UNITED STATES
FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, DC 20429

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2023

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 **(State or other jurisdiction of incorporation or organization)**	**64-0117230** **(I.R.S. Employer Identification No.)**
One Mississippi Plaza, 201 South Spring Street **Tupelo, Mississippi** **(Address of principal executive offices)**	**38804** **(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

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 2, 2023, the registrant had outstanding 182,620,995 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.

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Glossary of Defined Terms

ACH - Automated Clearing House
ACL - Allowance for credit losses
AFS - Available-for-sale
ALM - Asset/liability management
ALCO - Asset/Liability Management Committee
AMLA - Anti-Money Laundering Act of 2020
AOCI - Accumulated other comprehensive income (loss)
ASC - Accounting Standards Codification
ASU - Accounting Standards Update
ATM - Automated teller machine
Basel III - Basel Committee's 2010 Regulatory Capital Framework (Third Accord)
Basel III Rules - Final capital rules adopting the Basel III capital framework approved by U.S. federal regulators in 2013
Basel Committee - Basel Committee on Banking Supervision
BHC Act - Bank Holding Company Act of 1956, as amended
Board - the Company’s Board of Directors
BOLI - Bank-owned life insurance
BTFP - Bank Term Funding Program
C&I - Commercial and industrial
CAD - Construction, acquisition, and development
CAMT - Corporate alternative minimum tax rate
CARES Act - Coronavirus Aid, Relief, and Economic Security Act
CDE - Community development entity
CECL - Accounting Standards Update 2016-13, Measurement of Credit Losses on Financial Instruments ("Current Expected Credit Losses")
CEO - Chief Executive Officer
CET1 - Common Equity Tier 1
CFPB - Consumer Financial Protection Bureau
Code - Code of Business Conduct and Ethics
Company - Cadence Bank and its subsidiaries
COSO - Committee of Sponsoring Organizations of the Treadway Commission
COVID-19 - Coronavirus Disease 2019
CRA - Community Reinvestment Act of 1977
CRE - Commercial real estate
CSC - Contractual servicing cost
DEI - Diversity, Equity & Inclusion
DIF - Deposit Insurance Fund
DOJ - U.S. Department of Justice
EAP - Employee Assistance Program
ECL - Expected credit loss
EIR - Effective interest rate
EPS - Earnings per share
ESG - Environmental, Social and Governance
EVE - Economic value of equity
FASB - Financial Accounting Standards Board
FDIC - Federal Deposit Insurance Corporation
FDICIA - Federal Deposit Insurance Corporation Improvement Act of 1991
FDM - Financial difficulty modification
FHLB - Federal Home Loan Bank
FHLMC - Federal Home Loan Mortgage Corporation
FinCEN - Financial Crimes Enforcement Network
FNMA - Federal National Mortgage Association (“Fannie Mae”)
FRB - Federal Reserve Bank
FTE - Fully taxable equivalent
GAAP - Generally Accepted Accounting Principles in the United States
GNMA - Government National Mortgage Association (“Ginnie Mae”)
ICE - Intercontinental Exchange
IRA of 2022 - Inflation Reduction Act of 2022
IRR - Interest rate risk

ITM - Interactive teller machine
LIBOR - London Interbank Offered Rate
LTV - Loan to value
MBS - Mortgage-backed securities
MDBCF - Mississippi Department of Banking and Consumer Finance
MSR - Mortgage servicing rights
NAV - Net asset value
NII - Net interest income
NM - Not meaningful
NMTC - New market tax credit
NPA - Nonperforming asset(s)
NPL - Nonperforming loan(s)
NSF - Nonsufficient funds
NYSE - New York Stock Exchange
OCC - Office of the Comptroller of the Currency
OREO - Other real estate owned
PCAOB - Public Company Accounting Oversight Board
PCD - Purchased credit deteriorated
PCI - Purchase credit impaired
PSU - Performance stock unit
ROU - Right of use
RSA - Restricted stock award
RSU - Restricted stock unit
SOX - Sarbanes-Oxley Act of 2002
SBA - Small Business Administration
SEC - U.S. Securities and Exchange Commission
SNC - Shared National Credit
SOFR - Secured Overnight Financing Rate
TBA - To be announced
TDR - Troubled debt restructuring
VIE - Variable interest entity

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements made in this quarterly report on Form 10-Q (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; 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; risks arising from market reactions to the banking environment in general, or to conditions or situations at specific banks; risks arising from perceived instability in the banking sector; 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; a deterioration of the credit rating for U.S. long-term sovereign debt, actions that the U.S. government may take to avoid exceeding the debt ceiling, or uncertainties surrounding the debt ceiling and the federal budget; 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 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; FDIC special assessments or changes to regular assessments; possible adverse rulings, judgments, settlements and other outcomes of pending or future litigation or government actions; 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; 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.

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 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—FINANCIAL INFORMATION

ITEM 1. Financial Statements.

Consolidated Balance Sheets
Cadence Bank and Subsidiaries
(Unaudited)

(In thousands, except share and per share amounts)	June 30, 2023	December 31, 2022
ASSETS		
Cash and due from banks	$ 722,625	$ 756,906
Interest bearing deposits with other banks and Federal funds sold	1,008,048	1,241,246
Total cash and cash equivalents	1,730,673	1,998,152
Available-for-sale securities, at fair value	10,254,580	11,944,096
Loans and leases, net of unearned income	32,556,708	30,349,277
Allowance for credit losses	466,013	440,347
Net loans and leases	32,090,695	29,908,930
Loans held for sale, at fair value	193,234	187,925
Premises and equipment, net	830,184	817,430
Goodwill	1,459,302	1,458,795
Other intangible assets, net	119,098	132,764
Bank-owned life insurance	634,985	630,046
Other assets	1,525,909	1,575,276
TOTAL ASSETS	$ 48,838,660	$ 48,653,414
LIABILITIES		
Noninterest bearing demand deposits	$ 10,223,508	$ 12,731,065
Interest bearing demand and money market deposits	18,088,711	19,040,131
Savings	2,983,709	3,473,746
Time deposits	7,405,741	3,711,672
Total deposits	38,701,669	38,956,614
Securities sold under agreement to repurchase	790,758	708,736
Federal funds purchased	—	200,000
Short-term BTFP and FHLB borrowings	3,500,226	3,100,231
Subordinated and long-term borrowings	449,733	462,554
Other liabilities	910,424	913,905
TOTAL LIABILITIES	44,352,810	44,342,040
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 - 182,626,229 and 182,437,265 shares, respectively	456,566	456,093
Capital surplus	2,724,021	2,709,391
Accumulated other comprehensive loss	(1,163,075)	(1,222,538)
Retained earnings	2,301,345	2,201,435
TOTAL SHAREHOLDERS' EQUITY	4,485,850	4,311,374
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 48,838,660	$ 48,653,414

See accompanying notes to the unaudited consolidated financial statements.

Consolidated Statements of Income
Cadence Bank and Subsidiaries
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
INTEREST REVENUE:				
Loans and leases	$ 496,262	$ 296,680	$ 953,346	$ 578,946
Available-for-sale securities:				
Taxable	53,531	46,254	102,046	91,409
Tax-exempt	2,427	2,571	4,904	4,985
Loans held for sale	961	2,118	1,564	3,525
Short-term investments	20,238	1,932	37,691	2,620
Total interest revenue	573,419	349,555	1,099,551	681,485
INTEREST EXPENSE:				
Interest bearing demand deposits and money market accounts	111,938	11,717	207,282	21,459
Savings	3,915	590	6,929	1,158
Time deposits	65,517	4,041	89,467	8,805
Federal funds purchased and securities sold under agreement to repurchase	7,656	906	15,323	1,122
Short-term debt	46,036	2,734	83,051	2,741
Subordinated and long-term debt	4,806	4,801	9,678	9,612
Total interest expense	239,868	24,789	411,730	44,897
Net interest revenue	333,551	324,766	687,821	636,588
Provision for credit losses	15,000	1,000	25,000	1,000
Net interest revenue, after provision for credit losses	318,551	323,766	662,821	635,588
NONINTEREST REVENUE:				
Mortgage banking	8,356	11,446	14,432	33,209
Credit card, debit card and merchant fees	12,617	16,593	24,469	27,914
Deposit service charges	17,208	18,291	33,690	37,480
Security gains (losses), net	69	1,446	(51,192)	349
Insurance commissions	45,603	39,994	85,210	75,721
Wealth management	21,741	20,213	43,272	41,950
Other	26,696	17,251	56,480	37,046
Total noninterest revenue	132,290	125,234	206,361	253,669
NONINTEREST EXPENSE:				
Salaries and employee benefits	190,854	182,094	386,557	369,913
Occupancy and equipment	29,590	30,129	58,703	58,399
Data processing and software	28,073	29,081	59,942	56,564
Merger expense	137	7,274	5,212	11,248
Amortization of intangibles	6,626	3,042	11,631	9,822
Deposit insurance assessments	7,705	4,945	16,066	8,281
Other	40,893	29,323	85,046	63,328
Total noninterest expense	303,878	285,888	623,157	577,555
Income before income taxes	146,963	163,112	246,025	311,702
Income tax expense	32,935	36,154	55,368	69,797
Net income	$ 114,028	$ 126,958	$ 190,657	$ 241,905
Less: preferred dividends	2,372	2,372	4,744	4,744
Net income available to common shareholders	$ 111,656	$ 124,586	$ 185,913	$ 237,161
Basic earnings per common share	$ 0.61	$ 0.68	$ 1.02	$ 1.28
Diluted earnings per common share	$ 0.61	$ 0.68	$ 1.01	$ 1.28

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2023	2022	2023	2022
Net income	$ 114,028	$ 126,958	$ 190,657	$ 241,905
Other comprehensive (loss) income, net of tax:				
Unrealized (losses) gains on AFS securities:				
Net unrealized (losses) gains, net of income taxes of $25,335, $88,296, $(30,059), and $257,445	(81,928)	(273,275)	97,191	(798,978)
Reclassification adjustment for net gains (losses) realized in net income, net of income taxes of $(16), $(4), $12,092, and $(53)	53	11	(39,100)	163
Net change in unrealized (losses) gains on AFS securities, net of tax	(81,875)	(273,264)	58,091	(798,815)
Recognized employee benefit plan net periodic benefit cost, net of income taxes of $(212), $(297), $(424), and $(594)	686	919	1,372	1,839
Other comprehensive (loss) income, net of tax	(81,189)	(272,345)	59,463	(796,976)
Comprehensive income (loss)	$ 32,839	$ (145,387)	$ 250,120	$ (555,071)

See accompanying notes to the unaudited consolidated financial statements.

Consolidated Statements of Shareholders' Equity
Cadence Bank and Subsidiaries
Six Months Ended June 30, 2023 and 2022
(Unaudited)

	Preferred Stock		Common Stock			Accumulated Other			
(In thousands, except share and per share amounts)	Shares	Amount	Shares	Amount	Capital Surplus	Comprehensive (Loss) Income	Retained Earnings	Total Shareholders ' Equity
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
Net income	—	—	—	—	—	—	76,629	76,629
Other comprehensive income, net of tax	—	—	—	—	—	140,652	—	140,652
Recognition of stock compensation	—	—	253,599	634	6,732	—	—	7,366
Repurchase of stock, net of excise tax	—	—	(6,286)	(16)	(142)	—	—	(158)
Preferred dividends declared, $0.34 per share	—	—	—	—	—	—	(2,372)	(2,372)
Cash dividends declared, $0.235 per share	—	—	—	—	—	—	(42,879)	(42,879)
Cumulative effect of change in accounting principles	—	—	—	—	—	—	(195)	(195)
Balance at March 31, 2023	6,900,000	$ 166,993	182,684,578	$ 456,711	$ 2,715,981	$ (1,081,886)	$ 2,232,618	$ 4,490,417
Net income	—	—	—	—	—	—	114,028	114,028
Other comprehensive loss, net of tax	—	—	—	—	—	(81,189)	—	(81,189)
Recognition of stock compensation	—	—	53,108	134	9,786	—	—	9,920
Repurchase of stock, net of excise tax	—	—	(111,457)	(279)	(1,746)	—	—	(2,025)
Preferred dividends declared, $0.34 per share	—	—	—	—	—	—	(2,372)	(2,372)
Cash dividends declared, $0.235 per share	—	—	—	—	—	—	(42,929)	(42,929)
Balance at June 30, 2023	6,900,000	$ 166,993	182,626,229	$ 456,566	$ 2,724,021	$ (1,163,075)	$ 2,301,345	$ 4,485,850

	Preferred Stock		Common Stock			Accumulated Other		
(In thousands, except share and per share amounts)	Shares	Amount	Shares	Amount	Capital Surplus	Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
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	—	—	—	—	—	—	114,947	114,947
Other comprehensive loss, net of tax	—	—	—	—	—	(524,631)	—	(524,631)
Recognition of stock compensation	—	—	233,305	583	3,474	—	—	4,057
Repurchase of stock, net of excise tax	—	—	(5,082,119)	(12,705)	(144,101)	—	—	(156,806)
Preferred dividends declared, $0.34 per share	—	—	—	—	—	—	(2,372)	(2,372)
Cash dividends declared, $0.22 per share	—	—	—	—	—	—	(39,425)	(39,425)
Balance at March 31, 2022	6,900,000	$ 166,993	183,488,844	$ 458,722	$ 2,701,371	$ (664,000)	$ 1,980,671	$ 4,643,757
Net income	—	—	—	—	—	—	126,958	126,958
Other comprehensive loss, net of tax	—	—	—	—	—	(272,345)	—	(272,345)
Recognition of stock compensation	—	—	30,191	75	8,703	—	—	8,778
Repurchase of stock, net of excise tax	—	—	(1,057,249)	(2,643)	(24,043)	—	—	(26,686)
Preferred dividends declared, $0.34 per share	—	—	—	—	—	—	(2,372)	(2,372)
Cash dividends declared, $0.22 per share	—	—	—	—	—	—	(40,165)	(40,165)
Balance at June 30, 2022	6,900,000	$ 166,993	182,461,786	$ 456,154	$ 2,686,031	$ (936,345)	$ 2,065,092	$ 4,437,925

See accompanying notes to the unaudited consolidated financial statements.

Consolidated Statements of Cash Flows
Cadence Bank and Subsidiaries
(Unaudited)

	Six Months Ended June 30,	
(In thousands)	2023	2022
Operating Activities:		
Net income	$ 190,657	$ 241,905
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, amortization and accretion	128,646	115,823
Deferred income tax expense	12,706	—
Provision for credit losses	25,000	1,000
Gain on sale of loans, net	(9,528)	(28,830)
Loss (gain) on sales of available-for-sale securities	51,192	(349)
Unrealized gains on limited partnerships	(4,372)	(4,922)
Share-based compensation expense	17,286	12,835
Proceeds from payments and sales of loans held for sale	762,141	1,245,043
Origination of loans held for sale	(778,413)	(1,152,162)
(Increase) decrease in interest receivable	(2,810)	1,019
Net increase in prepaid pension asset	(1,012)	(4,132)
(Increase) decrease in other assets	(43,239)	25,218
Increase (decrease) in other liabilities	57,510	(30,288)
Other, net	(6,116)	2,994
Net cash provided by operating activities	399,648	425,154
Investing Activities:		
Purchases of available-for-sale securities	(788,455)	(577,132)
Proceeds from sales of available-for-sale securities	1,530,588	330,620
Proceeds from maturities, calls, and payments of available-for-sale securities	948,095	1,319,429
Proceeds from sales (purchases), net, of FHLB stock	120,622	(84,951)
Increase in loans, net	(2,336,009)	(1,524,499)
Purchases of premises and equipment	(48,386)	(43,831)
Proceeds from disposition of foreclosed and repossessed property	5,860	17,359
Proceeds from sales of loans transferred to held for sale	26,153	41,047
Purchases of bank owned life insurance, net of benefits received	(1,474)	—
Proceeds from sales of premises and equipment	4,292	5,610
Purchases of investments in tax credit investments	(36,869)	(9,431)
Purchases of limited partnership interests	(14,996)	(14,591)
Other, net	1,439	8,365
Net cash used by investing activities	(589,140)	(532,005)
Financing Activities:		
(Decrease) increase in deposits, net	(255,165)	369,951
Net change in federal funds purchased, securities sold under agreements to repurchase, and other short-term borrowings	282,017	566,989
Repayment of long-term FHLB advances and borrowings	(12,034)	(16,310)
Repurchase of common stock	(2,183)	(183,492)
Cash dividends paid on common stock	(85,878)	(80,519)
Cash dividends paid on preferred stock	(4,744)	(4,744)
Net cash (used in) provided by financing activities	(77,987)	651,875
Net (decrease) increase in cash and cash equivalents	(267,479)	545,024
Cash and cash equivalents at beginning of period	1,998,152	1,294,679
Cash and cash equivalents at end of period	$ 1,730,673	$ 1,839,703

See accompanying notes to the unaudited consolidated financial statements.

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

	Six Months Ended June 30,	
(In thousands)	**2023**	**2022**
Supplemental Disclosures		
Cash paid during the period for:		
Interest	$ 349,694	$ 45,227
Income taxes, net of refunds	64,242	45,566
Cash paid for amounts included in lease liabilities	11,991	14,331
Non-cash investing activities, at fair value:		
Acquisition of real estate and other assets in settlement of loans	1,492	3,406
Right of use assets obtained in exchange for new operating lease liabilities	4,355	6,170
Securities purchased with settlement after period end	—	5,914
Increase in funding obligations for certain tax credit investments	53,677	34,717

See accompanying notes to unaudited consolidated financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The accompanying unaudited consolidated financial statements for the Company have been prepared in accordance with instructions to the SEC Form 10-Q and Article 10 of Regulation S-X; therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, comprehensive income, and cash flows in conformity with GAAP. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the periods covered by this report have been included. These interim financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2022. Operating results for the period ended June 30, 2023, are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. The consolidated balance sheet at December 31, 2022 has been derived from the audited financial statements included in our Form 10-K for the year ended December 31, 2022.

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 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 16 for more information).

Certain amounts reported in prior years have been reclassified to conform to the 2023 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. There were no material subsequent events to disclose for the current period.

Recently Adopted 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. The guidance became effective for Cadence beginning January 1, 2023. As this guidance is to be applied prospectively to business combinations occurring on or after the effective date, the adoption of this guidance had no immediate impact to the Company’s 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 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 became effective for Cadence beginning January 1, 2023. The guidance on hedging multiple layers in a closed portfolio and required disclosures for fair value hedge basis adjustments will be applied prospectively. The guidance on the accounting for fair value basis adjustments is applied on a modified retrospective basis. The adoption of this guidance had no material impact to the Company’s 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 guidance became effective for Cadence beginning January 1, 2023. Cadence elected to adopt the elimination of the TDR recognition and measurement guidance via the modified retrospective transition method. As such, Cadence recorded a cumulative-effect adjustment of $195 thousand, net of tax, to reduce opening retained earnings and $255 thousand to increase the ACL as of the date of adoption for changes in the ACL that had been recorded for the existing population of loans modified in a TDR as of January 1, 2023.

The amendments related to disclosures were adopted prospectively. Refer to Note 3 for the Company's presentation of gross write-offs in the vintage disclosures, as well as the new required disclosures for loan modifications to borrowers experiencing financial difficulty.

Pending Accounting Pronouncements

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.

ASU No. 2023-01

In March 2023, the FASB issued ASU No. 2023-01, *Leases (Topic 842): Common Control Arrangements* which amends the accounting for common control leasing arrangements. The ASU requires all entities to amortize leasehold improvements associated with common control leases over the useful life to the common control group.

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 made available for issuance. The ASU allows reporting entities that already have adopted ASC 842 to adopt the provisions on either a (i) prospective basis for all leases commencing on or after the date of adoption, or (ii) a retrospective basis to the beginning of the earliest period presented in accordance with ASC 842 for all arrangements that exist at the date of adoption. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements.

ASU No. 2023-02

In March 2023, the FASB issued ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.* The ASU allows entities to elect the proportional amortization method, on a tax-credit-program-by-tax-credit-program basis, for all equity investments in tax credit programs meeting the eligibility criteria in ASC 323-740-25-1. The ASU further prescribes specific information reporting entities must disclose about tax credit investments each period.

The amendments are effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted. Entities may adopt the ASU on either a modified retrospective or retrospective basis. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements.

NOTE 2. 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
June 30, 2023				
U.S. Treasury securities	$ 8,980	$ —	$ 21	$ 8,959
Obligations of U.S. government agencies	1,205,665	438	93,777	1,112,326
MBS issued or guaranteed by U.S. agencies				
Residential pass-through:				
Guaranteed by GNMA	91,122	—	11,861	79,261
Issued by FNMA and FHLMC	6,844,143	21	948,460	5,895,704
Other residential MBS	191,453	28	34,187	157,294
Commercial MBS	2,622,036	656	265,645	2,357,047
Total MBS	9,748,754	705	1,260,153	8,489,306
Obligations of states and political subdivisions	526,910	178	93,772	433,316
Other domestic debt securities	81,030	—	9,674	71,356
Foreign debt securities	143,987	—	4,670	139,317
Total available-for-sale securities	$ 11,715,326	$ 1,321	$ 1,462,067	$ 10,254,580

(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
MBS issued or guaranteed by U.S. agencies				
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 MBS	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

For the three months ended June 30, 2023, gross gains of $78 thousand and gross losses of $9 thousand were recognized on available-for-sale securities, compared to gross gains of $28 thousand and gross losses of $14 thousand for the same period in 2022. There were no impairment charges related to credit losses included in gross realized losses for the three months ended June 30, 2023 and 2022.

For the six months ended June 30, 2023, gross gains of $742 thousand and gross losses of $51.9 million were recognized on available-for-sale securities, compared to gross gains of $294 thousand and gross losses of $78 thousand for the same period in 2022. There were no impairment charges related to credit losses included in gross realized losses for the six months ended June 30, 2023 and 2022.

Available-for-sale securities with a carrying value of $8.2 billion and $9.2 billion at June 30, 2023 and December 31, 2022, respectively, were pledged to secure public and trust funds on deposit and for other purposes.

There were no securities held for trading or held-to-maturity at June 30, 2023 or December 31, 2022.

The amortized cost and estimated fair value of available-for-sale securities at June 30, 2023 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	$ 407,779	$ 403,306
Maturing after one year through five years	566,344	513,307
Maturing after five years through ten years	398,853	370,468
Maturing after ten years	593,596	478,193
Mortgage-backed securities	9,748,754	8,489,306
Total available-for-sale securities	$ 11,715,326	$ 10,254,580

At June 30, 2023 and December 31, 2022, approximately 98.1% and 98.6% of securities were in an unrealized loss position, respectively. At June 30, 2023, there were 1,063 securities in a loss position for more than twelve months, and 158 securities 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
June 30, 2023				
U.S. Treasury securities	$ —	$ —	$ 8,959	$ 21
U.S. government agency securities	61,412	840	992,615	92,937
MBS	725,592	17,187	7,664,395	1,242,966
Obligations of states and political subdivisions	10,204	222	406,750	93,550
Other domestic debt securities	8,135	1,365	42,221	8,309
Foreign debt securities	88,880	147	50,437	4,523
Total	$ 894,223	$ 19,761	$ 9,165,377	$ 1,442,306

	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
MBS	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	$ 3,070,994	$ 284,470	$ 8,706,862	$ 1,254,007

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 June 30, 2023 or December 31, 2022.

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	Carrying Value
June 30, 2023				
Equity securities held at cost:				
Equity securities	$ 20,620	$ —	$ —	$ 20,620
Federal Home Loan Bank stock	13,734	—	—	13,734
Total equity securities, held at cost	$ 34,354	$ —	$ —	$ 34,354
Equity securities held at fair value:				
Farmer Mac stock	$ 49	$ 394	$ —	$ 443
Affordable Housing MBS Exchange Traded Fund	24,994	—	3,645	21,349
Total equity securities, held at fair value	$ 25,043	$ 394	$ 3,645	$ 21,792

(In thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying 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

NOTE 3. 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)	June 30, 2023	December 31, 2022
Commercial and industrial		
Non-real estate	$ 9,636,481	$ 8,985,547
Owner occupied	4,358,000	4,068,659
Total commercial and industrial	13,994,481	13,054,206
Commercial real estate		
Construction, acquisition and development	3,744,114	3,547,986
Income producing	5,596,134	5,150,680
Total commercial real estate	9,340,248	8,698,666
Consumer		
Residential mortgages	8,989,614	8,319,242
Other consumer	232,365	277,163
Total consumer	9,221,979	8,596,405
Total loans and leases, net of unearned income (1)	$ 32,556,708	$ 30,349,277

(1) Total loans and leases are net of $89.2 million and $100.8 million of unearned income at June 30, 2023 and December 31, 2022, 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 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 impact of a slowing economy, inflation, rising interest rates, and labor and supply chain shortages, 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 ("CAD") – CAD loans include both loans and credit lines for the purpose of purchasing, carrying, and developing land into residential subdivisions or various types of commercial developments, such as industrial, warehouse, retail, office, and multi-family. This category also includes loans and credit lines for construction of residential, multi-family and commercial buildings. The Company generally engages in CAD 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, change in interest rates, 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, remote work patterns, governmental jurisdiction, tax structure, availability of utilities, roads, public transportation and schools, 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 CAD 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. CAD 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 CAD 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 CAD 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 CRE 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 – CRE 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 recognizes that risk from economic cycles, pandemics, government restrictions, delayed or missed rent payments, supply-chain disruptions, 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 June 30, 2023 and December 31, 2022, residential mortgage loans in process of foreclosure totaled $14.5 million and $4.6 million, respectively. Additionally, the Company held $1.2 million and $2.1 million in foreclosed residential properties at June 30, 2023 and December 31, 2022, 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 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:

	June 30, 2023						
(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	$ 8,700	$ 36,225	$ 37,761	$ 82,686	$ 9,553,795	$ 9,636,481	$ 319
Owner occupied	3,103	1,021	6,433	10,557	4,347,443	4,358,000	—
Total commercial and industrial	11,803	37,246	44,194	93,243	13,901,238	13,994,481	319
Commercial real estate							
Construction, acquisition and development	589	76	3,624	4,289	3,739,825	3,744,114	—
Income producing	1,939	3,174	14,012	19,125	5,577,009	5,596,134	—
Total commercial real estate	2,528	3,250	17,636	23,414	9,316,834	9,340,248	—
Consumer							
Residential mortgages	39,493	19,017	40,719	99,229	8,890,385	8,989,614	3,944
Other consumer	1,204	417	312	1,933	230,432	232,365	149
Total consumer	40,697	19,434	41,031	101,162	9,120,817	9,221,979	4,093
Total loans and leases, net of unearned income	$ 55,028	$ 59,930	$ 102,861	$ 217,819	$32,338,889	$32,556,708	$ 4,412

(In thousands)	December 31, 2022 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

Past due loans held-for-sale that are past due 90 days or more totaled $49.1 million and $71.4 million at June 30, 2023 and December 31, 2022, respectively. These loans are not included in the tables above.

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:

	June 30, 2023						
(In thousands)	Pass	Special Mention	Substandard	Doubtful	Impaired	PCD (Loss)	Total
Commercial and industrial							
Non-real estate	$ 9,126,727	$ 160,652	$ 311,119	$ —	$ 34,027	$ 3,956	$ 9,636,481
Owner occupied	4,276,518	29,991	48,068	—	1,762	1,661	4,358,000
Total commercial and industrial	13,403,245	190,643	359,187	—	35,789	5,617	13,994,481
Commercial real estate							
Construction, acquisition and development	3,711,414	20,339	12,158	203	—	—	3,744,114
Income producing	5,390,435	63,323	113,021	—	10,760	18,595	5,596,134
Total commercial real estate	9,101,849	83,662	125,179	203	10,760	18,595	9,340,248
Consumer [(1)]							
Residential mortgages	8,927,494	—	59,267	—	1,279	1,574	8,989,614
Other consumer	231,978	—	387	—	—	—	232,365
Total consumer	9,159,472	—	59,654	—	1,279	1,574	9,221,979
Total loans and leases, net of unearned income	$ 31,664,566	$ 274,305	$ 544,020	$ 203	$ 47,828	$ 25,786	$ 32,556,708

(1) During the second quarter of 2023, the Company began determining the risk rating classification of its Consumer portfolio based on nonaccrual and delinquency status in accordance with the Uniform Retail Credit Classification guidance and industry norms, which contributed to a lower number of criticized and classified loans. As a result of this modification, current period results are not directly comparable to prior periods.

	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

The following tables provide credit quality indicators, including current period gross charge-offs, by class and period of origination (vintage) at June 30, 2023:

	Commercial and Industrial - Non-Real Estate								
	Period Originated:								
(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 1,111,949	$1,728,498	$1,253,246	$ 316,498	$ 320,882	$ 742,110	$3,642,475	$ 11,069	$ 9,126,727
Special Mention	2,576	38,064	37,409	13,099	—	2,556	66,948	—	160,652
Substandard	2,539	24,503	58,934	28,535	8,614	83,663	104,331	—	311,119
Impaired	3,528	—	—	16,882	102	—	13,515	—	34,027
PCD (Loss)	—	—	—	—	—	3,956	—	—	3,956
Total	$ 1,120,592	$1,791,065	$1,349,589	$ 375,014	$ 329,598	$ 832,285	$3,827,269	$ 11,069	$ 9,636,481
% Criticized	0.8%	3.5%	7.1%	15.6%	2.6%	10.8%	4.8%	—%	5.3%
Gross charge-offs	$ 532	$ 208	$ 492	$ 567	$ 615	$ 650	$ 13,259	$ —	$ 16,323

Commercial and Industrial - Owner Occupied									
	Period Originated:								
(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 335,609	$ 960,788	$ 877,984	$ 500,994	$ 332,438	$1,150,315	$ 118,390	$ —	$4,276,518
Special Mention	3,426	5,740	—	—	—	17,850	2,975	—	29,991
Substandard	—	1,010	22,475	2,697	6,837	15,049	—	—	48,068
Impaired	—	—	—	—	488	1,274	—	—	1,762
PCD (Loss)	—	—	—	—	1,124	537	—	—	1,661
Total	$ 339,035	$ 967,538	$ 900,459	$ 503,691	$ 340,887	$1,185,025	$ 121,365	$ —	$4,358,000
% Criticized	1.0%	0.7%	2.5%	0.5%	2.5%	2.9%	2.5%	—%	1.9%
Gross charge-offs	$ —	$ 1	$ 28	$ 1	$ 5	$ 93	$ —	$ —	$ 128

Construction, Acquisition, & Development									
	Period Originated:								
(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 417,223	$1,725,761	$1,148,564	$ 164,238	$ 74,560	$ 60,818	$ 120,250	$ —	$3,711,414
Special Mention	328	343	18,678	—	990	—	—	—	20,339
Substandard	—	1,626	9,195	141	575	485	136	—	12,158
Doubtful	—	—	203	—	—	—	—	—	203
Total	$ 417,551	$1,727,730	$1,176,640	$ 164,379	$ 76,125	$ 61,303	$ 120,386	$ —	$3,744,114
% Criticized	0.1%	0.1%	2.4%	0.1%	2.1%	0.8%	0.1%	—%	0.9%
Gross charge-offs	$ —	$ 2	$ 176	$ 2	$ —	$ —	$ —	$ —	$ 180

Commercial Real Estate - Income Producing									
	Period Originated:								
(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 296,648	$1,210,471	$1,083,017	$ 677,484	$ 623,434	$1,405,222	$ 94,159	$ —	$5,390,435
Special Mention	—	18,926	12,831	—	18,382	13,184	—	—	63,323
Substandard	—	—	—	34,099	6,355	72,567	—	—	113,021
Impaired	—	—	—	—	—	9,160	1,600	—	10,760
PCD (Loss)	—	—	—	—	14,382	4,213	—	—	18,595
Total	$ 296,648	$1,229,397	$1,095,848	$ 711,583	$ 662,553	$1,504,346	$ 95,759	$ —	$5,596,134
% Criticized	—%	1.5%	1.2%	4.8%	5.9%	6.6%	1.7%	—%	3.7%
Gross charge-offs	$ —	$ —	$ 1	$ —	$ —	$ 1,933	$ —	$ —	$ 1,934

Consumer - Residential Mortgages									
	Period Originated:								
(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 998,735	$1,940,534	$1,739,082	$1,136,938	$ 572,534	$1,590,238	$ 944,584	$ 4,849	$8,927,494
Substandard	89	4,397	6,326	8,331	11,354	24,795	3,975	—	59,267
Impaired	—	—	1,279	—	—	—	—	—	1,279
PCD (Loss)	—	—	—	—	—	1,574	—	—	1,574
Total	$ 998,824	$1,944,931	$1,746,687	$1,145,269	$ 583,888	$1,616,607	$ 948,559	$ 4,849	$8,989,614
% Criticized	—%	0.2%	0.4%	0.7%	1.9%	1.6%	0.4%	—%	0.7%
Gross charge-offs	$ —	$ 1	$ 215	$ 45	$ 27	$ 252	$ 315	$ —	$ 855

	Consumer - Other Consumer								
	Period Originated:								
(In thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 34,184	$ 34,741	$ 19,846	$ 11,356	$ 5,621	$ 3,618	$ 122,612	$ —	$ 231,978
Substandard	—	26	12	36	20	—	293	—	387
Total	$ 34,184	$ 34,767	$ 19,858	$ 11,392	$ 5,641	$ 3,618	$ 122,905	$ —	$ 232,365
% Criticized	— %	0.1 %	0.1 %	0.3 %	0.4 %	— %	0.2 %	— %	0.2 %
Gross charge-offs	$ 1,203	$ 215	$ 187	$ 184	$ 85	$ 48	$ 1,328	$ —	$ 3,250

The Company's collateral-dependent loans totaling $73.6 million and $40.4 million at June 30, 2023 and December 31, 2022, respectively, includes loans internally classified as impaired and PCD Loss. At June 30, 2023, most of these loans are within the non-real estate, income producing, 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 June 30, 2023 and December 31, 2022, $60.1 million and $31.3 million, respectively, of collateral-dependent loans had a valuation allowance of $28.4 million and $4.5 million, respectively. The remaining balance of collateral-dependent loans of $13.5 million and $9.1 million at June 30, 2023 and December 31, 2022, 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.

NPLs consist of nonaccrual loans and leases, loans and leases 90 days or more past due and still accruing, and loans and leases that have been restructured because of the borrower's weakened financial condition[1]. The following table presents information concerning NPL at the periods indicated:

(In thousands)	June 30, 2023	December 31, 2022
Nonaccrual loans and leases	$ 157,243	$ 98,745
Loans and leases 90 days or more past due, still accruing	4,412	2,068
Restructured loans and leases, still accruing [1]	—	8,598
Total NPL	$ 161,655	$ 109,411

[1] The adoption of ASU 2022-02 (see Note 1) eliminated TDR accounting effective beginning January 1, 2023, thus eliminating restructured loans and leases, still accruing as of March 31, 2023.

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:

	June 30, 2023			December 31, 2022		
(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	$ 72,592	$ —	$ 319	$ 23,907	$ 58	$ 412
Owner occupied	7,541	1,762	—	7,944	1,819	20
Total commercial and industrial	80,133	1,762	319	31,851	1,877	432
Commercial real estate						
Construction, acquisition and development	4,496	—	—	2,974	—	—
Income producing	19,205	1,600	—	7,331	—	—
Total commercial real estate	23,701	1,600	—	10,305	—	—
Consumer						
Residential mortgages	53,171	1,575	3,944	55,892	1,574	1,440
Other consumer	238	—	149	697	—	196
Total consumer	53,409	1,575	4,093	56,589	1,574	1,636
Total loans and leases, net of unearned income	$ 157,243	$ 4,937	$ 4,412	$ 98,745	$ 3,451	$ 2,068

The following table presents the interest income recognized on loans on nonaccrual status by segment and class for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2023	2022	2023	2022
Commercial and industrial				
Non-real estate	$ 178	$ 88	$ 280	$ 340
Owner occupied	46	89	119	421
Total commercial and industrial	224	177	399	761
Commercial real estate				
Construction, acquisition and development	14	29	25	49
Income producing	64	1	164	49
Total commercial real estate	78	30	189	98
Consumer				
Residential mortgages	430	587	884	963
Other consumer	2	45	3	77
Total consumer	432	632	887	1,040
Total loans and leases, net of unearned income	$ 734	$ 839	$ 1,475	$ 1,899

In the normal course of business, management may grant concessions, which would not otherwise be considered, to borrowers that are experiencing financial difficulty. Previously, loans identified as meeting the criteria set out in FASB ASC 310 were identified as TDRs. In March 2022, the FASB issued ASU No. 2022-02, which eliminates the TDR accounting model for creditors that have adopted ASC 326. The guidance became effective for the Company beginning January 1, 2023, and the Company elected to adopt the guidance via the modified retrospective transition method. With the removal of the TDR model, all loan modifications are now accounted for under the general loan modification guidance in Subtopic 310-20. The update also requires enhanced disclosures regarding loan modifications for borrowers experiencing financial difficulty. Further, the new guidance 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.

Under the general loan modification guidance, a modification is treated as a new loan only if both of the following conditions are met: 1) the terms of the new loan are at least as favorable to the lender as the terms for comparable loans to other customers with similar collection risks, and 2) modifications to the terms of the original loan are more than minor. If either condition is not met, the modification is accounted for as the continuation of the old loan with any effect of the modification treated as a prospective adjustment to the loan's effective interest rate. Modifications in scope for borrowers experiencing financial difficulty may include principal forgiveness, other-than-insignificant payment delay, interest rate reduction, or a combination of modifications. During six months ended June 30, 2023, the most common concessions related to term or maturity date extensions and reduction of interest rates to below market rates. Other concessions included payment deferrals.

Upon determination by the Company that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is charged off. The amortized cost basis of the loan is reduced by the uncollectible amount and the ACL is adjusted by this amount.

The following table presents loans that were modified within the past six months for borrowers experiencing financial difficulty by segment and class, as well as the percentage of these modified loans compared to overall loans in each segment and class, at June 30, 2023:

(Dollars in thousands)	Payment Deferral	Term Extension	Interest Rate Reduction	Combination Term Extension and Payment Deferral	Combination Term Extension and Interest Rate Reduction	Percent of Total Loan Class
Commercial and industrial						
Non-real estate	$ 25,931	$ 68,761	$ —	$ —	$ 7	0.98 %
Owner occupied	—	44	—	—	—	— %
Total commercial and industrial	25,931	68,805	—	—	7	0.68 %
Commercial real estate						
Construction, acquisition and development	—	—	—	—	—	— %
Income producing	2,019	27,689	—	—	781	0.54 %
Total commercial real estate	2,019	27,689	—	—	781	0.33 %
Consumer						
Residential mortgages	—	80	96	38	337	0.01 %
Other consumer	—	—	—	—	—	— %
Total consumer	—	80	96	38	337	0.01 %
Total loans and leases, net of unearned income	$ 27,950	$ 96,574	$ 96	$ 38	$ 1,125	0.39 %

The following table presents the financial effect of the loan modifications presented above for borrowers experiencing financial difficulty for the following periods:

	Three Months Ended June 30, 2023	
(In thousands)	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in years)
Commercial and industrial		
Non-real estate	2.25 %	$ 0.45
Owner occupied	—	5.04
Commercial real estate		
Construction, acquisition and development	—	—
Income producing	0.30	$ 1.19
Consumer		
Residential mortgages	0.55	15.25
Other consumer	3.25	1.84

	Six Months Ended June 30, 2023	
(In thousands)	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in years)
Commercial and industrial		
Non-real estate	2.25 %	0.80
Owner occupied	—	5.04
Commercial real estate		
Construction, acquisition and development	—	—
Income producing	0.30	1.07
Consumer		
Residential mortgages	0.35	12.85
Other consumer	3.25	1.84

During the six months ended June 30, 2023, the Company made a payment deferral for one borrower in the non-real estate loan segment. Principal is being deferred for 12 months, and the borrower will continue quarterly interest payments. Principal payments vary per quarter once they resume.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. During the three and six months ended June 30, 2023, there was one payment default on a previously modified loan for a borrower in the residential mortgage loan segment. The loan balance was $28 thousand and had been granted a concession representing a combination term extension and interest rate reduction.

NOTE 4. ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the changes in the ACL for the periods indicated:

(In thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Balance at beginning of period	$ 453,727	$ 438,738	$ 440,347	$ 446,415
Charge-offs	(15,640)	(4,386)	(22,670)	(9,173)
Recoveries	2,926	5,760	8,081	10,987
Initial allowance on PCD loans (See Note 3)	—	—	—	(8,117)
Adoption of new ASU related to modified loans [1]	—	—	255	—
Provision for loan losses	25,000	—	40,000	—
Balance at end of period	$ 466,013	$ 440,112	$ 466,013	$ 440,112

[1] Cadence adopted the new accounting guidance effective January 1, 2023, which eliminates the TDR recognition and measurement guidance via the modified retrospective transition method (ASU 2022-02). See Note 3.

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

(In thousands)	Three Months Ended June 30, 2023 Beginning Balance	Charge-offs	Recoveries	Provision (Release)	Ending Balance
Commercial and industrial					
Non-real estate	$ 154,179	$ (13,524)	$ 1,291	$ 42,782	$ 184,728
Owner occupied	38,553	(74)	69	(2,967)	35,581
Total commercial and industrial	192,732	(13,598)	1,360	39,815	220,309
Commercial real estate					
Construction, acquisition and development	74,101	(98)	360	(19,195)	55,168
Income producing	75,987	(28)	258	(10,863)	65,354
Total commercial real estate	150,088	(126)	618	(30,058)	120,522
Consumer					
Residential mortgages	104,174	(398)	518	14,751	119,045
Other consumer	6,733	(1,518)	430	492	6,137
Total consumer	110,907	(1,916)	948	15,243	125,182
Ending Balance	$ 453,727	$ (15,640)	$ 2,926	$ 25,000	$ 466,013

	Six Months Ended June 30, 2023					
(In thousands)	Beginning Balance	Charge-offs	Recoveries	Adoption of new ASU for modified loans	Provision (Release)	Ending Balance
Commercial and industrial						
Non-real estate	$ 147,669	$ (16,323)	$ 3,578	$ 256	$ 49,548	$ 184,728
Owner occupied	35,548	(128)	1,188	2	$ (1,029)	35,581
Total commercial and industrial	183,217	(16,451)	4,766	258	48,519	220,309
Commercial real estate						
Construction, acquisition and development	68,902	(180)	405	—	$ (13,959)	55,168
Income producing	74,727	(1,934)	992	(3)	$ (8,428)	65,354
Total commercial real estate	143,629	(2,114)	1,397	(3)	(22,387)	120,522
Consumer						
Residential mortgages	106,142	(855)	1,019	—	$ 12,739	119,045
Other consumer	7,359	(3,250)	899	—	$ 1,129	6,137
Total consumer	113,501	(4,105)	1,918	—	13,868	125,182
Ending Balance	$ 440,347	$ (22,670)	$ 8,081	$ 255	$ 40,000	$ 466,013

	Three Months Ended June 30, 2022				
(In thousands)	Beginning Balance	Charge-offs	Recoveries	Provision (Release)	Ending Balance
Commercial and industrial					
Non-real estate	$ 138,673	$ (2,147)	$ 2,465	$ 13,678	$ 152,669
Owner occupied	56,392	(23)	752	(2,819)	54,302
Total commercial and industrial	195,065	(2,170)	3,217	10,859	206,971
Commercial real estate					
Construction, acquisition and development	56,358	(275)	1,053	(22)	57,114
Income producing	90,374	—	23	(18,331)	72,066
Total commercial real estate	146,732	(275)	1,076	(18,353)	129,180
Consumer					
Residential mortgages	88,049	(335)	935	7,599	96,248
Other consumer	8,892	(1,606)	532	(105)	7,713
Total consumer	96,941	(1,941)	1,467	7,494	103,961
Ending Balance	$ 438,738	$ (4,386)	$ 5,760	$ —	$ 440,112

(In thousands)	Six Months Ended June 30, 2022 Beginning Balance	Charge-offs	Recoveries	Initial ACL on PCD Loans	Provision (Release)	Ending Balance
Commercial and industrial						
Non-real estate	$ 138,696	$ (4,318)	$ 5,377	$ —	$ 12,914	$ 152,669
Owner occupied	59,254	(534)	1,018	(551)	(4,885)	54,302
Total commercial and industrial	197,950	(4,852)	6,395	(551)	8,029	206,971
Commercial real estate						
Construction, acquisition and development	52,530	(281)	1,208	—	3,657	57,114
Income producing	98,327	(307)	305	(2,012)	(24,247)	72,066
Total commercial real estate	150,857	(588)	1,513	(2,012)	(20,590)	129,180
Consumer						
Residential mortgages	85,734	(732)	2,032	(5,554)	14,768	96,248
Other consumer	11,874	(3,001)	1,047	—	(2,207)	7,713
Total consumer	97,608	(3,733)	3,079	(5,554)	12,561	103,961
Ending Balance	$ 446,415	$ (9,173)	$ 10,987	$ (8,117)	$ —	$ 440,112

The following table represents a roll forward of the reserve for unfunded commitments for the periods shown. The second quarter 2023 decrease in the reserve for unfunded commitments resulted primarily from a decrease in the unfunded amount of construction loans combined with decreased originations of construction loans. The reserve for unfunded commitments is classified in other liabilities in the consolidated balance sheets.

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2023	2022	2023	2022
Balance at beginning of period	$ 23,551	$ 23,551	$ 28,551	$ 23,551
(Reversal) provision for credit losses for unfunded commitments	(10,000)	1,000	(15,000)	1,000
Balance at end of period	$ 13,551	$ 24,551	$ 13,551	$ 24,551

The economic impact of inflation, rising interest rates, volatility in the financial markets, 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 risk modeling framework. The Company's forecast for unemployment includes a range between 3.75% and 6.14% through the second quarter of 2025. Economic forecasts, which are obtained from different sources, provide 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 first half of 2023, the forecast continued to be weighted more to the downside forecast scenario than in the first part 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.

NOTE 5. BORROWINGS

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:

	June 30, 2023				
	End of Period		Daily Average		Maximum Outstanding at any Month End
(Dollars in thousands)	Balance	Interest Rate	Balance	Interest Rate[(1)]	
Federal funds purchased	$ —	—%	$ 52,074	4.81%	$ 375,000
Securities sold under agreement to repurchase	790,758	4.11	751,198	3.78	790,758
Bank Term Funding Program	3,500,000	5.15	580,110	5.15	3,500,000
Short-term FHLB advances	226	4.79	2,802,438	4.91	5,700,228
Total	$ 4,290,984		$ 4,185,820		$ 10,365,986

	December 31, 2022				
	End of Period		Daily Average		Maximum Outstanding at any Month End
(Dollars in thousands)	Balance	Interest Rate	Balance	Interest Rate[(1)]	
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

(1) Annualized

Federal funds purchased generally mature the day following the date of purchase. At June 30, 2023 and December 31, 2022, the Company had established non-binding federal funds borrowing lines of credit with other banks aggregating $2.1 billion and $1.8 billion, respectively. FRB discount window borrowings generally mature within 90 days and are collateralized by $2.3 billion in commercial, agriculture, and consumer loans pledged under a borrower-in-custody agreement. At June 30, 2023 and December 31, 2022, there were no borrowings from the FRB discount window.

The Bank Term Funding Program was created by the Federal Reserve to support businesses and households by making additional funding available to eligible financial institutions to help assure they have the ability to meet the needs of their depositors. The BTFP offers loans of up to one year in length to banks and other qualifying institutions pledging any collateral eligible for purchase by the FRB The collateral is valued at its par amount. The collateral consists mainly of MBS and U.S. government agency securities. BTFP borrowings consist of one loan of $3.5 billion at a rate of 5.15% and matures on May 31, 2024.

Short-term FHLB borrowings mature within one year following the date of the advance. Short-term FHLB advances at June 30, 2023 includes an advance of $226 thousand at a rate of 4.79% and matures October 2, 2023.

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 $21.4 billion and $19.8 billion at June 30, 2023 and December 31, 2022, respectively, were pledged to the FHLB of Dallas. At June 30, 2023, the remaining borrowing availability totaled $8.1 billion.

The FHLB of Dallas has also issued irrevocable letters of credit totaling $2.28 billion at June 30, 2023 on behalf of our customers. Of the total amount, $2.25 billion expires on July 28, 2023 and $30.0 million expires on December 17, 2023.

Securities sold under repurchase agreements generally mature within 30 days from the date of sale. 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.

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

(In thousands)	June 30, 2023	December 31, 2022
Advances from FHLB Dallas	$ 803	$ 836
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
Purchase accounting adjustment, net of amortization	6,925	8,064
Debt issue costs	(995)	(1,346)
Purchased 4.125% fixed to floating rate, subordinated notes, due November 20, 2029, callable in 2024	(12,000)	—
Total long-term borrowings	$ 449,733	$ 462,554

NOTE 6. PENSION, OTHER POST RETIREMENT BENEFIT AND PROFIT SHARING PLANS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2023	2022	2023	2022
Service cost	$ 2,616	$ 2,766	$ 5,232	$ 5,532
Interest cost	2,850	1,506	5,700	3,012
Expected return on plan assets	(5,396)	(6,024)	(10,792)	(12,048)
Recognized prior service cost	3	3	6	7
Recognized net loss	895	1,213	1,790	2,426
Net periodic benefit [(1)]	$ 968	$ (536)	$ 1,936	$ (1,071)

(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 unaudited consolidated statements of income for the three and six months ended June 30, 2023 and 2022.

NOTE 7. MORTGAGE SERVICING RIGHTS

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)	June 30, 2023	December 31, 2022
Unpaid principal balance	$ 7,550,676	$ 7,682,074
Weighted-average prepayment speed (CPR)	7.4	7.2
Average discount rate (annual percentage)	10.0	10.0
Weighted-average coupon interest rate (percentage)	3.7	3.6
Weighted-average remaining maturity (months)	336.6	335.0
Weighted-average servicing fee (basis points)	28.5	28.4

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 June 30, 2023 and 2022, the Company had an economic hedge in place designed to cover approximately 50.2% and 44.1%, respectively. At December 31, 2022, the hedge covered approximately 47.9% of the MSR (see Note 14 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:

	Six Months Ended June 30,	
(In thousands)	2023	2022
Fair value, beginning of period	$109,744	$69,552
Originations of servicing assets	3,375	10,117
Changes in fair value:		
Due to payoffs/paydowns	(3,699)	(6,400)
Due to change in valuation inputs or assumptions used in the valuation model	1,997	28,752
Fair value, end of period	$ 111,417	$ 102,021

All of the changes to the fair value of the MSR and the related economic hedge 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 $5.4 million and $5.5 million, and late and other ancillary fees of $693 thousand and $635 thousand for the three months ended June 30, 2023 and 2022, respectively. In comparison, the Company recorded contractual servicing fees of $11.0 million and $10.7 million, and late and other ancillary fees of $1.4 million and $1.2 million for the six months ended June 30, 2023 and 2022, respectively.

NOTE 8. FAIR VALUE DISCLOSURES

See Note 14 to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2022 for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis.

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:

	June 30, 2023			
(In thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	$ —	$ 10,254,580	$ —	$ 10,254,580
Equity investments	21,792	—	—	21,792
Mortgage servicing rights	—	—	111,417	111,417
Derivative instruments	—	33,219	2,618	35,837
Loans held for sale	—	193,234	—	193,234
Investments in limited partnerships	—	—	82,128	82,128
SBA servicing rights	—	—	6,622	6,622
Total	$ 21,792	$ 10,481,033	$ 202,785	$ 10,705,610
Liabilities:				
Derivative instruments	$ 1,636	$ 55,433	$ 264	$ 57,333

(In thousands)	December 31, 2022 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

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 three and six months ended June 30, 2023, and 2022 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.

	Three Months Ended June 30, 2023			
(In thousands)	Mortgage Servicing Rights	Investments in Limited Partnerships	SBA Servicing Rights	Derivative Instruments
Balance at March 31, 2023	$ 106,942	$ 74,033	$ 7,066	$ 1,827
Net gains (losses)	2,485	2,583	(763)	527
Additions	1,990	—	319	—
Reclassifications	—	(1,610)	—	—
Contributions paid	—	8,383	—	—
Distributions received	—	(1,263)	—	—
Other	$ —	$ 2	$ —	$ —
Balance at June 30, 2023	$ 111,417	$ 82,128	$ 6,622	$ 2,354
Net unrealized gains (losses) included in net income for the quarter relating to assets and liabilities held at June 30, 2023	$ 5,106	$ 2,583	$ (763)	$ 527

(In thousands)	Three Months Ended June 30, 2022 Mortgage Servicing Rights	Investments in Limited Partnerships	SBA Servicing Rights	Derivative Instruments
Balance at March 31, 2022	$ 92,859	$ 45,806	$ 6,158	$ 6,081
Net gains (losses)	4,200	3,344	(1,132)	(3,127)
Purchase accounting adjustment	—	(27)	—	—
Additions	4,962	—	949	—
Reclassifications	—	4,692	—	—
Contributions paid	—	7,184	—	—
Distributions received	—	(3,441)	—	—
Balance at June 30, 2022	$ 102,021	$ 57,558	$ 5,975	$ 2,954
Net unrealized gains (losses) included in net income for the quarter relating to assets and liabilities held at June 30, 2022	$ 7,453	$ 3,344	$ (1,132)	$ (3,127)

(In thousands)	Six Months Ended June 30, 2023 Mortgage Servicing Rights	Investments in Limited Partnerships	SBA Servicing Rights	Derivative Instruments (Assets and Liabilities)
Balance at December 31, 2022	$ 109,744	$ 67,533	$ 5,585	$ 49
Net (losses) gains	(1,702)	3,321	(162)	2,305
Additions	3,375	—	1,199	—
Reclassifications	—	(1,610)	—	—
Contributions paid	—	14,850	—	—
Distributions received	—	(1,988)	—	—
Other	—	22	—	—
Balance at June 30, 2023	$ 111,417	$ 82,128	$ 6,622	$ 2,354
Net unrealized gains (losses) included in net income for the period related to assets and liabilities held at June 30, 2023	$ 1,997	$ 3,321	$ (162)	$ 2,305

During the six months ended June 30, 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.

	Six Months Ended June 30, 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
Net gains (losses)	22,352	—	4,684	(1,166)	(4,644)
Transfers out of Level 3	—	—	—	—	2,636
Sales	—	(2,000)	—	—	—
Purchase accounting adjustment	—	—	(2,749)	—	—
Additions	10,117	—	—	1,783	—
Reclassifications	—	—	4,352	—	—
Contributions paid	—	—	8,930	—	—
Distributions received	—	—	(4,409)	—	—
Balance at June 30, 2022	$ 102,021	$ —	$ 57,558	$ 5,975	$ 2,954
Net unrealized gains (losses) included in net income for the period related to assets and liabilities held at June 30, 2023	$ 28,752	$ —	$ 4,684	$ (1,166)	$ (4,644)

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 for sale 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 GNMA loans. Under ASC 860-10-40, GNMA loans are no longer considered 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 these loans at fair value on the consolidated balance sheets with an offsetting liability. The Company assumed the cost approximates the fair value. At June 30, 2023 and December 31, 2022, the fair value related to these loans totaled $49.1 million and $71.4 million, respectively.

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

	June 30, 2023			December 31, 2022		
(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	$ 153,227	$ 150,510	$ 2,717	$ 123,863	$ 121,433	$ 2,430
Commercial and industrial loans	35,866	34,958	908	61,265	60,365	900
Commercial real estate loans	4,141	4,141	—	2,797	2,485	312
Total	$ 193,234	$ 189,609	$ 3,625	$ 187,925	$ 184,283	$ 3,642

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 three months ended June 30, 2023 and 2022, the Company had net gains totaling $0.8 million and net losses totaling $2.2 million, respectively, and for the six months ended June 30, 2023 and 2022, the Company had net gains totaling $2.8 million and net losses totaling $4.8 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:

	June 30, 2023			
(In thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Impaired loans, collateral-dependent	$ —	$ —	$ 47,828	$ 47,828
Purchased credit deteriorated (loss) loans	—	—	25,786	25,786
Other real estate and repossessed assets	—	—	3,871	3,871

	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

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)]
June 30, 2023					
Measured at fair value on a recurring basis:					
Mortgage servicing rights	$ 111,417	Discounted cash flow	Discount rate	0.0% - 14.0%	10.0%
			Repayment speed (CPR)	6.5 - 9.6%	7.4
			Coupon interest rate	2.3% - 4.8%	3.7%
			Remaining maturity (months)	119 - 480	336.6
			Servicing fee (bps)	0.0 bps-50.0 bps	28.5 bps
Investments in limited partnerships	82,128	Practical expedient	Net asset value	NM	NM
SBA servicing rights	6,622	Coupon less contractual servicing cost	Contractual servicing cost (bps)	12.5 bps-40.0 bps	26.3 bps
Derivative instruments (assets and liabilities)	2,354	Discounted cash flow	Discount rate	NM	NM
Measured at fair value on a nonrecurring basis:					
Impaired loans, collateral-dependent	$ 47,828	Appraised value, as adjusted	Discount to fair value	0% - 70%	20.2%
Purchased credit deteriorated (loss) loans	25,786	Appraised value, as adjusted	Discount to fair value	20% - 90%	33.3%
Other real estate and repossessed assets	3,871	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, 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	0%-100%	36.1%
Other real estate and repossessed assets	5,118	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.

Certain assets and liabilities subject to the disclosure requirements are not actively traded, requiring management to estimate the fair value. These estimations necessarily require judgement to be applied to the reasonableness and relevancy of comparable market prices, expected future cash flows, and appropriate discount rates.

The short-term nature of certain assets and liabilities result in their carrying value approximating fair value. They include cash and due from banks, interest bearing deposits with other banks, accrued interest receivable, federal funds purchased, securities sold under agreement to repurchase, short-term borrowings and accrued interest payable.

The following tables present carrying and fair value information of financial instruments for the periods presented:

	June 30, 2023				
(In thousands)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and due from banks	722,625	722,625	722,625	—	—
Interest bearing deposits with other banks	1,008,048	1,008,048	1,008,048	—	—
Available for sale securities and equity securities with readily determinable fair values	10,276,372	10,276,372	21,792	10,254,580	—
Net loans and leases	32,090,695	31,070,987	—	—	31,070,987
Loans held for sale	193,234	193,234	—	193,234	—
Accrued interest receivable	186,244	186,244	—	31,189	155,055
Mortgage servicing rights	111,417	111,417	—	—	111,417
Investments in limited partnerships	82,128	82,128	—	—	82,128
Other assets	10,493	10,493	—	—	10,493
Liabilities:					
Deposits	38,701,669	38,682,908	—	38,682,908	—
Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings	790,758	790,758	790,758	—	—
Short-term BTFP and FHLB borrowings	3,500,226	3,500,226	3,500,226	—	—
Accrued interest payable	89,568	89,568	14,808	74,760	—
Subordinated and long-term borrowings	449,733	417,437	—	417,437	—
Derivative instruments:					
Assets:					
Commercial interest rate swaps, caps, and floors	29,158	29,158	—	29,158	—
Held-for-sale interest rate lock commitments	1,769	1,769	—	—	1,769
Mortgage loan forward sale commitments	849	849	—	—	849
Foreign exchange contracts	4,061	4,061	—	4,061	—
Liabilities:					
Commercial interest rate swaps, caps, and floors	51,534	51,534	—	51,534	—
Held-for-sale interest rate lock commitments	5	5	—	—	5
U.S. Treasury futures	1,535	1,535	1,535	—	—
U.S. Treasury options	101	101	101	—	—
Mortgage loan forward sale commitments	259	259	—	—	259
Foreign exchange contracts	3,899	3,899	—	3,899	—

(In thousands)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	December 31, 2022				
Assets:					
Cash and due from banks	756,906	756,906	756,906	—	—
Interest bearing deposits with other banks	1,241,246	1,241,246	1,241,246	—	—
Available for sale securities and equity securities with readily determinable fair values	11,965,749	11,965,749	21,653	11,944,096	—
Net loans and leases	29,908,930	29,366,553	—	—	29,366,553
Loans held for sale	187,925	187,925	—	187,925	—
Accrued interest receivable	183,433	183,433	—	32,886	150,547
Mortgage servicing rights	109,744	109,744	—	—	109,744
Investments in limited partnerships	67,533	67,533	—	—	67,533
Other assets	10,703	10,703	—	—	10,703
Liabilities:					
Deposits	38,701,669	38,935,694	—	38,935,694	—
Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings	908,736	908,736	908,736	—	—
Short-term FHLB borrowings	3,100,231	3,100,231	3,100,231	—	—
Accrued interest payable	27,533	27,533	13,821	13,712	—
Subordinated and long-term borrowings	462,554	428,637	—	428,637	—
Derivative instruments:					
Assets:					
Commercial interest rate swaps, caps, and floors	25,900	25,900	—	25,900	—
Held-for-sale interest rate lock commitments	856	856	—	—	856
U.S. Treasury futures	45	45	45	—	—
Mortgage loan forward sale commitments	175	175	—	—	175
Foreign exchange contracts	2,445	2,445	—	2,445	—
Liabilities:					
Commercial interest rate swaps, caps, and floors	52,616	52,616	—	52,616	—
Held-for-sale interest rate lock commitments	431	431	—	—	431
U.S. Treasury futures	170	170	170	—	—
U.S. Treasury options	83	83	83	—	—
Mortgage loan forward sale commitments	551	551	—	—	551
Foreign exchange contracts	2,319	2,319	—	2,319	—

NOTE 9. 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 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 PSUs 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 PSUs 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 conditions. Restricted stock units enable the recipient to receive the shares once they are vested but with no voting rights until the shares are received. RSUs vest over three- to five-year periods and are entitled to receive dividends. Restricted stock awards entitle the recipient to vote the shares of stock but the recipient does not receive the shares until they are fully vested. RSA grants vest over five- to seven-year periods and are entitled to receive dividends.

For more information, see Note 15 to the consolidated financial statements to the Annual Report on Form 10-K for the year ended December 31, 2022.

Performance Stock Units

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

	Six Months Ended June 30,			
	2023		2022	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period	1,485,603	$ 28.54	1,215,576	$ 28.86
Granted during the period	587,453	20.40	541,939	29.26
Vested during the period	(31,666)	31.14	(26,252)	27.28
Forfeited during the period	(15,112)	26.16	(211,687)	29.20
Nonvested at end of period	2,026,278	$ 26.15	1,519,576	$ 28.98

The Company recorded $3.8 million and $7.2 million of compensation expense related to the PSUs for the three and six months ended June 30, 2023, respectively, compared to $3.6 million and $3.3 million for the three and six months ended June 30, 2022, respectively. At June 30, 2023, there was $25.7 million of unrecognized compensation cost related to PSUs that is expected to be recognized over a weighted average period of 1.98 years.

Restricted Stock Units

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

	Six Months Ended June 30,			
	2023		2022	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period	2,435,802	$ 28.53	2,288,759	$ 28.76
Granted during the period	1,221,324	20.45	631,982	28.97
Vested during the period	(404,301)	28.38	(400,066)	28.93
Forfeited during the period	(75,404)	25.44	(75,412)	28.73
Nonvested at end of period	3,177,421	$ 25.52	2,445,263	$ 28.79

The Company recorded $7.0 million and $12.0 million of compensation expense related to the RSUs for the three and six months ended June 30, 2023, respectively, compared to $5.2 million and $11.0 million for the three and six months ended June 30, 2022, respectively. These amounts included approximately $0.3 million and $0.6 million related to RSUs issued to the Company’s directors during the three and six months ended June 30, 2023, respectively, compared to $0.3 million and $0.8 million for the three and six months ended June 30, 2022, respectively. At June 30, 2023, there was $50.4 million of unrecognized compensation cost related to RSUs that is expected to be recognized over a weighted average period of 2.83 years.

Restricted Stock Awards

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

	Six Months Ended June 30,			
	2023		2022	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period	1,055,307	$ 29.47	1,323,069	$ 29.64
Vested during the period	(407,572)	31.45	(166,107)	30.80
Forfeited during the period	(26,550)	29.30	(51,583)	28.61
Nonvested at end of period	621,185	$ 28.17	1,105,379	$ 29.51

The Company recorded $0.7 million and $1.7 million of compensation expense related to the RSAs for the three and six months ended June 30, 2023, respectively, compared to $1.1 million and $2.6 million for the three and six months ended June 30, 2022, respectively. At June 30, 2023, there was $4.7 million of unrecognized compensation cost related to RSAs that is expected to be recognized over a weighted average period of 1.72 years.

The following table presents information regarding the vesting of the Company's nonvested share-based compensation grants outstanding at June 30, 2023:

	Number of Shares		
Period Ending	PSU	RSU	RSA
December 31, 2023	—	94,788	—
December 31, 2024	934,627	920,970	326,874
December 31, 2025	507,988	372,906	257,811
December 31, 2026	583,663	1,419,334	—
December 31, 2027 and later	—	369,423	36,500
Total nonvested shares	2,026,278	3,177,421	621,185

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 the three and six months ended June 30, 2023 or 2022. The Company recorded $51 thousand of compensation expense related to the stock options for the six months ended June 30, 2022. The Company recorded no compensation expense related to the stock options for the three and six months ended June 30, 2023 and the three months ended June 30, 2022. At June 30, 2023, there were 1,121,994 vested and unexpired options outstanding with a weighted average exercise price of $27.40, which are set to expire in the first quarter of 2026.

NOTE 10. EARNINGS PER SHARE AND DIVIDEND DATA

Basic and diluted EPS are calculated in accordance with ASC 260, *Earnings Per Share*. Basic EPS is computed by dividing net 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 1.5 million antidilutive equity awards excluded from dilutive shares for the three months ended June 30, 2023, and approximately 2.3 million shares considered antidilutive for the three months ended June 30, 2022. There were approximately 1.1 million antidilutive equity awards excluded from dilutive shares for the six months ended June 30, 2023, and approximately 1.3 million shares considered antidilutive for the six months ended June 30, 2022.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share amounts)	2023	2022	2023	2022
Net income	$ 114,028	$ 126,958	$ 190,657	$ 241,905
Less: preferred stock dividends	2,372	2,372	4,744	4,744
Net income available to common shareholders	$ 111,656	$ 124,586	$ 185,913	$ 237,161
Weighted average common shares outstanding	182,668	183,067	182,564	184,596
Dilutive effect of stock compensation	964	644	1,207	881
Weighted average diluted common shares	183,632	183,711	183,771	185,477
Net income per common share, basic	$ 0.61	$ 0.68	$ 1.02	$ 1.28
Net income per common share, diluted	$ 0.61	$ 0.68	$ 1.01	$ 1.28

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

NOTE 11. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) ("AOCI")

Activity within the balances in accumulated other comprehensive income (loss) is shown in the following tables for the periods indicated:

(In thousands)	Unrealized loss on AFS securities	Pension and other postretirement benefits	Accumulated other comprehensive loss
Balance at March 31, 2023	$ (1,032,506)	$ (49,380)	$ (1,081,886)
Net change	(81,875)	686	(81,189)
Balance at June 30, 2023	$ (1,114,381)	$ (48,694)	$ (1,163,075)
Balance at March 31, 2022	$ (601,116)	$ (62,884)	$ (664,000)
Net change	(273,264)	919	(272,345)
Balance at June 30, 2022	$ (874,380)	$ (61,965)	$ (936,345)
Balance at December 31, 2022	$ (1,172,472)	$ (50,066)	$ (1,222,538)
Net change	58,091	1,372	59,463
Balance at June 30, 2023	$ (1,114,381)	$ (48,694)	$ (1,163,075)
Balance at December 31, 2021	$ (75,565)	$ (63,804)	$ (139,369)
Net change	(798,815)	1,839	(796,976)
Balance at June 30, 2022	$ (874,380)	$ (61,965)	$ (936,345)

NOTE 12. 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 June 30, 2023 and December 31, 2022 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 consolidated 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.

Additionally, regulatory capital rules include a capital conservation buffer which the Company must maintain on top of its minimum risk-based capital requirements. This buffer applies to all three risk-based capital measurements (CET1, Tier 1 and total capital to risk-weighted assets). A financial institution with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments and stock repurchases, and certain discretionary bonus payments to executive officers.

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.

	June 30, 2023		December 31, 2022	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio
Actual:				
Common equity Tier 1 capital (to risk-weighted assets)	$ 3,980,934	10.10 %	$ 3,880,508	10.22 %
Tier 1 capital (to risk-weighted assets)	4,147,927	10.52	4,047,501	10.66
Total capital (to risk-weighted assets)	5,006,307	12.70	4,861,521	12.81
Tier 1 leverage capital (to average assets)	4,147,927	8.47	4,047,501	8.43
Minimum requirement[(1)]:				
Common equity Tier 1 capital (to risk-weighted assets)	1,774,408	4.50	1,708,370	4.50
Tier 1 capital (to risk-weighted assets)	2,365,878	6.00	2,277,827	6.00
Total capital (to risk-weighted assets)	3,154,504	8.00	3,037,103	8.00
Tier 1 leverage capital (to average assets)	1,959,669	4.00	1,920,777	4.00
Well capitalized requirement under prompt corrective action provisions:				
Common equity Tier 1 capital (to risk-weighted assets)	2,563,034	6.50	2,467,646	6.50
Tier 1 capital (to risk-weighted assets)	3,154,504	8.00	3,037,103	8.00
Total capital (to risk-weighted assets)	3,943,129	10.00	3,796,379	10.00
Tier 1 leverage capital (to average assets)	2,449,586	5.00	2,400,971	5.00

(1) The additional capital conservation buffer in effect is 2.5%.

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. No shares had been purchased under this repurchase program by the Company as of June 30, 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 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 13. 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. Cadence makes 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.

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							
Three months ended June 30, 2023							
Net interest revenue	$ 193,139	$ 94,936	$ 45,830	$ 25	$ (1,516)	$ 1,137	$ 333,551
Provision (release) for credit losses	25,576	(16,981)	6,549	—	(144)	—	15,000
Net interest revenue after provision for credit losses	167,563	111,917	39,281	25	(1,372)	1,137	318,551
Noninterest revenue	12,531	24,224	10,248	47,730	22,857	14,700	132,290
Noninterest expense	29,592	91,774	13,009	38,274	19,283	111,946	303,878
Income (loss) before income taxes	150,502	44,367	36,520	9,481	2,202	(96,109)	146,963
Income tax expense (benefit)	32,768	10,335	7,769	2,059	478	(20,474)	32,935
Net income (loss)	$ 117,734	$ 34,032	$ 28,751	$ 7,422	$ 1,724	$ (75,635)	$ 114,028
Selected Financial Information							
Total assets at end of period	$11,696,110	$17,256,324	$4,913,096	$ 382,303	$1,039,866	$13,550,961	$48,838,660

(In thousands)	Corporate Banking	Community Banking	Mortgage	Insurance Agencies	Banking Services	General Corporate and Other	Total
Results of Operations							
Three months ended June 30, 2022							
Net interest revenue	$ 95,988	$ 146,693	$ 29,442	$ 1	$ 6,946	$ 45,696	$ 324,766
Release for credit losses	9,457	(16,695)	7,963	—	275	—	1,000
Net interest revenue after provision for credit losses	86,531	163,388	21,479	1	6,671	45,696	323,766
Noninterest revenue	14,856	27,753	11,377	41,789	20,971	8,488	125,234
Noninterest expense	25,795	91,351	13,069	33,942	17,895	103,836	285,888
Income (loss) before income taxes	75,592	99,790	19,787	7,848	9,747	(49,652)	163,112
Income tax expense (benefit)	16,669	21,995	4,315	1,765	2,168	(10,758)	36,154
Net income (loss)	$ 58,923	$ 77,795	$ 15,472	$ 6,083	$ 7,579	$ (38,894)	$ 126,958
Selected Financial Information							
Total assets at end of period	$ 9,162,885	$15,964,605	$3,838,746	$ 351,788	$1,025,541	$17,404,143	$47,747,708

(In thousands)	Corporate Banking	Community Banking	Mortgage	Insurance Agencies	Banking Services	General Corporate and Other	Total
Results of Operations							
Six months ended June 30, 2023							
Net interest revenue	$ 363,015	$ 213,179	$ 86,898	$ 30	$ (1,218)	$ 25,917	$ 687,821
Provision for credit losses	14,390	2,290	8,109	—	211	—	25,000
Net interest revenue after (release) provision for credit losses	348,625	210,889	78,789	30	(1,429)	25,917	662,821
Noninterest revenue	30,023	50,893	16,308	90,094	45,372	(26,329)	206,361
Noninterest expense	59,771	188,195	25,953	74,773	40,439	234,026	623,157
Income (loss) before income taxes	318,877	73,587	69,144	15,351	3,504	(234,438)	246,025
Income tax expense (benefit)	67,796	16,835	14,493	3,297	744	(47,797)	55,368
Net income (loss)	$ 251,081	$ 56,752	$ 54,651	$ 12,054	$ 2,760	$ (186,641)	$ 190,657
Selected Financial Information							
Total assets at end of period	$11,696,110	$17,256,324	$4,913,096	$ 382,303	$1,039,866	$13,550,961	$48,838,660

(In thousands)	Corporate Banking	Community Banking	Mortgage	Insurance Agencies	Banking Services	General Corporate and Other	Total
Results of Operations							
Six months ended June 30, 2022							
Net interest revenue	$ 181,230	$ 292,580	$ 57,776	$ 5	$ 12,654	$ 92,343	$ 636,588
Provision (release) for credit losses	12,728	(28,597)	13,026	—	3,843	—	1,000
Net interest revenue after provision (release) for credit losses	168,502	321,177	44,750	5	8,811	92,343	635,588
Noninterest revenue	26,053	54,882	33,010	80,266	43,712	15,746	253,669
Noninterest expense	47,663	174,979	26,872	66,364	37,771	223,906	577,555
Income (loss) before income taxes	146,892	201,080	50,888	13,907	14,752	(115,817)	311,702
Income tax expense (benefit)	32,815	44,946	11,343	3,163	3,303	(25,773)	69,797
Net income (loss)	$ 114,077	$ 156,134	$ 39,545	$ 10,744	$ 11,449	$ (90,044)	$ 241,905
Selected Financial Information							
Total assets at end of period	$ 9,162,885	$15,964,605	$3,838,746	$ 351,788	$1,025,541	$17,404,143	$47,747,708

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
Three months ended June 30, 2023							
Noninterest Income							
In Scope of Topic 606							
Credit card, debit card and merchant fees	$ 170	$ 6,403	$ —	$ —	$ 5	$ 6,039	$ 12,617
Deposit service charges	3,094	13,582	—	—	245	287	17,208
Insurance commissions	—	—	—	45,658	—	(55)	45,603
Trust income	—	—	—	—	10,797	(713)	10,084
Brokerage commissions and fees	—	—	—	—	10,037	(82)	9,955
Total noninterest income (in-scope of Topic 606)	3,264	19,985	—	45,658	21,084	5,476	95,467
Total noninterest income (out-of-scope of Topic 606)	9,267	4,239	10,248	2,072	1,773	9,224	36,823
Total noninterest income	$ 12,531	$ 24,224	$ 10,248	$ 47,730	$ 22,857	$ 14,700	$ 132,290

(In thousands)	Corporate Banking	Community Banking	Mortgage	Insurance Agencies	Banking Services	General Corporate and Other	Total
Three months ended June 30, 2022							
Noninterest Income							
In Scope of Topic 606							
Credit card, debit card and merchant fees	$ 142	$ 9,496	$ —	$ —	$ 5	$ 6,950	$ 16,593
Deposit service charges	4,208	15,175	—	—	548	(1,640)	18,291
Insurance commissions	—	—	—	39,994	—	—	39,994
Trust income	—	—	—	—	9,129	—	9,129
Brokerage commissions and fees	—	—	—	—	10,331	—	10,331
Total noninterest income (in-scope of Topic 606)	4,350	24,671	—	39,994	20,013	5,310	94,338
Total noninterest income (out-of-scope of Topic 606)	10,506	3,082	11,377	1,795	958	3,178	30,896
Total noninterest income	$ 14,856	$ 27,753	$ 11,377	$ 41,789	$ 20,971	$ 8,488	$ 125,234

(In thousands)	Corporate Banking	Community Banking	Mortgage	Insurance Agencies	Banking Services	General Corporate and Other	Total
Six months ended June 30, 2023							
Noninterest Income							
In Scope of Topic 606							
Credit card, debit card and merchant fees	$ 331	$ 15,283	$ —	$ —	$ 10	$ 8,845	$ 24,469
Deposit service charges	6,142	27,159	—	—	418	(29)	33,690
Insurance commissions	—	—	—	85,695	—	(485)	85,210
Trust income	—	—	—	—	22,056	(1,419)	20,637
Brokerage commissions and fees	—	—	—	—	18,898	(156)	18,742
Total noninterest income (in-scope of Topic 606)	6,473	42,442	—	85,695	41,382	6,756	182,748
Total noninterest income (out-of-scope of Topic 606)	23,550	8,451	16,308	4,399	3,990	(33,085)	23,613
Total noninterest income	$ 30,023	$ 50,893	$ 16,308	$ 90,094	$ 45,372	$ (26,329)	$ 206,361

(In thousands)	Corporate Banking	Community Banking	Mortgage	Insurance Agencies	Banking Services	General Corporate and Other	Total
Six months ended June 30, 2022							
Noninterest Income							
In Scope of Topic 606							
Credit card, debit card and merchant fees	$ 275	$ 18,184	$ —	$ —	$ 9	$ 9,446	$ 27,914
Deposit service charges	7,867	30,075	—	—	1,100	(1,562)	37,480
Insurance commissions	—	—	—	75,721	—	—	75,721
Trust income	—	—	—	—	19,190	—	19,190
Brokerage commissions and fees	—	—	—	—	21,403	—	21,403
Total noninterest income (in-scope of Topic 606)	8,142	48,259	—	75,721	41,702	7,884	181,708
Total noninterest income (out-of-scope of Topic 606)	17,911	6,623	33,010	4,545	2,010	7,862	71,961
Total noninterest income	$ 26,053	$ 54,882	$ 33,010	$ 80,266	$ 43,712	$ 15,746	$ 253,669

NOTE 14. 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 June 30, 2023, and December 31, 2022, there were no derivatives designated under hedge accounting. The notional amounts and estimated fair values for the periods indicated were as follows:

	June 30, 2023			December 31, 2022		
		Fair Value			Fair Value	
(In thousands)	Notional Amount	Other Assets	Other Liabilities	Notional Amount	Other Assets	Other Liabilities
Commercial loan interest rate swaps	$2,230,920	$ 16,243	$ 38,619	$1,999,561	$ 13,102	$ 39,818
Commercial loan interest rate caps	24,085	467	467	47,090	669	669
Commercial loan interest rate floors	492,555	12,448	12,448	500,668	12,129	12,129
Mortgage loan held-for-sale interest rate lock commitments	134,250	1,769	5	47,699	856	431
U.S. Treasury futures (used to hedge MSR, see Note 7)	85,000	—	1,535	147,000	45	170
U.S. Treasury options (used to hedge MSR, see Note 7)	29,000	—	101	23,000	—	83
Mortgage loan forward sale commitments	236,546	849	259	71,028	175	551
Foreign exchange contracts	177,637	4,061	3,899	117,822	2,445	2,319
Total derivatives	$3,409,993	$ 35,837	$ 57,333	$2,953,868	$ 29,421	$ 56,170

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 June 30, 2023, and December 31, 2022, the Company was required to post $50.3 million and $47.0 million, respectively, in cash or securities as collateral for its derivative transactions, which are included in interest bearing deposits with other banks on the Company's consolidated balance sheets. In addition, the Company had recorded the obligation to return cash collateral provided by counterparties of $31.2 million and $25.0 million at June 30, 2023, and December 31, 2022, 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 three months ended June 30, 2023, and 2022, mortgage loans held for sale interest rate lock commitments totaled $0.8 million in gains compared to $2.2 million in losses, respectively. For the six months ended June 30, 2023, and 2022, mortgage loans held for sale interest rate lock commitments totaled $2.8 million in gains compared to $4.8 million in losses, respectively. Foreign exchange contract gains totaled $1.5 million and $1.0 million for the three months ended June 30, 2023, and 2022, respectively, and $2.7 million and $1.9 million for the six months ended June 30, 2023, and 2022, 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, cap and floor transactions allow the Company to manage its interest rate risk. 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 June 30, 2023, and December 31, 2022.

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 $165.7 million and $153.7 million at June 30, 2023 and December 31, 2022, respectively. Swap participation agreements where the Company is the guarantor had notional values totaling $429.6 million and $215.9 million at June 30, 2023 and December 31, 2022, 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 15. 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 $7.5 billion of loans serviced for investors at June 30, 2023 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 June 30, 2023, these included $474.4 million in letters of credit and $10.9 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 three and six months ended June 30, 2023 and 2022.

Other Commitments

The Company makes investments in limited partnerships, including certain affordable housing partnerships for which tax credits are received. At June 30, 2023 and December 31, 2022, unfunded capital commitments totaled $206.3 million and $186.7 million, respectively. See Note 16 for more information.

Litigation

The nature of the Company's business ordinarily results in certain types of claims, litigation, investigations, and other legal or administrative cases and proceedings. Although the Company and its subsidiaries have 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 engage in lines of business that are heavily regulated and involve a large volume of actual or potential financial transactions with 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 regulatory investigations, class action litigation, and, from time to time, the Company and its subsidiaries have such actions brought against them. The Company and its subsidiaries are also subject to enforcement actions by federal or state regulators, including the FDIC, the CFPB, the DOJ, state attorneys general, and the MDBCF. 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 and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations.

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 or 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, the Company will not make an accrual. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, the Company will accrue for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any such matters, 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 are unlikely to 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, the Company notes there was no litigation-related accrual at June 30, 2023. Management believes this 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 16. 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 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.

Certain NMTC that include Cadence Investor, LLC as the sole tax credit investor, with 100% ownership of the tax credit fund, which owns 99.99% of the sub-Community Development Entity (CDE) and include Cadence Community Capital, LLC as the sole managing member of the sub-CDE, meet the qualifications for consolidation under ASC 810. Cadence Investor LLC is wholly owned by the Company. Consolidation is applicable to this type of investment structure because the entities owned by the tax credit investment fund, managing member, and limited partner of the sub-CDE, are under common control and the limited partner's related party group has both the power and the obligation to absorb the significant benefits and losses of the sub-CDE. Based on this, the limited partner is the primary beneficiary of the sub-CDE (VIE) and therefore subject to consolidation. NMTC investment structures which include a managing member not affiliated with the Company are not subject to consolidation.

At June 30, 2023, the Company's assets of the consolidated VIE that can be used only to settle obligations of the consolidated VIE totaled $7.1 million. Our consolidated VIE were insignificant at December 31, 2022.

The Company is invested in several tax credit projects solely as a limited partner. At June 30, 2023 and December 31, 2022, 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 NMTC and historic tax credit projects. The Company has elected to account for the NTMC not subject to consolidation using the flow-through method, which reduces federal income taxes in the year in which the credit arises. At June 30, 2023 and December 31, 2022, the Company recorded these tax credit investments in other assets on its consolidated balance sheets of approximately $274.8 million and $234.5 million, respectively. The amortization of the NMTC investments is recorded in other noninterest income on the Company's consolidated statements of income. The Company recorded amortization of $3.0 million and $0.4 million for the three months ended June 30, 2023 and 2022, respectively, and recorded amortization of $4.1 million and $0.4 million for the six months ended June 30, 2023 and 2022, respectively.

Additionally, the Company has investments in other certain limited partnerships accounted for under the fair value practical expedient of NAV totaling $82.1 million and $67.5 million at June 30, 2023 and December 31, 2022, respectively. Related to these assets recorded at fair value through net income, the Company recognized net gains of $2.6 million and $3.3 million for the three months ended June 30, 2023 and 2022, respectively. The Company recognized net gains of $3.3 million and $4.7 million for the six months ended June 30, 2023 and 2022, 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 $2.9 million and $2.0 million at June 30, 2023 and December 31, 2022, respectively. Other limited partnerships accounted for under the equity method totaled $10.9 million and $13.1 million at June 30, 2023 and December 31, 2022, respectively.

A summary of the Company's investments in limited partnerships is presented as of the following periods:

(In thousands)	June 30, 2023	December 31, 2022
Tax credit investments (amortized cost)	$ 274,783	$ 234,492
Limited partnerships accounted for under the fair value practical expedient of NAV	82,128	67,533
Limited partnerships without readily determinable fair values that do not qualify for the practical expedient of NAV accounted for under the cost method	2,902	1,968
Limited partnerships required to be accounted for under the equity method	10,936	13,055
Total investments in limited partnerships	$ 370,749	$ 317,048

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 2). 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 three and six months ended June 30, 2023, and 2022, there were no downward or 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 periods are as follows:

	Six Months Ended June 30,	
(In thousands)	2023	2022
Carrying value at the beginning of the period	$ 1,968	$ 4,563
Legacy Cadence merger	—	27
Reclassifications	2,258	(6,037)
Distributions	(1,448)	(1,205)
Contributions	124	5,661
Carrying value at the end of the period	$ 2,902	$ 3,009

ITEM 2. 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 $48.8 billion in total assets at June 30, 2023. 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.

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, those included in Item 1A of our Form 10-K for the year ended December 31, 2022, and the other reports we file with the FDIC. 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.

Recent Developments

During the six months ended June 30, 2023, the banking industry experienced significant stress with several widely reported bank failures and industry wide concerns related to liquidity, deposit outflows, unrealized securities losses and eroding consumer confidence in the banking system. Despite these negative industry developments, our second quarter and year-to-date results reflect continued strength in our balance sheet, as we continued to add quality loan growth while maintaining strong liquidity and capital, even in the midst of a unique period for the banking industry. Additionally, our strong capital and earnings allowed us the flexibility to capitalize on the rate environment by executing a balance sheet optimization transaction in the first quarter of 2023 that, while creating an upfront loss on the sale of certain investment securities, will result in incremental 2023 earnings for the Company. Given the industry volatility experienced in the first quarter of 2023, we proactively increased balance sheet liquidity in addition to our significant off-balance sheet liquidity availability. During the second quarter of 2023, as the volatility and bank closures abated, we reduced our liquidity to a more historic level. As of June 30, 2023, the total of our cash and cash equivalents and overnight borrowing availability exceeded the total of our uninsured and uncollateralized deposits. Notably, however, our core deposit base showed little change during this period, a testament to the granularity of our deposits, the diversity of our customer base by both business mix and geography, and the strength of our bankers and their continuous focus on our customers.

The Company recently announced a branch optimization initiative in certain markets which occurred on July 31, 2023, when we closed 35 branches. Branch optimization creates a stronger and more efficient branch network by aggregating customers to other nearby branch locations and through continued migration to remote banking and digital channels. While branches remain an integral part of our customer experience, constantly evolving innovations in banking have provided customers with new choices and convenient ways to access our services: in person, ATM/ITM, online, mobile, and by telephone. Our focus remains on elevating the customer experience through relationship banking, expanded products, services and technology.

NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS

In addition to financial ratios based on measures defined by U.S. GAAP, the Company has identified “total tangible shareholders’ equity,” “tangible common shareholders’ equity,” “total tangible common shareholders’ equity (excluding AOCI),” “total tangible assets,” “total 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 common book value per share,” and “tangible book value per common share (excluding AOCI)” as non-GAAP financial measures used when evaluating the performance of the Company.

- Total tangible shareholders’ equity is defined by the Company as total shareholders’ equity less goodwill and identifiable intangible assets.
- Total tangible common shareholders' equity is defined by the Company as total shareholders' equity less preferred stock, goodwill, and other identifiable intangible assets.
- Total tangible common shareholders' equity, excluding AOCI, is defined by the Company as total shareholders' equity less preferred stock, goodwill, other identifiable intangible assets, and AOCI.
- Total tangible assets are defined by the Company as total assets less goodwill and identifiable intangible assets.
- Total tangible assets, excluding AOCI, are defined by the Company as total assets less goodwill, identifiable intangible assets, and AOCI.
- Tangible common book value per 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 AOCI divided by total shares of common stock outstanding.

Management believes the ratios of tangible shareholders’ equity to tangible assets, 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 common book value per share and tangible common book value per 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

(Dollars in thousands)	June 30, 2023	December 31, 2022	June 30, 2022
Total tangible assets, excluding AOCI			
Total assets	$ 48,838,660	$ 48,653,414	$ 47,747,708
Less: Goodwill	1,459,302	1,458,795	1,444,209
Other identifiable intangible assets	119,098	132,764	138,370
Total tangible assets	$ 47,260,260	$ 47,061,855	$ 46,165,129
Less: Accumulated other comprehensive (loss) income	(1,163,075)	(1,222,538)	(936,345)
Total tangible assets, excluding AOCI	$ 48,423,335	$ 48,284,393	$ 47,101,474
Total tangible common shareholders' equity, excluding AOCI			
Total shareholders' equity	$ 4,485,850	$ 4,311,374	$ 4,437,925
Less: Goodwill	1,459,302	1,458,795	1,444,209
Other identifiable intangible assets	119,098	132,764	138,370
Total tangible shareholders' equity	$ 2,907,450	$ 2,719,815	$ 2,855,346
Less: Preferred stock	166,993	166,993	166,993
Total tangible common shareholders' equity	$ 2,740,457	$ 2,552,822	$ 2,688,353
Less: Accumulated other comprehensive (loss) income	(1,163,075)	(1,222,538)	(936,345)
Total tangible common shareholders' equity, excluding AOCI	$ 3,903,532	$ 3,775,360	$ 3,624,698
Total common shares outstanding	182,626,229	182,437,265	182,461,786
Tangible shareholders' equity to tangible assets	6.15 %	5.78 %	6.19 %
Tangible common shareholders' equity to tangible assets	5.80 %	5.42 %	5.82 %
Tangible common shareholders' equity, excluding AOCI, to tangible assets, excluding AOCI	8.06 %	7.82 %	7.70 %
Tangible common book value per share	$ 15.01	$ 13.99	$ 14.73
Tangible book value per common share, excluding AOCI	$ 21.37	$ 20.69	$ 19.87

FINANCIAL HIGHLIGHTS

The following table presents financial highlights for the periods indicated:

TABLE 2—FINANCIAL HIGHLIGHTS

	As of and For the Three Months Ended June 30,		As of and For the Six Months Ended June 30,	
(Dollars in thousands, except per share amounts)	2023	2022	2023	2022
Common share data:				
Basic earnings per share	$ 0.61	$ 0.68	$ 1.02	$ 1.28
Diluted earnings per share	0.61	0.68	1.01	1.28
Cash dividends per share	0.24	0.22	0.47	0.44
Book value per share	23.65	23.41	23.65	23.41
Tangible common book value per share (1)	15.01	14.73	15.01	14.73
Dividend payout ratio	38.52 %	32.44 %	46.53 %	34.38 %
Financial Ratios:				
Return on average assets	0.93 %	1.08 %	0.79 %	1.03 %
Return on average shareholders' equity	10.08	11.26	8.60	10.18
Return on average common shareholders' equity	10.24	11.47	8.72	10.34
Total shareholders' equity to total assets	9.19	9.29	9.19	9.29
Total common shareholders' equity to total assets	8.84	8.94	8.84	8.94
Tangible common shareholders' equity to tangible assets (1)	5.80	5.82	5.80	5.82
Net interest margin-fully taxable equivalent	3.03	3.06	3.16	2.99
Credit Quality Ratios:				
Net charge-offs (recoveries) to average loans and leases (annualized)	0.16 %	(0.02)%	0.09 %	(0.01)%
Provision for credit losses to average loans and leases (annualized)	0.19	0.01	0.16	0.01
ACL to net loans and leases	1.43	1.55	1.43	1.55
ACL to NPL	288.28	377.99	288.28	377.99
ACL to NPA	283.27	336.39	283.27	336.39
NPL to net loans and leases	0.50	0.41	0.50	0.41
NPA to total assets	0.34	0.27	0.34	0.27
Capital Adequacy Ratios:				
Common Equity Tier 1 capital	10.10 %	10.34 %	10.10 %	10.34 %
Tier 1 capital	10.52	10.81	10.52	10.81
Total capital	12.70	12.99	12.70	12.99
Tier 1 leverage capital	8.47	8.35	8.47	8.35

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

As of June 30, 2023, the target range for the federal funds rate was 5.00% to 5.25%. In June 2023, the Federal Reserve released projections whereby the midpoint of the projected appropriate target range for the federal funds rate would rise to 5.6% by the end of 2023 and subsequently decrease to 4.6% by the end of 2024. While there can be no such assurance that any increases or decreases in the federal funds rate will occur, these projections imply up to a 50 basis point increase in the federal funds rate during the remainder of 2023, followed by a 100 basis point decrease in 2024. The target range for the federal funds rate was increased 25 basis points to 5.25% to 5.50% effective July 27, 2023.. These increases have had a pronounced effect on both our balance sheet as well as our earnings. As seen in the following sections, the increase in net interest revenue resulted from a combination of higher yields on interest-earning assets and a shift in the mix of interest-earning assets. This increase was partially offset by an increase in interest expense, primarily on deposits. See "Net Interest Revenue" for further information.

The Company reported net income available to common shareholders of $111.7 million for the three months ended June 30, 2023, compared to $124.6 million for the same period in 2022. Contributing to the $12.9 million decrease in net income available to common shareholders was the $18.0 million increase in noninterest expense from $285.9 million for the three months ended June 30, 2022, to $303.9 million for the three months ended June 30, 2023. The increase in noninterest expense was offset somewhat by the $8.8 million increase in net interest revenue from $324.8 million for the three months ended June 30, 2022 to $333.6 million for the three months ended June 30, 2023 and the $7.1 million increase in noninterest revenue from $125.2 million in the second quarter of 2022 to $132.3 million in the second quarter of 2023. The Company recorded a provision for credit losses of $15.0 million for the three months ended June 30, 2023, compared to $1.0 million for the same period in 2022.

Net income available to common shareholders of $185.9 million was reported for the six months ended June 30, 2023, compared to $237.2 million for the same period in 2022. The primary factor contributing to the $51.3 million decrease in net income available to common shareholders was the $47.3 million decrease in noninterest revenue from $253.7 million for the six months ended June 30, 2022, to $206.4 million for the six months ended June 30, 2023. This decrease was primarily due to the $51.3 million loss on sale of securities as a result of our balance sheet optimization transaction during the first quarter of 2023. Also contributing to the decline was an increase in noninterest expense from $577.6 million in the first half of 2022 to $623.2 million in the first half of 2023. The decrease in noninterest revenue combined with the increase in noninterest expense was offset somewhat by the increase in net interest revenue from $636.6 million for the six months ended June 30, 2022, to $687.8 million for the six months ended June 30, 2023. The Company recorded a provision for credit losses of $25.0 million for the six months ended June 30, 2023, compared to $1.0 million for the same period in 2022.

Net interest revenue for the three months ended June 30, 2023, was $333.6 million compared to $324.8 million for the same period in 2022. The $8.8 million, or 2.7%, increase in net interest revenue was primarily related to the increasing average balances of the loan and lease portfolio coupled with the impact of rising interest rates on loan portfolio repricings and new loan production. Also attributing to the increase was a mix shift as the Company deployed cash flow from lower yielding securities into higher yielding loans and securities as a direct result from the balance sheet optimization transaction described in the Financial Condition section. The increase in interest revenue was offset somewhat by the increase in average interest-bearing liabilities, as average interest-bearing liabilities increased to $33.0 billion for the three months ended June 30, 2023, from $27.9 billion for the same period in 2022, along 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, interest expense increased $215.1 million, or 867.6%, for the three months ended June 30, 2023, compared to the same period in 2022.

For the six months ended June 30, 2023, net interest revenue totaled $687.8 million compared to $636.6 million for the same period in 2022. The $51.2 million, or 8.0%, increase in net interest revenue was primarily related to the increasing average balances of the loan and lease portfolio coupled with the impact of rising interest rates on loan portfolio repricings and new loan production. Also attributing to the increase was a mix shift as the Company deployed cash flow from lower yielding securities into higher yielding loans and securities as a direct result from the balance sheet optimization transaction described in the Financial Condition section. The increase in interest revenue was offset somewhat by both the increase in average interest-bearing liabilities, as average interest-bearing liabilities increased to $32.1 billion for the six months ended June 30, 2023, from $28.0 billion for the same period in 2022, along with the increase in rates paid. 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 $366.8 million, or 817.1%, for the six months ended June 30, 2023, compared to the same period in 2022.

The Company attempts to diversify its revenue streams with noninterest revenue received from mortgage banking operations, insurance agency activities, wealth management activities and other activities that generate fee income. Noninterest revenue for the three months ended June 30, 2023, was $132.3 million, an increase of 5.6% from $125.2 million for the same period in 2022. The primary contributors to the increase in noninterest revenue were increased insurance commissions and other noninterest revenue. The increase in noninterest revenue was somewhat offset by decreases in mortgage banking revenue and credit card, debit card and merchant fee revenues.

Noninterest revenue for the six months ended June 30, 2023, was $206.4 million, a decrease of 18.6% from $253.7 million for the same period in 2022. The primary contributors to the decrease in noninterest revenue were increased security losses of $51.5 million as a result of our balance sheet optimization transaction and a decrease in mortgage banking revenue of $18.8 million. The decrease in noninterest revenue was somewhat offset by an increase of $9.5 million in insurance commissions and a $19.4 million increase in other noninterest revenue across various smaller fee revenue sources. Excluding security losses, noninterest revenue for the six months ended June 30, 2023, was $257.6 million, an increase of $4.3 million or 1.7% from $253.3 million as compared to the same period in 2022.

Noninterest expense for the three months ended June 30, 2023, was $303.9 million, an increase of 6.3% from $285.9 million for the same period in 2022. For the six months ended June 30, 2023, noninterest expense increased 7.9% to $623.2 million from $577.6 million for the same period in 2022. The increases in noninterest expense in the three and six months ended June 30, 2023, compared to the same periods in 2022 were primarily a result of increases in salaries and employee benefits. For the three and six months ended June 30, 2023, salaries and employee benefits increased $8.8 million, or 4.8%, and $16.6 million, or 4.5%, respectively, compared to the same period in 2022. Other increases in noninterest expense for the three and six months ended June 30, 2023, compared to the same periods in 2022 included the increases in deposit insurance assessments, amortization of intangibles and other noninterest expense. These increases were partially offset by decreases in merger expense compared to the same periods in 2022.

RESULTS OF OPERATIONS

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

TABLE 3—SUMMARY OF RESULTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2023	2022	2023	2022
Earnings Summary:				
Interest revenue	$ 573,419	$ 349,555	$ 1,099,551	$ 681,485
Interest expense	239,868	24,789	411,730	44,897
Net interest revenue	333,551	324,766	687,821	636,588
Provision for credit losses	15,000	1,000	25,000	1,000
Net interest revenue, after provision for credit losses	318,551	323,766	662,821	635,588
Noninterest revenue	132,290	125,234	206,361	253,669
Noninterest expense	303,878	285,888	623,157	577,555
Income before income taxes	146,963	163,112	246,025	311,702
Income tax expense	32,935	36,154	55,368	69,797
Net income	114,028	126,958	190,657	241,905
Less: preferred dividends	2,372	2,372	4,744	4,744
Net income available to common shareholders	$ 111,656	$ 124,586	$ 185,913	$ 237,161

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 three and six months ended June 30, 2023, and 2022.

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

	Three Months Ended June 30,					
	2023			2022		
(Dollars in thousands)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
ASSETS						
Loans and leases (net of unearned income) (1)(2)	$ 31,901,096	$ 496,680	6.24 %	$ 27,848,097	$ 297,059	4.28 %
Loans held for sale, at fair value	67,038	961	5.75	147,301	2,118	5.77
Available-for-sale securities, at fair value:						
Taxable	10,272,425	53,531	2.09	13,499,222	46,254	1.37
Tax-exempt (3)	383,366	3,072	3.21	441,905	3,255	2.95
Other investments	1,607,830	20,238	5.05	751,972	1,932	1.03
Total interest earning assets and revenue	44,231,755	574,482	5.21 %	42,688,497	350,618	3.29 %
Other assets	5,292,393			4,815,084		
Allowance for credit losses	457,027			438,752		
Total	$ 49,067,121			$ 47,064,829		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits:						
Interest bearing demand and money market	$ 17,997,618	$ 111,938	2.49 %	$ 18,238,571	11,717	0.26 %
Savings	3,088,174	3,915	0.51	3,723,193	590	0.06
Time	7,123,893	65,517	3.69	3,464,101	4,041	0.47
Fed funds purchased, securities sold under agreement to repurchase and other	774,170	7,658	3.97	843,705	907	0.43
Short-term FHLB borrowings	2,388,139	31,219	5.24	1,117,308	2,733	0.98
Short-term BTFP borrowings	1,153,846	14,815	5.15	—	—	—
Subordinated and long-term debt	455,617	4,806	4.23	465,447	4,801	4.14
Total interest bearing liabilities and expense	32,981,457	239,868	2.92 %	27,852,325	24,789	0.36 %
Demand deposits - noninterest bearing	10,725,108			13,970,163		
Other liabilities	821,203			719,152		
Total liabilities	44,527,768			42,541,640		
Shareholders' equity	4,539,353			4,523,189		
Total	$ 49,067,121			$ 47,064,829		
Net interest revenue-FTE		$ 334,614			$ 325,829	
Net interest margin-FTE			3.03 %			3.06 %
Net interest rate spread			2.29 %			2.94 %
Interest bearing liabilities to interest earning assets			74.57 %			65.25 %

(1) Includes taxable equivalent adjustment to interest of approximately $0.4 million for each of the three months ended June 30, 2023 and 2022, 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 $157.2 million and $89.4 million at June 30, 2023 and 2022, respectively.

(3) Includes taxable equivalent adjustment to interest of approximately $0.6 million and $0.7 million for the three months ended June 30, 2023 and 2022, respectively, using an effective tax rate of 21% for all periods presented.

Net interest revenue-FTE increased 2.7% to $334.6 million for the three months ended June 30, 2023, from $325.8 million for the same period in 2022. The increase in net interest revenue-FTE was primarily a result of the increase in interest revenue-FTE related to the increase in average balances in the loan and lease portfolio due to loan growth coupled with increased interest rates which resulted in an increase on yields earned on interest-earning assets. Average loans increased from 65.2% of average interest-earning assets in 2022 to 72.1% in 2023. Additionally, the rates paid on average interest bearing liabilities increased as rates paid for deposits and short-term borrowings increased due to the increase in market interest rates.

Interest revenue-FTE increased 63.8% to $574.5 million for the three months ended June 30, 2023, from $350.6 million for the same period in 2022. The increase in interest revenue-FTE for the three months ended June 30, 2023, was primarily a result of the increase in yields earned on interest-earning assets over the prior year period due to the impact of rising interest rates on loan portfolio repricing and new loan production, as well as a mix shift as the Company deployed cash flow from the sale of lower yielding securities (see Results of Operations - Noninterest Revenue for additional information) into higher yielding loans and securities. Additionally, interest revenue-FTE included $5.2 million (0.07%) and $11.7 million (0.17%) in accretion related to the purchase discounts on acquired loans for the three months ended June 30, 2023 and 2022, respectively.

Interest expense was $239.9 million for the three months ended June 30, 2023, compared to $24.8 million for the same period in 2022. The increase in interest expense for the three months ended June 30, 2023 was primarily a result of the overall rates paid on average interest-bearing liabilities increasing 256 basis points for the three months ended June 30, 2023, compared to the same period in 2022 in response to rising interest rates.

Net interest margin-FTE for three months ended June 30, 2023 was 3.03%, a decrease of 3 basis points, from 3.06% for the same period in 2022. Net interest revenue-FTE may also be analyzed by segregating the rate and volume components of interest revenue and interest expense. The table below presents an analysis of rate and average volume change in net interest revenue from the second quarter of 2022 to the second quarter of 2023. The changes in net interest income due to both rate and volume have been allocated to volume.

TABLE 5—RATE/VOLUME ANALYSIS

	For the Three Months Ended June 30,				
	Net Interest Income		Increase		
(In thousands)	2023	2022	(Decrease)	Volume	Rate
INTEREST REVENUE					
Loans and leases, net of unearned income	$ 496,680	$ 297,059	$ 199,621	$ 43,234	$ 156,387
Loans held for sale	961	2,118	(1,157)	(1,154)	$ (3)
Available-for-sale securities:					
Taxable	53,531	46,254	7,277	(11,056)	18,333
Non-taxable	3,072	3,255	(183)	(431)	248
Other	20,238	1,932	18,306	2,199	16,107
Total interest income	574,482	350,618	223,864	32,792	191,072
INTEREST EXPENSE					
Demand deposits - interest bearing	111,938	11,717	100,221	(155)	100,376
Savings deposits	3,915	590	3,325	(101)	3,426
Time deposits	65,517	4,041	61,476	4,269	57,207
Fed funds purchased, securities sold under agreement to repurchase and other	7,658	907	6,751	(75)	6,826
Short-term FHLB borrowings	31,219	2,733	28,486	3,109	25,377
Short-term BTFP borrowings	14,815	—	14,815	14,815	—
Subordinated and long-term debt	4,806	4,801	5	(101)	106
Total interest expense	239,868	24,789	215,079	21,761	193,318
Net interest income	$ 334,614	$ 325,829	$ 8,785	$ 11,031	$ (2,246)

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:

	Six Months Ended June 30,					
	2023			2022		
(Dollars in thousands)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
ASSETS						
Loans and leases (net of unearned income) [(1)(2)]	$ 31,399,156	$ 954,157	6.13 %	$ 27,479,463	$ 579,709	4.25 %
Loans held for sale, at fair value	57,007	1,564	5.53	161,893	3,525	4.39
Available-for-sale securities, at fair value:						
Taxable	10,613,212	102,046	1.94	14,040,648	91,409	1.31
Non-taxable [(3)]	389,982	6,207	3.21	462,057	6,312	2.75
Other investments	1,567,517	37,691	4.85	955,487	2,620	0.55
Total interest earning assets and revenue	44,026,874	1,101,665	5.05 %	43,099,548	683,575	3.20 %
Other assets	5,283,730			4,712,599		
Allowance for credit losses	449,797			441,508		
Total	$ 48,860,807			$ 47,370,639		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits:						
Interest bearing demand and money market	$ 18,500,687	$ 207,282	2.26 %	$ 18,816,584	$ 21,459	0.23 %
Savings	3,224,945	6,929	0.43	3,677,698	1,158	0.06
Time	5,733,863	89,467	3.15	3,594,225	8,805	0.49
Fed funds purchased, securities sold under agreement to repurchase and other	803,338	15,327	3.85	828,970	1,125	0.27
Short-term FHLB borrowings	2,802,438	68,232	4.91	568,785	2,738	0.97
Short-term BTFP borrowings	580,111	14,815	5.15	—	—	—
Subordinated and long-term debt	458,982	9,678	4.25	466,141	9,612	4.16
Total interest bearing liabilities and expense	32,104,364	411,730	2.59 %	27,952,403	44,897	0.32 %
Demand deposits - noninterest bearing	11,460,010			13,888,828		
Other liabilities	828,131			738,187		
Total liabilities	44,392,505			42,579,418		
Shareholders' equity	4,468,302			4,791,221		
Total	$ 48,860,807			$ 47,370,639		
Net interest revenue-FTE		$ 689,935			$ 638,678	
Net interest margin-FTE			3.16 %			2.99 %
Net interest rate spread			2.46 %			2.87 %
Interest bearing liabilities to interest earning assets			72.92 %			64.86 %

(1) Includes taxable equivalent adjustment to interest of approximately $0.8 million for each of the six months ended June 30, 2023, and 2022, 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 $157.2 million and $89.4 million at June 30, 2023, and 2022, respectively.

(3) Includes taxable equivalent adjustment to interest of approximately $1.3 million for each of the six months ended June 30, 2023, and 2022, using an effective tax rate of 21% for all periods presented.

Net interest revenue-FTE increased 8.0% to $689.9 million for the six months ended June 30, 2023, from $638.7 million for the same period in 2022. The increase in net interest revenue-FTE was primarily a result of the increase in interest revenue-FTE related to the increase in average balances in the loan and lease portfolio due to loan growth coupled with increased interest rates which resulted in an increase on yields earned on interest-earning assets. Average loans increased from 63.8% of average interest-earning assets in 2022 to 71.3% in 2023. Additionally, the rates paid on average interest bearing liabilities increased as rates paid for deposits and short-term borrowings increased due to the increase in market interest rates.

Interest revenue-FTE increased 61.2% to $1.1 billion for the six months ended June 30, 2023, from $683.6 million for the same period in 2022. The increase in interest revenue-FTE for the six months ended June 30, 2023, was primarily a result of the increase in yields earned on interest-earning assets over the prior year due to the impact of rising interest rates on loan portfolio repricing and new loan production, as well as a mix shift as the Company deployed cash flow from the sale of lower yielding securities (see Results of Operations - Noninterest Revenue for additional information) into higher yielding loans and securities. Additionally, interest revenue-FTE included $15.2 million (0.10%) and $29.5 million (0.22%) in accretion related to the purchase discounts on acquired loans for the six months ended June 30, 2023, and 2022, respectively.

Interest expense was $411.7 million for the six months ended June 30, 2023, compared to $44.9 million for the same period in 2022. The increase in interest expense for the six months ended June 30, 2023, was primarily a result of the overall rates paid on average interest-bearing liabilities increasing 227 basis points for the six months ended June 30, 2023, compared to the same period in 2022 in response to rising market interest rates.

Net interest margin-FTE for six months ended June 30, 2023, was 3.16%, an increase of 17 basis points, from 2.99% for the same period in 2022. Net interest revenue-FTE may also be analyzed by segregating the rate and volume components of interest revenue and interest expense. The table below presents an analysis of rate and average volume change in net interest revenue from the first half of 2022 to the first half of 2023. The changes in net interest income due to both rate and volume have been allocated to volume.

	For the Six Months Ended June 30,				
	Net Interest Income		Increase		
(In thousands)	2023	2022	(Decrease)	Volume	Rate
INTEREST REVENUE					
Loans and leases, net of unearned income	$ 954,157	$ 579,709	$ 374,448	$ 82,690	$ 291,758
Loans held for sale	1,564	3,525	(1,961)	(2,284)	323
Available-for-sale securities:					
Taxable	102,046	91,409	10,637	(22,314)	32,951
Non-taxable	6,207	6,312	(105)	(985)	880
Other	37,691	2,620	35,071	1,678	33,393
Total interest income	1,101,665	683,575	418,090	58,785	359,305
INTEREST EXPENSE					
Demand deposits - interest bearing	207,282	21,459	185,823	(360)	186,183
Savings deposits	6,929	1,158	5,771	(143)	5,914
Time deposits	89,467	8,805	80,662	5,242	75,420
Fed funds purchased, securities sold under agreement to repurchase and other	15,327	1,125	14,202	(35)	14,237
Short-term FHLB borrowings	68,232	2,738	65,494	10,752	54,742
Short-term BTFP borrowings	14,815	—	14,815	14,815	—
Subordinated and long-term debt	9,678	9,612	66	(148)	214
Total interest expense	411,730	44,897	366,833	30,123	336,710
Net interest income	$ 689,935	$ 638,678	$ 51,257	$ 28,662	$ 22,595

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

(In thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Balance, beginning of period	$ 453,727	$ 438,738	$ 440,347	$ 446,415
Charge-offs:				
Commercial and industrial				
Non-real estate	$ (13,524)	(2,147)	(16,323)	(4,318)
Owner occupied	(74)	(23)	(128)	(534)
Total commercial and industrial	(13,598)	(2,170)	(16,451)	(4,852)
Commercial real estate				
Construction, acquisition and development	(98)	(275)	(180)	(281)
Income producing	(28)	—	(1,934)	(307)
Total commercial real estate	(126)	(275)	(2,114)	(588)
Consumer				
Residential mortgages	(398)	(335)	(855)	(732)
Other consumer	(1,518)	(1,606)	(3,250)	(3,001)
Total consumer	(1,916)	(1,941)	(4,105)	(3,733)
Total charge-offs	(15,640)	(4,386)	(22,670)	(9,173)
Recoveries:				
Commercial and industrial				
Non-real estate	$ 1,291	2,465	3,578	5,377
Owner occupied	69	752	1,188	1,018
Total commercial and industrial	1,360	3,217	4,766	6,395
Commercial real estate				
Construction, acquisition and development	360	1,053	405	1,208
Income producing	258	23	992	305
Total commercial real estate	618	1,076	1,397	1,513
Consumer				
Residential mortgages	518	935	1,019	2,032
Other consumer	430	532	899	1,047
Total consumer	948	1,467	1,918	3,079
Total recoveries	2,926	5,760	8,081	10,987
Net (charge-offs) recoveries	(12,714)	1,374	(14,589)	1,814
Initial allowance on PCD loans (See Note 3 in the consolidated financial statements)	—	—	—	(8,117)
Adoption of new ASU related to modified loans [1]	—	—	255	—
Provision (release):				
Provision (release) for credit losses related to loans and leases	25,000	—	40,000	—
Balance, end of period	$ 466,013	$ 440,112	$ 466,013	$ 440,112
Loans and leases, net of unearned income - average	$ 31,901,096	$ 27,848,097	$ 31,399,156	$ 27,479,463
Loans and leases, net of unearned income - period end	$ 32,556,708	$ 28,360,485	$ 32,556,708	$ 28,360,485

[1] Cadence adopted the new accounting guidance effective January 1, 2023, which eliminates the TDR recognition and measurement guidance via the modified retrospective transition method (ASU 2022-02).

TABLE 7—ACL RELATED RATIOS

	Three Months Ended June 30,		Six Months Ended June 30, 2023	
	2023	2022	2023	2022
RATIOS				
Provision for credit losses to average loans and leases, net of unearned income (1)	0.19 %	0.01 %	0.16 %	0.01 %
ACL to loans and leases, net of unearned income	1.43 %	1.55 %	1.43 %	1.55 %
Non-performing loans to loans and leases, net of unearned income	0.50 %	0.41 %	0.50 %	0.41 %
ACL to non-performing loans	288.28 %	377.99 %	288.28 %	377.99 %
Net charge-offs (recoveries) to average loans and leases: (1)				
Commercial and industrial				
Non-real estate	0.15 %	(0.01)%	0.08 %	(0.01)%
Owner occupied	— %	(0.01)%	(0.01)%	— %
Total commercial and industrial	0.15 %	(0.02)%	0.07 %	(0.01)%
Commercial real estate				
Construction, acquisition and development	— %	(0.01)%	— %	(0.01)%
Income producing	— %	— %	— %	— %
Total commercial real estate	— %	(0.01)%	— %	(0.01)%
Consumer				
Residential mortgages	— %	(0.01)%	— %	(0.01)%
Other consumer	0.01 %	0.02 %	0.02 %	0.01 %
Total consumer	0.01 %	0.01 %	0.02 %	— %
Total loans and leases charged off (recovered):	0.16 %	(0.02)%	0.09 %	(0.01)%

(1) Ratios are annualized.

Net charge-offs totaled $12.7 million compared to net recoveries of $1.4 million for the three months ended June 30, 2023, and 2022, respectively. Net charge-offs as a percentage of average loans and leases were 0.16% annualized for the three months ended June 30, 2023, compared to net recoveries as a percentage of average loans and leases of 0.02% annualized in the same period for 2022. Net charge-offs for the three months ended June 30, 2023, were primarily in the non-real estate and other consumer categories, offset somewhat by net recoveries in the commercial real estate category. The increase in net charge-offs during the second quarter of 2023 was driven primarily by the charge down of one C&I credit that was previously identified as impaired.

The Company recorded $15.0 million in provision for credit losses during three months ended June 30, 2023, and $1.0 million for the same period in 2022. The provision for credit losses for the three months ended June 30, 2023, included a $25.0 million provision related to loans and leases and a $10.0 million release related to unfunded commitments. The second quarter 2023 decrease in the reserve for unfunded commitments resulted primarily from the commitments being funded and coming on the balance sheet.

Net charge-offs totaled $14.6 million compared to net recoveries of $1.8 million for the six months ended June 30, 2023, and 2022, respectively. Net charge-offs as a percentage of average loans and leases were 0.09% annualized for the six months ended June 30, 2023, compared to net recoveries as a percentage of average loans and leases of 0.01% annualized in the same period for 2022. Net charge-offs for the six months ended June 30, 2023, were primarily in the non-real estate, income producing, and other consumer categories, offset somewhat by net recoveries in the owner occupied category.

The Company recorded $25.0 million in provision for credit losses during six months ended June 30, 2023, and $1.0 million for the same period in 2022. The $25.0 million recorded in provision for credit losses during the six months ended June

30, 2023, included a $40.0 million provision related to loans and leases and a $15.0 million release related to unfunded commitments.

The ACL increased $25.7 million to $466.0 million at June 30, 2023, from $440.3 million at December 31, 2022. The ACL to non-performing loans decreased to 288.28% at June 30, 2023, from 377.99% at June 30, 2022. The ACL at June 30, 2023, included $0.3 million due to the adoption of ASU 2022-02 related to modified loans (see Note 1). 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 ACL 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 and geographical areas. Accordingly, because these conditions are subject to change, the allocation is not necessarily indicative of the breakdown of any future allowance for credit losses. Several economic forecasts from external sources are used in the estimation and allocation of the ACL. The forecasts cover an eight-quarter forecast horizon 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 second quarter of 2023, the forecast was weighted more to the downside forecast scenario than in the second quarter of 2022.

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 (see Note 4).

TABLE 8—ACL BY SEGMENT AND CLASS

	June 30, 2023		December 31, 2022	
(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	$ 184,728	29.6 %	$ 147,669	29.6 %
Owner occupied	35,581	13.4	35,548	13.4
Total commercial and industrial	220,309	43.0	183,217	43.0
Commercial real estate				
Construction, acquisition and development	55,168	11.5	68,902	11.7
Income producing	65,354	17.2	74,727	17.0
Total commercial real estate	120,522	28.7	143,629	28.7
Consumer				
Residential mortgages	119,045	27.6	106,142	27.4
Other consumer	6,137	0.7	7,359	0.9
Total consumer	125,182	28.3	113,501	28.3
Total	$ 466,013	100.0 %	$ 440,347	100.0 %

Noninterest Revenue

The components of noninterest revenue for the periods indicated and the percentage change between the periods are shown in the following table:

TABLE 9—NONINTEREST REVENUE

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in thousands)	2023	2022	% Change	2023	2022	% Change
Mortgage banking, excluding MSR and MSR hedge market value adjustment	$ 6,774	$ 6,754	0.3 %	$ 15,153	$ 14,487	4.6 %
MSR and MSR hedge market value adjustment	1,582	4,692	(66.3)%	(721)	18,722	(103.9)%
Credit card, debit card and merchant fees	12,617	16,593	(24.0)%	24,469	27,914	(12.3)%
Deposit service charges	17,208	18,291	(5.9)%	33,690	37,480	(10.1)%
Securities gains (losses), net	69	1,446	(95.2)%	(51,192)	349	NM
Insurance commissions	45,603	39,994	14.0 %	85,210	75,721	12.5 %
Trust income (1)	10,084	9,129	10.5 %	20,637	19,190	7.5 %
Annuity fees (1)	1,702	753	126.0 %	3,893	1,357	NM
Brokerage commissions and fees (1)	9,955	10,331	(3.6)%	18,742	21,403	(12.4)%
Bank-owned life insurance	3,811	3,285	16.0 %	7,458	6,621	12.6 %
Credit related fees	7,954	5,598	42.1 %	15,320	13,317	15.0 %
SBA income, net	1,594	4,254	(62.5)%	6,199	8,518	(27.2)%
Other miscellaneous income	13,337	4,114	NM	27,503	8,590	NM
Total noninterest revenue	$ 132,290	$ 125,234	5.6 %	$ 206,361	$ 253,669	(18.6)%

(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. Origination revenue is comprised of gains or losses from the sale of mortgage loans held for sale, origination fees, underwriting fees, and other fees associated with the origination of mortgage loans. For the six months ended June 30, 2023 and 2022, mortgage loan held for sale origination volumes totaled $320.3 million and $700.8 million, respectively, which produced origination revenue of $6.8 million and $9.2 million, respectively. The timing of increases in market interest rates caused decreases to the margins of loans sold and the volume of mortgage loans originated and sold for the three and six months ended June 30, 2023 compared to the same periods in 2022. Interest rates during the first half of 2023 were higher than the same period during 2022 due to the increase in the federal funds target rate set by the Federal Reserve during the last part of 2022, which partially offset the lower volumes of mortgages originated and sold.

Revenue from the servicing process includes fees from the actual servicing of mortgage loans. For the three months ended June 30, 2023 and 2022, revenue from the servicing of mortgage loans was $5.9 million and $6.0 million, respectively. For the six months ended June 30, 2023 and 2022, revenue from the servicing of mortgage loans was $12.0 million and $11.7 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 period. 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. During the six months ended June 30, 2023, mortgage interest rates increased compared to the same period in 2022. The fair value of the MSR is also impacted by principal payments on loans in the servicing portfolio. For the three months ended June 30, 2023 and 2022, decreases in the value of the MSR from these payments were $2.6 million and $3.3 million, respectively. For the six months ended June 30, 2023 and 2022, decreases in the value of the MSR from these payments were $3.7 million and $6.4 million, respectively.

The Company hedges the change in fair value of its MSR. At June 30, 2023 and 2022, respectively, there was a hedge in place designed to cover approximately 50.2% and 44.1% 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 $1.6 million for the three months ended June 30, 2023 and an increase of $4.7 million in the same period in 2022. In comparison, the fair value of the MSR, including the hedge, experienced a decrease of $721 thousand for the six months ended June 30, 2023 and an increase of $18.7 million in the same period in 2022.

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

TABLE 10— MORTGAGE BANKING OPERATIONS

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in thousands)	2023	2022	% Change	2023	2022	% Change
Production revenue:						
Origination	$ 3,495	$ 4,042	(13.5)%	$ 6,839	$ 9,160	(25.3)%
Servicing	5,900	5,965	(1.1)	12,013	11,727	2.4
Payoffs/Paydowns	(2,621)	(3,253)	19.4	(3,699)	(6,400)	42.2
Total origination and servicing revenue	6,774	6,754	0.3	15,153	14,487	4.6
MSR and hedge market value adjustment	1,582	4,692	(66.3)	(721)	18,722	(103.9)
Total mortgage banking revenue	$ 8,356	$ 11,446	(27.0)%	$ 14,432	$ 33,209	(56.5)%
Origination of mortgage loans held for sale	$ 203,001	$ 318,000	(36.2)	$ 320,262	$ 700,751	(54.3)%
Mortgage loans serviced at quarter-end	7,550,676	7,685,994	(1.8)%	7,550,676	7,685,994	(1.8)%

Credit card, debit card and merchant fees decreased $4.0 million for the three months ended June 30, 2023 compared to the same period in 2022. For the six months ended June 30, 2023, credit card, debit card and merchant fees decreased $3.4 million compared to the same period in 2022. The decrease in 2023 was primarily driven by decreases in vendor incentive revenue which was elevated in the second quarter of 2022 and card interchange fees.

Deposit service charge revenue decreased $1.1 million for the three months ended June 30, 2023 compared to the same period in 2022. For the six months ended June 30, 2023, deposit service charge revenue decreased $3.8 million compared to the same period in 2022. The decline is primarily attributable to the increase in earnings credit rate as a result of the increasing interest rate environment.

Net securities gains increased $1.4 million for the three months ended June 30, 2023 compared to the same period in 2022. For the six months ended June 30, 2023, net securities losses increased $51.5 million compared to the same period in 2022. The increase was attributable to the $51.3 million loss from the sale of $1.5 billion low-yielding available-for-sale securities during the first quarter of 2023. See Financial Condition - Securities for more information on the Company's balance sheet optimization transaction.

Insurance commissions increased $5.6 million for the three months ended June 30, 2023 compared to the same period in 2022. For the six months ended June 30, 2023, insurance commissions increased $9.5 million compared to the same period in 2022. The increase is primarily as a result of continued high retention rates of existing customers, as well as a firm pricing market. Information related to insurance commissions are presented below for the periods indicated:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	% Change	2023	2022	% Change
(Dollars in thousands)						
Property and casualty commissions	$ 34,273	$ 29,220	17.3 %	$ 62,475	$ 55,072	13.4 %
Life and health commissions	7,847	7,935	(1.1)	15,872	15,078	5.3 %
Risk management income	703	674	4.3	1,360	1,431	(5.0)%
Other	2,780	2,165	28.4	5,503	4,140	32.9 %
Total insurance commissions	$ 45,603	$ 39,994	14.0 %	$ 85,210	$ 75,721	12.5 %

Credit related fees increased $2.4 million for the three months ended June 30, 2023 compared to the same period in 2022. For the six months ended June 30, 2023 credit related fees increased $2.0 million compared to the same period in 2022.

The increase for the 2023 period was primarily driven by volume increases in agency fees, letter of credit fees, and unused commitment fees.

Other miscellaneous income includes payroll processing revenue, foreign exchange revenue, wire transfer fees, and other miscellaneous items. Other miscellaneous income increased $9.2 million for the three months ended June 30, 2023, compared to the same period in 2022. For the six months ended June 30, 2023, other miscellaneous income increased $18.9 million compared to the same period in 2022. The increase for the 2023 period was primarily driven by increases in dividend income from FHLB stock, earnings from limited partnerships, and advisory fees.

Noninterest Expense

The components of noninterest expense for the periods indicated and the percentage change between periods is shown in the following table:

TABLE 11—NONINTEREST EXPENSE

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in thousands)	2023	2022	% Change	2023	2022	% Change
Salaries and employee benefits	$ 190,854	$ 182,094	4.8 %	$ 386,557	$ 369,913	4.5 %
Occupancy and equipment	29,590	30,129	(1.8)	58,703	58,399	0.5
Data processing and software	28,073	29,081	(3.5)	59,942	56,564	6.0
Merger expense	137	7,274	(98.1)	5,212	11,248	(53.7)
Deposit insurance assessments	7,705	4,945	55.8	16,066	8,281	94.0
Advertising and public relations	5,708	4,417	29.2	10,039	9,010	11.4
Foreclosed property expense (income)	323	(1,104)	(129.3)	1,303	(664)	(296.2)
Telecommunications	1,541	1,984	(22.3)	3,258	3,817	(14.6)
Travel and entertainment	3,898	3,412	14.2	7,406	6,223	19.0
Amortization of intangibles	6,626	3,042	117.8	11,631	9,822	18.4
Professional, consulting and outsourcing	5,519	3,769	46.4	9,936	7,507	32.4
Legal expense	1,908	1,463	30.4	3,399	3,256	4.4
Postage and shipping	2,070	2,022	2.4	4,522	4,056	11.5
Other miscellaneous expense	19,926	13,360	49.1	45,183	30,123	50.0
Total noninterest expense	$ 303,878	$ 285,888	6.3 %	$ 623,157	$ 577,555	7.9 %

Salaries and employee benefits expense is the largest category of our noninterest expense. Salaries and employee benefits increased $8.8 million and $16.6 million for the three and six months ended June 30, 2023, respectively, compared to the same periods in 2022. The increase in salaries and benefits expense for the periods presented are primarily a result of increases in incentive compensation and a decrease in deferred loan costs associated with salaries due to lower mortgage originations. Additionally, commissions expense increased during the second quarter and year-to-date periods of 2023 compared to those periods in 2022 due to increased revenue on which those commissions are based.

The components of salary and employee benefits expense for the periods indicated and the percentage change between years are shown in the following table:

TABLE 12—SALARIES AND EMPLOYEE BENEFITS EXPENSE

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in thousands)	2023	2022	% Change	2023	2022	% Change
Regular salaries, net of deferred salaries	$ 112,180	$ 116,785	(3.9)%	$ 236,068	$ 233,627	1.0 %
Commissions and incentive compensation	50,065	37,197	34.6	85,686	70,229	22.0
Taxes and employee benefits	28,609	28,112	1.8	64,803	66,057	(1.9)
Total salaries and employee benefits	$ 190,854	$ 182,094	4.8 %	$ 386,557	$ 369,913	4.5 %

Data processing and software expense decreased slightly for the three months ended June 30, 2023, and increased $3.4 million for the six months ended June 30, 2023 compared to the same periods in 2022. The year to date increases in data processing and software expense was driven by increases in data processing volumes, software maintenance costs, and card processing expenses, partially offset through the cancellation of certain duplicative service contracts after system conversion completion in the fourth quarter of 2022.

Incremental merger related expenses represent costs related to merger and acquisition efforts for which the entity receives a future benefit. Incremental merger related expenses for the three and six months ended June 30, 2023, totaled $1.7 million and $10.6 million, respectively, compared to $6.1 million and $12.6 million for the same periods in 2022. These expenses in 2023 primarily included compensation related expenses, which are included in the appropriate expense categories in the consolidated statements of income.

Deposit insurance assessments expense increased $2.8 million and $7.8 million for the three and six months ended June 30, 2023, respectively, compared to the same periods in 2022. This increase was primarily due to the FDIC industry wide 2 basis point assessment increase effective in the first quarter of 2023, and to a lesser extent, the impact on the assessment from increased short-term borrowings of $2.3 billion and an increase of $1.6 billion in brokered deposits.

Amortization of intangibles increased by $3.6 million for the three months ended June 30, 2023, and $1.8 million for the six months ended June 30, 2023, compared to the same periods in 2022. The primary driver for these increases was a write down of $1.6 million on a core deposit intangible in the second quarter of 2023 resulting from a reassessment of the estimated remaining lives assigned to certain core deposit intangible assets.

Other miscellaneous expense includes insurance, operational and fraud losses, supplies expense, franchise and sales taxes, training and business development expenses, various regulatory fees, and various other expenses. This category increased $6.6 million and $15.1 million for the three and six months ended June 30, 2023, respectively, compared to the same periods in 2022. The quarter over quarter increase in other miscellaneous expenses were driven by increased operational and fraud losses ($2.4 million), pension costs ($1.6 million) and loan related expenses ($1.5 million). The year over year increase in other miscellaneous expenses were driven by increased operational and fraud losses ($6.2 million), pension costs ($3.3 million), and loan related fees ($1.1 million).

Income Taxes

The Company recorded income tax expense of $32.9 million for the three months ended June 30, 2023, compared to $36.2 million for the same period of 2022. The effective tax rate was 22.4% and 22.2% for the three months ended June 30, 2023, and 2022, respectively. The decrease in income tax expense in 2023 resulted from lower pre-tax income. Despite the decrease in pre-tax income for the three months ended June 30, 2023, as compared to the same period in 2022, the effective tax rate increased as a result of an increase in non-tax deductible expenses.

The Company recorded income tax expense of $55.4 million for the six months ended June 30, 2023, compared to $69.8 million for the same period of 2022. The effective tax rate was 22.5% and 22.4% for the six months ended June 30, 2023, and 2022, respectively.

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 June 30, 2023 were $44.0 billion, or 90.1% of total assets, compared with $43.7 billion, or 89.9% of total assets, at December 31, 2022.

TABLE 13—FINANCIAL CONDITION SUMMARY

(In thousands)	As of and For the Six Months Ended June 30, 2023	As of and For the Six Months Ended June 30, 2022	As of and For the Year Ended December 31, 2022
Period-End Balances:			
Total assets	$ 48,838,660	$ 47,747,708	$ 48,653,414
Available-for-sale securities	10,254,580	13,450,621	11,944,096
Loans and leases, net of unearned income	32,556,708	28,360,485	30,349,277
Total deposits	38,701,669	40,189,083	38,956,614
Federal funds purchased and short-term borrowings	3,500,226	1,200,000	3,300,231
Subordinated and long-term debt	449,733	465,073	462,554
Total shareholders' equity	4,485,850	4,437,925	4,311,374
Common shareholders' equity	4,318,857	4,270,932	4,144,381
Average Balances:			
Total assets	48,860,807	47,370,639	47,533,157
Available-for-sale securities	11,003,194	14,502,705	13,596,372
Loans and leases, net of unearned income	31,399,156	27,479,463	28,418,658
Total deposits	38,919,505	39,977,335	39,477,906
Federal funds purchased and short-term borrowings	3,434,688	716,464	1,580,409
Subordinated and long-term borrowings	458,982	466,141	465,004
Total shareholders' equity	4,468,302	4,791,221	4,574,403
Common shareholders' equity	4,301,309	4,624,228	4,407,410

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 AFS securities by investment category for the periods indicated:

TABLE 14—AFS SECURITIES SUMMARY

(In thousands)	June 30, 2023	December 31, 2022
AFS securities:		
U.S. Treasury securities	$ 8,959	$ 1,458,513
Obligations of U.S. government agencies	1,112,326	1,477,127
MBS issued or guaranteed by U.S. agencies		
Residential pass-through:		
Guaranteed by GNMA	79,261	84,368
Issued by FNMA and FHLMC	5,895,704	6,274,970
Other residential MBS	157,294	168,452
Commercial MBS	2,357,047	1,881,853
Total MBS	8,489,306	8,409,643
Obligations of states and municipal subdivisions	433,316	466,002
Other domestic debt securities	71,356	82,718
Foreign debt securities	139,317	50,093
Total	$ 10,254,580	$ 11,944,096

At June 30, 2023, the Company's AFS securities totaled $10.3 billion compared to $11.9 billion at December 31, 2022. The decrease of $1.7 billion, or 14.1%, was primarily driven by the sale of $1.5 billion of U.S. Treasury securities, and by maturities and payments of $0.9 billion during the period. The decrease was partially offset by purchases of $0.8 billion of higher yielding securities during the period.

Net unrealized losses on AFS securities at June 30, 2023 and December 31, 2022 totaled $1.5 billion. The net unrealized losses were driven by lower long-term interest rates on the AFS securities portfolio. At June 30, 2023, none of the losses on securities are deemed to be credit related; therefore, no allowance for credit losses was recorded on these securities (see Note 2 to the consolidated financial statements).

The sale of the U.S. Treasury securities during the first quarter of 2023 was part of a balance sheet optimization initiative wherein the Company sold $1.5 billion in book value of U.S. Treasury debt securities yielding approximately 0.70% for an after-tax realized loss of approximately $39.5 million. Proceeds from the sale of $1.5 billion were redeployed in accretive activities including reinvestment in higher-yielding securities, funding loans, and/or paying off existing borrowings. The Company estimates that the loss will be recovered through incremental earnings by early in the fourth quarter of 2023. The loss on the sale of securities had a neutral impact on shareholders' equity and the Company's book value per share as the unrealized loss was previously recognized in AOCI. 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 AFS SECURITIES

	Contractual Maturity			
	June 30, 2023		December 31, 2022	
(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	$ 8,959	2.30 %	$ 1,458,513	0.70 %
U.S. Treasury securities total	8,959	2.30	1,458,513	0.70
Obligations of U.S. government agencies:				
Due in less than one year	389,243	1.63	796,830	1.57
Due in one to five years	445,010	0.91	437,156	0.88
Due in five to ten years	186,191	4.46	156,506	3.16
Due after ten years	91,882	2.23	86,635	2.06
Obligations of U.S. government agencies total	1,112,326	1.86	1,477,127	1.56
Obligations of states and municipal subdivisions:				
Due in less than one year	5,103	3.79	5,819	3.25
Due in one to five years	12,692	2.92	16,704	3.03
Due in five to ten years	30,629	1.83	24,292	2.35
Due after ten years	384,892	2.35	419,187	2.52
Obligations of states and municipal subdivisions total	433,316	2.35	466,002	2.54
Other domestic debt securities:				
Due in one to five years	5,169	5.55	12,906	4.45
Due in five to ten years	64,768	4.42	68,153	4.42
Due after ten years	1,419	4.50	1,659	4.50
Other domestic debt securities total	71,356	4.51	82,718	4.42
Foreign debt securities:				
Due in one to five years	50,437	0.90	50,093	0.90
Due in five to ten years	88,880	5.59	—	—
Foreign debt securities total	139,317	3.89	50,093	0.90
Total securities due in less than one year	403,305	1.67	2,261,162	1.01
Total securities due in one to five years	513,308	1.00	516,859	1.04
Total securities due in five to ten years	370,468	4.50	248,951	3.43
Total securities due after ten years	478,193	2.34	507,481	2.45
MBS	8,489,306	1.98	8,409,643	1.54
Total estimated fair value	$ 10,254,580	2.02 %	$ 11,944,096	1.50 %

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 71.3% of average earning assets during the six months ended June 30, 2023. 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 $32.6 billion at June 30, 2023, representing a 7.3% increase from $30.3 billion at December 31, 2022. The bank also acts as agent or participant in syndications and other financing arrangements with other financial institutions.

The following table shows the composition of the Company's loan and lease portfolio by segment and class at the dates indicated:

TABLE 16—LOAN PORTFOLIO

(In thousands)	June 30, 2023	December 31, 2022
Commercial and industrial		
Non-real estate	$ 9,636,481	$ 8,985,547
Owner occupied	4,358,000	4,068,659
Total commercial and industrial	13,994,481	13,054,206
Commercial real estate		
Construction, acquisition and development	3,744,114	3,547,986
Income producing	5,596,134	5,150,680
Total commercial real estate	9,340,248	8,698,666
Consumer		
Residential mortgages	8,989,614	8,319,242
Other consumer	232,365	277,163
Total consumer	9,221,979	8,596,405
Total loans and leases, net of unearned income (1)	$ 32,556,708	$ 30,349,277

(1) Total loans and leases are net of $89.2 million and $100.8 million of unearned income at June 30, 2023 and December 31, 2022, respectively.

The following table shows the Company's loan and lease portfolio by segment and class at June 30, 2023 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	$ 377,605	$ 153,433	$ 535,035	$ 553,110	$ 324,964	$ 508,159	$ 80,894	$ 348,478	$ 3,961,249	$ 2,793,554	$ 9,636,481
Owner occupied	358,089	244,598	304,871	315,771	281,270	596,732	91,474	169,620	1,634,523	361,052	4,358,000
Total commercial and industrial	735,694	398,031	839,906	868,881	606,234	1,104,891	172,368	518,098	5,595,772	3,154,606	13,994,481
Commercial real estate											
Construction, acquisition and development	200,551	81,766	261,666	404,301	48,211	199,099	44,273	146,479	1,874,670	483,098	3,744,114
Income producing	454,443	279,541	371,717	595,999	211,076	436,653	190,959	335,009	1,995,521	725,216	5,596,134
Total commercial real estate	654,994	361,307	633,383	1,000,300	259,287	635,752	235,232	481,488	3,870,191	1,208,314	9,340,248
Consumer											
Residential mortgages	1,180,606	382,172	622,179	398,080	457,968	1,127,557	168,403	715,992	3,677,451	259,206	8,989,614
Other consumer	30,950	17,757	5,344	6,915	11,364	85,071	1,556	16,206	51,358	5,844	232,365
Total consumer	1,211,556	399,929	627,523	404,995	469,332	1,212,628	169,959	732,198	3,728,809	265,050	9,221,979
Total loans and leases, net of unearned income	$ 2,602,244	$ 1,159,267	$ 2,100,812	$ 2,274,176	$ 1,334,853	$ 2,953,271	$ 577,559	$1,731,784	$ 13,194,772	$ 4,627,970	$ 32,556,708

Mergers and Acquisitions

In connection with past bank acquisitions, 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 ACL recorded for PCD loans at the time of acquisition, and the remaining fair value adjustment not related to credit 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 risk 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 representing PCD with Loss Exposure.

The following is a discussion of the Company's 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. C&I 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 7.2% from December 31, 2022, to June 30, 2023.

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 7.1% from December 31, 2022, to June 30, 2023.

Commercial Real Estate ("CRE")

Construction, Acquisition and Development ("CAD") – CAD 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 residential subdivisions or various types of commercial developments, such as industrial, warehouse, retail, office, and multi-family. 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, changes in interest rates, 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, remote work patterns, governmental jurisdiction, tax structure, availability of utilities, roads, public transportation and schools, availability of permanent financing for homebuyers, zoning, environmental restrictions, lawsuits, economic and business cycle, or labor and reputation of the builder or developer. CAD loans increased 5.5% from December 31, 2022, to June 30, 2023.

The underwriting process for CAD 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. CAD 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 CAD 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 CAD 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 – Income producing 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. The Company recognizes that risk from economic cycles, pandemics, delayed or missed rent payments, supply-chain disruptions, 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 8.6% from December 31, 2022, to June 30, 2023.

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 8.1% from December 31, 2022, to June 30, 2023.

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 16.2% from December 31, 2022, to June 30, 2023.

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 June 30, 2023:

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	$ 1,822,648	$ 6,589,177	$ 1,140,780	$ 83,876	$ 1,070,698	$ 6,743,135
Owner occupied	265,119	734,810	2,132,047	1,226,024	1,635,138	2,457,743
Total commercial and industrial	2,087,767	7,323,987	3,272,827	1,309,900	2,705,836	9,200,878
Commercial real estate						
Construction, acquisition and development	1,106,774	1,479,809	527,267	630,264	453,064	2,184,276
Income producing	890,531	1,462,336	1,206,496	2,036,771	952,578	3,753,025
Total commercial real estate	1,997,305	2,942,145	1,733,763	2,667,035	1,405,642	5,937,301
Consumer						
Residential mortgages	324,560	326,124	1,275,560	7,063,370	3,421,085	5,243,969
Other consumer	41,218	179,022	11,775	350	88,608	102,539
Total consumer	365,778	505,146	1,287,335	7,063,720	3,509,693	5,346,508
Total loans and leases, net of unearned income	$ 4,450,850	$ 10,771,278	$ 6,293,925	$ 11,040,655	$ 7,621,171	$ 20,484,687

Loans Held-for-Sale

At June 30, 2023 and December 31, 2022, loans held for sale totaled $193.2 million and $187.9 million, respectively. Included in loans held for sale are loans sold to GNMA with an option to repurchase totaled $49.1 million and $71.4 million at June 30, 2023 and December 31, 2022, respectively. The Company records these loans at fair value on the 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 NPL, OREO, and other repossessed assets. The increase from December 31, 2022 to June 30, 2023 in NPA was driven by the increase of $58.5 million, or 59.2%, in nonaccrual loans and leases, followed by the increase of $2.3 million, or 113.3%, in loans and leases past due 90 or more days that are still accruing. The increases were offset by the decrease of $8.6 million, or 100.0%, in accruing restructured loans and leases from December 31, 2022 to June 30, 2023 due to the adoption of ASU 2022-02, as well as the decrease of $3.9 million, or 57.5%, in foreclosed OREO and other NPA. The majority of the increase in nonaccrual loans and leases is located in the C&I non-real estate and CRE income producing segments. NPAs were as follows as of each period presented:

TABLE 19—NONPERFORMING ASSETS

(In thousands)	June 30, 2023	December 31, 2022
Nonaccrual loans and leases	$ 157,243	$ 98,745
Loans and leases 90 days or more past due, still accruing	4,412	2,068
Restructured loans and leases, still accruing [(1)]	—	8,598
Total NPL	161,655	109,411
Foreclosed OREO and other NPA	2,857	6,725
Total NPA	$ 164,512	$ 116,136
NPL to total loans and leases	0.50 %	0.36 %
NPA to total assets	0.34 %	0.24 %
GNMA loans 90 or more days past due eligible for repurchase	$ 49,080	$ 71,367

(1) The adoption of ASU 2022-02 (see Note 1) eliminated TDR accounting effective beginning January 1, 2023, thus eliminating restructured loans and leases, still accruing as of June 30, 2023.

Nonperforming Loans

NPL consist of nonaccrual loans and leases, loans and leases 90 days or more past due and still accruing, and until the adoption of ASU 2022-02, effective January 1, 2023, 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 increased 47.8% at June 30, 2023, compared to December 31, 2022. NPL as a percentage of net loans and leases increased from 0.4% at December 31, 2022, to 0.5% at June 30, 2023.

Included in NPL at June 30, 2023, were $44.3 million of impaired loans. These impaired loans had a specific reserve of $27.3 million included in the total allowance for credit losses of $466.0 million at June 30, 2023, and were net of $10.8 million in partial charge-downs previously taken on these impaired loans. Additionally, certain loans internally risk rated as PCD (loss) were included in NPL. At June 30, 2023, these loans totaled $5.8 million and had a specific reserve of $0.3 million included in the allowance for credit losses. Net partial charge-downs previously taken on PCD (loss) loans were immaterial at June 30, 2023.

NPL at December 31, 2022, included $7.2 million of impaired loans that had a specific reserve of $2.3 million included in the allowance for credit losses of $440.3 million at December 31, 2022. PCD (loss) loans included in NPL totaled $5.8 million and had a specific reserve of $0.3 million included in the allowance for credit losses. Net partial charge-downs previously taken on both impaired and PCD (loss) loans were immaterial at December 31, 2022.

The following table presents the Company's NPL by geographical location at June 30, 2023:

TABLE 20—NONPERFORMING LOANS BY GEOGRAPHICAL LOCATION

(In thousands)	Amortized Cost	90+ Days Past Due, Still Accruing	Nonaccrual Loans	Total NPL	NPL as a % of Amortized Cost
Alabama	$ 2,602,244	$ 686	$ 16,403	$ 17,089	0.66 %
Arkansas	1,159,267	141	1,728	1,869	0.16
Florida	2,100,812	263	5,650	5,913	0.28
Georgia	2,274,176	219	30,996	31,215	1.37
Louisiana	1,334,853	150	4,163	4,313	0.32
Mississippi	2,953,271	757	11,584	12,341	0.42
Missouri	577,559	8	2,308	2,316	0.40
Tennessee	1,731,784	13	4,719	4,732	0.27
Texas	13,194,772	2,126	40,761	42,887	0.33
Other	4,627,970	49	38,931	38,980	0.84
Total	$ 32,556,708	$ 4,412	$ 157,243	$ 161,655	0.50 %

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 June 30, 2023:

TABLE 21—NONPERFORMING LOANS BY SEGMENT AND CLASS

(In thousands)	Amortized Cost	90+ Days Past Due, Still Accruing	Nonaccrual Loans	Total NPL	NPL as a % of Amortized Cost
Commercial and industrial					
Non-real estate	$ 9,636,481	$ 319	$ 72,592	$ 72,911	0.76 %
Owner occupied	4,358,000	—	7,541	7,541	0.17
Total commercial and industrial	13,994,481	319	80,133	80,452	0.57
Commercial real estate					
Construction, acquisition and development	3,744,114	—	4,496	$ 4,496	0.12
Income producing	5,596,134	—	19,205	$ 19,205	0.34
Total commercial real estate	9,340,248	—	23,701	23,701	0.25
Consumer					
Residential mortgages	8,989,614	3,944	53,171	$ 57,115	0.64
Other consumer	232,365	149	238	$ 387	0.17
Total consumer	9,221,979	4,093	53,409	57,502	0.62
Total loans and leases, net of unearned income	$ 32,556,708	$ 4,412	$ 157,243	$ 161,655	0.50 %

Nonaccrual loans at June 30, 2023 increased by $58.5 million, or 59.2%, to $157.2 million from $98.7 million at December 31, 2022. The increase in nonaccrual loans was primarily driven by the increases of $48.7 million, or 203.6% for C&I non-real estate and $11.9 million, or 162.0%, for CRE income producing segments.

The following table provides details regarding the aging of the Company's nonaccrual loans and leases by segment and class at June 30, 2023:

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	$ 65	$ 22,871	$ 37,442	$ 60,378	$ 12,214	$ 72,592
Owner occupied	—	45	6,433	6,478	1,063	7,541
Total commercial and industrial	65	22,916	43,875	66,856	13,277	80,133
Commercial real estate						
Construction, acquisition and development	—	—	3,624	3,624	872	4,496
Income producing	—	3,174	14,012	17,186	2,019	19,205
Total commercial real estate	—	3,174	17,636	20,810	2,891	23,701
Consumer						
Residential mortgages	2,483	3,907	36,775	43,165	10,006	53,171
Other consumer	23	3	163	189	49	238
Total consumer	2,506	3,910	36,938	43,354	10,055	53,409
Total loans and leases, net of unearned income	$ 2,571	$ 30,000	$ 98,449	$ 131,020	$ 26,223	$ 157,243

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 $2.9 million and $6.7 million at June 30, 2023, and December 31, 2022, respectively. The decrease of $3.9 million, or 57.5%, was primarily the result of write-downs and sales of OREO during the 2023.

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 June 30, 2023, residential mortgages in process of foreclosure increased to $14.5 million compared to $4.6 million at December 31, 2022.

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 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 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.

Financial Difficulty Modifications

In March 2022, the FASB issued ASU No. 2022-02, eliminating the recognition and measurement guidance on TDRs for creditors that have adopted ASC 326 and requiring them to make enhanced disclosures about loan modifications for borrowers experiencing financial difficulty. The guidance became effective for Cadence beginning January 1, 2023, and was adopted via the modified retrospective transition method.

With the removal of the TDR accounting model, the general loan modification guidance in Subtopic 310-20 is now applied to all loan modifications, including modifications made for borrowers experiencing financial difficulty. Under this guidance, a modification is treated as a new loan only if both 1) the terms of the new loan are at least as favorable to the lender as the terms for comparable loans to other customers with similar collection risks, and 2) modifications to the terms of the original loan are more than minor. If either condition is not met, the modification is accounted for as the continuation of the old loan with any effect of the modification treated as a prospective adjustment to the loan's effective interest rate. Modifications in scope for borrowers experiencing financial difficulty may include principal forgiveness, other-than-insignificant payment delay, interest rate reduction, or a combination of modifications. During the six months ended June 30, 2023, the most common concessions related to term extensions, maturity date extensions, and interest rate reductions. Other concessions included payment deferrals. See Note 3 to the consolidated financial statements.

At June 30, 2023, loans that were modified within the past six months for borrowers experiencing financial difficulty totaled $125.8 million, or 0.4% of total loans and leases, net of unearned income. During the three and six months ended June 30, 2023, there was one payment default on a previously modified loan for a borrower in the residential mortgage loan segment. The loan balance was $28 thousand and had been granted a concession representing a combination term extension and interest rate reduction.

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, totaled $47.8 million and $7.2 million at June 30, 2023, and December 31, 2022, respectively, with a valuation allowance of $27.3 million and $2.3 million, respectively. Individually analyzed PCD loans with loss exposure totaled $25.8 million and $33.2 million at June 30, 2023, and December 31, 2022, respectively, with a valuation allowance of $1.1 million and $2.1 million, respectively.

At June 30, 2023, 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 3 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 June 30, 2023:

TABLE 23—GRADES ON LOANS

(In thousands)	Pass	Special Mention	Substandard	Doubtful	Impaired	PCD (Loss)	Total
Commercial and industrial							
Non-real estate	$ 9,126,727	$ 160,652	$ 311,119	$ —	$ 34,027	$ 3,956	$ 9,636,481
Owner occupied	4,276,518	29,991	48,068	—	1,762	1,661	4,358,000
Total commercial and industrial	13,403,245	190,643	359,187	—	35,789	5,617	13,994,481
Commercial real estate							
Construction, acquisition and development	3,711,414	20,339	12,158	203	—	—	3,744,114
Income producing	5,390,435	63,323	113,021	—	10,760	18,595	5,596,134
Total commercial real estate	9,101,849	83,662	125,179	203	10,760	18,595	9,340,248
Consumer (1)							
Residential mortgages	8,927,494	—	59,267	—	1,279	1,574	8,989,614
Other consumer	231,978	—	387	—	—	—	232,365
Total consumer	9,159,472	—	59,654	—	1,279	1,574	9,221,979
Total loans and leases, net of unearned income	$ 31,664,566	$ 274,305	$ 544,020	$ 203	$ 47,828	$ 25,786	$ 32,556,708

(1) During the second quarter of 2023, the Company began determining the risk rating classification of its Consumer portfolio based on nonaccrual and delinquency status in accordance with the Uniform Retail Credit Classification guidance and industry norms, which contributed to a lower number of criticized and classified loans.As a result of this modification, current period results are not directly comparable to prior periods.

The following table provides details regarding the aging of the Company's loan and lease portfolio by internally assigned grade at June 30, 2023:

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	$ 31,603,620	$ 45,476	$ 15,136	$ 334	$ 31,664,566
Special Mention	274,305	—	—	—	274,305
Substandard	434,276	9,015	26,690	74,039	544,020
Doubtful	—	—	—	203	203
Impaired	7,226	—	18,104	22,498	47,828
PCD (Loss)	19,462	537	—	5,787	25,786
Total	$ 32,338,889	$ 55,028	$ 59,930	$ 102,861	$ 32,556,708

At June 30, 2023, special mention, substandard, and impaired grade categories showed increases while PCD (loss) decreased compared to December 31, 2022. Special mention loans increased $184.6 million, or 205.9%. The increase in special mention was driven primarily by increases across C&I and CRE segments. Substandard loans increased $51.3 million, or 10.4%, at June 30, 2023 compared to December 31, 2022. The increase was concentrated in C&I and CRE income producing and was partially offset by decreases in CAD and consumer. For impaired loans, the increase of $40.6 million was primarily driven by an increase in non-real estate and income producing, slightly offset by a decrease in owner occupied. Pass rated loans increased $1.9 billion, or 6.5%, and this increase was seen across all loan categories except for a slight decrease in other consumer. The Company has maintained stable credit results while continuing to grow loans. Of total loans and leases, 99.3% were current on their contractual payments at June 30, 2023.

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 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.

The following table presents the Company's deposits and the percentage change between the periods indicated:

TABLE 25—SUMMARY OF DEPOSITS

(Dollars in thousands)	June 30, 2023	December 31, 2022	% Change
Noninterest bearing demand deposits	$ 10,223,508	$ 12,731,065	(19.7)%
Interest bearing demand and money market deposits	18,088,711	19,040,131	(5.0)%
Savings	2,983,709	3,473,746	(14.1)%
Time deposits	7,405,741	3,711,672	99.5%
Total deposits	$ 38,701,669	$ 38,956,614	(0.7)%

Deposits experienced a decrease of 0.7% at June 30, 2023, compared to December 31, 2022. The change in total deposits for 2023 included a net increase of $1.45 billion in total brokered deposits that the Company proactively added to the balance sheet to enhance our liquidity position. This increase was partially offset by a decrease of $1.2 billion in public funds resulting from normal seasonal outflows. Noninterest bearing demand deposits decreased $2.5 billion, or 19.7%, during the six months ended June 30, 2023, reflecting customer migration to interest bearing products given the increase in market interest rates paid on deposits. Time deposits increased 99.5% at June 30, 2023 compared to December 31, 2022 due in part to the increase of $1.50 billion in brokered time deposits and in part to the increased deposit rates referred to above.

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

	Three Months Ended June 30,			
	2023		2022	
(Dollars in thousands)	Average Amount	Average Rate	Average Amount	Average Rate
Noninterest bearing demand deposits	$ 10,725,108	—%	$ 13,970,163	—%
Interest bearing demand deposits	17,997,618	2.49	18,238,571	0.26
Savings	3,088,174	0.51	3,723,193	0.06
Time	7,123,893	3.69	3,464,101	0.47
Total deposits	$ 38,934,793		$ 39,396,028	

	Six Months Ended June 30,			
	2023		2022	
(Dollars in thousands)	Average Amount	Average Rate	Average Amount	Average Rate
Noninterest bearing demand deposits	$ 11,460,010	—%	$ 13,888,828	—%
Interest bearing demand deposits	18,500,687	2.26	18,816,584	0.23
Savings	3,224,945	0.43	3,677,698	0.06
Time	5,733,863	3.15	3,594,225	0.49
Total deposits	$ 38,919,505		$ 39,977,335	

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. Public funds owned by municipal and state government entities are not insured; however, the Company collateralizes these deposits with investment securities and custodial letters of credit from the FHLB of Dallas. The following table segregates our deposits by deposit insurance categories.

TABLE 27—ESTIMATED TOTAL INSURED AND UNINSURED DEPOSITS

(In thousands)	June 30, 2023	December 31, 2022
FDIC insured	$ 23,536,966	$ 19,525,142
Collateralized (uninsured)	5,524,797	6,968,000
Uninsured (excluding collateralized)	9,639,906	12,463,472
Total deposits	$ 38,701,669	$ 38,956,614

The Company's estimated uninsured time deposits at June 30, 2023 had maturities as follows:

TABLE 28—MATURITY OF UNINSURED TIME DEPOSITS

(In thousands)	Amount
Three months or less	$ 348,455
Over three months through six months	477,811
Over six months through twelve months	544,291
Over 12 months	148,941
Total	$ 1,519,498

The average maturity of time deposits at June 30, 2023 was approximately 8.0 months, compared to approximately 11.6 months at December 31, 2022.

Borrowings

Short-term Borrowings

The Company has available several types of short-term borrowing arrangements including Federal funds purchased, securities sold under agreements to repurchase, short-term BTFP, short-term FHLB borrowings and the Federal Reserve discount window. Federal funds purchased are unsecured lines while the rest of these types of borrowings are collateralized by investment securities and loans. During the second quarter 2023, short-term BTFP borrowings represented the largest component of short-term borrowings. At June 30, 2023 and December 31, 2022, the Company had total short-term borrowings of $4.3 billion with a weighted average interest rate of 4.96% and $4.0 billion with a weighted average interest rate of 4.33%, respectively. See Note 5 to the Company's consolidated financial statements for additional details.

Long-term Borrowings

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

TABLE 29—LONG-TERM BORROWINGS

(In thousands)	June 30, 2023	December 31, 2022
Advances from FHLB Dallas	$ 803	$ 836
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
Purchase accounting adjustment, net of amortization	6,925	8,064
Debt issue costs	(995)	(1,346)
Purchased 4.125% fixed to floating rate, subordinated notes, due November 20, 2029, callable in 2024	(12,000)	—
Total long-term borrowings	$ 449,733	$ 462,554

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 core 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.

In response to the industry wide concerns regarding liquidity and deposit outflows that occurred late in the first quarter of 2023, the Company proactively increased its on-balance sheet liquidity. These balances returned to more normalized levels during the second quarter of 2023. The following table summarizes the Company’s cash and cash equivalents as of the following dates:

TABLE 30—CASH AND CASH EQUIVALENTS

(In thousands)	June 30, 2023	December 31, 2022
Cash and cash equivalents	$ 1,730,673	$ 1,998,152
Cash and cash equivalents as a percentage of:		
Loans and lease, net	5.3 %	6.6 %
Total earning assets	3.9	4.6
Total assets	3.5	4.1
Total deposits	4.5	5.1
Uninsured and uncollateralized deposits.	11.4	10.3

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 and through the BTFP. Additionally, the Company can borrow funds through the Federal Reserve discount window.

The Company had the following sources of contingent liquidity available at June 30, 2023:

TABLE 31—CASH AND SOURCES OF CONTINGENT LIQUIDITY

(In thousands)	Amount
Cash and cash equivalents	$ 1,730,673
Unpledged investment securities (at par)	2,389,467
Secured lines of credit availability at the FHLB and Federal Reserve	10,198,404
Unsecured Federal funds lines availability	2,076,000
Total	$ 16,394,544

At June 30, 2023, the Company had irrevocable letters of credit issued by the FHLB totaling $2.3 billion at June 30, 2023, of which $2.25 billion is used to collateralize certain public funds and $30.0 million is used 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 has sound and robust risk management practices that include an active asset and liability management committee to analyze and manage the Company's liquidity and interest rate risk (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 June 30, 2023, letters of credit totaled $474.4 million and unfunded extensions of credit totaled $10.9 billion (see Note 15 to the consolidated financial statement for more information). At June 30, 2023, the Company maintained a reserve for unfunded commitments of $13.6 million included in other liabilities.

Cash Flow Sources and Uses

Cash equivalents include cash and amounts due from banks, including interest bearing deposits with other banks. At June 30, 2023, cash and cash equivalents totaled $1.7 billion compared to $2.0 billion at December 31, 2022. The ratio of cash and cash equivalents to total assets was 3.5% at June 30, 2023, compared to 4.1% at December 31, 2022.

During the six months ended June 30, 2023, and 2022, operating activities provided $399.6 million and $425.2 million in cash, respectively. The decrease was primarily driven by a decrease of $482.9 million in proceeds from payments and sales of loans held for sale. A decrease of $373.7 million in originations of loans held for sale offset most of the decrease noted above.

During the six months ended June 30, 2023, and 2022, investing activities used $589.1 million and $532.0 million in cash, respectively. The increased use of $57.1 million in investing activities resulted primarily from an increase of $211.3 million in purchases of available-for-sale securities, a decrease of $371.3 million in proceeds from maturities, calls, and paydowns of available-for-sale securities, and an increase of $811.5 million in funding of originated loans. The effect of these items was significantly offset by the increase of $1.2 billion in proceeds from sales of available-for-sale securities which resulted from the Company's balance sheet optimization initiative.

During the six months ended June 30, 2023, and 2022, financing activities used cash of $78.0 million compared to cash provided of $651.9 million during 2022. The change in financing activities resulted from a decrease of $285.0 million in short-term borrowings and a decrease of $625.1 million in deposit activities. This decrease in cash provided by financing activities was partially offset by a decrease of $181.3 million in cash used to repurchase common stock.

Regulatory Capital

Regulatory capital at June 30, 2023 and December 31, 2022 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.

Additionally, regulatory capital rules include a capital conservation buffer of 2.5% which the Company must maintain on top of its minimum risk-based capital requirements. This buffer applies to all three risk-based capital measurements (CET1, Tier 1 and total capital to risk-weighted assets). A financial institution with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments and stock repurchases, and certain discretionary bonus payments to executive officers.

Capital amounts and ratios for the Company at June 30, 2023 and December 31, 2022, 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 32—REGULATORY CAPITAL

	June 30, 2023		December 31, 2022	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio
Common equity Tier 1 capital (to risk-weighted assets)	$ 3,980,934	10.10%	$ 3,880,508	10.22%
Tier 1 capital (to risk-weighted assets)	4,147,927	10.52	4,047,501	10.66
Total capital (to risk-weighted assets)	5,006,307	12.70	4,861,521	12.81
Tier 1 leverage capital (to average assets)	4,147,927	8.47	4,047,501	8.43

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. At June 30, 2023, the Company had not repurchased any shares under the share repurchase program.

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.

During the first quarter of 2023, the Company increased the common stock dividend to $0.235 per share.

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. See Part 1, Item 1.A., Risk Factors, of the Company's Annual Report on Form 10-K for the year ended December 31, 2022, 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 can be more impactful to 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 other legal or administrative cases and proceedings. Although the Company and its subsidiaries have 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 engage in lines of business that are heavily regulated and involve a large volume of actual or potential financial transactions with 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 risks arising from changing regulatory frameworks or expectations, regulatory investigations, class action litigation, and, from time to time, the Company and its subsidiaries have such actions brought against them. The Company and its subsidiaries are also subject to enforcement actions by federal or state regulators, including the FDIC, the CFPB, the DOJ, state attorneys general and the MDBCF 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 and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations.

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 or 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, the Company will not accrue. 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 such matters, 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 are unlikely to 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, the Company notes there was no litigation-related accrual at June 30, 2023. Management believes this 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 the consolidated financial statements for a discussion of accounting standards currently effective for 2023 and accounting standards that have been issued but are not currently effective.

CRITICAL ACCOUNTING ESTIMATES

During the six months ended June 30, 2023, there were no material changes in the Company's critical accounting policies and no significant changes in the application of critical accounting policies as presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

The consolidated financial statements have been prepared in conformity with GAAP and practices within the banking industry which require management to make estimates and assumptions about future events. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, and the resulting estimates form the basis for making judgments about the carrying values of certain assets and liabilities not readily apparent from other sources. Actual results could differ significantly from those estimates.

ITEM 3. 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 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 NII and EVE over specified periods of time. We refer to this process as 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 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 June 30, 2023, our simulation model projects our sensitivity to an instantaneous increase or decrease in interest rates over a one-year period as follows:

TABLE 33—INTEREST RATE SENSITIVITY

	Increase (Decrease)			
(Dollars in millions)	Net Interest Income		Economic Value of Equity	
Change (in Basis Points) in Interest Rates (12-Month Projection)	Amount	Percent	Amount	Percent
+ 200 BP	$ 112.0	8.1 %	$ 76.0	0.9 %
+ 100 BP	56.0	4.1 %	64.0	0.8 %
- 100 BP	(54.0)	(3.9)%	(109.0)	(1.3)%
- 200 BP	(107.0)	(7.8)%	(277.0)	(3.4)%

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.

See “Table 15 – Maturity Distribution of Available-For-Sale Securities” that shows the maturities and weighted average yields for the carrying value of the available-for-sale securities as of June 30, 2023, and “Table 18 – Interest Rate Sensitivity of Loans” that 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 June 30, 2023.

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 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.

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 14 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 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. The Company discontinued the use of LIBOR for new production effective January 1, 2022, and LIBOR is no longer available for repricing existing loans or derivatives with repricing or rate determination dates after June 30, 2023. At June 30, 2023, the Company had approximately $1.3 billion in existing loans for which the repricing index was tied to LIBOR. These loans are scheduled to reprice to other indices, in most cases CME Term SOFR, at their next repricing date.

While the rate index changes from LIBOR to other indices have occurred, the Company may be adversely impacted by the transition from LIBOR to other reference rates, including SOFR-based rate indices. 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 that referenced 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 4. 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, and to ensure that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the three months ended June 30, 2023, covered by this Report that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

The information in response to this item is incorporated herein by reference to "Note 15 - Commitments and Contingent Liabilities" in the notes to consolidated financial statements included in Part I., Item I. "Financial Statements" of this Report. Also, see Part I. Item II. "Financial Condition - Certain Litigation and Other Contingencies."

Item 1A. Risk Factors.

In addition to the other information set forth in this Report, in evaluating an investment in the Company's securities, investors should consider carefully, among other things, the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, and as disclosed in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, which could materially affect the Company's business, financial position, results of operations, cash flows, or future results. Please be aware that these risks may change over time and other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our business, financial condition or results of operations, or the trading price of our securities.

There are no material changes during the period covered by this Report to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 or our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the period commencing January 1, 2023 and ending June 30, 2023, the Company issued 1,221,324 restricted stock units ("RSUs") and 587,453 performance stock units under the Amended and Restated Cadence Bank Long-Term Equity Incentive Plan, as amended, to eligible directors, officers, and employees of the Company for services rendered to the Company. The Company did not receive any cash consideration in connection with these grants, and these securities were exempt from registration under the Securities Act of 1933, as amended, pursuant to Section (3)(a)(2) thereof because the sales involved securities issued by a bank.

Issuer Purchases of Equity Securities

For the Month Ended	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)]
April 30, 2023	6,226	$ 25.28	—	10,000,000
May 31, 2023	109,285	15.89	—	10,000,000
June 30, 2023	2,232	19.12	—	10,000,000
Total	117,743	$ 16.45		

(1) This column includes 6,226 shares redeemed in April 2023, 109,285 shares redeemed in May 2023, and 2,232 shares redeemed in June 2023 from employees for tax withholding purposes for stock compensation and no shares were repurchased under the stock repurchase program in the second quarter of 2023.

(2) On December 14, 2022, 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 during the period between January 3, 2023 through December 29, 2023. 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 June 30, 2023, the Company had repurchased zero shares under this repurchase program.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

Pursuant to Item 408(a) of Regulation S-K, none of the Company's directors or executive officers adopted, terminated or modified a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the three months ended June 30, 2023.

Item 6. Exhibits.

(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).

(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.**

* Filed herewith.

** Furnished herewith.

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: August 7, 2023

By: /s/ Valerie C. Toalson

Valerie C. Toalson

Senior Executive Vice President and Chief Financial Officer

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 quarterly report on Form 10-Q 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: August 7, 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 quarterly report on Form 10-Q 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: August 7, 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 quarterly report on Form 10-Q of Cadence Bank (the "Company"), for the quarter ended June 30, 2023, 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.

August 7, 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 quarterly report on Form 10-Q of Cadence Bank (the "Company"), for the quarter ended June 30, 2023, 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.

August 7, 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.