases, net of unearned income	30,349,277	26,882,988
Allowance for credit losses	440,347	446,415
Net loans and leases	29,908,930	26,436,573
Loans held for sale, at fair value	187,925	340,175
Premises and equipment, net	817,430	786,426
Goodwill	1,458,795	1,407,948
Other intangible assets, net	132,764	198,271
Bank-owned life insurance	630,046	597,953
Other assets	1,575,276	1,001,256
TOTAL ASSETS	$ 48,653,414	$ 47,669,751
LIABILITIES		
Noninterest bearing demand deposits	$ 12,731,065	$ 13,634,505
Interest bearing demand and money market deposits	19,040,131	18,727,588
Savings	3,473,746	3,556,079
Time deposits	3,711,672	3,899,501
Total deposits	38,956,614	39,817,673
Securities sold under agreement to repurchase	708,736	687,188
Federal funds purchased	200,000	595,000
Short-term FHLB borrowings	3,100,231	—
Subordinated and long-term borrowings	462,554	482,411
Other liabilities	913,905	839,492
TOTAL LIABILITIES	44,342,040	42,421,764
SHAREHOLDERS' EQUITY		
Preferred stock, $0.01 par value per share; authorized and issued - 6,900,000 shares for both periods presented	166,993	166,993
Common stock, $2.50 par value per share; authorized - 500,000,000 shares; issued and outstanding - 182,437,265 and 188,337,658 shares, respectively	456,093	470,844
Capital surplus	2,709,391	2,841,998
Accumulated other comprehensive loss	(1,222,538)	(139,369)
Retained earnings	2,201,435	1,907,521
TOTAL SHAREHOLDERS' EQUITY	4,311,374	5,247,987
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 48,653,414	$ 47,669,751

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income
Cadence Bank and Subsidiaries

	Year Ended December 31,		
(In thousands, except per share amounts)	2022	2021	2020
INTEREST REVENUE:			
Loans and leases	$ 1,342,662	$ 758,180	$ 700,065
Available-for-sale securities:			
Taxable	183,918	111,050	85,466
Tax-exempt	10,079	3,461	3,984
Loans held for sale	7,554	8,035	8,357
Other	16,380	1,323	1,621
Total interest revenue	1,560,593	882,049	799,493
INTEREST EXPENSE:			
Interest bearing demand deposits and money market accounts	109,893	33,688	47,692
Savings	5,519	2,764	4,117
Time deposits	24,253	24,394	38,940
Federal funds purchased and securities sold under agreement to repurchase	13,432	813	2,282
Short-term debt	36,863	25	2,243
Subordinated and long-term debt	19,330	14,638	13,252
Total interest expense	209,290	76,322	108,526
Net interest revenue	1,351,303	805,727	690,967
Provision for credit losses	7,000	138,062	89,044
Net interest revenue, after provision for credit losses	1,344,303	667,665	601,923
NONINTEREST REVENUE:			
Mortgage banking	44,860	58,053	86,253
Credit card, debit card and merchant fees	58,160	42,636	35,972
Deposit service charges	73,478	46,418	40,181
Security (losses) gains, net	(384)	(395)	58
Insurance commissions	150,275	135,183	125,286
Wealth management	80,486	39,507	26,213
Gain on sale of PPP loans	—	21,572	—
Other	86,157	35,179	22,541
Total noninterest revenue	493,032	378,153	336,504
NONINTEREST EXPENSE:			
Salaries and employee benefits	745,023	471,815	417,809
Occupancy and equipment	119,548	81,394	70,341
Data processing and software	113,932	73,085	58,170
Merger expense	51,214	59,896	5,345
Amortization of intangibles	20,490	12,616	9,605
Deposit insurance assessments	18,712	8,701	6,726
Pension settlement expense	9,023	3,051	5,846
Other	160,018	88,332	77,040
Total noninterest expense	1,237,960	798,890	650,882
Income before income taxes	599,375	246,928	287,545
Income tax expense	136,138	51,766	59,494
Net income	$ 463,237	$ 195,162	$ 228,051
Less: preferred dividends	9,488	9,488	9,488
Net income available to common shareholders	$ 453,749	$ 185,674	$ 218,563
Basic earnings per common share	$ 2.47	$ 1.54	$ 2.12
Diluted earnings per common share	$ 2.46	$ 1.54	$ 2.12

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive (Loss) Income
Cadence Bank and Subsidiaries

	Year Ended December 31,		
(In thousands)	2022	2021	2020
Net income	$ 463,237	$ 195,162	$ 228,051
Other comprehensive (loss) income, net of tax:			
Unrealized (losses) gains on available-for-sale securities	(1,096,907)	(151,382)	66,148
Pension and other postretirement benefits	13,738	90	8,438
Other comprehensive (loss) income, net of tax	(1,083,169)	(151,292)	74,586
Comprehensive (loss) income	$ (619,932)	$ 43,870	$ 302,637

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity
Cadence Bank and Subsidiaries
Year Ended December 31, 2022, 2021 and 2020

	Preferred Stock		Common Stock					
(In thousands, except share and per share amounts)	**Shares**	**Amount**	**Shares**	**Amount**	**Capital Surplus**	**Accumulated Other Comprehensive (Loss) Income**	**Retained Earnings**	**Total Shareholders' Equity**
Balance at December 31, 2019	6,900	$ 167,021	104,523	$ 261,307	$ 605,976	$ (62,663)	$ 1,713,376	$ 2,685,017
Net income	—	—	—	—	—	—	228,051	228,051
Other comprehensive income, net of tax	—	—	—	—	—	74,586	—	74,586
Recognition of stock compensation	—	—	465,798	1,165	11,655	—	—	12,820
Repurchase of stock	—	—	(3,466,365)	(8,666)	(82,489)	—	—	(91,155)
Issuance of stock in conjunction with acquisitions	—	—	1,039,243	2,598	30,045	—	—	32,643
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
Other comprehensive loss, net of tax	—	—	—	—	—	(151,292)	—	(151,292)
Recognition of stock compensation	—	—	164,939	412	31,925	—	—	32,337
Repurchase of stock	—	—	(6,167,002)	(15,418)	(170,261)	—	—	(185,679)
Issuance of stock in conjunction with acquisitions	—	—	91,778,241	229,446	2,415,147	—	—	2,644,593
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	6,900,000	$ 166,993	188,337,658	$ 470,844	$ 2,841,998	$ (139,369)	$ 1,907,521	$ 5,247,987
Net income	—	—	—	—	—	—	463,237	463,237
Other comprehensive loss, net of tax	—	—	—	—	—	(1,083,169)	—	(1,083,169)
Recognition of stock compensation	—	—	242,313	606	35,620	—	—	36,226
Repurchase of stock	—	—	(6,142,706)	(15,357)	(168,227)	—	—	(183,584)
Preferred dividends declared, $1.375 per share	—	—	—	—	—	—	(9,488)	(9,488)
Cash dividends declared, $0.880 per share	—	—	—	—	—	—	(159,835)	(159,835)
Balance at December 31, 2022	6,900,000	$ 166,993	182,437,265	$ 456,093	$ 2,709,391	$ (1,222,538)	$ 2,201,435	$ 4,311,374

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Cadence Bank and Subsidiaries

	Year Ended December 31,		
(In thousands)	2022	2021	2020
Operating Activities:			
Net income	$ 463,237	$ 195,162	$ 228,051
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation, amortization and accretion	255,821	175,935	75,118
Deferred income tax expense (benefit)	7,822	(22,063)	(240)
Provision for credit losses	7,000	138,062	89,044
Gain on sale of loans, net	(46,083)	(104,996)	(82,333)
Unrealized (gain) loss on limited partnerships	(8,169)	(1,587)	2,034
Share-based compensation expense	32,787	18,101	12,820
Proceeds from payments and sales of loans held for sale	2,093,204	3,114,226	3,265,771
Origination of loans held for sale	(1,965,956)	(2,218,300)	(3,249,670)
Increase in interest receivable	(41,193)	(35,922)	(39,879)
Net increase in prepaid pension asset	(5,037)	(5,676)	(49,022)
Decrease (increase) in other assets	20,567	82,345	(58,917)
Increase (decrease) in other liabilities	93,631	(164,400)	225,779
Other, net	15,415	1,837	(195,664)
Net cash provided by operating activities	923,046	1,172,724	222,892
Investing Activities:			
Purchases of available-for-sale securities	(787,318)	(7,909,743)	(3,037,984)
Proceeds from sales of available-for-sale securities	369,614	564,029	147,621
Proceeds from maturities, calls, and payments of available-for-sale securities	2,569,336	2,175,657	1,263,960
Acquisition of businesses, net of cash (paid) received	(11,511)	2,665,485	2,074
Decrease in short-term investments	—	—	20,000
Increase in loans, net	(3,630,970)	(202,667)	(783,286)
Net (purchases) sales of FHLB stock	(131,055)	(311)	28,850
Purchases of premises and equipment	(94,499)	(72,267)	(65,952)
Proceeds from disposition of foreclosed and repossessed property	23,392	5,284	11,225
Cash paid in branch divestiture	—	(358,916)	—
Proceeds from sales of loans transferred to held for sale	64,580	—	—
Purchases of bank owned life insurance, net of benefits received	(17,564)	(648)	795
Proceeds from sales of premises and equipment	9,887	5,641	2,109
Purchases of investments in tax credit investments	(66,637)	(34,701)	(14,878)
Purchases of limited partnership interests	(30,298)	(3,480)	(282)
Other, net	22,360	13,116	—
Net cash used by investing activities	(1,710,683)	(3,153,521)	(2,425,748)
Financing Activities:			
(Decrease) increase in deposits, net	(863,976)	2,564,043	3,065,670
Net change in short-term borrowings	2,726,779	644,473	(600,929)
Repayment of long-term debt	(17,844)	(55,977)	(392)
Repurchase of common stock	(183,584)	(185,679)	(91,155)
Cash dividends paid on common stock	(160,777)	(99,264)	(76,460)
Cash dividends paid on preferred stock	(9,488)	(9,488)	(9,488)
Issuance of preferred stock	—	—	(28)
Net cash provided by financing activities	1,491,110	2,858,108	2,287,218
Net increase in cash and cash equivalents	703,473	877,311	84,362
Cash and cash equivalents at beginning of year	1,294,679	417,368	333,006
Cash and cash equivalents at end of year	$ 1,998,152	$ 1,294,679	$ 417,368

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
(In thousands)	**2022**	**2021**	**2020**
Supplemental Disclosures			
Cash paid during the year for:			
Interest	$ 190,241	$ 78,724	104,288
Income taxes, net of refunds	72,445	76,802	74,721
Cash paid for amounts included in lease liabilities	22,221	17,332	200
Non-cash investing activities, at fair value:			
Acquisition of real estate and other assets in settlement of loans	4,337	12,047	16,995
Transfers of loans held for sale to loans	1,624	9,115	3,059
Transfers of loans to loans held for sale	23,533	9,346	—
Right of use assets obtained in exchange for new operating lease liabilities	28,663	47,395	(1,407)
Securities purchased with settlement after period end	—	—	(9,347)
Increase in funding obligations for certain tax credit investments	83,765	—	—

See accompanying notes to consolidated financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The Company and its subsidiaries follow 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 (see Note 25 for more information).

Certain amounts reported in prior years have been reclassified to conform to the 2022 presentation. These reclassifications did not materially impact the Company's consolidated financial statements.

In accordance with 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. Refer to Note 26 for more information on subsequent events.

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. In 2020, the Company completed the merger with Texas First Bancshares Inc., and its wholly owned subsidiary, Texas First State Bank and completed the acquisition of Alexander & Sanders Insurance Agency, Inc., headquartered in Baton Rouge, Louisiana. In 2021, the Company completed the mergers with National United Bancshares Inc., the parent company of National United, and FNS Bancshares Inc., the parent company of FNB Bank. Additionally, in October 2021, we completed our merger with Cadence Bancorporation and its wholly owned subsidiary, Cadence Bank, N.A., (collectively referred to as "Legacy Cadence") (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 Securitie*s

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, 2022 and 2021, 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 at December 31, 2022 and 2021.

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 derivative instruments 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 (“MSR”) 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 19 and 22 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 22 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 sale. These loans have been recorded as secured borrowings on the Company's balance sheet at December 31, 2021. The recourse period expired in 2022.

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 2022, 2021, and 2020, an insignificant number of loans were returned to the Company. At December 31, 2022, 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 buyback 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 buyback 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, 2022, the amount of loans subject to buy back was $71.4 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 BancorpSouth Bank ("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, 2022, loans with an internally assigned grade of impaired, irrespective of troubled debt restructured (“TDR”) status, totaled $7.2 million, which was net of cumulative charge-offs of $84 thousand. Additionally, the Company had specific reserves of $2.3 million included in the ACL. Impaired loans at December 31, 2022 were primarily from the Company’s C&I portfolio. 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.

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 ACL.

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 2022, 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.

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 7 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 $6.7 million and $33.0 million at December 31, 2022 and 2021, 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, 2022. See Note 8 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 MSRs 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 MSRs 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, 2022, there was a hedge in place designed to cover approximately 47.9% 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 MSR 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 25 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 that uses an approach which allocates pension costs over the service period of employees in the plan. The Company also accounts for its other postretirement benefits by recognizing net periodic postretirement benefit costs as employees render the services necessary to earn their postretirement benefits. The principle underlying the accounting 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 at December 31, 2022 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").

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 or annual 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 2022, 2021, or 2020.

Share-Based Compensation

The Company administers several long-term incentive compensation plans that provide for the granting of various forms of incentive share-based compensation. The Company values these units at the grant date fair value and recognizes expense over the requisite service period. The Company's share-based compensation costs are recorded as a component of salaries and employee benefits in the consolidated statements of income. The Company has elected to account for forfeitures of share-based compensation awards as they occur, and compensation cost is recorded assuming all recipients will complete the requisite service period. If an employee forfeits an award because they do not complete the requisite service period, the Company will reverse compensation cost previously recognized in the period the award is forfeited. See Note 15 for additional information. Upon the exercise of stock options or the granting of restricted stock awards, the Company would fulfill these events by new share issuances. See Note 20 for additional information on share repurchases.

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 12 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 20 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 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.

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 17 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 14.

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 at December 31, 2022 and 2021. See Note 18 for additional information.

Recently Adopted 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 was 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, the adoption of this guidance had no immediate 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 was 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, the adoption of this guidance had 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.

ASU No. 2022-06

In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848.* In 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The objective of the guidance in ASC 848 is to provide relief during the temporary transition period, so the FASB included a sunset provision within ASC 848 based on expectations of when the London Interbank Offered Rate (LIBOR) would cease being published.

In 2021, the UK Financial Conduct Authority (FCA) delayed the intended cessation date of certain tenors of USD LIBOR to June 30, 2023, which is beyond the current sunset date of ASC 848. To ensure the relief in ASC 848 covers the period of time during which a significant number of modifications may take place, the amendments in the ASU defer the sunset date of ASC 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief.

The amendments were effective upon issuance of the ASU (December 21, 2022). This guidance had no immediate impact on our consolidated financial statements.

Pending Accounting Pronouncements

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.

ASU No. 2022-01

In March 2022, the FASB issued ASU No. 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method*. The ASU expands and clarifies the portfolio layer method for fair value hedges of interest rate risk. The amendments allow entities to employ a multiple-layer hedging strategy and further allows entities to hedge nonprepayable financial assets under the portfolio layer method rather than just prepayable financial assets. The amendments provide additional guidance on accounting for fair value hedge basis adjustments associated with portfolio layer hedges, generally requiring these adjustments to be maintained at the closed portfolio level and clarifying how these amounts should be disclosed.

The guidance is effective for fiscal years beginning after December 15, 2022. Early adoption is permitted. The guidance on hedging multiple layers in a closed portfolio is applied prospectively. The guidance on the accounting for fair value basis adjustments is applied on a modified retrospective basis. Entities have the option to adopt the disclosure guidance prospectively or retrospectively.

In addition, within 30 days of adoption, an entity may reclassify debt securities from held to maturity to available for sale if it includes them in a closed portfolio that is hedged under the portfolio layer method. This guidance will have no immediate impact to our consolidated financial statements.

ASU No. 2022-02

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The FASB issued this ASU to eliminate the recognition and measurement guidance on troubled debt restructurings for creditors that have adopted ASC 326 and require them to make enhanced disclosures about loan modifications for borrowers experiencing financial difficulty. The new guidance also requires public business entities to present current-period gross write-offs (on a current year-to-date basis for interim-period disclosures) by year of origination in their vintage disclosures

The amendments are effective for fiscal years beginning after December 15, 2022, and interim periods therein. Early adoption of the amendments is permitted, including adoption in an interim period. If an entity elects to early adopt in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes the interim period. An entity may elect to early adopt the amendments related to TDRs separately from the amendments related to vintage disclosures.

Entities will apply the amendments related to disclosures for loan modifications and the presentation of gross write-offs in the vintage disclosures starting in the period of adoption (i.e., prospectively). Information about modifications made in periods before adoption are not required to be provided.

Entities can elect to adopt the guidance on TDRs using either a prospective or modified retrospective transition. The Company intends to adopt these amendments via the modified retrospective transition method and currently anticipates any impacts to its consolidated financial statements will not be material.

ASU No. 2022-03

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions.* The amendments in the ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The ASU introduces new disclosure requirements to provide investors with information about the restriction including the nature and remaining duration of the restriction.

The amendments are effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The amendments should be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance will have no immediate impact to our consolidated financial statements.

NOTE 2. BUSINESS COMBINATIONS

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. At December 31, 2022, total goodwill related to the National United acquisition was $49.3 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.

The Company completed its valuation of the assets and liabilities acquired from National United prior to the one year anniversary of the merger, thus ending the measurement period for this merger.

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 cash equivalents	$	232,578
Available-for-sale securities and other equity investments		132,046
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		4,320
Total assets acquired	$	822,443
Liabilities assumed:		
Deposits	$	744,602
Accrued interest payable		138
Other liabilities		1,730
Total liabilities assumed	$	746,470
Net assets acquired	$	75,973
Consideration paid:		
Market value of common stock		92,018
Total cash paid		33,256
Total fair value of consideration paid	$	125,274
Goodwill	$	49,301

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. At December 31, 2022, total goodwill related to the FNS acquisition was $55.5 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.

The Company completed its valuation of the assets and liabilities acquired from FNS prior to the one year anniversary of the merger, thus ending the measurement period for this merger.

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 cash equivalents	$	143,179
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		11,981
Total assets acquired	$	809,580
Liabilities assumed:		
Deposits	$	721,462
Accrued interest payable		174
Junior subordinated debt		10,000
Long-term debt		20,206
Other liabilities		7,161
Total liabilities assumed	$	759,003
Net assets acquired	$	50,577
Consideration paid:		
Market value of common stock issued		88,028
Total cash paid		18,003
Total fair value of consideration paid	$	106,031
Goodwill	$	55,454

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. At December 31, 2022, total goodwill related to the Legacy Cadence acquisition was $497.9 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 $49.3 million of customer relationship intangibles and $25.5 million for the Cadence trade name.

The following table presents the amounts recorded on the consolidated balance sheet on the acquisition date of October 29, 2021 for Legacy Cadence, showing the fair value as adjusted during the measurement period (in thousands):

Assets acquired:	
Cash and cash equivalents	$ 2,340,995
Available-for-sale securities	4,171,807
Loans held for sale	83,475
Loans and leases	11,527,741
Allowance for credit losses	(56,459)
Premises and equipment	198,578
Other identifiable intangible assets	99,898
Other assets	575,981
Total assets acquired	$ 18,942,016
Liabilities assumed:	
Deposits	$ 16,350,287
Borrowings	206,805
Other liabilities	400,577
Total liabilities assumed	$ 16,957,669
Net assets acquired	$ 1,984,347
Consideration paid:	
Market value of common stock	2,464,546
Fair value of equity awards	17,675
Cash paid in lieu of fractional shares	8
Total fair value of consideration paid	$ 2,482,229
Goodwill	$ 497,882

In relation to the Legacy Cadence merger, the Company recorded $451.7 million provisional estimate of goodwill in 2021 and an additional $46.2 million during 2022, representing the excess of the purchase price over the acquisition accounting value of net assets acquired, net of deferred taxes. The Company considers its valuations of Legacy Cadence's assets acquired and liabilities assumed to be final as management completed these valuations within the measurement period during the fourth quarter of 2022.

During 2022, we continued to analyze the valuations assigned to the acquired assets and assumed liabilities and received updated information resulting in the revised fair values displayed below. We updated our estimated fair values of these items within our Consolidated Balance Sheet with a corresponding adjustment to goodwill. These changes are gross of taxes and reflected in the following table:

(In thousands)

Acquired Asset or Liability	Balance Sheet Line Item	Provisional Estimate	Revised Estimate	Increase (Decrease)
Available-for-sale securities	Available-for-sale securities	$ 4,172,313	$ 4,171,807	$ (506)
Loans and leases	Loans and leases	11,534,035	11,527,741	(6,294)
Allowance for credit losses	Allowance for credit losses	(64,576)	(56,459)	8,117
Premises and equipment	Premises and equipment	197,214	198,578	1,364
Other identifiable intangible assets	Other intangible assets, net	152,341	99,898	(52,443)
Investments in limited partnerships	Other assets	580,332	575,981	(4,351)
Goodwill	Goodwill	451,722	497,882	46,160
Deferred taxes	Other liabilities	39,726	36,970	(2,756)
Unfunded commitments	Other liabilities	24,389	17,882	(6,507)
Other liabilities	Other liabilities	347,854	345,725	(2,129)

All measurement period adjustments made during 2022 have been deemed insignificant individually and in the aggregate. The Company finalized its valuation of the Legacy Cadence merger transaction within the measurement period (i.e., no later than October 28, 2022).

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

Cash and cash equivalents: 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 $17.9 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 $56.5 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 Model") 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 above 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 8 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.

The impact on the income statement resulting from the changes to the estimated fair values was insignificant. The finalization of these analyses through the measurement period did not significantly impact the income statement.

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.

	Pro Forma Information for the Years Ended	
(In thousands)	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 $51.2 million and $59.9 million incurred during 2022 and 2021, respectively, are recorded in the consolidated income statement and include incremental costs related to the closing of the transactions, 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 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

The amortized cost, unrealized gains and losses, and estimated fair value of available-for-sale securities are presented in the following tables:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2022				
U.S. Treasury securities	$ 1,514,494	$ —	$ 55,981	$ 1,458,513
Obligations of U.S. government agencies	1,581,308	1,111	105,292	1,477,127
Mortgage-backed securities issued or guaranteed by U.S. agencies (MBS)				
Residential pass-through:				
Guaranteed by GNMA	96,734	6	12,372	84,368
Issued by FNMA and FHLMC	7,236,386	72	961,488	6,274,970
Other residential mortgage-backed securities	201,781	1	33,330	168,452
Commercial MBS	2,142,622	336	261,105	1,881,853
Total MBS	9,677,523	415	1,268,295	8,409,643
Obligations of states and political subdivisions	563,755	147	97,900	466,002
Other domestic debt securities	88,914	—	6,196	82,718
Foreign debt securities	54,906	—	4,813	50,093
Total available-for-sale securities	$ 13,480,900	$ 1,673	$ 1,538,477	$ 11,944,096

(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	$ 15,707,156	$ 45,487	$ 146,173	$ 15,606,470

For available-for-sale securities, gross gains of $317 thousand and gross losses of $835 thousand were recognized in 2022, gross gains of $383 thousand and gross losses of $514 thousand were recognized in 2021, and gross gains of $88 thousand and no gross losses were recognized in 2020. There were no impairment charges related to credit losses included in gross realized losses for the years ended December 31, 2022, 2021, and 2020. Available-for-sale securities with a carrying value of $9.2 billion and $5.1 billion at December 31, 2022 and December 31, 2021, respectively, were pledged to secure public and trust funds on deposit and for other purposes. There were no securities held for trading at December 31, 2022 and December 31, 2021. Proceeds from the sales of securities available-for-sale totaled $369.6 million in 2022, $564.0 million in 2021, and $147.6 million in 2020.

The amortized cost and estimated fair value of available-for-sale securities at December 31, 2022 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	$ 2,330,041	$ 2,261,162
Maturing after one year through five years	571,793	516,859
Maturing after five years through ten years	271,777	248,951
Maturing after ten years	629,766	507,481
Mortgage-backed securities	9,677,523	8,409,643
Total available-for-sale securities	$ 13,480,900	$ 11,944,096

At December 31, 2022 and December 31, 2021, approximately 98.6% and 73.7% of securities were in an unrealized loss position, respectively. At December 31, 2022, there were 758 securities that have been in a loss position for more than twelve months, and 470 securities that have been in a loss position for less than twelve 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:

	Less Than 12 Months		12 Months or Longer	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2022				
U.S. Treasury securities	$ 496,403	$ 19,472	$ 962,110	$ 36,509
U.S. government agency securities	959,715	53,576	467,758	51,716
Mortgage-backed securities	1,170,212	122,598	7,161,803	1,145,697
Obligations of states and political subdivisions	391,025	84,152	57,019	13,748
Other domestic debt securities	53,639	4,672	8,079	1,524
Foreign debt securities	—	—	50,093	4,813
Total available-for-sale securities at a loss	$ 3,070,994	$ 284,470	$ 8,706,862	$ 1,254,007

	Less Than 12 Months		12 Months or Longer	
(In thousands)	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 available-for-sale securities at a loss	$ 11,490,190	$ 146,001	$ 5,815	$ 172

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. Credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. 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 at December 31, 2022 and December 31, 2021. No unrealized losses were recorded into income during 2022, 2021, and 2020. See Note 26, Subsequent Events.

Held in other assets, 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. Additionally, the Company holds equity investments without readily determinable fair values in other assets. These investments include an investment 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 Company accounts for this investment as a long-term asset and carries it at cost. There are also several investments in other financial service providers that qualify under the Community Reinvestment Act and to obtain correspondent services.

(In thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
Equity securities held at cost:				
Equity securities	$ 18,102	$ —	$ —	$ 18,102
Federal Home Loan Bank stock	134,356	—	—	134,356
Total equity securities, held at cost	$ 152,458	$ —	$ —	$ 152,458
Equity securities held at fair value:				
Farmer Mac stock	$ 49	$ 295	$ —	$ 344
Affordable Housing MBS Exchange Traded Fund	24,994	—	3,685	21,309
Total equity securities, held at fair value	$ 25,043	$ 295	$ 3,685	$ 21,653

(In thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2021				
Equity securities held at cost:				
Equity securities	$ 13,102	$ —	$ —	$ 13,102
Federal Home Loan Bank stock	8,301	—	—	8,301
Total equity securities, held at cost	$ 21,403	$ —	$ —	$ 21,403
Equity securities held at fair value:				
Farmer Mac stock	$ 49	$ 343	$ —	$ 392
Affordable Housing MBS Exchange Traded Fund	24,994	—	462	24,532
Total equity securities, held at fair value	$ 25,043	$ 343	$ 462	$ 24,924

NOTE 4. LOANS AND LEASES

The following table is a summary of our loan and lease portfolio aggregated by segment and class at the periods indicated:

(In thousands)	December 31, 2022	December 31, 2021
Commercial and industrial		
Non-real estate	$ 8,985,547	$ 7,847,473
Owner occupied	4,068,659	3,567,746
Total commercial and industrial	13,054,206	11,415,219
Commercial real estate		
Construction, acquisition and development	3,547,986	2,924,343
Income producing	5,150,680	4,924,369
Total commercial real estate	8,698,666	7,848,712
Consumer		
Residential mortgages	8,319,242	7,311,306
Other consumer	277,163	307,751
Total consumer	8,596,405	7,619,057
Total loans and leases, net of unearned income (1)	$ 30,349,277	$ 26,882,988

(1) Total loans and leases are net of $100.8 million and $103.2 million of unearned income at December 31, 2022 and 2021, respectively.

The Company engages in lending 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 the 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 impact of rising inflation, rising interest rates, labor and supply chain shortages, combined with the remaining disruption resulting from the coronavirus ("COVID-19") pandemic and the potential for a slowing economy poses additional risk to borrowers and financial institutions. As a result of these factors, there is risk for businesses to experience difficulty in meeting repayment obligations, and the Company may experience losses or deterioration in performance in its loan portfolio.

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 – 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. This category also includes loans to finance agricultural production. The Company recognizes that risk from economic cycles, commodity prices, pandemics, 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, 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. This category also includes 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 conducted 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 residential mortgage and commercial real estate portfolios were originated through the permanent financing of construction, acquisition and development loans. Rising interest rates and the potential for slowing economic conditions 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 real estate 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, 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 – Residential mortgages are first or second-lien loans to consumers secured by a primary residence or second home. This category includes traditional mortgages, 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 residential mortgages sold in the secondary market which are underwritten and closed pursuant to investor and agency guidelines. At December 31, 2022 and December 31, 2021, residential mortgage loans in process of foreclosure totaled $4.6 million and $2.2 million, respectively. Additionally, the Company held $2.1 million and $3.2 million in foreclosed residential properties at December 31, 2022 and 2021, respectively.

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

The Company recognizes 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 the periods indicated:

	December 31, 2022						
(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Amortized Cost	90+ Days Past Due still Accruing
Commercial and industrial							
Non-real estate	$ 4,858	$ 4,993	$ 13,789	$ 23,640	$ 8,961,907	$ 8,985,547	$ 412
Owner occupied	3,134	804	5,268	9,206	4,059,453	4,068,659	20
Total commercial and industrial	7,992	5,797	19,057	32,846	13,021,360	13,054,206	432
Commercial real estate							
Construction, acquisition and development	5,899	286	1,171	7,356	3,540,630	3,547,986	—
Income producing	4,459	—	6,935	11,394	5,139,286	5,150,680	—
Total commercial real estate	10,358	286	8,106	18,750	8,679,916	8,698,666	—
Consumer							
Residential mortgages	37,635	12,255	47,717	97,607	8,221,635	8,319,242	1,440
Other consumer	1,418	420	798	2,636	274,527	277,163	196
Total consumer	39,053	12,675	48,515	100,243	8,496,162	8,596,405	1,636
Total loans and leases, net of unearned income	$ 57,403	$ 18,758	$ 75,678	$ 151,839	$30,197,438	$30,349,277	$ 2,068

	December 31, 2021						
(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Amortized Cost	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 income	$ 63,493	$ 23,259	$ 97,497	$ 184,249	$26,698,739	$26,882,988	$ 24,784

Past due loans held-for-sale past due 90 days or more totaled $71.4 million and $91.9 million at December 31, 2022 and 2021, respectively. These loans are not included in the tables above. The Company did not exercise its buy-back option on any delinquent loans serviced for Government National Mortgage Association (”GNMA”) during 2022 or 2021 (see Note 1 for additional information).

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, and for which it is probable, at acquisition, that the bank will be unable to collect all contractually required payments receivable.

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 the periods indicated:

	December 31, 2022						
(In thousands)	Pass	Special Mention	Substandard	Doubtful	Impaired	PCD (Loss)	Total
Commercial and industrial							
Non-real estate	$ 8,735,337	$ 37,389	$ 205,246	$ —	$ 3,375	$ 4,200	$ 8,985,547
Owner occupied	4,024,179	6,062	32,912	—	3,824	1,682	4,068,659
Total commercial and industrial	12,759,516	43,451	238,158	—	7,199	5,882	13,054,206
Commercial real estate							
Construction, acquisition and development	3,498,990	18,667	23,073	—	—	7,256	3,547,986
Income producing	5,035,880	27,330	68,948	—	—	18,522	5,150,680
Total commercial real estate	8,534,870	45,997	92,021	—	—	25,778	8,698,666
Consumer							
Residential mortgages	8,159,904	232	157,532	—	—	1,574	8,319,242
Other consumer	272,182	—	4,981	—	—	—	277,163
Total consumer	8,432,086	232	162,513	—	—	1,574	8,596,405
Total loans and leases, net of unearned income	$ 29,726,472	$ 89,680	$ 492,692	$ —	$ 7,199	$ 33,234	$ 30,349,277

	December 31, 2021						
(In thousands)	Pass	Special Mention	Substandard	Doubtful	Impaired	PCD (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 income	$ 26,207,271	$ 76,844	$ 482,390	$ 2,850	$ 25,201	$ 88,432	$ 26,882,988

The following tables provide credit quality indicators by class and period of origination (vintage) at December 31, 2022:

	Commercial and Industrial - Non-Real Estate								
	Period Originated:								
(In thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 1,780,736	$1,513,306	$ 445,480	$ 375,963	$ 301,582	$ 592,688	$3,693,197	$ 32,385	$ 8,735,337
Special Mention	—	—	1,160	14,969	8,860	—	12,400	—	37,389
Substandard	3,682	18,026	19,929	9,358	29,993	40,890	83,172	196	205,246
Impaired	1,250	18	53	21	—	—	2,033	—	3,375
PCD (Loss)	—	—	—	—	—	4,200	—	—	4,200
Total	$ 1,785,668	$1,531,350	$ 466,622	$ 400,311	$ 340,435	$ 637,778	$3,790,802	$ 32,581	$ 8,985,547
% Criticized	0.3%	1.2%	4.5%	6.1%	11.4%	7.1%	2.6%	0.6%	2.8%

Commercial and Industrial - Owner Occupied									
	Period Originated:								
(In thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 887,282	$ 897,011	$ 529,784	$ 347,760	$ 370,115	$ 890,804	$ 95,549	$ 5,874	$ 4,024,179
Special Mention	—	—	59	356	978	4,669	—	—	6,062
Substandard	332	1,102	979	8,382	5,356	16,653	108	—	32,912
Impaired	—	—	—	1,305	—	2,519	—	—	3,824
PCD (Loss)	—	—	—	1,134	—	548	—	—	1,682
Total	$ 887,614	$ 898,113	$ 530,822	$ 358,937	$ 376,449	$ 915,193	$ 95,657	$ 5,874	$ 4,068,659
% Criticized	—%	0.1%	0.2%	3.1%	1.7%	2.7%	0.1%	—%	1.1%

Construction, Acquisition, & Development									
	Period Originated:								
(In thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 1,426,054	$1,431,297	$ 328,225	$ 107,202	$ 34,368	$ 58,459	$ 113,385	$ —	$ 3,498,990
Special Mention	—	18,667	—	—	—	—	—	—	18,667
Substandard	947	18,776	—	1,290	1,196	723	141	—	23,073
PCD (Loss)	—	7,256	—	—	—	—	—	—	7,256
Total	$ 1,427,001	$1,475,996	$ 328,225	$ 108,492	$ 35,564	$ 59,182	$ 113,526	$ —	$ 3,547,986
% Criticized	0.1%	3.0%	—%	1.2%	3.4%	1.2%	0.1%	—%	1.4%

Commercial Real Estate - Income Producing									
	Period Originated:								
(In thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 1,132,359	$ 910,756	$ 574,920	$ 647,854	$ 549,030	$1,091,693	$ 113,948	$ 15,320	$ 5,035,880
Special Mention	—	11,624	928	—	7,283	7,495	—	—	27,330
Substandard	—	2,006	196	15,919	1,489	45,338	4,000	—	68,948
PCD (Loss)	—	—	—	14,309	—	4,213	—	—	18,522
Total	$ 1,132,359	$ 924,386	$ 576,044	$ 678,082	$ 557,802	$1,148,739	$ 117,948	$ 15,320	$ 5,150,680
% Criticized	—%	1.5%	0.2%	4.5%	1.6%	5.0%	3.4%	—%	2.2%

Consumer - Residential Mortgages									
	Period Originated:								
(In thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 2,015,348	$1,737,985	$1,183,683	$ 601,178	$ 562,674	$1,141,054	$ 916,542	$ 1,440	$ 8,159,904
Special Mention	—	—	—	232	—	—	—	—	232
Substandard	5,944	18,371	27,775	27,569	23,384	44,310	10,179	—	157,532
PCD (Loss)	—	—	—	—	—	1,574	—	—	1,574
Total	$ 2,021,292	$1,756,356	$1,211,458	$ 628,979	$ 586,058	$1,186,938	$ 926,721	$ 1,440	$ 8,319,242
% Criticized	0.3%	1.0%	2.3%	4.4%	4.0%	3.9%	1.1%	—%	1.9%

	Consumer - Other Consumer								
	Period Originated:								
(In thousands)	2022	2021	2020	2019	2018	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 49,957	$ 27,269	$ 16,891	$ 9,744	$ 3,752	$ 8,043	$ 156,526	$ —	$ 272,182
Substandard	924	1,160	653	715	426	206	897	—	4,981
Total	$ 50,881	$ 28,429	$ 17,544	$ 10,459	$ 4,178	$ 8,249	$ 157,423	$ —	$ 277,163
% Criticized	1.8 %	4.1 %	3.7 %	6.8 %	10.2 %	2.5 %	0.6 %	— %	1.8 %

In connection with the acquisitions discussed in Note 2, 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 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, 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 additional information). The following table represents the acquisition date fair value of loans purchased through the acquisition of Legacy Cadence by portfolio segment, including measurement period adjustments recorded through October 28, 2022:

(In thousands)	Fair Value
Commercial and industrial	
Non-real estate	$ 5,554,007
Owner occupied	817,556
Total commercial and industrial	6,371,563
Commercial real estate	
Construction, acquisition and development	1,067,155
Income producing	1,590,144
Total commercial real estate	2,657,299
Consumer	
Residential mortgages	2,495,541
Other consumer	86,813
Total consumer	2,582,354
Total loans, leases, and loans held for sale, net of discounts	$ 11,611,216

The estimated fair value of the non-PCD loans acquired in the Legacy Cadence transaction was $11.6 billion, which is net of a $56.5 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	$ 313,109
Allowance for credit losses at acquisition	56,459
Non-credit discount (premium) at acquisition	24,857
Par value of acquired loans at acquisition	$ 394,425

The Company’s collateral-dependent loans totaling $40.4 million and $113.6 million at December 31, 2022 and 2021, respectively, includes loans internally classified as impaired and PCD Loss. At December 31, 2022, most of these loans are within the income producing, non-real estate, construction, acquisition, and development, and owner occupied classes. Additionally, there were a small amount of these loans in residential mortgages. C&I loans are typically supported by collateral such as real estate, receivables, equipment, 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. At December 31, 2022 and 2021, $31.3 million and $92.5 million, respectively, of collateral-dependent loans had a valuation allowance of $4.5 million and $24.8 million, respectively. The remaining balance of collateral-dependent loans of $9.1 million and $21.2 million at December 31, 2022 and 2021, 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 (“NPL”) 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 NPL at the periods indicated:

(In thousands)	December 31, 2022	December 31, 2021
Nonaccrual loans and leases	$ 98,745	$ 122,104
Loans and leases 90 days or more past due, still accruing	2,068	24,784
Restructured loans and leases, still accruing	8,598	6,903
Total NPL	$ 109,411	$ 153,791

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.

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 the periods indicated:

	December 31, 2022			December 31, 2021		
(In thousands)	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	$ 23,907	$ 58	$ 412	$ 33,690	$ 1,171	$ 2,966
Owner occupied	7,944	1,819	20	22,058	4,110	—
Total commercial and industrial	31,851	1,877	432	55,748	5,281	2,966
Commercial real estate						
Construction, acquisition and development	2,974	—	—	5,568	—	535
Income producing	7,331	—	—	16,086	5,397	—
Total commercial real estate	10,305	—	—	21,654	5,397	535
Consumer						
Residential mortgages	55,892	1,574	1,440	44,180	1,047	21,099
Other consumer	697	—	196	522	—	184
Total consumer	56,589	1,574	1,636	44,702	1,047	21,283
Total loans and leases, net of unearned income	$ 98,745	$ 3,451	$ 2,068	$ 122,104	$ 11,725	$ 24,784

The gross interest income which would have been recorded under the original terms of nonaccrual loans and leases amounted to $7.0 million, $4.9 million, and $9.6 million in 2022, 2021, and 2020, respectively. The following table presents the interest income recognized on loans on nonaccrual status by segment and class for the periods indicated:

	Year Ended December 31,		
(In thousands)	2022	2021	2020
Commercial and industrial			
Non-real estate	$ 710	$ 349	$ 190
Owner occupied	683	1,207	778
Total commercial and industrial	1,393	1,556	968
Commercial real estate			
Construction, acquisition and development	133	196	49
Income producing	90	920	323
Total commercial real estate	223	1,116	372
Consumer			
Residential mortgages	1,925	1,020	1,016
Other consumer	90	97	50
Total consumer	2,015	1,117	1,066
Total loans and leases, net of unearned income	$ 3,631	$ 3,789	$ 2,406

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. 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, principal forgiveness, term extension, other-than-insignificant payment delay or combination of concessions. 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 granted include 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.

The following tables summarize the financial effect of TDRs for the periods indicated:

	Year Ended December 31, 2022		
(Dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Amortized Cost	Post-Modification Outstanding Amortized Cost
Commercial and industrial			
Non-real estate	9	$ 9,323	$ 8,937
Owner occupied	1	832	766
Total commercial and industrial	10	10,155	9,703
Commercial real estate			
Construction, acquisition and development	1	65	64
Income producing	1	—	—
Total commercial real estate	2	65	64
Consumer			
Residential mortgages	27	1,969	1,963
Other consumer	126	287	275
Total consumer	153	2,256	2,238
Total loans and leases, net of unearned income	165	$ 12,476	$ 12,005

	Year Ended December 31, 2021		
(Dollars in thousands)	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 income	39	$ 4,158	$ 4,108

(Dollars in thousands)	Year Ended 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 income	38	$ 4,540	$ 4,405

The following table summarizes TDRs restructured within the past 12 months for which there was a payment default during the period indicated (i.e., 30 days or more past due at any given time during the prior year):

	Year Ended December 31,					
	2022		2021		2020	
(Dollars in thousands)	Number of Contracts	Amortized Cost	Number of Contracts	Amortized Cost	Number of Contracts	Amortized Cost
Commercial and industrial						
Non-real estate	4	$ 622	2	$ 55	3	$ 178
Owner occupied	2	98	—	—	1	2,465
Total commercial and industrial	6	720	2	55	4	2,643
Commercial real estate						
Construction, acquisition and development	—	—	—	—	1	26
Income producing	—	—	1	30	—	—
Total commercial real estate	—	—	1	30	1	26
Consumer						
Residential mortgages	14	1,040	8	446	4	202
Other consumer	3	13	3	35	1	3
Total consumer	17	1,053	11	481	5	205
Total loans and leases, net of unearned income	23	$ 1,773	14	$ 566	$ 10	$ 2,874

During 2022, 2021, and 2020, the most common concessions involved rescheduling payments and/or reduction of interest rates in accordance with a bankruptcy plan. Other concessions included reduction of interest rates, granting a period of interest-only payments, or rescheduling payments over a longer amortization period.

NOTE 5. ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the changes in the allowance for credit losses ("ACL") for the periods indicated:

	Year Ended December 31,		
(In thousands)	2022	2021	2020
Balance at beginning of year	$ 446,415	$ 244,422	$ 119,066
Impact of adopting ASC 326	—	—	62,634
Charge-offs	(29,864)	(18,721)	(35,861)
Recoveries	29,913	24,035	8,357
Initial allowance on PCD loans (See Note 2)	(8,117)	75,124	4,226
Provision for credit losses	2,000	121,555	86,000
Balance at end of year	$ 440,347	$ 446,415	$ 244,422

The following tables summarize the changes in the ACL by segment and class for the periods indicated:

	Year Ended December 31, 2022					
(In thousands)	Beginning Balance	Charge-offs	Recoveries	Initial ACL on PCD Loans	Provision (Release)	Ending Balance
Commercial and industrial						
Non-real estate	$ 138,696	$ (17,874)	$ 14,165	$ —	$ 12,682	$ 147,669
Owner occupied	59,254	(824)	2,292	(551)	(24,623)	35,548
Total commercial and industrial	197,950	(18,698)	16,457	(551)	(11,941)	183,217
Commercial real estate						
Construction, acquisition and development	52,530	(298)	4,352	—	12,318	68,902
Income producing	98,327	(1,832)	3,521	(2,012)	(23,277)	74,727
Total commercial real estate	150,857	(2,130)	7,873	(2,012)	(10,959)	143,629
Consumer						
Residential mortgages	85,734	(1,430)	3,017	(5,554)	24,375	106,142
Other consumer	11,874	(7,606)	2,566	—	525	7,359
Total consumer	97,608	(9,036)	5,583	(5,554)	24,900	113,501
Ending Balance	$ 446,415	$ (29,864)	$ 29,913	$ (8,117)	$ 2,000	$ 440,347

(In thousands)	Year Ended December 31, 2021 Beginning Balance	Charge-offs	Recoveries	Initial ACL on PCD Loans	Provision	Ending Balance
Commercial and industrial						
Non-real estate	$ 31,906	$ (7,213)	$ 11,754	$ 31,614	$ 70,635	$ 138,696
Owner occupied	35,488	(1,912)	4,140	7,597	13,941	59,254
Total commercial and industrial	67,394	(9,125)	15,894	39,211	84,576	197,950
Commercial real estate						
Construction, acquisition and development	28,891	(1,024)	1,831	6,323	16,509	52,530
Income producing	64,291	(1,601)	1,262	14,932	19,443	98,327
Total commercial real estate	93,182	(2,625)	3,093	21,255	35,952	150,857
Consumer						
Residential mortgages	70,493	(1,509)	2,424	14,009	317	85,734
Other consumer	13,353	(5,462)	2,624	649	710	11,874
Total consumer	83,846	(6,971)	5,048	14,658	1,027	97,608
Ending Balance	$ 244,422	$ (18,721)	$ 24,035	$ 75,124	$ 121,555	$ 446,415

(In thousands)	Year Ended December 31, 2020 Beginning Balance	Impact of adopting ASC 326	Charge-offs	Recoveries	Initial ACL on PCD Loans	Provision	Ending Balance
Commercial and industrial							
Non-real estate	$ 19,509	$ 13,372	$ (17,201)	$ 1,705	$ 1,043	$ 13,478	$ 31,906
Owner occupied	15,563	10,608	(2,047)	1,554	1,191	8,619	35,488
Total commercial and industrial	35,072	23,980	(19,248)	3,259	2,234	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	(3,939)	439	1,920	30,683	64,291
Total commercial real estate	35,209	13,982	(8,894)	984	1,920	49,981	93,182
Consumer							
Residential mortgages	38,762	26,937	(2,294)	1,946	69	5,073	70,493
Other consumer	10,023	(2,265)	(5,425)	2,168	3	8,849	13,353
Total consumer	48,785	24,672	(7,719)	4,114	72	13,922	83,846
Ending Balance	$ 119,066	$ 62,634	$ (35,861)	$ 8,357	$ 4,226	$ 86,000	$ 244,422

The following table represents a roll forward of the reserve for unfunded commitments for the periods shown. The reserve for unfunded commitments is classified in other liabilities in the consolidated balance sheets.

(In thousands)	Year Ended December 31, 2022	2021	2020
Balance at beginning of period	$ 23,551	$ 7,044	$ 4,000
Provision for unfunded commitments for loans acquired during the period	—	13,007	—
Provision for credit losses for unfunded commitments	5,000	3,500	3,044
Balance at end of period	$ 28,551	$ 23,551	$ 7,044

The economic impact of inflation, rising interest rates, labor and supply chain shortages, combined with the remaining effects from the economic disruption resulting from the coronavirus (“COVID-19”) pandemic and the potential for a slowing economy poses additional risk to borrowers and financial institutions. These factors add to the risk borrowers may experience difficulty in meeting repayment obligations, and the Company may experience losses or deterioration in performance in its loan portfolio.

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 3.80% and 6.82% through the fourth quarter of 2024. The Company considers several forecasts from external sources. Forecasts are provided based on upside, downside, and base case scenarios over an eight-quarter forecast horizon to establish a forecast range. Management considers the scenarios and selects a blended scenario which reflects likely economic conditions within that range. In the fourth quarter the forecast was weighted more to the downside forecast scenario than in the first half of 2022. The Company recognizes that inflation, rising interest rates and a slowing economy may have short-term, long-term, and regional impacts to the economy. 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 ACL.

The allocation of ACL shifted from income producing and owner occupied to construction and development, residential mortgages and non-real estate classes during 2022 due to changes in the economic forecasts, asset quality of the segments, and loan growth.

NOTE 6. PREMISES AND EQUIPMENT

A summary by asset classification at the periods indicated:

(In thousands)	Estimated Useful Life (Years)	December 31, 2022	December 31, 2021
Land	N/A	$ 139,320	$ 144,485
Buildings and improvements	5-40	535,851	512,340
Leasehold improvements	5-39	35,385	19,021
Equipment, furniture and fixtures	3-20	407,084	396,467
Construction in progress	N/A	70,891	57,463
Right of Use - Lease	N/A	228,083	211,686
Subtotal		1,416,614	1,341,462
Accumulated depreciation and amortization		599,184	555,036
Premises and equipment, net		$ 817,430	$ 786,426

Depreciation expense was $43.9 million, $31.6 million, and $27.9 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Included in other assets is net software cost totaling $23.9 million and $28.9 million at December 31, 2022 and December 31, 2021, respectively. Software amortization expense was $9.7 million, $6.7 million, and $5.9 million for the years ended December 31, 2022, 2021, and 2020, 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 7 for additional disclosures related to our lease obligations.

NOTE 7. 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 and a lease liability for the corresponding lease obligation for contracts longer than a year.

At December 31, 2022 and 2021, the weighted average remaining lease term for operating leases was 15.6 years and 14.1 years, respectively, and the weighted average discount rate used in the measurement of operating lease liabilities was 3.2% and 2.6% at December 31, 2022 and 2021, respectively. Lease costs were as follows for the periods presented:

	Year Ended December 31,		
(In thousands)	2022	2021	2020
Operating lease costs	$ 24,362	$ 11,150	$ 8,861
Short-term lease costs	39	—	—
Variable lease costs	710	1,270	1,233
Sublease income	(1,122)	(187)	(29)
Total operating lease costs	$ 23,989	$ 12,233	$ 10,065

There were no leveraged leases or lease transactions with related parties during the years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, 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 at December 31, 2022:

(In thousands)	Amount
2023	$ 22,071
2024	20,268
2025	19,912
2026	19,629
2027	19,245
Thereafter	184,506
Total future minimum lease payments	285,631
Discount effect of cash flows	62,560
Present value of net future minimum lease payments	$ 223,071

At December 31, 2022 and 2021, the Company's operating lease ROU assets were $200.3 million and $194.8 million, respectively, and ROU liabilities were $224.7 million and $211.0 million, respectively.

NOTE 8. GOODWILL AND OTHER INTANGIBLE ASSETS

As further discussed in Note 21, 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, segment information for the year 2020 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, segment information for the year 2020 has not been disclosed under the new 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 at December 31, 2022 and December 31, 2021. The Company finalized its valuation of the Legacy Cadence merger transaction within the measurement period (i.e., no later than October 28, 2022). Refer to Note 2 for additional information on the mergers and acquisitions, and Note 21 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, 2022	December 31, 2021
Corporate Banking	$ 401,742	$ 259,101
Community Banking	918,354	940,089
Mortgage	19,652	40,716
Insurance Agencies	91,872	90,745
Banking Services	27,175	77,297
Total	$ 1,458,795	$ 1,407,948

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 2022 was based on a quantitative assessment and indicated no impairment of goodwill for its reporting units.

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 $132.8 million and $198.3 million at December 31, 2022 and December 31, 2021, 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 $49.3 million of customer relationship intangibles and $25.5 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 at December 31, 2022 and December 31, 2021.

	December 31, 2022			December 31, 2021		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Core deposit intangibles	$ 112,379	$ 56,689	$ 55,690	$ 112,378	$ 47,281	$ 65,097
Customer relationship intangibles	104,490	53,665	50,825	126,371	43,238	83,133
Non-solicitation intangibles	3,516	3,463	53	3,461	2,808	653
Trade names	26,196	—	26,196	49,388	—	49,388
Total other intangible assets	$ 246,581	$ 113,817	$ 132,764	$ 291,598	$ 93,327	$ 198,271

The following table presents intangible asset amortization expense for the periods indicated.

(In thousands)	Year Ended December 31, 2022	2021	2020
Core deposit intangibles	$ 9,408	$ 7,286	$ 6,704
Customer relationship intangibles	10,427	4,459	2,023
Non-solicitation intangibles	655	871	878
Total intangible asset amortization expense	$ 20,490	$ 12,616	$ 9,605

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
2023	$ 9,104	$ 10,587	$ 18	$ 19,709
2024	8,799	9,283	18	18,100
2025	8,451	7,978	17	16,446
2026	8,061	6,677	—	14,738
2027	7,628	5,380	—	13,008

NOTE 9. TIME DEPOSITS AND SHORT-TERM DEBT

Time deposits with a balance of $250,000 or more amounting to $1.1 billion were outstanding at December 31, 2022 and December 31, 2021.

At December 31, 2022, time deposits that will mature in under one year totaled $2.3 billion. For time deposits with a remaining maturity of more than one year at December 31, 2022, the aggregate amount maturing in each of the following five years and thereafter is presented in the following table:

(In thousands)	Amount
2024	$ 1,023,465
2025	232,167
2026	73,041
2027	55,020
2028	60
Thereafter	81
Total	$ 1,383,834

Borrowings with original maturities of one year or less are classified as short-term. The following tables present information relating to short-term debt for the periods presented:

	December 31, 2022				
	End of Period		Daily Average		Maximum Outstanding at any Month End
(Dollars in thousands)	Balance	Interest Rate	Balance	Interest Rate	
Federal funds purchased	$ 200,000	4.35%	$ 255,027	2.46%	$ 725,000
Securities sold under agreement to repurchase	708,736	3.44	668,946	1.07	708,736
Short-term FHLB advances	3,100,231	4.53	1,325,381	2.78	3,800,232
Total	$ 4,008,967		$ 2,249,354		$ 5,233,968

	December 31, 2021				
	End of Period		Daily Average		Maximum Outstanding at any Month End
(Dollars in thousands)	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	$ 1,282,188		$ 713,610		$ 2,521,764

Federal funds purchased generally mature the day following the date of purchase. At December 31, 2022 and December 31, 2021, the Company had established non-binding federal funds borrowing lines of credit with other banks aggregating $1.8 billion and $1.6 billion, respectively. Federal Reserve Bank ("FRB") discount window borrowings generally mature within 90 days and any borrowings from the FRB will be collateralized by $2.4 billion in commercial, agriculture, and consumer loans pledged under a borrower-in-custody agreement. At December 31, 2022 and December 31, 2021, there were no borrowings from the FRB discount window.

Short-term FHLB borrowings mature within one year following the date of the advance. Total short-term FHLB advances totaled $3.1 billion as December 31, 2022 and included advances of $1.2 billion at a rate of 4.7% and matures January 3, 2023; $800.0 million at a rate of 4.39% and matures January 30, 2023; $400.0 million at a rate of 4.43% and matures February 8, 2023; $700.0 million at a rate of 4.45% and matures May 10, 2023; and $231 thousand at a rate of 4.79% and matures October 2, 2023. All borrowings from the FHLB are collateralized by commercial, construction, and real estate loans pledged under a blanket lien arrangement at December 31, 2022 (see Note 10).

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 10. 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 of the book value (i.e., unpaid principal balance), after applicable FHLB discounts, of the Company's eligible commercial and residential loans pledged as collateral or 35% of the Company's assets. Loans totaling $19.8 billion and $12.8 billion at December 31, 2022 and December 31, 2021, respectively, were pledged to the FHLB of Dallas. At December 31, 2022, the remaining borrowing availability totaled $6.4 billion. At December 31, 2022, there were no call features on long-term FHLB borrowings. The FHLB of Dallas issued irrevocable letters of credit totaling $215.0 million at December 31, 2022 on behalf of our customers. Of the $215.0 million, $30.0 million expires on December 17, 2023 and $185.0 million expires on December 31, 2029. See Note 9 for information related to short-term FHLB advances.

The following table presents the details of the long-term and subordinated debt the Company has outstanding:

(In thousands)	December 31, 2022	December 31, 2021
Advances from FHLB Dallas	$ 836	$ 2,315
5.750% fixed rate, long-term promissory notes	—	1,427
4.125% fixed to floating rate, 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	35,000
4.750% subordinated notes, due June 30, 2029, callable in 2024	85,000	85,000
6.250% subordinated notes, due June 28, 2029, callable in 2024	25,000	25,000
5.000% fixed to floating rate, subordinated notes, due June 30, 2030, callable in 2025	10,000	10,000
Junior subordinated debentures, 3 month LIBOR plus 1.75%, due 2037	—	15,000
Purchase accounting adjustment, net of amortization	8,064	10,717
Debt issue costs	(1,346)	(2,048)
Total long-term borrowings	$ 462,554	$ 482,411

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 Legacy Cadence on October 29, 2021, the Company assumed subordinated notes with the par value totaling $145.0 million and junior subordinated notes with the 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. Also, during the third quarter of 2022, the Company redeemed the remaining long-term promissory notes.

NOTE 11. PREFERRED STOCK

In November 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 2022, 2021, and 2020.

NOTE 12. INCOME TAXES

The components of income tax expense attributable to operations were as follows for the years ended December 31, 2022, 2021 and 2020:

(In thousands)	2022	2021	2020
Current:			
Federal	$ 112,536	$ 66,194	$ 51,229
State	15,780	7,635	8,505
Deferred:			
Federal	6,232	(17,847)	637
State	1,590	(4,216)	(877)
Total	$ 136,138	$ 51,766	$ 59,494

The Company had income tax (payable) receivable of $(524) thousand, $53.2 million and $32.2 million at December 31, 2022, 2021 and 2020, 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)	2022	2021	2020
Tax expense at statutory rates	$ 125,869	$ 51,855	$ 60,384
Increase (decrease) in taxes resulting from:			
State income taxes, net of federal tax benefit	13,723	2,701	5,625
Tax-exempt interest revenue	(2,877)	(1,783)	(2,101)
Tax-exempt earnings on life insurance	(2,640)	(2,304)	(1,718)
Deductible dividends paid on 401(k) plan	(537)	(492)	(546)
Stock equity awards	—	(362)	134
Tax rate change revaluation of deferreds	2,470	—	—
Excess salary disallowance	3,672	1,459	903
Tax credits	(9,728)	(3,406)	(3,203)
FDIC disallowance	3,797	1,721	497
Nondeductible merger costs	129	3,449	582
Meals and entertainment	587	238	242
CARES Act benefit	—	41	(832)
Other, net	1,673	(1,351)	(473)
Total	$ 136,138	$ 51,766	$ 59,494

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, 2022 and 2021 were as follows:

(In thousands)	2022	2021
Deferred tax assets:		
Loans, principally due to allowance for credit losses	$ 113,927	$ 117,661
Other real estate owned	2,291	3,558
Loans, fair value adjustment	9,870	19,434
Securities, fair value adjustment	4,511	4,648
Accrued liabilities	36,037	23,918
Net operating loss carryforwards	8,350	8,395
Lease liability	53,121	50,412
Other	4,691	7,265
Unrealized net losses on available-for-sale-securities	362,993	25,121
Unrecognized pension expense	15,833	21,211
Total gross deferred tax assets	611,624	281,623
Less: valuation allowance	615	590
Deferred tax assets	611,009	281,033
Deferred tax liabilities:		
Lease transactions	$ 904	$ 410
Employment benefits	23,238	22,752
Premises and equipment, principally due to differences in depreciation	22,168	22,368
Mortgage servicing rights	25,901	16,597
Intangible assets	38,533	51,920
Investments	3,360	6,497
Deferred net loan fees	21,799	21,734
Right of use asset	47,787	46,557
Other	5,820	5,624
Total gross deferred tax liabilities	189,510	194,459
Net deferred tax assets	$ 421,499	$ 86,574

At December 31, 2022, the Company had a net deferred tax asset of $421.5 million, compared to $86.6 million at December 31, 2021. The changes to gross deferred tax assets and liabilities during 2022 was primarily due to deferred tax adjustments related to the change in market value of available-for-sale securities.

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, 2022 with the exception of a state net operating loss carryforward that will not be realized which resulted in a $0.6 million valuation allowance.

At December 31, 2022, 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 $3.7 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 $13.5 million, $0.6 million after tax, associated with those net operating losses at December 31, 2022.

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 $214 thousand in 2022, $32 thousand in 2021 and none in 2020. The Company's accrued interest and penalties on unrecognized tax benefits was $1.2 million and $0.5 million at December 31, 2022 and 2021. Accrued interest and penalties are included in other liabilities.

At December 31, 2022 and 2021, the balance of unrecognized tax benefits, if recognized that would reduce the effective tax rate is approximately $3.1 million and $71 thousand, respectively. 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:

	Years ended December 31,		
(In thousands)	2022	2021	2020
Balance at January 1	$ 1,441	$ 491	$ 399
Additions based on income tax positions related to current year	154	—	—
Additions for income tax positions for prior years	—	—	92
Additions from acquisition	1,482	1,351	—
Reductions for income tax positions of prior years	—	—	—
Statute of limitation expirations	—	—	—
Settlements	—	(401)	—
Balance at December 31	$ 3,077	$ 1,441	$ 491

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 2019, 2020 and 2021.

In August 2022, the Inflation Reduction Act of 2022 (IRA of 2022) was signed into law to address inflation, healthcare costs, climate change and renewal energy incentives, among other things. Included in the IRA of 2022 are provisions for the creation of a 15% corporate alternative minimum tax rate (CAMT) that is effective for tax years beginning January 1, 2023 for corporations with an average annual adjusted financial statement income in excess of $1 billion. Based on information available to date, we do not anticipate that the Company will be subject to the 15% CAMT, absent any further changes in law.

NOTE 13. 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 at December 31, 2022. The Company uses a December 31 measurement date for its pension and other benefit plans.

As a result of the merger with Legacy Cadence in 2021, 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, 2022, 2021 and 2020 follows:

	Pension Benefits		
(In thousands)	2022	2021	2020
Change in benefit obligations:			
Projected benefit obligations at beginning of year	$ 323,274	$ 303,319	$ 309,007
Service cost	10,439	7,363	7,411
Interest cost	7,278	4,397	6,991
Actuarial (gain) loss	(61,610)	29,009	10,500
Benefits paid	(10,510)	(10,870)	(10,254)
Administrative expenses paid	(1,033)	(1,262)	(1,261)
Plan amendments	—	3,570	—
Settlements (1)	(28,960)	(12,252)	(19,075)
Projected benefit obligations at end of year	$ 238,878	$ 323,274	$ 303,319
Change in plans' assets:			
Fair value of plans' assets at beginning of year	$ 414,067	$ 393,224	$ 351,307
Actual return on assets	(34,384)	42,546	32,797
Employer contributions	2,449	2,681	41,613
Benefits paid	(10,510)	(10,870)	(10,254)
Administrative expenses paid	(1,033)	(1,262)	(1,261)
Settlements (1)	(28,960)	(12,252)	(20,978)
Fair value of plans' assets at end of year	$ 341,629	$ 414,067	$ 393,224
Funded status:			
Projected benefit obligations	$ (238,878)	$ (323,274)	$ (303,319)
Fair value of plans' assets	341,629	414,067	393,224
Net amount recognized	$ 102,751	$ 90,793	$ 89,905

(1) The total lump sums paid during 2022 and 2021 were $29.0 million and $12.3 million, respectively, compared to a settlement threshold of $14.8 million and $9.3 million. As a result, a charge of $9.0 million and $3.1 million were recognized for 2022 and 2021, respectively.

The overall funded status of the plans improved during 2022. While the fair value of the plans’ assets decreased during the year, this was more than offset by the decrease in the pension benefit obligation. The decrease in the pension benefit obligation was primarily as a result of increases in the discount rates for all plans during 2022, decreasing the pension benefit obligation. This was partially offset by gains on the pension benefit obligation due to demographic experience related to the Basic Plan.

The weighted-average interest crediting rates for both the Basic Plan and the Restoration Plan were 3.98% in 2022. The Supplemental Plan does not have a minimum interest crediting rate.

Amounts recognized in the consolidated balance sheets consisted of:

	Pension Benefits		
(In thousands)	2022	2021	2020
Prepaid benefit cost	$ 201,581	$ 207,855	$ 201,571
Accrued benefit liability	(31,800)	(32,047)	(26,530)
Accumulated other comprehensive loss adjustment	(67,030)	(85,015)	(85,136)
Net amount recognized	$ 102,751	$ 90,793	$ 89,905

Pre-tax amounts recognized in accumulated other comprehensive loss consisted of:

	December 31,	
(In thousands)	2022	2021
Net prior service benefit	$ 205	$ 218
Net actuarial loss	66,825	84,797
Total accumulated other comprehensive loss	$ 67,030	$ 85,015

The components of net periodic benefit cost for the periods indicated were as follows:

	Year Ended December 31,		
(In thousands)	2022	2021	2020
Service cost	$ 10,439	$ 7,363	$ 7,411
Interest cost	7,278	4,397	6,991
Expected return on plan assets	(23,003)	(22,901)	(20,409)
Recognized prior service cost (benefit)	14	3,088	(718)
Recognized net loss	4,726	6,916	6,130
Settlement loss	9,023	3,051	5,846
Net periodic benefit [(1)]	$ 8,477	$ 1,914	$ 5,251

(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 the years ended December 31, 2022, 2021, and 2020.

The weighted-average assumptions used to determine benefit obligations at December 31, 2022 and 2021 were as follows:

	Basic Plan		Restoration Plan		Supplemental Plan	
	2022	2021	2022	2021	2022	2021
Discount rate	5.50%	2.73%	5.46%	2.77%	5.41%	2.41%
Rate of compensation increase	4.00%	3.00%	4.00%	3.00%	3.00%	3.00%

The weighted-average assumptions used to determine net periodic benefit cost for 2022, 2021 and 2020 were as follows:

	Basic Plan		
	2022	2021	2020
Discount rate-service cost	2.92%	2.45%	3.27%
Discount rate-interest cost	1.95%	1.42%	2.59%
Rate of compensation increase	4.00%	3.00%	3.00%
Expected rate of return on plan assets	6.00%	6.00%	6.00%

	Restoration Plan		
	2022	2021	2020
Discount rate-service cost	2.61%	1.64%	2.77%
Discount rate-interest cost	2.26%	1.70%	2.77%
Rate of compensation increase	4.00%	3.00%	3.00%
Expected rate of return on plan assets	N/A	N/A	N/A

	Supplemental Plan		
	2022	2021	2020
Discount rate-service cost	2.24%	1.81%	2.91%
Discount rate-interest cost	1.62%	1.20%	2.44%
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, 2022 and 2021:

(In thousands)	2022	2021
Projected benefit obligation	$ 35,951	$ 42,871
Accumulated benefit obligation	31,361	39,125
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, 2022 and 2021 and the Company's target allocations for 2023, by asset category, were as follows:

	Plan assets at December 31,		Target for
Asset category:	2022	2021	2023
Equity securities	46 %	51 %	33-60%
Debt securities	50 %	47 %	40-67%
Cash and equivalents	4 %	2 %	
Total	100 %	100 %	

Equity securities held in the Basic Plan included shares of the Company's common stock with a fair value of $2.0 million (0.60% of total plan assets) and $2.5 million (0.59% of total plan assets) at December 31, 2022 and 2021, 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:	
2023	$ 22,552
2024	27,402
2025	26,097
2026	26,606
2027	25,576
2028-2032	116,803

The following table presents the fair value of each major category of plan assets held in the Basic Plan at December 31, 2022 and 2021:

	Plan Assets	
(In thousands)	2022	2021
Investments, at fair value:		
Cash and cash equivalents	$ 14,503	$ 10,013
U.S. agency debt obligations	16,347	21,806
Mutual funds	264,674	318,511
Common stock of Cadence Bank	2,029	2,451
Brokered certificates of deposit	43,446	60,659
Total investments, at fair value	340,999	413,440
Accrued interest and dividends	630	627
Fair value of plan assets	$ 341,629	$ 414,067

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 at December 31, 2022 and 2021:

	2022			
(In thousands)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 14,503	$ —	$ —	$ 14,503
U.S. agency debt obligations	—	16,347	—	16,347
Mutual funds	264,674	—	—	264,674
Company common stock	2,029	—	—	2,029
Brokered certificates of deposit	—	43,446	—	43,446
Total	$ 281,206	$ 59,793	$ —	$ 340,999

(In thousands)	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
Company common stock	2,451	—	—	2,451
Brokered certificates of deposit	—	60,659	—	60,659
Total	$ 330,975	$ 82,465	$ —	$ 413,440

The following investments represented 5% or more of the total plan asset value at December 31, 2022:

(In thousands)	2022
John Hancock Discip Value Fund	$ 21,261
John Hancock Discip Value Mid Cap Fund	18,179
Curasset Capital Management Core Bond Fund	28,893
Curasset Capital Management Limited Term Inc Fund	35,129
Pioneer Multi-Asset Ultrashort Inc Fund	22,930
JP Morgan Equity Income R6	25,671
JP Morgan Strategic Income Opp Fund	23,646
JPMorgan Undiscovered Managers Behavioral Value	17,546

The Company has a defined contribution plan (commonly referred to as a “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 $24.7 million, $16.7 million, and $14.9 million for 2022, 2021, and 2020, respectively.

NOTE 14. FAIR VALUE DISCLOSURES

Fair value is defined by U.S. 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. U.S. 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 (with readily determinable fair values) are recorded at fair value on a recurring basis. 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 ("MSR"). The Company records MSR at fair value on a recurring basis with subsequent remeasurement of MSR based on change in fair value. An estimate of the fair value of the Company's MSR 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 MSR are classified as Level 3.

Derivative instruments. The Company's derivatives that are traded on an active exchange are classified as Level 1. The majority of the Company's 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 which 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.

Investments in limited partnerships. The fair value of certain investments in limited partnerships is 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.

Small Business Administration ("SBA") servicing assets. The fair value of the SBA servicing assets is estimated using the gross coupon less an assumed contractual servicing cost ("CSC"). The Company classifies SBA servicing assets as Level 3.

Other real estate owned ("OREO") and 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 repossessed assets is determined using net orderly liquidation valuation on a nonrecurring basis. The Company's OREO and repossessed assets are classified as Level 3.

Collateral-dependent loans (impaired and purchase credit deteriorated (loss)). 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). When a loan is collateral-dependent, the fair value of the loan is determined based on the fair value of the underlying collateral. 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:

	December 31, 2022			
(In thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	$ —	$ 11,944,096	$ —	$ 11,944,096
Equity investments	21,653	—	—	21,653
Mortgage servicing rights	—	—	109,744	109,744
Derivative instruments	45	28,345	1,031	29,421
Loans held for sale	—	187,925	—	187,925
Investments in limited partnerships	—	—	67,533	67,533
SBA servicing rights	—	—	5,585	5,585
Total	$ 21,698	$ 12,160,366	$ 183,893	$ 12,365,957
Liabilities:				
Derivative instruments	$ 253	$ 54,935	$ 982	$ 56,170

	December 31, 2021			
(In thousands)	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 rights	—	—	5,358	5,358
Net profits interests	—	—	2,000	2,000
Total	$ 24,924	$ 15,963,927	$ 130,409	$ 16,119,260
Liabilities:				
Derivative instruments	$ —	$ 7,279	$ 1,787	$ 9,066

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 the years ended December 31, 2022 and 2021 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 statements of income) may include changes to fair value due in part to observable factors that may be part of the valuation methodology.

During the year ended December 31, 2022, the Company transferred $2.6 million in derivative instruments out of Level 3. The transfer was primarily related to the integration of systems after the Legacy Cadence merger.

	Year Ended December 31, 2022				
(In thousands)	Mortgage Servicing Rights	Net Profits Interests	Investments in Limited Partnerships	SBA Servicing Rights	Derivative Instruments (Assets and Liabilities)
Balance at December 31, 2021	$ 69,552	$ 2,000	$ 46,750	$ 5,358	$ 4,962
Total net gains (losses) for the year included in:					
Net gains (losses)	23,903	—	7,771	(2,713)	(7,549)
Transfers out of Level 3	—	—	—	—	2,636
Sales	—	(2,000)	—	—	—
Purchase accounting adjustment	—	—	(2,749)	—	—
Additions	16,289	—	—	2,940	—
Reclassifications	—	—	6,665	—	—
Contributions paid	—	—	18,930	—	—
Distributions received	—	—	(9,973)	—	—
Other	—	—	139	—	—
Balance at December 31, 2022	$ 109,744	$ —	$ 67,533	$ 5,585	$ 49
Net unrealized gains (losses) included in net income for the year relating to assets and liabilities held at December 31, 2022	$ 35,695	$ —	$ 7,771	$ (2,713)	$ (7,549)

	Year Ended December 31, 2021				
(In thousands)	Mortgage Servicing Rights	Net Profits Interests	Investments in Limited Partnerships	SBA Servicing Rights	Derivative Instruments (Assets and Liabilities)
Balance at December 31, 2020	$ 47,571	$ —	$ 3,497	$ —	$ 16,842
Acquired in a business combination	—	2,278	41,999	5,135	—
Total net (losses) gains for the year included in:					
Net (losses) gains	(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 gains (losses) 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)

Fair Value Option

The Company elected to measure commercial real estate loans held for sale and commercial and industrial loans held for sale under the fair value option. Included in these loans are loans backed by the SBA and loans related to syndications. The Company assumed the cost of these loans approximates the fair value.

The Company also elected to measure residential mortgage loans held at fair value. The election allows for effective offset of the changes in fair values of the loans and the derivative instruments used to hedge them. Included in the residential loans held for sale portfolio are certain previously sold Government National Mortgage Association ("GNMA") loans. Under ASC 860-10-40, GNMA loans are no longer considered to be sold due to the conditional buyback option becoming unconditional once the delinquency criteria is met when they reach 90 or more days past due. The Company records the loans at fair value on consolidated balance sheets with an offsetting liability. The Company assumed the cost approximates the fair value. At December 31, 2022 and December 31, 2021, the fair value related to these loans totaled $71.4 million and $91.9 million, respectively.

The following table summarizes the difference between the aggregate fair value and the aggregate unpaid principal balance of loans held for sale:

	December 31, 2022			December 31, 2021		
(In thousands)	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal
Residential mortgage loans	$ 123,863	$ 121,433	$ 2,430	$ 259,786	$ 255,203	$ 4,583
Commercial and industrial loans	61,265	60,365	900	80,437	78,184	2,253
Commercial real estate loans	2,797	2,485	312	(48)	—	(48)
Total	$ 187,925	$ 184,283	$ 3,642	$ 340,175	$ 333,387	$ 6,788

Net gains and losses resulting from changes in fair value for residential mortgage loans held for sale are recorded in mortgage banking income in the consolidated statements of income. For the years ended December 31, 2022 and 2021, the Company had net losses totaling $8.0 million and $18.5 million, respectively.

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:

	December 31, 2022			
(In thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Impaired loans, collateral-dependent	$ —	$ —	$ 7,199	$ 7,199
Purchased credit deteriorated (loss) loans	—	—	33,234	33,234
Other real estate and repossessed assets	—	—	5,118	5,118

	December 31, 2021			
(In thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Impaired loans, collateral-dependent	$ —	$ —	$ 25,201	$ 25,201
Purchased credit deteriorated (loss) loans	—	—	88,432	88,432
Other real estate and repossessed assets	—	—	17,788	17,788

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:

	Quantitative Information about Level 3 Fair Value Measurements					
(In thousands)	Carrying Value		Valuation Methods	Unobservable Inputs	Range	Weighted Average [(1)]
December 31, 2022						
Measured at fair value on a recurring basis:						
Mortgage servicing rights	$	109,744	Discounted cash flow	Discount rate	0.0%-41.3%	10.0%
				Repayment speed (CPR)	0.0-100.0	7.2
				Coupon interest rate	2.3%-4.8%	3.6%
				Remaining maturity (months)	119.1-480.0	335.0
				Servicing fee (bps)	0.0 bps-50.0 bps	28.4 bps
Investments in limited partnerships		67,533	Practical expedient	Net asset value	NM	NM
SBA servicing rights		5,585	Coupon less contractual servicing cost	Contractual servicing cost (bps)	12.5 bps-40.0 bps	26.3 bps
Derivative instruments (assets and liabilities)		49	Discounted cash flow	Discount rate	NM	NM
Measured at fair value on a nonrecurring basis:						
Impaired loans, collateral-dependent	$	7,199	Appraised value, as adjusted	Discount to fair value	0%-75%	46.8%
Purchased credit deteriorated (loss) loans		33,234	Appraised value, as adjusted	Discount to fair value	10%-100%	36.1%
Other real estate and repossessed assets		5,118	Appraised value, as adjusted	Estimated closing costs	7%	7%

(In thousands)	Carrying Value	Valuation Methods	Unobservable Inputs	Range	Weighted Average [1]
	Quantitative Information about Level 3 Fair Value Measurements				
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 rights	5,358	Coupon less contractual servicing cost	Contractual servicing cost (bps)	12.5 bps-40.0 bps	26.3 bps
Derivative instruments (assets and liabilities)	4,962	Discounted cash flow	Discount rate	NM	NM
Net profits interests	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%	45.0%
Purchased credit deteriorated (loss) loans	88,432	Collateral value	Discount to fair value	0%-100%	43.0%
		Enterprise value	EBITDA multiples times sale multiples	5.00x-7.00x	6.44x
		Discounted cash flow	Discount rate	10%-11%	10.0%
Other real estate and repossessed assets	17,788	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.

The following table presents carrying and fair value information of financial instruments for the periods presented:

(In thousands)	December 31, 2022 Carrying Value	December 31, 2022 Fair Value	December 31, 2021 Carrying Value	December 31, 2021 Fair Value
Assets:				
Cash and due from banks	$ 756,906	$ 756,906	$ 656,132	$ 656,132
Interest bearing deposits with other banks	1,241,246	1,241,246	638,547	638,547
Available for sale securities, FHLB and equity investments	12,118,207	12,118,207	15,641,379	15,641,379
Net loans and leases	29,908,930	29,366,553	26,436,573	26,587,853
Loans held for sale	187,925	187,925	340,175	340,175
Accrued interest receivable	183,433	183,433	142,340	142,340
Mortgage servicing rights	109,744	109,744	69,552	69,552
Investments in limited partnerships	317,048	317,048	227,229	227,229
Other assets	10,703	10,703	25,145	25,145
Liabilities:				
Noninterest bearing deposits	$ 12,731,065	$ 12,731,065	$ 13,634,505	$ 13,634,505
Savings and interest bearing deposits	22,513,877	22,513,877	22,283,667	22,283,667
Time deposits	3,711,672	3,690,752	3,899,501	3,915,733
Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings	908,736	908,736	1,282,188	1,282,188
Short-term FHLB borrowings	3,100,231	3,100,231	—	—
Accrued interest payable	27,533	27,533	8,483	8,483
Subordinated debt and long-term debt	462,554	428,637	482,411	475,614
Derivative instruments:				
Assets:				
Commercial interest rate swaps, caps, and floors	$ 25,900	$ 25,900	$ 17,567	$ 17,567
Held-for-sale interest rate lock commitments	856	856	4,675	4,675
U.S. Treasury futures	45	45	732	732
Forward commitments to sell mortgage loans	175	175	218	218
Foreign exchange contracts	2,445	2,445	155	155
Liabilities:				
Commercial interest rate swaps, caps, and floors	$ 52,616	$ 52,616	$ 8,487	$ 8,487
Held-for-sale interest rate lock commitments	431	431	21	21
U.S. Treasury futures	170	170	6	6
U.S. Treasury options	83	83	—	—
Forward commitments to sell mortgage loans	551	551	371	371
Foreign exchange contracts	2,319	2,319	181	181

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 and are classified as Level 1. Similarly, the carrying amounts for the Company's fixed-term FHLB advances also approximate fair value and are classified as Level 1. 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. Both FHLB borrowings 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 $691.2 million at December 31, 2022, 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 23 for additional information regarding lending commitments.

Limitations. The 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 illiquidity in the market as of December 31, 2022 and 2021. 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.

NOTE 15. SHARE-BASED COMPENSATION

The Company's Long-Term Equity Incentive Plan ("Incentive Plan"), Cadence Bank Equity Incentive Plan for Non-Employee Directors, 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 stock units ("PSU") 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 stock units 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 issued to the recipient. All of the performance stock units 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. In 2022, the Company incorporated a lattice model into the PSU valuation methodology to estimate the fair value of the portion of the award related to a market condition. Restricted stock units ("RSU") enable the recipient to receive the shares once they are vested but with no voting rights until the shares are received. RSUs are entitled to receive dividends. Restricted stock awards ("RSA") entitle the recipient to vote the shares of stock but the recipient does not receive the shares until they are fully vested. RSA grants are entitled to receive dividends.

Performance Stock Units

The following table summarizes the Company's PSU activity for the periods indicated:

	Year Ended December 31,			
	2022		2021	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period	1,215,576	$ 28.86	343,503	$ 30.16
Granted during the period	542,175	27.98	975,576	28.75
Vested during the period	(26,252)	27.22	(78,084)	33.18
Forfeited during the period	(245,896)	29.03	(25,419)	28.71
Nonvested at end of period	1,485,603	$ 28.54	1,215,576	$ 28.86

The Company recorded $10.6 million, $0.5 million, and $7.1 million of compensation expense related to the PSUs in 2022, 2021, and 2020, respectively. At December 31, 2022, there was $24.0 million of unrecognized compensation cost related to PSUs that is expected to be recognized over a weighted average period of 1.90 years.

Restricted Stock Units

The following table summarizes the Company's RSU activity for the periods indicated:

	Year Ended December 31,			
	2022		2021	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period	2,288,759	$ 28.76	—	$ —
Granted during the period	710,966	28.03	2,386,246	28.76
Vested during the period	(422,175)	28.92	(69,798)	28.76
Forfeited during the period	(141,748)	28.57	(27,689)	28.41
Nonvested at end of period	2,435,802	$ 28.53	2,288,759	$ 28.76

The Company recorded $21.8 million, $7.5 million, and $0.5 million of compensation expense related to the RSUs in 2022, 2021, and 2020, respectively. These amounts included approximately $1.5 million, $0.7 million, and $0.5 million related to RSUs issued to the Company's directors during 2022, 2021, and 2020, respectively. At December 31, 2022, there was $39.7 million of unrecognized compensation cost related to RSUs that is expected to be recognized over a weighted average period of 2.55 years.

Restricted Stock Awards

The following table summarizes the Company's RSA activity for the periods indicated:

	Year Ended December 31,			
	2022		2021	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period	1,323,069	$ 29.64	1,647,282	$ 29.00
Vested during the period	(176,925)	30.73	(238,541)	25.03
Forfeited during the period	(90,837)	29.55	(85,672)	30.23
Nonvested at end of period	1,055,307	$ 29.47	1,323,069	$ 29.64

The Company recorded $5.1 million, $8.1 million, and $10.2 million of compensation expense related to the RSAs in 2022, 2021, and 2020, respectively. At December 31, 2022, there was $7.4 million of unrecognized compensation cost related to RSAs that is expected to be recognized over a weighted average period of 1.93 years.

The following table presents information regarding the vesting of the Company's nonvested share-based compensation grants outstanding at December 31, 2022:

	Number of Shares		
Period Ending	PSU	RSU	RSA
2023	394,482	374,558	384,489
2024	573,884	942,164	353,071
2025	517,237	—	281,247
2026	—	1,119,080	—
2027	—	—	36,500
Total nonvested shares	1,485,603	2,435,802	1,055,307

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 2022, 2021, and 2020. 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. At the acquisition date, options outstanding totaled 1,121,994 and had a weighted average exercise price of $27.40. The Company recorded $51 thousand of compensation expense related to the stock options for 2022. The Company recorded no compensation expense related to the stock options for 2021 and 2020. At December 31, 2022, there were 1,121,994 unexpired options outstanding which are set to expire in the first quarter of 2026.

NOTE 16. 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 approximately 119 thousand and 325 thousand antidilutive equity awards excluded from dilutive shares for the years ended December 31, 2022 and 2021, respectively. There were no antidilutive other equity awards for 2020.

The following table provides a reconciliation of the numerators and denominators of the basic and diluted EPS computations for the periods indicated:

	Year Ended December 31,		
(In thousands, except per share amounts)	2022	2021	2020
Net income	$ 463,237	$ 195,162	$ 228,051
Less: preferred stock dividends	9,488	9,488	9,488
Net income available to common shareholders	$ 453,749	$ 185,674	$ 218,563
Weighted average common shares outstanding	183,510	120,250	103,023
Dilutive effect of stock compensation	988	419	282
Weighted average diluted common shares	184,498	120,669	103,305
Net income per common share, basic	$ 2.47	$ 1.54	$ 2.12
Net income per common share, diluted	$ 2.46	$ 1.54	$ 2.12

Dividends to shareholders are subject to approval by the applicable state regulatory authority.

NOTE 17. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME ("AOCI")

The following tables present the components of other comprehensive (loss) income and the related tax effects allocated to each component for each of the years ended December 31:

(In thousands)	2022 Before Tax Amount	2022 Tax Effect	2022 Net of Tax Amount
Unrealized losses on available-for-sale securities:			
Unrealized losses arising during holding period	$(1,435,523)	$ 339,070	$(1,096,453)
Reclassification adjustment for net losses realized in net income [1]	(595)	141	(454)
Net change in unrealized losses on available-for-sale securities	(1,436,118)	339,211	(1,096,907)
Recognized employee benefit plan net periodic benefit cost [2]	17,986	(4,248)	13,738
Other comprehensive loss	$(1,418,132)	$ 334,963	$(1,083,169)
Net income			463,237
Comprehensive loss			$ (619,932)

(In thousands)	2021 Before Tax Amount	2021 Tax Effect	2021 Net of Tax Amount
Unrealized losses on available-for-sale securities:			
Unrealized losses arising during holding period	$ (201,843)	$ 50,362	$ (151,481)
Reclassification adjustment for net gains realized in net income [1]	132	(33)	99
Net change in unrealized losses on available-for-sale securities	(201,711)	50,329	(151,382)
Recognized employee benefit plan net periodic benefit cost [2]	120	(30)	90
Other comprehensive loss	$ (201,591)	$ 50,299	$ (151,292)
Net income			195,162
Comprehensive income			$ 43,870

(In thousands)	2020 Before Tax Amount	2020 Tax Effect	2020 Net of Tax Amount
Unrealized gains on available-for-sale securities:			
Unrealized gains arising during holding period	$ 88,225	(22,012)	$ 66,213
Reclassification adjustment for net losses realized in net income [1]	(87)	22	(65)
Net change in unrealized gains on available-for-sale securities	88,138	(21,990)	66,148
Recognized employee benefit plan net periodic benefit cost [2]	11,243	(2,805)	8,438
Other comprehensive income	$ 99,381	$ (24,795)	$ 74,586
Net income			228,051
Comprehensive income			$ 302,637

(1) Reclassification adjustments for net (losses) gains on available-for-sale securities are reported as security (losses) gains, net on the consolidated statements 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 13 "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 periods indicated:

(In thousands)	Unrealized gain (loss) on available-for-sale securities	Pension and other postretirement benefits	Accumulated other comprehensive income (loss)
Balance at December 31, 2019	$ 9,669	$ (72,332)	$ (62,663)
Net change	66,148	8,438	74,586
Balance at December 31, 2020	75,817	(63,894)	11,923
Net change	(151,382)	90	(151,292)
Balance at December 31, 2021	(75,565)	(63,804)	(139,369)
Net change	(1,096,907)	13,738	(1,083,169)
Balance at December 31, 2022	$ (1,172,472)	$ (50,066)	$ (1,222,538)

NOTE 18. RELATED PARTY TRANSACTIONS

The Company has entered into loans and/or other banking or financial services transactions in the ordinary course of business with our directors and executive officers and their affiliates, and expects to have such transactions in the future. In management's opinion, these transactions 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 outstanding loans is as follows:

(In thousands)	Amount
Loans outstanding at December 31, 2021	$ 16,389
New loans to related parties	26,321
Repayments	(5,485)
Changes in directors and executive officers	716
Loans outstanding at December 31, 2022	$ 37,941

NOTE 19. MORTGAGE SERVICING RIGHTS ("MSR")

The MSR, which are recognized as a separate asset on the date the corresponding mortgage loan is sold on a servicing retained basis, is recorded at fair value as determined at each accounting period end. 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. Data and assumptions used in the fair value calculation related to the MSR were as follows:

(Dollars in thousands)	December 31, 2022	December 31, 2021	December 31, 2020
Unpaid principal balance	$ 7,682,074	$ 7,553,917	$ 7,330,293
Weighted-average prepayment speed (CPR)	7.2	11.6	15.6
Average discount rate (annual percentage)	10.0	9.4	9.5
Weighted-average coupon interest rate (percentage)	3.6	3.5	3.8
Weighted-average remaining maturity (months)	335.0	332.0	332.0
Weighted-average servicing fee (basis points)	28.4	27.8	27.5

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 produce different fair values. At December 31, 2022, 2021, and 2020, the Company had an economic hedge in place designed to cover approximately 47.9%, 33.1%, and 16.7%, respectively, of the MSR (see Note 22 for additional information). The Company is susceptible to fluctuations in the fair value of its MSR in changing interest rate environments.

The Company services a class of residential mortgages that are first lien loans secured by a primary residence or second home. The following table presents changes in the fair value of the MSR related to the activity in this class for the periods indicated:

	Year Ended December 31,		
(In thousands)	2022	2021	2020
Fair value, beginning of period	$ 69,552	$ 47,571	$ 57,109
Originations of servicing assets	16,289	23,927	21,025
Changes in fair value:			
Due to payoffs/paydowns	(11,792)	(13,961)	(12,746)
Due to change in valuation inputs or assumptions used in the valuation model	35,695	12,015	(17,816)
Other changes in fair value	—	—	(1)
Fair value, end of period	$ 109,744	$ 69,552	$ 47,571

All of the changes to the fair value of the MSR are recorded as part of mortgage banking revenue in the consolidated statements of income. As part of mortgage banking noninterest revenue, the Company recorded contractual servicing fees of $21.7 million, $20.8 million, and $19.3 million, and late and other ancillary fees of $2.4 million, $1.2 million, and $6.8 million for the years ended December 31, 2022, 2021, and 2020, respectively.

NOTE 20. 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, 2022 and 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 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.

	December 31, 2022		December 31, 2021	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio
Actual:				
Common equity Tier 1 capital (to risk-weighted assets)	$ 3,880,508	10.22 %	$ 3,754,848	11.11 %
Tier 1 capital (to risk-weighted assets)	4,047,501	10.66	3,921,841	11.61
Total capital (to risk-weighted assets)	4,861,521	12.81	4,683,361	13.86
Tier 1 leverage capital (to average assets)	4,047,501	8.43	3,921,841	9.90
Minimum requirement:				
Common equity Tier 1 capital (to risk-weighted assets)	1,708,370	4.50	1,520,353	4.50
Tier 1 capital (to risk-weighted assets)	2,277,827	6.00	2,027,138	6.00
Total capital (to risk-weighted assets)	3,037,103	8.00	2,702,850	8.00
Tier 1 leverage capital (to average assets)	1,920,777	4.00	1,584,531	4.00
Well capitalized requirement under prompt corrective action provisions:				
Common equity Tier 1 capital (to risk-weighted assets)	2,467,646	6.50	2,196,066	6.50
Tier 1 capital (to risk-weighted assets)	3,037,103	8.00	2,702,850	8.00
Total capital (to risk-weighted assets)	3,796,379	10.00	3,378,563	10.00
Tier 1 leverage capital (to average assets)	2,400,971	5.00	1,980,664	5.00

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. At December 31, 2022, the Company had repurchased 6,071,525 shares under the this repurchase program.

On December 14, 2022, 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, 2023 through December 29, 2023.

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 Mississippi Department of Banking and Consumer Finance ("MDBCF"). 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.

NOTE 21. 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 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 and individual consumers 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. Additionally, intercompany elimination are included as they do not reflect normal operations of the other 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 made significant changes to the structure of our internal organization that caused the composition of our operating segments to change. As such, segment information for the year 2020 has not been restated to conform to the current period presentation because it would be impracticable to do so. In addition, segment information for the years 2022 and 2021 have 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 periods indicated are presented in the following tables:

(In thousands)	Corporate Banking	Community Banking	Mortgage	Insurance Agencies	Banking Services	General Corporate and Other	Total
Results of Operations							
Year Ended December 31, 2022							
Net interest revenue	$ 466,335	$ 587,335	$ 127,727	$ 12	$ 14,192	$ 155,702	$ 1,351,303
Provision (release) for credit losses	50,914	(77,277)	33,635	—	(272)	—	7,000
Net interest revenue after provision for credit losses	415,421	664,612	94,092	12	14,464	155,702	1,344,303
Noninterest revenue	53,628	110,961	44,725	160,102	84,931	38,685	493,032
Noninterest expense	98,919	364,843	51,780	135,772	75,790	510,856	1,237,960
Income (loss) before income taxes	370,130	410,730	87,037	24,342	23,605	(316,469)	599,375
Income tax expense (benefit)	82,814	92,040	19,408	5,589	5,289	(69,002)	136,138
Net income (loss)	$ 287,316	$ 318,690	$ 67,629	$ 18,753	$ 18,316	$ (247,467)	$ 463,237
Selected Financial Information							
Total assets at end of period	$10,597,552	$17,126,057	$ 4,318,010	$ 364,266	$ 1,006,337	$15,241,192	$48,653,414

(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 (loss) 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 (loss)	$ (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						
Results of Operations						
Net interest revenue	$ 664,722	$ 39,366	$ 39	$ 23	$ (13,183)	$ 690,967
Provision for credit losses	—	—	—	—	89,044	89,044
Net interest revenue after provision for credit losses	664,722	39,366	39	23	(102,227)	601,923
Noninterest revenue	81,792	86,295	130,739	28,528	9,150	336,504
Noninterest expense	416,693	27,227	109,286	18,508	79,168	650,882
Income (loss) 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 (loss)	$ 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

The following table shows revenue disaggregated by operating segment for non-interest revenue type for the following periods indicated:

(In thousands)	Corporate Banking	Community Banking	Mortgage	Insurance Agencies	Banking Services	General Corporate and Other	Total
Year Ended December 31, 2022							
Noninterest Income							
In Scope of Topic 606							
Credit card, debit card and merchant fees	$ 522	$ 40,855	$ —	$ —	$ 18	$ 16,765	$ 58,160
Deposit service charges	15,015	58,232	—	—	1,661	(1,430)	73,478
Insurance commissions	—	—	—	151,853	—	(1,578)	150,275
Trust income	—	—	—	—	40,473	(3,159)	37,314
Brokerage commissions and fees	—	—	—	—	39,775	(232)	39,543
Total noninterest income (in-scope of Topic 606)	15,537	99,087	—	151,853	81,927	10,366	358,770
Total noninterest income (out-of-scope of Topic 606)	38,091	11,874	44,725	8,249	3,004	28,319	134,262
Total noninterest income	$ 53,628	$ 110,961	$ 44,725	$ 160,102	$ 84,931	$ 38,685	$ 493,032

(In thousands)	Corporate Banking	Community Banking	Mortgage	Insurance Agencies	Banking Services	General Corporate and Other	Total
Year Ended December 31, 2021							
Noninterest Income							
In Scope of Topic 606							
Credit card, debit card and merchant fees	$ 81	$ 32,478	$ —	$ —	$ 1	$ 10,076	$ 42,636
Deposit service charges	2,493	42,774	—	—	359	792	46,418
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)	2,574	75,252	—	135,183	39,281	10,868	263,158
Total noninterest income (out-of-scope of Topic 606)	4,194	9,612	57,912	2,346	3,424	37,507	114,995
Total noninterest income	$ 6,768	$ 84,864	$ 57,912	$ 137,529	$ 42,705	$ 48,375	$ 378,153

(In thousands)	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
Year Ended December 31, 2020						
Noninterest Income						
In Scope of Topic 606						
Credit card, debit card and merchant fees	$ 35,972	$ —	$ —	$ —	$ —	$ 35,972
Deposit service charges	40,181	—	—	—	—	40,181
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)	76,153	—	125,286	25,998	—	227,437
Total noninterest income (out-of-scope of Topic 606)	5,639	86,295	5,453	2,530	9,150	109,067
Total noninterest income	$ 81,792	$ 86,295	$ 130,739	$ 28,528	$ 9,150	$ 336,504

NOTE 22. 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 statements of cash flows. For derivatives designated as cash flow 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. At December 31, 2022, there were no derivatives designated under hedge accounting. The notional amounts and estimated fair values at December 31, 2022 and 2021 were as follows:

	December 31, 2022			December 31, 2021		
		Fair Value			Fair Value	
(In thousands)	Notional Amount	Other Assets	Other Liabilities	Notional Amount	Other Assets	Other Liabilities
Commercial loan interest rate swaps	$1,999,561	$ 13,102	$ 39,818	$1,039,260	$ 12,725	$ 3,645
Commercial loan interest rate caps	47,090	669	669	106,042	44	44
Commercial loan interest rate floors	500,668	12,129	12,129	336,200	4,798	4,798
Mortgage loan held-for-sale interest rate lock commitments	47,699	856	431	189,765	4,675	21
U.S. Treasury futures (used to hedge MSR, see Note 19)	147,000	45	170	78,000	732	6
U.S. Treasury options (used to hedge MSR, see Note 19)	23,000	—	83	—	—	—
Mortgage loan forward sale commitments	71,028	175	551	298,398	218	371
Mortgage loan held-for-sale floating commitments	—	—	—	337	—	—
Foreign exchange contracts	117,822	2,445	2,319	70,491	155	181
Total derivatives	$2,953,868	$ 29,421	$ 56,170	$2,118,493	$ 23,347	$ 9,066

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, 2022 and 2021, the Company was required to post $47.0 million and $22.2 million, respectively, 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 $25.0 million and $0.3 million at December 31, 2022 and 2021, respectively, 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, 2022 and 2021, mortgage loans held for sale interest rate lock commitments incurred losses of $8.0 million and $18.5 million, respectively, while having gains of $19.6 million for the year ended December 31, 2020. The Company acquired foreign exchange contracts in the merger with Legacy Cadence during 2021. Foreign exchange contract gains totaled $4.7 million, $0.7 million, $0.0 for the years ended December 31, 2022, 2021, and 2020, respectively.

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 rate 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 at December 31, 2022 and 2021.

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. Swap participation agreements where the Company is the beneficiary had notional values totaling $153.7 million and $106.4 million at December 31, 2022 and 2021, respectively. Swap participation agreements where the Company is the guarantor had notional values totaling $215.9 million and $549.7 million at December 31, 2022 and 2021, respectively.

Other derivative instruments held by the Company include commitments to fund fixed-rate mortgage loans held for sale 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 23. COMMITMENTS AND CONTINGENT LIABILITIES

Mortgage Loans Serviced for Others

The Company services mortgage loans for other financial institutions that are not included as assets in the Company's accompanying consolidated financial statements. Included in the $7.7 billion of loans serviced for investors at December 31, 2022 was $1.3 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. At December 31, 2022, these included $691.2 million in letters of credit and $11.2 billion in unfunded 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, 2022, 2021 and 2020.

Other Commitments

The Company makes investments in limited partnerships, including certain affordable housing partnerships for which tax credits are received. At December 31, 2022 and December 31, 2021, unfunded capital commitments totaled $186.7 million and $123.1 million, respectively. See Note 25 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 CFPB, the DOJ, state attorneys general, and the MDBCF.

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 $0.3 million accrued at December 31, 2022 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(g) 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 24. OTHER NONINTEREST INCOME AND EXPENSE

The following table details other noninterest income for the periods indicated:

	Year Ended December 31,		
(In thousands)	2022	2021	2020
Credit related fees	$ 26,768	$ 4,979	$ 2,133
Bank-owned life insurance	15,594	11,180	8,181
SBA income	15,341	438	(239)
Other miscellaneous income	28,454	18,582	12,466
Total other noninterest income	$ 86,157	$ 35,179	$ 22,541

The following table details other noninterest expense for the periods indicated:

	Year Ended December 31,		
(In thousands)	2022	2021	2020
Advertising and public relations	$ 41,754	$ 10,780	$ 6,908
Foreclosed property expense	832	4,548	4,074
Telecommunications	7,413	6,240	5,883
Travel and entertainment	15,682	6,319	4,949
Professional, consulting, and outsourcing	13,828	7,465	3,480
Legal fees	6,068	4,036	3,431
Postage and shipping	8,079	6,050	5,256
Other miscellaneous expense	66,362	42,894	43,059
Total other noninterest expense	$ 160,018	$ 88,332	$ 77,040

NOTE 25. 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 a controlling financial interest. 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. Our consolidated VIEs were insignificant at both December 31, 2022 and December 31, 2021.

The Company is invested in several tax credit projects as a limited partner. At December 31, 2022 and December 31, 2021, 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. 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, 2022 and December 31, 2021, the Company recorded these tax credit investments in other assets on its consolidated balance sheets of approximately $234.5 million and $140.6 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 $67.5 million and $46.8 million at December 31, 2022 and December 31, 2021, respectively. Related to these assets recorded at fair value through net income, the Company recognized net gains of $7.8 million and $1.6 million for the years ended December 31, 2022 and 2021, respectively.

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 $2.0 million and $4.6 million at December 31, 2022 and December 31, 2021, respectively. Other limited partnerships accounted for under the equity method totaled $13.1 million and $23.6 million at December 31, 2022 and December 31, 2021, respectively. The decrease in investments measured under the equity method was due to an impairment of the Company's equity position in response to a future sale of the underlying assets. The following table presents a summary of the Company's investments in limited partnerships as of:

(In thousands)	December 31, 2022	December 31, 2021
Tax credit investments (amortized cost)	$ 234,492	$ 140,619
Limited partnerships accounted for under the fair value practical expedient of NAV	67,533	46,750
Limited partnerships without readily determinable fair values that do not qualify for the practical expedient of NAV accounted for under the cost method	1,968	4,563
Limited partnerships required to be accounted for under the equity method	13,055	23,622
Total investments in limited partnerships	$ 317,048	$ 215,554

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 ended and at December 31, 2022 and 2021, 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 this measurement alternative for the specified years are as follows:

	Year Ended December 31,	
(In thousands)	2022	2021
Carrying value at the beginning of the year	$ 4,563	$ 526
Legacy Cadence merger	27	3,668
Reclassifications	(3,328)	—
Distributions	(5,524)	(43)
Contributions	6,230	412
Carrying value at the end of the year	$ 1,968	$ 4,563

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 VIEs under Topic 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. This asset was sold in 2022 at no gain or loss.

NOTE 26. SUBSEQUENT EVENTS

In February 2023, the Company initiated a balance sheet repositioning related to a portion of its investment securities portfolio. The Company executed the sale of $1.5 billion in book value of available-for-sale U.S. Treasury debt securities yielding approximately 0.70% for an estimated after-tax realized loss of approximately $39.5 million. As of December 31, 2022, these investments had an unrealized loss, net of taxes, of approximately $42.6 million.

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 has integrated certain continuing Legacy Cadence processes 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 three months ended December 31, 2022, 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 is incorporated herein by reference to the information under the captions "Directors and Executive Officers" and "Board of Directors, Committees and Governance" in our Proxy Statement for the Annual Meeting of Shareholders to be held on April 26, 2023 (the "2023 Proxy Statement"), to be filed with the FDIC pursuant to Regulation 14A under the Exchange Act within 120 days of our fiscal year end.

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 2022 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 Investor Relations page of the Company's website at https://ir.cadencebank.com under the tabs "Corporate Governance - 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 ("Code"), or any waiver from a provision of the Code for the Company's principal executive officer and senior financial officers on the Company's Investor Relations website in lieu of any filing of such information on Form 8-K.

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 2023 Annual Meeting of Shareholders which will be filed with the FDIC within 120 days of our fiscal year end.

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 2023 Annual Meeting of Shareholders which will be filed with the FDIC within 120 days of our fiscal year end.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table provides information at December 31, 2022 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)	1,121,994	$27.39	3,106,257

(1) Excludes 1,055,307 restricted shares that were nonvested, 2,435,802 restricted stock units that were nonvested and 1,485,603 performance shares that were unearned at December 31, 2022. Equity compensation plans approved by shareholders include the Cadence Bank Equity Incentive Plan for Non-employee Directors, the Cadence Bank Long-Term Equity Incentive Plan, the 2021 Long-Term Equity Incentive Plan and the Amended and Restated 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 2023 Annual Meeting of Shareholders which will be filed with the FDIC within 120 days of December 31, 2022.

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 2023 Annual Meeting of Shareholders which will be filed with the FDIC within 120 days of December 31, 2022.

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 2023 Annual Meeting of Shareholders which will be filed with the FDIC within 120 days of December 31, 2022.

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. (Filed as Exhibit 10(s) to the Company's Annual Report on Form 10-K filed with the FDIC on February 25, 2022 and incorporated herein by reference thereto).*

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 27, 2023

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.

/s/ James D. Rollins III James D. Rollins III	Chief Executive Officer (Principal Executive Officer) and Chairman	February 27, 2023
/s/ Valerie C. Toalson Valerie C. Toalson	Senior Executive Vice President and Chief Financial Officer (Principal Accounting Officer)	February 27, 2023
/s/ Paul B. Murphy Jr. Paul B. Murphy Jr.	Executive Vice Chairman	February 27, 2023
/s/ Larry G. Kirk Larry G. Kirk	Director	February 27, 2023
/s/ Gus J. Blass III Gus J. Blass III	Director	February 27, 2023
/s/ Shannon A. Brown Shannon A. Brown	Director	February 27, 2023
/s/ Deborah M. Cannon Deborah M. Cannon	Director	February 27, 2023
/s/ Charlotte N. Corley Charlotte N. Corley	Director	February 27, 2023
/s/ Joseph W. Evans Joseph W. Evans	Director	February 27, 2023
/s/ Virginia A. Hepner Virginia A. Hepner	Director	February 27, 2023
/s/ William G. Holliman William G. Holliman	Director	February 27, 2023
/s/ Warren A. Hood Jr. Warren A. Hood Jr.	Director	February 27, 2023
/s/ Keith J. Jackson Keith J. Jackson	Director	February 27, 2023
/s/ Precious W. Owodunni Precious W. Owodunni	Director	February 27, 2023
/s/ Alan W. Perry Alan W. Perry	Director	February 27, 2023
/s/ Marc J. Shapiro Marc J. Shapiro	Director	February 27, 2023
/s/ Thomas R. Stanton Thomas R. Stanton	Director	February 27, 2023
/s/ Kathy N. Waller Kathy N. Waller	Director	February 27, 2023
/s/ J. Thomas Wiley Jr. J. Thomas Wiley Jr.	Director	February 27, 2023

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Name	Jurisdiction of Incorporation/ Organization	Holder of Ownership Interests
Cadence Holdings, Inc.	Mississippi	Cadence Bank
Cadence Community Capital, LLC	Mississippi	Cadence Bank
Cadence Investor, LLC	Mississippi	Cadence Bank
Cadence Insurance, Inc.	Mississippi	Cadence Bank
Linscomb & Williams, Inc.	Texas	Cadence Bank

EXHIBIT 31.1

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 27, 2023

/s/ James D. Rollins III

James D. Rollins III
Chief Executive Officer

EXHIBIT 31.2

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 27, 2023

/s/ Valerie C. Toalson

Valerie C. Toalson
Senior Executive Vice President and Chief Financial Officer (Principal Accounting Officer)

EXHIBIT 32.1

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, 2022, 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 27, 2023

/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.

EXHIBIT 32.2

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, 2022, 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 27, 2023

/s/ Valerie C. Toalson
Valerie C. Toalson
Senior Executive Vice President and
Chief Financial Officer (Principal
Accounting 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.