

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**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 March 31, 2021

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38058

**Cadence Bancorporation**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

47-1329858

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

2800 Post Oak Boulevard, Suite 3800

Houston, Texas 77056

(Address of principal executive offices) (Zip Code)

(713) 871-4000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 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

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

| <u>Title of each class</u> | <u>Trading Symbol</u> | <u>Name of each exchange on which registered</u> |
|----------------------------|-----------------------|--|
| Class A Common Stock       | CADE                  | New York Stock Exchange                          |

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A Common Stock, \$0.01 Par Value

124,724,742

Class

Outstanding as of May 7, 2021

**Cadence Bancorporation**  
**FORM 10-Q**  
**For the Quarter Ended March 31, 2021**

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**PART I: FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)**

**CADENCE BANCORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

| <b>(In thousands, except share and per share data)</b>  | <b>March 31, 2021</b> | <b>December 31, 2020</b><br><b>(Audited)</b> |
|---|-----------------------|--|
| <b>ASSETS</b>   |                       |  |
| Cash and due from banks   | \$ 205,425            | \$ 283,261                                   |
| Interest-bearing deposits with banks  | 1,680,087             | 1,768,847                                    |
| Federal funds sold  | 3,006                 | 1,838  |
| Total cash and cash equivalents   | 1,888,518             | 2,053,946                                    |
| Investment securities available-for-sale, amortized cost of \$3,925,547 and allowance for credit losses of zero at March 31, 2021 and amortized cost of \$3,249,067 and allowance for credit losses of zero at December 31, 2020    | 3,918,666             | 3,332,168                                    |
| FRB and FHLB stock  | 69,858                | 76,552                                       |
| Loans held for sale   | 46,696                | 47,018                                       |
| Loans, net of unearned income   | 12,365,334            | 12,719,129                                   |
| Less: allowance for credit losses   | (308,037)             | (367,160)                                    |
| Net loans   | 12,057,297            | 12,351,969                                   |
| Premises and equipment, net   | 124,303               | 123,630                                      |
| Cash surrender value of life insurance  | 187,195               | 187,626                                      |
| Net deferred tax asset  | 72,071                | 63,699                                       |
| Goodwill  | 43,061                | 43,061                                       |
| Other intangible assets, net  | 78,795                | 83,780                                       |
| Other assets  | 313,890               | 349,118                                      |
| Total assets  | <u>\$ 18,800,350</u>  | <u>\$ 18,712,567</u>                         |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                       |  |
| <b>Liabilities:</b>   |                       |  |
| Noninterest-bearing deposits  | \$ 5,556,217          | \$ 5,033,748                                 |
| Interest-bearing deposits   | 10,572,982            | 11,018,497                                   |
| Total deposits  | 16,129,199            | 16,052,245                                   |
| Federal Home Loan Bank advances   | 100,000               | 100,000                                      |
| Senior debt   | 49,994                | 49,986                                       |
| Subordinated debt   | 143,575               | 183,344                                      |
| Junior subordinated debentures  | 37,694                | 37,637                                       |
| Notes payable   | 1,721                 | 1,702  |
| Other liabilities   | 245,631               | 166,551                                      |
| Total liabilities   | 16,707,814            | 16,591,465                                   |
| <b>Shareholders' equity:</b>  |                       |  |
| Common stock, \$0.01 par value, authorized 300,000,000 shares; 133,508,293 shares issued and 124,698,518 shares outstanding at March 31, 2021 and 133,214,844 shares issued and 125,978,561 shares outstanding at December 31, 2020 | 1,335                 | 1,332  |
| Additional paid-in capital  | 1,881,957             | 1,880,930                                    |
| Treasury stock, at cost; 8,809,775 shares and 7,236,283 shares, respectively  | (160,884)             | (130,889)                                    |
| Retained earnings   | 346,929               | 259,643                                      |
| Accumulated other comprehensive income  | 23,199                | 110,086                                      |
| Total shareholders' equity  | <u>2,092,536</u>      | <u>2,121,102</u>                             |
| Total liabilities and shareholders' equity  | <u>\$ 18,800,350</u>  | <u>\$ 18,712,567</u>                         |

See notes to consolidated financial statements.

**CADENCE BANCORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

| (In thousands, except share and per share data)                 | Three Months Ended March 31, |              |
|---|------------------------------|--------------|
|   | 2021                         | 2020         |
| <b>INTEREST INCOME</b>  |                              |              |
| Interest and fees on loans                                      | \$ 139,824                   | \$ 175,134   |
| Interest and dividends on securities:                           |                              |              |
| Taxable   | 11,821                       | 14,015       |
| Tax-exempt  | 2,035                        | 1,427        |
| Other interest income   | 1,021                        | 2,178        |
| Total interest income   | 154,701                      | 192,754      |
| <b>INTEREST EXPENSE</b>   |                              |              |
| Interest on time deposits                                       | 4,277                        | 12,744       |
| Interest on other deposits                                      | 3,704                        | 21,984       |
| Interest on borrowed funds                                      | 3,972                        | 4,558        |
| Total interest expense  | 11,953                       | 39,286       |
| Net interest income   | 142,748                      | 153,468      |
| Provision (release) for credit losses                           | (48,262)                     | 83,429       |
| Net interest income after provision (release) for credit losses | 191,010                      | 70,039       |
| <b>NONINTEREST INCOME</b>                                       |                              |              |
| Investment advisory revenue                                     | 7,609                        | 5,605        |
| Trust services revenue  | 5,509                        | 4,815        |
| Credit related fees   | 3,849                        | 5,983        |
| Service charges on deposit accounts                             | 6,404                        | 6,416        |
| Mortgage banking income   | 2,115                        | 1,111        |
| Bankcard fees   | 1,753                        | 1,958        |
| Payroll processing revenue                                      | 1,490                        | 1,367        |
| SBA income  | 3,967                        | 1,908        |
| Other service fees  | 2,209                        | 1,912        |
| Securities gains, net   | 2,259                        | 2,994        |
| Other income  | 6,532                        | 1,000        |
| Total noninterest income  | 43,696                       | 35,069       |
| <b>NONINTEREST EXPENSE</b>                                      |                              |              |
| Salaries and employee benefits                                  | 57,070                       | 48,807       |
| Premises and equipment  | 10,374                       | 10,808       |
| Merger related expenses   | —                            | 1,282        |
| Goodwill impairment   | —                            | 443,695      |
| Intangible asset amortization                                   | 4,986                        | 5,592        |
| Other expense   | 25,392                       | 27,469       |
| Total noninterest expense                                       | 97,822                       | 537,653      |
| Income (loss) before income taxes                               | 136,884                      | (432,545)    |
| Income tax expense (benefit)                                    | 30,459                       | (33,234)     |
| Net income (loss)   | \$ 106,425                   | \$ (399,311) |
| Weighted average common shares outstanding (Basic)              | 125,079,250                  | 126,630,446  |
| Weighted average common shares outstanding (Diluted)            | 125,621,508                  | 126,630,446  |
| Earnings (loss) per common share (Basic)                        | \$ 0.85                      | \$ (3.15)    |
| Earnings (loss) per common share (Diluted)                      | \$ 0.84                      | \$ (3.15)    |

See notes to consolidated financial statements.

**CADENCE BANCORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

| <b>(In thousands)</b>  | <b>Three Months Ended March 31,</b> |              |
|--|-------------------------------------|--------------|
|  | <b>2021</b>                         | <b>2020</b>  |
| Net income (loss)  | \$ 106,425                          | \$ (399,311) |
| Other comprehensive (loss) income, net of tax:   |                                     |              |
| Unrealized (losses) gains on securities available-for-sale:  |                                     |              |
| Net unrealized (losses) gains, net of income taxes of (\$20,641) and \$15,149                                  | (67,083)                            | 48,126       |
| Less reclassification adjustments for gains realized in net income, net of income taxes of \$532 and \$710     | 1,727                               | 2,284        |
| Net change in unrealized (losses) gains on securities available-for-sale, net of tax                           | (68,810)                            | 45,842       |
| Unrealized (losses) gains on derivative instruments designated as cash flow hedges:                            |                                     |              |
| Net unrealized (losses) gains, net of income taxes of (\$2,243) and \$40,919                                   | (7,289)                             | 126,314      |
| Less reclassification adjustments for gains realized in net income, net of income taxes of \$3,308 and \$1,922 | 10,788                              | 6,185        |
| Net change in unrealized (losses) gains on derivative instruments, net of tax                                  | (18,077)                            | 120,129      |
| Other comprehensive (loss) income, net of tax  | (86,887)                            | 165,971      |
| Comprehensive income (loss)  | \$ 19,538                           | \$ (233,340) |

See notes to consolidated financial statements.

**CADENCE BANCORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

| (In thousands, except per share data)                | Class A<br>Common<br>Shares<br>Outstanding | Common<br>Stock | Additional<br>Paid-in<br>Capital | Treasury<br>Stock   | Retained<br>Earnings | Accumulated<br>OCI | Total<br>Shareholders'<br>Equity |
|--|--|-----------------|----------------------------------|---------------------|----------------------|--------------------|----------------------------------|
| Balance at December 31, 2019                         | 127,598                                    | \$ 1,330        | \$ 1,873,063                     | \$ (100,752)        | \$ 572,503           | \$ 114,702         | \$ 2,460,846                     |
| Cumulative effect from change in accounting guidance | —  | —               | —                                | —                   | (62,779)             | —                  | (62,779)                         |
| Net loss   | —  | —               | —                                | —                   | (399,311)            | —                  | (399,311)                        |
| Equity-based compensation cost                       | 131  | 1               | 1,063                            | —                   | —                    | —                  | 1,064                            |
| Cash dividends declared (\$0.175 per common share)   | —  | —               | —                                | —                   | (22,139)             | —                  | (22,139)                         |
| Dividend equivalents on restricted stock units       | —  | —               | —                                | —                   | (136)                | —                  | (136)                            |
| Purchase of treasury stock, at cost                  | (1,831)                                    | —               | —                                | (29,973)            | —                    | —                  | (29,973)                         |
| Other comprehensive income                           | —  | —               | —                                | —                   | —                    | 165,971            | 165,971                          |
| Balance at March 31, 2020                            | <u>125,898</u>                             | <u>\$ 1,331</u> | <u>\$ 1,874,126</u>              | <u>\$ (130,725)</u> | <u>\$ 88,138</u>     | <u>\$ 280,673</u>  | <u>\$ 2,113,543</u>              |

| (In thousands, except per share data)             | Class A<br>Common<br>Shares<br>Outstanding | Common<br>Stock | Additional<br>Paid-in<br>Capital | Treasury<br>Stock   | Retained<br>Earnings | Accumulated<br>OCI | Total<br>Shareholders'<br>Equity |
|---|--|-----------------|----------------------------------|---------------------|----------------------|--------------------|----------------------------------|
| Balance at December 31, 2020                      | 125,979                                    | \$ 1,332        | \$ 1,880,930                     | \$ (130,889)        | \$ 259,643           | \$ 110,086         | \$ 2,121,102                     |
| Net income  | —  | —               | —                                | —                   | 106,425              | —                  | 106,425                          |
| Equity-based compensation cost                    | 293  | 3               | 1,027                            | —                   | —                    | —                  | 1,030                            |
| Cash dividends declared (\$0.15 per common share) | —  | —               | —                                | —                   | (18,904)             | —                  | (18,904)                         |
| Dividend equivalents on restricted stock units    | —  | —               | —                                | —                   | (235)                | —                  | (235)                            |
| Purchase of treasury stock, at cost               | (1,573)                                    | —               | —                                | (29,995)            | —                    | —                  | (29,995)                         |
| Other comprehensive loss                          | —  | —               | —                                | —                   | —                    | (86,887)           | (86,887)                         |
| Balance at March 31, 2021                         | <u>124,699</u>                             | <u>\$ 1,335</u> | <u>\$ 1,881,957</u>              | <u>\$ (160,884)</u> | <u>\$ 346,929</u>    | <u>\$ 23,199</u>   | <u>\$ 2,092,536</u>              |

See notes to consolidated financial statements.

**CADENCE BANCORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| (In thousands)  | Three Months Ended March 31, |                   |
|---|------------------------------|-------------------|
|   | 2021                         | 2020              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   | \$ 78,014                    | \$ 409,335        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                              |                   |
| Purchase of securities available-for-sale   | (970,633)                    | (240,734)         |
| Proceeds from sales of securities available-for-sale                                  | 118,697                      | 37,884            |
| Proceeds from maturities, calls and paydowns of securities available-for-sale         | 255,332                      | 113,400           |
| Purchases of other securities, net  | —                            | (574)             |
| Proceeds from sales of loans transferred to held for sale                             | —                            | 46,866            |
| Decrease (increase) in loans, net   | 355,420                      | (436,758)         |
| Purchase of premises and equipment  | (5,335)                      | (2,742)           |
| Proceeds from disposition of foreclosed property                                      | 10                           | 1,182             |
| Other, net  | 15,012                       | (1,871)           |
| Net cash used in investing activities   | (231,497)                    | (483,347)         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                              |                   |
| Increase (decrease) in deposits, net  | 76,954                       | (253,289)         |
| Repayment of subordinated debt  | (40,000)                     | —                 |
| Repurchase of common stock  | (29,995)                     | (29,973)          |
| Cash dividends paid on common stock   | (18,904)                     | (22,139)          |
| Net cash used in financing activities   | (11,945)                     | (305,401)         |
| Net decrease in cash and cash equivalents   | (165,428)                    | (379,413)         |
| <b>Cash and cash equivalents at beginning of period</b>                               | 2,053,946                    | 988,764           |
| <b>Cash and cash equivalents at end of period</b>                                     | <u>\$ 1,888,518</u>          | <u>\$ 609,351</u> |
| <b>SUPPLEMENTAL DISCLOSURES</b>   |                              |                   |
| Cash paid during the period for:  |                              |                   |
| Interest  | \$ 10,418                    | \$ 39,487         |
| Income taxes paid (refunded), net   | 2                            | (234)             |
| Cash paid for amounts included in lease liabilities                                   | 2,798                        | 2,767             |
| Non-cash investing activities (at fair value):  |                              |                   |
| Acquisition of real estate and other assets in settlement of loans                    | 10                           | 11,162            |
| Transfers of loans held for sale to loans   | 175                          | 10,500            |
| Transfers of loans to loans held for sale   | 3,208                        | —                 |
| Securities (purchased) sold, net, with settlement after quarter end                   | (33,526)                     | 57,157            |
| Right-of-use assets obtained (remeasured) in exchange for operating lease liabilities | 4,145                        | (125)             |

See notes to consolidated financial statements.

**CADENCE BANCORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

Cadence Bancorporation (the “Company”) is a Delaware corporation and a financial holding company whose primary asset is its investment in its wholly owned subsidiary bank, Cadence Bank, National Association (the “Bank”).

**Note 1—Summary of 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 accounting principles generally accepted in the United States of America (“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, 2020. Operating results for the period ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

The Company and its subsidiaries follow GAAP, including, where applicable, general practices within the banking industry. The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. The assessment of whether or not the Company has a controlling interest (i.e., the primary beneficiary) in a variable-interest entity (“VIE”) is performed on an on-going basis. All equity investments in non-consolidated VIEs are included in “other assets” in the Company’s consolidated balance sheets (see Note 13).

Certain amounts reported in prior years have been reclassified to conform to the 2021 presentation. These reclassifications did not materially impact the Company’s consolidated balance sheets or consolidated statements of operations.

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. No subsequent events were identified that would have required a change to the consolidated financial statements, however, certain matters that occurred after the balance sheet date are included in Note 17 to the consolidated financial statements.

***Pronouncements adopted during the three months ended March 31, 2021***

*ASU No. 2019-12*

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

The Company adopted this guidance on January 1, 2021, with no material impact on the consolidated financial statements.

*ASU No. 2020-01*

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

The Company adopted this guidance on January 1, 2021, with no material impact on the consolidated financial statements.

*ASU No. 2020-08*

In October 2020, the FASB issued ASU No. 2020-08, *Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs*. The amendments clarify that an entity should reevaluate whether a callable debt security is within the scope of paragraph ASC 310-20-35-33 for each reporting period.



The Company adopted this guidance on January 1, 2021. As Cadence does not currently own any callable bonds at a premium, the adoption of this guidance had no immediate impact on our consolidated financial statements.

*ASU No. 2020-10*

In October 2020, the FASB issued ASU No. 2020-10, *Codification Improvements*. The amendments affect a wide variety of Topics in the Codification. They apply to all reporting entities within the scope of the affected accounting guidance. This ASU primarily contains amendments that ensure inclusion of all disclosure guidance in the appropriate Disclosure Section (Section 50).

The Company adopted this guidance on January 1, 2021. The amendments in this Update did not change GAAP and, therefore, did not have a material impact on the consolidated financial statements.

*ASU No. 2021-01*

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

This guidance was effective for all entities upon issuance and generally can be applied through December 31, 2022, similar to existing relief provided under ASC 848. Entities may elect to apply the guidance on contract modifications either (1) retrospectively as of any date from the beginning of any interim period that includes March 12, 2020 or (2) prospectively to new modifications from any date in an interim period that includes or is after January 7, 2021, up to the date that financial statements are available to be issued. Entities may elect to apply the guidance on hedge accounting to eligible hedging relationships that existed as of the beginning of an interim period that includes March 12, 2020 and to those entered into after the beginning of the interim period that includes that date.

The adoption of this guidance had no immediate impact on our consolidated financial statements.

***Pending Accounting Pronouncements***

*ASU No. 2020-06*

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

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

## Note 2—Investment Securities

A summary of amortized cost and estimated fair value of securities available-for-sale at March 31, 2021 and December 31, 2020 is as follows:

| (In thousands)   | Amortized<br>Cost   | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair Value |
|--|---------------------|------------------------------|-------------------------------|-------------------------|
| <b>March 31, 2021</b>  |                     |                              |                               |                         |
| Securities available-for-sale:   |                     |                              |                               |                         |
| Obligations of U.S. government agencies                                | \$ 309,194          | \$ 426                       | \$ 13,241                     | \$ 296,379              |
| Mortgage-backed securities issued or guaranteed by U.S. agencies (MBS) |                     |                              |                               |                         |
| Residential pass-through:  |                     |                              |                               |                         |
| Guaranteed by GNMA   | 131,472             | 1,947                        | 477                           | 132,942                 |
| Issued by FNMA and FHLMC   | 2,440,906           | 28,093                       | 31,160                        | 2,437,839               |
| Other residential mortgage-backed securities                           | 209,464             | 4,285                        | 2,386                         | 211,363                 |
| Commercial mortgage-backed securities                                  | 433,408             | 4,741                        | 9,532                         | 428,617                 |
| Total MBS  | 3,215,250           | 39,066                       | 43,555                        | 3,210,761               |
| Obligations of states and municipal subdivisions                       | 351,103             | 12,220                       | 1,944                         | 361,379                 |
| Foreign debt security  | 50,000              | 147                          | —                             | 50,147                  |
| <b>Total securities available-for-sale</b>                             | <b>\$ 3,925,547</b> | <b>\$ 51,859</b>             | <b>\$ 58,740</b>              | <b>\$ 3,918,666</b>     |

| (In thousands)   | Amortized<br>Cost   | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair Value |
|--|---------------------|------------------------------|-------------------------------|-------------------------|
| <b>December 31, 2020</b>   |                     |                              |                               |                         |
| Securities available-for-sale:   |                     |                              |                               |                         |
| Obligations of U.S. government agencies                                | \$ 289,565          | \$ 1,281                     | \$ 2,117                      | \$ 288,729              |
| Mortgage-backed securities issued or guaranteed by U.S. agencies (MBS) |                     |                              |                               |                         |
| Residential pass-through:  |                     |                              |                               |                         |
| Guaranteed by GNMA   | 122,366             | 3,029                        | 60                            | 125,335                 |
| Issued by FNMA and FHLMC   | 1,870,399           | 47,020                       | 530                           | 1,916,889               |
| Other residential mortgage-backed securities                           | 211,860             | 5,143                        | 348                           | 216,655                 |
| Commercial mortgage-backed securities                                  | 420,700             | 13,110                       | 2,033                         | 431,777                 |
| Total MBS  | 2,625,325           | 68,302                       | 2,971                         | 2,690,656               |
| Obligations of states and municipal subdivisions                       | 334,177             | 18,610                       | 4                             | 352,783                 |
| <b>Total securities available-for-sale</b>                             | <b>\$ 3,249,067</b> | <b>\$ 88,193</b>             | <b>\$ 5,092</b>               | <b>\$ 3,332,168</b>     |

The scheduled contractual maturities of securities available-for-sale at March 31, 2021 were as follows:

| (In thousands)                         | Amortized<br>Cost   | Estimated<br>Fair Value |
|--|---------------------|-------------------------|
| Due in one year or less                | \$ —                | \$ —                    |
| Due after one year through five years  | 933                 | 925                     |
| Due after five years through ten years | 168,331             | 167,763                 |
| Due after ten years                    | 541,033             | 539,217                 |
| Mortgage-backed securities             | 3,215,250           | 3,210,761               |
| <b>Total</b>                           | <b>\$ 3,925,547</b> | <b>\$ 3,918,666</b>     |

Gross gains and gross losses on sales of securities available-for-sale for the three months ended March 31, 2021 and 2020 are presented below. There were no impairment charges related to credit losses included in gross realized losses for the three months ended March 31, 2021 and 2020. The specific identification method is used to reclassify gains and losses out of other comprehensive income at the time of sale.

| (In thousands)               | For the Three Months Ended March 31, |          |
|------------------------------|--------------------------------------|----------|
|                              | 2021                                 | 2020     |
| Gross realized gains         | \$ 2,261                             | \$ 2,994 |
| Gross realized losses        | 2                                    | —        |
| Realized gains (losses), net | \$ 2,259                             | \$ 2,994 |

Securities with a carrying value of \$1.3 billion at March 31, 2021 and December 31, 2020 were pledged to secure public deposits, FHLB borrowings, repurchase agreements and for other purposes as required or permitted by law.

Information pertaining to securities available-for-sale with gross unrealized losses aggregated by category and length of time the securities have been in a continuous loss position was as follows:

| (In thousands)                                   | Unrealized Loss Analysis |                         |                      |                         |
|--|--------------------------|-------------------------|----------------------|-------------------------|
|  | Losses < 12 Months       |                         | Losses > 12 Months   |                         |
|  | Estimated Fair Value     | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| <b>March 31, 2021</b>                            |                          |                         |                      |                         |
| Obligations of U.S. government agencies          | \$ 229,306               | \$ 12,998               | \$ 28,764            | \$ 243                  |
| Mortgage-backed securities                       | 1,887,482                | 43,307                  | 31,169               | 248                     |
| Obligations of states and municipal subdivisions | 82,175                   | 1,944                   | —                    | —                       |
| Total  | \$ 2,198,963             | \$ 58,249               | \$ 59,933            | \$ 491                  |

| (In thousands)                                   | Unrealized Loss Analysis |                         |                      |                         |
|--|--------------------------|-------------------------|----------------------|-------------------------|
|  | Losses < 12 Months       |                         | Losses > 12 Months   |                         |
|  | Estimated Fair Value     | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| <b>December 31, 2020</b>                         |                          |                         |                      |                         |
| Obligations of U.S. government agencies          | \$ 151,172               | \$ 1,868                | \$ 30,658            | \$ 249                  |
| Mortgage-backed securities                       | 360,197                  | 2,832                   | 18,476               | 139                     |
| Obligations of states and municipal subdivisions | 841                      | 4                       | —                    | —                       |
| Total  | \$ 512,210               | \$ 4,704                | \$ 49,134            | \$ 388                  |

As of March 31, 2021 and December 31, 2020, approximately 58% and 17%, respectively, of the fair value of securities in the investment portfolio reflected an unrealized loss. As of March 31, 2021, there were 14 securities that had been in a loss position for more than twelve months, and 196 securities that had been in a loss position for less than 12 months. As of March 31, 2021, the unrealized losses were not deemed to be caused by credit-related issues. Credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. Any impairment that is not credit-related is recognized in other comprehensive income. The unrealized losses were primarily impacted by recent changes in the interest rate environment and none relate to the marketability of the securities or the issuer's ability to honor redemption of the obligations. As of March 31, 2021, allowance for credit losses related to available-for-sale securities is zero as the decline in fair value did not result from credit-related issues. The Company has adequate liquidity and, therefore, does not plan to sell and, more likely than not, will not be required to sell these securities before recovery of the indicated impairment. Accordingly, the unrealized losses on these securities have been determined to be temporary.

**Note 3—Loans Held for Sale, Loans and Allowance for Credit Losses**

**Loans Held for Sale**

The following table presents a summary of the loans held for sale by portfolio segment at the lower of amortized cost or fair value as of March 31, 2021 and December 31, 2020.

| (In thousands)                           | <b>March 31, 2021</b> |               | <b>December 31, 2020</b> |               |
|--|-----------------------|---------------|--------------------------|---------------|
| Commercial and industrial                | \$                    | 39,014        | \$                       | 33,339        |
| Commercial real estate                   |                       | 474           |                          | 780           |
| Consumer                                 |                       | 7,208         |                          | 12,899        |
| Total loans held for sale <sup>(1)</sup> | \$                    | <u>46,696</u> | \$                       | <u>47,018</u> |

(1) \$0.1 million of net accrued interest receivable is excluded from the loan balances above as of both March 31, 2021 and December 31, 2020.

**Loans**

The following table presents total loans outstanding by portfolio segment and class of financing receivable as of March 31, 2021 and December 31, 2020. Outstanding balances include originated loans, Acquired Noncredit Impaired (“ANCI”) loans, and Purchase Credit Deteriorated (“PCD”) loans.

| (In thousands)                  | <b>March 31, 2021</b> |                   | <b>December 31, 2020</b> |                   |
|---------------------------------|-----------------------|-------------------|--------------------------|-------------------|
| Commercial and industrial       |                       |                   |                          |                   |
| General C&I                     | \$                    | 4,189,775         | \$                       | 4,421,286         |
| Energy                          |                       | 1,287,406         |                          | 1,310,612         |
| Restaurant                      |                       | 924,314           |                          | 971,662           |
| Healthcare                      |                       | 526,552           |                          | 547,491           |
| Total commercial and industrial |                       | <u>6,928,047</u>  |                          | <u>7,251,051</u>  |
| Commercial real estate          |                       |                   |                          |                   |
| Industrial, retail, and other   |                       | 1,723,545         |                          | 1,683,975         |
| Multifamily                     |                       | 804,495           |                          | 776,494           |
| Office                          |                       | 445,130           |                          | 452,639           |
| Total commercial real estate    |                       | <u>2,973,170</u>  |                          | <u>2,913,108</u>  |
| Consumer                        |                       |                   |                          |                   |
| Residential                     |                       | 2,375,017         |                          | 2,452,865         |
| Other                           |                       | 89,100            |                          | 102,105           |
| Total consumer                  |                       | <u>2,464,117</u>  |                          | <u>2,554,970</u>  |
| Total <sup>(1)</sup>            | \$                    | <u>12,365,334</u> | \$                       | <u>12,719,129</u> |

(1) \$47.6 million and \$47.0 million of net accrued interest receivable is excluded from the total loan balances above as of March 31, 2021 and December 31, 2020, respectively.

**Paycheck Protection Program.** The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) created the Paycheck Protection Program (“PPP”) to provide certain small businesses with liquidity to support their operations during the COVID-19 pandemic. Entities must meet certain eligibility requirements to receive PPP loans, and they must maintain specified levels of payroll and employment to have the loans forgiven. The conditions are subject to audit by the U.S. government, but entities that borrow less than \$2.0 million (together with any affiliates) will be deemed to have made the required certification concerning the necessity of the loan in good faith. However, the SBA does reserve the right to audit any PPP borrower.

Under the PPP, eligible small businesses can apply to an SBA-approved lender for a loan that does not require collateral or personal guarantees. The loans have a 1% fixed interest rate. Loans issued prior to June 5, 2020 are due in two years unless otherwise modified and loans issued after June 5, 2020 are due in five years. However, they are eligible for forgiveness (in full or in part, including any accrued interest) under certain conditions. The borrower is required to retain the supporting documents for six years. For loans (or parts of loans) that are forgiven, the lender will collect the forgiven amount from the U.S. government.

The following table presents the Company's PPP loans by portfolio segment and class of financing receivable as of March 31, 2021 and December 31, 2020.

| (In thousands)            | March 31, 2021 |                    | December 31, 2020 |                    |
|---------------------------|----------------|--------------------|-------------------|--------------------|
|                           | Amortized Cost | % of PPP Portfolio | Amortized Cost    | % of PPP Portfolio |
| Commercial and industrial |                |                    |                   |                    |
| General C&I               | \$ 555,274     | 68.8%              | \$ 648,458        | 69.1%              |
| Energy                    | 67,512         | 8.4                | 76,228            | 8.1                |
| Restaurant                | 119,662        | 14.8               | 134,454           | 14.4               |
| Healthcare                | 64,897         | 8.0                | 79,120            | 8.4                |
| Total PPP loans           | \$ 807,345     | 100.0%             | \$ 938,260        | 100.0%             |
| As a % of total loans     | 6.5%           |                    | 7.4%              |                    |

#### *Allowance for Credit Losses ("ACL")*

*Credit Risk Management.* The Company's credit risk management is overseen by the Company's Board of Directors, including its Risk Management Committee, and the Company's Senior Credit Risk Management Committee.

The Company's credit policy requires that key risks be identified and measured, documented and mitigated, to the extent possible, and requires various levels of internal approvals based on the characteristics of the loans, including the size of the exposure. The Company also has customized underwriting guidelines for loans in the Company's specialized industries that the Company believes reflects the unique characteristics of these industries.

The Company assigns risk ratings and risk grade classifications to all commercial loan (C&I and CRE) exposures using our internal dual credit risk rating system. The risk grade classifications are consistent with regulatory guidelines and are described as follows:

- Pass—Loans for which the condition of the borrower and the performance of the loan is satisfactory or better.
- Pass/Watch—Borderline risk credits representing the weakest pass risk rating. Pass/Watch credits consist of credits where financial performance is weak, but stable. Weak performance is transitional. The borrower has a viable, defined plan for improvement. Generally, it is not expected for loans to be originated within this category.
- Special Mention—Loans which have potential weaknesses that are of sufficient materiality to require management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Bank's credit position at some future date.
- Substandard—Loans which are inadequately protected by the current net worth and paying capacity of the obligor or the collateral pledged, if any. Loans classified as substandard possess well-defined weaknesses that are expected to jeopardize their liquidation. Loans in this category may be either on accrual status or nonaccrual status.
- Doubtful—Loans which possess all of the weaknesses inherent in loans classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable or improbable based on currently existing facts, conditions, and values. Loans rated as doubtful are not rated as loss because certain events may occur that could salvage the debt. Loans in this category are required to be on nonaccrual.
- Loss—Loans which are considered uncollectible and of such little value that their continuance as assets is not warranted without a specific valuation allowance or charge-off. We fully reserve for any loans rated as Loss. Loans may reside in this classification for administrative purposes for a period not to exceed the earlier of thirty (30) days or calendar quarter-end.

Consumer purpose loan risk classification is assigned in accordance with the Uniform Retail Credit Classification, based on delinquency and accrual status.

The Company's policies establish concentration limits for various industries within the commercial portfolio as well as commercial real estate and other regulatory categories. Concentration limits are monitored and reassessed on a periodic basis and approved by the Risk Management Committee of the Board of Directors on an annual basis.

ACL Rollforward and Analysis. The following tables provide a summary of the activity in the ACL and the reserve for unfunded commitments for the three months ended March 31, 2021 and 2020 .

| For the Three Months Ended March 31, 2021 |                           |                        |                     |                                   |   |                   |
|---|---------------------------|------------------------|---------------------|-----------------------------------|---|-------------------|
| (In thousands)                            | Commercial and Industrial | Commercial Real Estate | Consumer            | Total Allowance for Credit Losses | Reserve for Unfunded Commitments <sup>(1)</sup> | Total             |
| As of December 31, 2020                   | \$ 187,365                | \$ 141,187             | \$ 38,608           | \$ 367,160                        | \$ 2,296  | \$ 369,456        |
| Provision (release) for credit losses     | (9,594)                   | (29,481)               | (7,940)             | (47,015)                          | (1,247)   | (48,262)          |
| Charge-offs                               | (14,124)                  | (401)                  | (146)               | (14,671)                          | —   | (14,671)          |
| Recoveries                                | 1,724                     | 105                    | 734                 | 2,563                             | —   | 2,563             |
| As of March 31, 2021                      | <u>\$ 165,371</u>         | <u>\$ 111,410</u>      | <u>\$ 31,256</u>    | <u>\$ 308,037</u>                 | <u>\$ 1,049</u>                                 | <u>\$ 309,086</u> |
| Allocation of ending ACL                  |                           |                        |                     |                                   |   |                   |
| Loans collectively evaluated              | \$ 139,542                | \$ 111,410             | \$ 31,256           | \$ 282,208                        |   |                   |
| Loans individually evaluated              | 25,829                    | —                      | —                   | 25,829                            |   |                   |
| ACL as of March 31, 2021                  | <u>\$ 165,371</u>         | <u>\$ 111,410</u>      | <u>\$ 31,256</u>    | <u>\$ 308,037</u>                 |   |                   |
| Loans (amortized cost)                    |                           |                        |                     |                                   |   |                   |
| Loans collectively evaluated              | \$ 6,849,604              | \$ 2,960,299           | \$ 2,462,334        | \$ 12,272,237                     |   |                   |
| Loans individually evaluated              | 78,443                    | 12,871                 | 1,783               | 93,097                            |   |                   |
| Loans as of March 31, 2021 <sup>(2)</sup> | <u>\$ 6,928,047</u>       | <u>\$ 2,973,170</u>    | <u>\$ 2,464,117</u> | <u>\$ 12,365,334</u>              |   |                   |

(1) The reserve for unfunded commitments is included in other liabilities on the consolidated balance sheets.

(2) \$47.6 million of net accrued interest receivable is excluded from the loan balances above as of March 31, 2021.

| For the Three Months Ended March 31, 2020 |                           |                        |                     |                                   |   |                   |
|---|---------------------------|------------------------|---------------------|-----------------------------------|---|-------------------|
| (In thousands)                            | Commercial and Industrial | Commercial Real Estate | Consumer            | Total Allowance for Credit Losses | Reserve for Unfunded Commitments <sup>(1)</sup> | Total             |
| As of December 31, 2019                   | \$ 89,796                 | \$ 15,319              | \$ 14,528           | \$ 119,643                        | \$ 1,699  | \$ 121,342        |
| Cumulative effect of adoption of CECL     | 32,951                    | 20,599                 | 22,300              | 75,850                            | 332   | 76,182            |
| As of January 1, 2020                     | 122,747                   | 35,918                 | 36,828              | 195,493                           | 2,031   | 197,524           |
| Provision for credit losses               | 63,684                    | 17,798                 | 756                 | 82,238                            | 1,191   | 83,429            |
| Charge-offs                               | (31,987)                  | (478)                  | (633)               | (33,098)                          | —   | (33,098)          |
| Recoveries                                | 141                       | 180                    | 292                 | 613                               | —   | 613               |
| As of March 31, 2020                      | <u>\$ 154,585</u>         | <u>\$ 53,418</u>       | <u>\$ 37,243</u>    | <u>\$ 245,246</u>                 | <u>\$ 3,222</u>                                 | <u>\$ 248,468</u> |
| Allocation of ending ACL                  |                           |                        |                     |                                   |   |                   |
| Loans collectively evaluated              | \$ 135,486                | \$ 53,418              | \$ 37,243           | \$ 226,147                        |   |                   |
| Loans individually evaluated              | 19,099                    | —                      | —                   | 19,099                            |   |                   |
| ACL as of March 31, 2020                  | <u>\$ 154,585</u>         | <u>\$ 53,418</u>       | <u>\$ 37,243</u>    | <u>\$ 245,246</u>                 |   |                   |
| Loans (amortized cost)                    |                           |                        |                     |                                   |   |                   |
| Loans collectively evaluated              | \$ 7,609,527              | \$ 2,975,416           | \$ 2,659,630        | \$ 13,244,573                     |   |                   |
| Loans individually evaluated              | 139,783                   | 5,344                  | 2,491               | 147,618                           |   |                   |
| Loans as of March 31, 2020 <sup>(2)</sup> | <u>\$ 7,749,310</u>       | <u>\$ 2,980,760</u>    | <u>\$ 2,662,121</u> | <u>\$ 13,392,191</u>              |   |                   |

(1) The reserve for unfunded commitments is included in other liabilities on the consolidated balance sheets.

(2) \$45.3 million of net accrued interest receivable is excluded from the loan balances above as of March 31, 2020.

The provision for credit losses was a release of \$48.3 million for the quarter which reflects both improvements in credit quality, including C&I – Restaurant and CRE – Hospitality, and the economic forecast used in our ACL model. The Company’s estimate of the ACL used the baseline scenario provided by a nationally recognized service, as adjusted for consideration of certain qualitative and environmental factors. These adjustments consider, among other factors, risk attributes of each portfolio, relevant third-party research, and energy prices. Loan charge-offs recognized during 2021 are lower than 2020 as a result of improved levels of nonperforming and criticized loans.

The Company’s individually evaluated loans totaling \$93.1 million at March 31, 2021 are considered collateral dependent loans and generally are considered impaired. The majority of these loans are within the C&I segment and include loans in the Energy, Restaurant, and General C&I classes and are supported by an enterprise valuation or by collateral such as real estate, receivables, equipment or inventory. Loans within the CRE and consumer segments are generally secured by commercial and residential real estate.

### Credit Quality

The following table provides information by each credit quality indicator and by origination year (vintage) as of March 31, 2021. The Company defines origination year (vintage) for the purposes of disclosure as the year of execution of the original loan agreement. Loans that are modified as a TDR are considered to be a continuation of the original loan, therefore the origination date of the original loan is reflected as the vintage date. This presentation is consistent with the vintage determination used in the ACL model. The criticized loans with a 2021 vintage relate to credits in resolution.

| (In thousands)                         | Amortized Cost Basis by Origination Year |                     |                     |                     |                     |                     | Revolving<br>Loans  | Revolving<br>Credits<br>Converted<br>to Term<br>Loans | Total                |
|--|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---|----------------------|
|  | 2021                                     | 2020                | 2019                | 2018                | 2017                | 2016 and<br>Prior   |                     |   |                      |
| <b>Commercial and industrial</b>       |  |                     |                     |                     |                     |                     |                     |   |                      |
| Pass                                   | \$ 285,913                               | \$ 1,472,441        | \$ 539,095          | \$ 752,344          | \$ 537,347          | \$ 786,593          | \$ 1,909,311        | \$ 45,200   | \$ 6,328,244         |
| Special mention                        | —  | 272                 | 24,948              | 11,555              | 202                 | 8,783               | 120,640             | 23  | 166,423              |
| Substandard                            | 22                                       | 51,601              | 19,085              | 97,720              | 39,644              | 80,720              | 108,406             | 10,353  | 407,551              |
| Doubtful                               | —  | —                   | —                   | 7,188               | 188                 | 5,291               | 13,162              | —   | 25,829               |
| <b>Total commercial and industrial</b> | <b>285,935</b>                           | <b>1,524,314</b>    | <b>583,128</b>      | <b>868,807</b>      | <b>577,381</b>      | <b>881,387</b>      | <b>2,151,519</b>    | <b>55,576</b>   | <b>6,928,047</b>     |
| <b>Commercial real estate</b>          |  |                     |                     |                     |                     |                     |                     |   |                      |
| Pass                                   | 47,324                                   | 504,746             | 551,851             | 634,135             | 405,782             | 514,103             | 113,040             | —   | 2,770,981            |
| Special mention                        | —  | 746                 | 42                  | 23,060              | 30,382              | 7,668               | 194                 | —   | 62,092               |
| Substandard                            | 93                                       | —                   | 14,683              | 19,171              | 38,522              | 67,344              | 284                 | —   | 140,097              |
| Doubtful                               | —  | —                   | —                   | —                   | —                   | —                   | —                   | —   | —                    |
| <b>Total commercial real estate</b>    | <b>47,417</b>                            | <b>505,492</b>      | <b>566,576</b>      | <b>676,366</b>      | <b>474,686</b>      | <b>589,115</b>      | <b>113,518</b>      | <b>—</b>  | <b>2,973,170</b>     |
| <b>Consumer</b>                        |  |                     |                     |                     |                     |                     |                     |   |                      |
| Current                                | 98,961                                   | 460,461             | 384,968             | 447,624             | 231,131             | 586,505             | 227,281             | —   | 2,436,931            |
| 30-59 days past due                    | —  | 365                 | 1,161               | 2,391               | 133                 | 9,171               | 713                 | —   | 13,934               |
| 60-89 days past due                    | —  | —                   | 353                 | 2,268               | 88                  | 2,313               | 176                 | —   | 5,198                |
| 90+ days past due                      | —  | —                   | 1,233               | 2,620               | 294                 | 3,907               | —                   | —   | 8,054                |
| <b>Total consumer</b>                  | <b>98,961</b>                            | <b>460,826</b>      | <b>387,715</b>      | <b>454,903</b>      | <b>231,646</b>      | <b>601,896</b>      | <b>228,170</b>      | <b>—</b>  | <b>2,464,117</b>     |
| <b>Total<sup>(1)</sup></b>             | <b>\$ 432,313</b>                        | <b>\$ 2,490,632</b> | <b>\$ 1,537,419</b> | <b>\$ 2,000,076</b> | <b>\$ 1,283,713</b> | <b>\$ 2,072,398</b> | <b>\$ 2,493,207</b> | <b>\$ 55,576</b>                                      | <b>\$ 12,365,334</b> |

(1) \$47.6 million of net accrued interest receivable is excluded from the loan balances above as of March 31, 2021.

**Past Due**

The following tables provide an aging analysis of past due loans by portfolio segment and class of financing receivable.

| (In thousands)                  | Age Analysis of Past-Due Loans as of March 31, 2021 |                        |                      |           | Current       | Total <sup>(1)</sup> | 90+ Days<br>Past Due and<br>Accruing |
|---------------------------------|---|------------------------|----------------------|-----------|---------------|----------------------|--------------------------------------|
|                                 | 30-59 Days<br>Past Due                              | 60-89 Days<br>Past Due | 90+ Days<br>Past Due | Total     |               |                      |                                      |
| Commercial and industrial       |   |                        |                      |           |               |                      |                                      |
| General C&I                     | \$ 6,295  | \$ 1,090               | \$ 8,543             | \$ 15,928 | \$ 4,173,847  | \$ 4,189,775         | \$ 25                                |
| Energy                          | —   | —                      | 1,642                | 1,642     | 1,285,764     | 1,287,406            | —                                    |
| Restaurant                      | 642   | 9,359                  | 5,662                | 15,663    | 908,651       | 924,314              | —                                    |
| Healthcare                      | 1,172   | 181                    | 469                  | 1,822     | 524,730       | 526,552              | —                                    |
| Total commercial and industrial | 8,109   | 10,630                 | 16,316               | 35,055    | 6,892,992     | 6,928,047            | 25                                   |
| Commercial real estate          |   |                        |                      |           |               |                      |                                      |
| Industrial, retail, and other   | 13,345  | 11,226                 | 2,024                | 26,595    | 1,696,950     | 1,723,545            | —                                    |
| Multifamily                     | —   | —                      | —                    | —         | 804,495       | 804,495              | —                                    |
| Office                          | 1,400   | 1,467                  | 7,202                | 10,069    | 435,061       | 445,130              | —                                    |
| Total commercial real estate    | 14,745  | 12,693                 | 9,226                | 36,664    | 2,936,506     | 2,973,170            | —                                    |
| Consumer                        |   |                        |                      |           |               |                      |                                      |
| Residential                     | 13,439  | 5,094                  | 8,021                | 26,554    | 2,348,463     | 2,375,017            | 1,341                                |
| Other                           | 495   | 104                    | 33                   | 632       | 88,468        | 89,100               | 33                                   |
| Total consumer                  | 13,934  | 5,198                  | 8,054                | 27,186    | 2,436,931     | 2,464,117            | 1,374                                |
| Total                           | \$ 36,788   | \$ 28,521              | \$ 33,596            | \$ 98,905 | \$ 12,266,429 | \$ 12,365,334        | \$ 1,399                             |

(1) \$47.6 million of net accrued interest receivable is excluded from the loan balances above as of March 31, 2021.

| (In thousands)                  | Age Analysis of Past-Due Loans as of December 31, 2020 |                        |                      |            | Current       | Total <sup>(1)</sup> | 90+ Days<br>Past Due and<br>Accruing |
|---------------------------------|--|------------------------|----------------------|------------|---------------|----------------------|--------------------------------------|
|                                 | 30-59 Days<br>Past Due                                 | 60-89 Days<br>Past Due | 90+ Days<br>Past Due | Total      |               |                      |                                      |
| Commercial and industrial       |  |                        |                      |            |               |                      |                                      |
| General C&I                     | \$ 4,609   | \$ 11,653              | \$ 16,301            | \$ 32,563  | \$ 4,388,723  | \$ 4,421,286         | \$ 9,130                             |
| Energy                          | —  | —                      | 1,691                | 1,691      | 1,308,921     | 1,310,612            | —                                    |
| Restaurant                      | 7,561  | 302                    | 5,283                | 13,146     | 958,516       | 971,662              | —                                    |
| Healthcare                      | 21   | 229                    | 354                  | 604        | 546,887       | 547,491              | —                                    |
| Total commercial and industrial | 12,191   | 12,184                 | 23,629               | 48,004     | 7,203,047     | 7,251,051            | 9,130                                |
| Commercial real estate          |  |                        |                      |            |               |                      |                                      |
| Industrial, retail, and other   | 12,619   | 2,884                  | 2,647                | 18,150     | 1,665,825     | 1,683,975            | 125                                  |
| Multifamily                     | —  | 198                    | —                    | 198        | 776,296       | 776,494              | —                                    |
| Office                          | 408  | —                      | 7,258                | 7,666      | 444,973       | 452,639              | —                                    |
| Total commercial real estate    | 13,027   | 3,082                  | 9,905                | 26,014     | 2,887,094     | 2,913,108            | 125                                  |
| Consumer                        |  |                        |                      |            |               |                      |                                      |
| Residential                     | 16,971   | 3,695                  | 12,375               | 33,041     | 2,419,824     | 2,452,865            | 4,625                                |
| Other                           | 179  | 5                      | —                    | 184        | 101,921       | 102,105              | —                                    |
| Total consumer                  | 17,150   | 3,700                  | 12,375               | 33,225     | 2,521,745     | 2,554,970            | 4,625                                |
| Total                           | \$ 42,368  | \$ 18,966              | \$ 45,909            | \$ 107,243 | \$ 12,611,886 | \$ 12,719,129        | \$ 13,880                            |

(1) \$47.0 million of net accrued interest receivable is excluded from the loan balances above as of December 31, 2020.



### Nonaccrual Status

The following table provides information about nonaccruing loans by portfolio segment and class of financing receivable as of and for the three months ended March 31, 2021.

| (In thousands)                         | Nonaccrual Loans - Amortized Cost <sup>(1)</sup> |                   |                  | No Allowance Recorded | 90+ Days Past Due and Accruing <sup>(2)</sup> | Interest Income Recognized |
|--|--|-------------------|------------------|-----------------------|---|----------------------------|
|  | December 31, 2020                                | March 31, 2021    |                  |                       |   |                            |
| <b>Commercial and industrial</b>       |  |                   |                  |                       |   |                            |
| General C&I                            | \$ 34,363  | \$ 21,222         | \$ 3,150         | \$ 25                 | \$ 26   |                            |
| Energy                                 | 20,241   | 34,212            | 1,642            | —                     | 1   |                            |
| Restaurant                             | 53,856   | 37,873            | 9,430            | —                     | 1   |                            |
| Healthcare                             | 951  | 846               | —                | —                     | 497   |                            |
| <b>Total commercial and industrial</b> | <b>109,411</b>                                   | <b>94,153</b>     | <b>14,222</b>    | <b>25</b>             | <b>525</b>                                    |                            |
| <b>Commercial real estate</b>          |  |                   |                  |                       |   |                            |
| Industrial, retail, and other          | 7,301  | 6,177             | 3,624            | —                     | 86  |                            |
| Multifamily                            | —  | —                 | —                | —                     | —   |                            |
| Office                                 | 7,258  | 8,669             | 8,587            | —                     | 71  |                            |
| <b>Total commercial real estate</b>    | <b>14,559</b>                                    | <b>14,846</b>     | <b>12,211</b>    | <b>—</b>              | <b>157</b>                                    |                            |
| <b>Consumer</b>                        |  |                   |                  |                       |   |                            |
| Residential                            | 14,028   | 14,361            | 1,096            | 1,341                 | 114   |                            |
| Other                                  | 4  | 3                 | —                | 33                    | 2   |                            |
| <b>Total consumer</b>                  | <b>14,032</b>                                    | <b>14,364</b>     | <b>1,096</b>     | <b>1,374</b>          | <b>116</b>                                    |                            |
| <b>Total</b>                           | <b>\$ 138,002</b>                                | <b>\$ 123,363</b> | <b>\$ 27,529</b> | <b>\$ 1,399</b>       | <b>\$ 798</b>                                 |                            |

(1) Nonperforming loans do not include nonperforming loans held for sale of \$3.4 million and \$0.2 million at March 31, 2021 and December 31, 2020, respectively

(2) Less than \$0.1 million of net accrued interest receivable is excluded from the loan balances above as of March 31, 2021.

### Loans Modified into TDRs

The Company attempts to work with borrowers when necessary to extend or modify loan terms to better align with the borrower's ability to repay. Extensions and modifications to loans are made in accordance with internal policies and guidelines which conform to regulatory guidance. Each occurrence is unique to the borrower and is evaluated separately. The Bank considers regulatory guidelines when restructuring loans to ensure that prudent lending practices are followed. Qualifying criteria and payment terms are structured by the borrower's current and prospective ability to comply with the modified terms of the loan.

A modification is classified as a TDR if the borrower is experiencing financial difficulty and it is determined that the Company has granted a concession to the borrower. The Company may determine that a borrower is experiencing financial difficulty if the borrower is currently in default on any of its debt, or if it is probable that a borrower may default in the foreseeable future without the modification. Concessions could include reductions of interest rates at a rate lower than current market rate for a new loan with similar risk, extension of the maturity date, reduction of accrued interest, principal forgiveness, forbearance, or other concessions. The assessments of whether a borrower is experiencing or will likely experience financial difficulty and whether a concession has been granted is highly subjective in nature, and management's judgment is required when determining whether a modification is classified as a TDR.

All TDRs are individually evaluated to measure the amount of any ACL. The TDR classification may be removed if the borrower demonstrates compliance with the modified terms and the restructuring agreement specifies an interest rate equal to that which would be provided to a borrower with similar credit at the time of restructuring.

The following table provides information regarding loans that were modified as TDRs during the periods indicated.

| (Dollars in thousands)        | For the Three Months Ended March 31, |                               |                |                               |
|-------------------------------|--------------------------------------|-------------------------------|----------------|-------------------------------|
|                               | 2021                                 |                               | 2020           |                               |
|                               | Number of TDRs                       | Amortized Cost <sup>(1)</sup> | Number of TDRs | Amortized Cost <sup>(1)</sup> |
| Commercial and industrial     |                                      |                               |                |                               |
| General C&I                   | —                                    | \$ —                          | 4              | \$ 33,339                     |
| Energy                        | —                                    | —                             | 1              | 8,105                         |
| Restaurant                    | —                                    | —                             | 2              | 24,247                        |
| Commercial real estate        |                                      |                               |                |                               |
| Industrial, retail, and other | 1                                    | 2,362                         | —              | —                             |
| <b>Total</b>                  | <b>1</b>                             | <b>\$ 2,362</b>               | <b>7</b>       | <b>\$ 65,691</b>              |

(1) There was zero and less than \$0.1 million of net accrued interest receivable recorded on the loan balances above as of March 31, 2021 and 2020, respectively.

For the three months ended March 31, 2021 and 2020, the Company had no TDRs for which there was a payment default within the 12 months following the restructure date. During the three months ended March 31, 2021, approximately \$289 thousand in charge-offs were taken related to one energy loan that was modified into a TDR during the same period. During the three months ended March 31, 2020, approximately \$6.8 million in charge-offs were taken related to one general C&I loan that was modified into a TDR during the same period.

The following table provides information regarding the types of loan modifications that were modified into TDRs during the periods indicated.

|                               | For the Three Months Ended March 31, |   |                 |   |
|-------------------------------|--------------------------------------|---|-----------------|---|
|                               | 2021                                 |   | 2020            |   |
|                               | Number of Loans Modified by:         |   |                 |   |
|                               | Rate Concession                      | Modified Terms and/or Other Concessions | Rate Concession | Modified Terms and/or Other Concessions |
| Commercial and industrial     |                                      |   |                 |   |
| General C&I                   | —                                    | —                                       | —               | 4                                       |
| Energy                        | —                                    | —                                       | 1               | —                                       |
| Restaurant                    | —                                    | —                                       | —               | 2                                       |
| Commercial real estate        |                                      |   |                 |   |
| Industrial, retail, and other | —                                    | 1                                       | —               | —                                       |
| <b>Total</b>                  | <b>—</b>                             | <b>1</b>                                | <b>1</b>        | <b>6</b>                                |

#### **Residential Mortgage Loans in Process of Foreclosure**

Included in loans are \$1.6 million of consumer loans secured by single-family residential real estate that are in process of foreclosure at March 31, 2021 and December 31, 2020. During 2020, we ceased foreclosure activities on residential real estate due to the COVID-19 pandemic. Loans in process of foreclosure include those for which formal foreclosure proceedings are in process according to local requirements of the applicable jurisdiction. In addition to the single-family residential real estate loans in process of foreclosure, the Company also held \$49 thousand of foreclosed single-family residential properties in other real estate owned as of March 31, 2021 and December 31, 2020.

#### **Note 4—Derivatives**

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 will designate certain derivatives as hedging instruments in a qualifying hedge accounting relationship. The Company's remaining derivatives 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" on 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, gains and losses due to changes in fair value are included in noninterest income and the operating section of the consolidated statement of cash flows. For derivatives designated as hedging instruments, the entire change in the fair value related to the derivative instrument is recognized as a component of other comprehensive income and subsequently reclassified into interest income when the forecasted transaction affects income.

The notional amounts and estimated fair values as of March 31, 2021 and December 31, 2020 were as follows:

| (In thousands)  | March 31, 2021  |              |                   | December 31, 2020 |              |                   |
|---|-----------------|--------------|-------------------|-------------------|--------------|-------------------|
|   | Notional Amount | Fair Value   |                   | Notional Amount   | Fair Value   |                   |
|   |                 | Other Assets | Other Liabilities |                   | Other Assets | Other Liabilities |
| Derivatives designated as hedging instruments (cash flow hedges): |                 |              |                   |                   |              |                   |
| Commercial loan interest rate swaps                               | \$ 350,000      | \$ 11,744    | \$ —              | \$ 350,000        | \$ 22,560    | \$ —              |
| Total derivatives designated as hedging instruments               | 350,000         | 11,744       | —                 | 350,000           | 22,560       | —                 |
| Derivatives not designated as hedging instruments:                |                 |              |                   |                   |              |                   |
| Commercial loan interest rate swaps                               | 1,188,783       | 13,916       | 2,503             | 1,200,581         | 20,699       | 1,647             |
| Commercial loan interest rate caps                                | 177,747         | 10           | 10                | 162,479           | 4            | 4                 |
| Commercial loan interest rate floors                              | 551,412         | 9,654        | 9,654             | 560,048           | 11,986       | 11,986            |
| Commercial loan interest rate collars                             | 64,442          | 150          | 150               | 66,665            | 305          | 305               |
| Mortgage loan held-for-sale interest rate lock commitments        | 26,126          | 249          | —                 | 33,458            | 531          | —                 |
| Mortgage loan forward sale commitments                            | 8,021           | 100          | —                 | 11,081            | 112          | —                 |
| Mortgage loan held-for-sale floating commitments                  | 4,746           | —            | —                 | 4,206             | —            | —                 |
| Foreign exchange contracts  | 67,500          | 986          | 829               | 89,707            | 780          | 1,058             |
| Total derivatives not designated as hedging instruments           | 2,088,777       | 25,065       | 13,146            | 2,128,225         | 34,417       | 15,000            |
| Total derivatives   | \$ 2,438,777    | \$ 36,809    | \$ 13,146         | \$ 2,478,225      | \$ 56,977    | \$ 15,000         |

The Company is party to collateral support agreements with certain derivative counterparties. Such agreements require that the Company or the counterparty to maintain collateral based on the fair values of derivative transactions. In the event of default by a counterparty the non-defaulting counterparty would be entitled to the collateral. At March 31, 2021 and December 31, 2020, the Company was required to post \$9.3 million and \$11.4 million, respectively, in cash or securities as collateral for its derivative transactions, which are included in “interest-bearing deposits with banks” on the Company’s consolidated balance sheets. In addition, the Company had recorded the obligation to return cash collateral provided by a counterparty of \$10.6 million as of March 31, 2021 within deposits on the Company’s consolidated balance sheet. The Company’s master agreements represent written, legally enforceable bilateral agreements that (1) create a single legal obligation for all individual transactions covered by the master agreement and (2) in the event of default, provide the non-defaulting counterparty the right to accelerate, terminate, and close-out on a net basis all transactions under the agreement and to promptly liquidate or set-off collateral posted by the defaulting counterparty. As permitted by U.S. GAAP, the Company does not offset fair value amounts for the right to reclaim cash collateral or the obligation to return cash collateral against fair value amounts of derivatives executed with the same counterparty under the master agreement.

The Company records pre-tax gains and losses for derivatives not designated as hedging instruments in noninterest income on the consolidated statements of operations. For the three months ended March 31, 2021 and 2020, mortgage loans held for sale interest rate lock commitments incurred losses totaling \$282 thousand compared to gains totaling \$311 thousand, respectively. Foreign exchange contract gains totaled \$1.1 million and \$865 thousand for the three months ended March 31, 2021 and 2020.

Pre-tax gain (loss) included in the consolidated statements of operations related to derivative instruments designed as hedging instruments for the three months ended March 31, 2021 and 2020 were as follows:

| (In thousands)  | For the Three Months Ended March 31, |   |           |   |
|---|--------------------------------------|---|-----------|---|
|   | 2021                                 |   | 2020      |   |
|   | OCI                                  | Reclassified from AOCI to interest income | OCI       | Reclassified from AOCI to interest income |
| Derivatives designated as hedging instruments (cash flow hedges): |                                      |   |           |   |
| Commercial loan interest rate swaps                               | \$ (9,532)                           | \$ 1,284                                  | \$ 24,035 | \$ (106)                                  |
| Commercial loan interest rate collars                             | —                                    | 12,812                                    | 143,198   | 8,213                                     |

### Cash Flow Hedges

Cash flow hedge relationships mitigate exposure to the variability of future cash flows or other forecasted transactions. The Company uses interest rate swaps, caps, floors and collars to manage overall cash flow changes related to interest rate risk exposure on benchmark interest rate loans (1-Month LIBOR).

In March 2020, a notional interest rate collar of \$4.0 billion was terminated, resulting in a \$261.2 million realized gain initially recorded in other comprehensive income (“OCI”) net of deferred income taxes. The gain was forecast to reclass out of OCI and amortize into interest income through February 29, 2024 based on a continuing expectation of an adequate number of hedge-eligible loans. Due to the economic impacts of the COVID-19 pandemic, the hedge was given the accounting designation of partial ineffectiveness due to a forecasted shortfall of hedge-eligible loans which began in the fourth quarter of 2020 and continuing throughout the remaining term of the original hedge. As a result, during the fourth quarter of 2020, an accelerated hedge revenue of \$169.2 million was recognized. Additional information is discussed in Note 7 of the Annual Report on Form 10-K for the year ended December 31, 2020.

Based on our current interest rate forecast, \$27.4 million of deferred income on derivatives in OCI at March 31, 2021 is estimated to be reclassified into net interest income during the next twelve months. Future changes to interest rates or the amount of outstanding hedged loans may significantly change actual amounts reclassified to income. There were no reclassifications into income during the three months ended March 31, 2021 and 2020 as a result of any discontinuance of cash flow hedges because the forecasted transaction is no longer probable. The maximum length of time over which the Company is hedging a portion of its exposure to the variability in future cash flows for forecasted transactions is approximately 4.9 years as of March 31, 2021.

***Interest Rate Agreements not designated as hedging derivatives***

The Company enters into certain interest rate swap, floor, cap and collar agreements 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 swap, floor, cap or collar with a loan customer while at the same time entering into an offsetting interest rate agreement with another financial institution. In connection with each swap transaction, the Company agrees to pay interest to the customer on a notional amount at a variable interest rate and receive interest from the customer on a similar notional amount at a fixed interest rate. At the same time, the Company agrees to pay another financial institution the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. The interest rate swap transaction allows the Company’s customer to effectively convert a variable rate loan to a fixed rate. The interest rate cap transaction allows the Company’s customer to minimize interest rate risk exposure to rising interest rates. Because the Company acts as an intermediary for its customer, changes in the fair value of the underlying derivative contracts for the most part offset each other and do not significantly impact the Company’s consolidated statements of operations. The Company is exposed to credit loss in the event of nonperformance by the parties to the interest rate agreements. However, the Company does not anticipate nonperformance by the counterparties. The estimated fair value has been recorded as an asset and a corresponding liability in the accompanying consolidated balance sheets as of March 31, 2021 and December 31, 2020.

**Note 5—Deposits**

Domestic time deposits \$250,000 and over were \$480.2 million and \$486.3 million at March 31, 2021 and December 31, 2020, respectively.

**Note 6—Borrowed Funds**

***Senior and Subordinated Debt***

Our outstanding senior and subordinated debt consists of the following:

| <b>(In thousands)</b>   | <b>March 31, 2021</b> | <b>December 31, 2020</b> |
|---|-----------------------|--------------------------|
| <b>Cadence Bancorporation:</b>  |                       |                          |
| 5.375% senior notes, due June 28, 2021  | \$ 50,000             | \$ 50,000                |
| 7.250% subordinated notes, due June 28, 2029, callable in 2024                      | 35,000                | 35,000                   |
| 3-month LIBOR plus 4.884%, subordinated notes, due March 11, 2025, callable in 2020 | —                     | 40,000                   |
| 4.750% subordinated notes, due June 30, 2029, callable in 2024                      | 85,000                | 85,000                   |
| Total — Cadence Bancorporation  | 170,000               | 210,000                  |
| <b>Cadence Bank:</b>  |                       |                          |
| 6.250% subordinated notes, due June 28, 2029, callable in 2024                      | 25,000                | 25,000                   |
| <b>Debt issue costs and unamortized premium</b>                                     | <b>(1,430)</b>        | <b>(1,670)</b>           |
| <b>Total senior and subordinated debt</b>   | <b>\$ 193,570</b>     | <b>\$ 233,330</b>        |

Details on the outstanding senior and subordinated debt are discussed in Note 10 of the Annual Report on Form 10-K for the year ended December 31, 2020. On February 5, 2021, the Company provided formal notification of the intent to call the \$40 million fixed-to-floating rate subordinated notes due on March 11, 2025. All necessary approvals from the Federal Reserve and the Company's Board of Directors had been received. Those notes were called on March 11, 2021.

The Company's outstanding senior notes are unsecured, unsubordinated obligations and are equal in right of payment to all the Company's other unsecured debt. The Company's subordinated notes are unsecured obligations and are subordinated in right of payment to all the Company's senior indebtedness and general creditors and to depositors of the Bank. The Company's senior and subordinated notes are not guaranteed by any subsidiary of the Company, including the Bank.

The Bank's subordinated notes are unsecured obligations and are subordinated in right of payment to all the Bank's senior indebtedness and general creditors and to depositors of the Bank. The Bank's subordinated notes are not guaranteed by the Company or any subsidiary of the Bank.

Payment of principal on the Company's and Bank's subordinated notes may be accelerated by holders of such subordinated notes only in the case of certain insolvency events. There is no right of acceleration under the subordinated notes in the case of default. The Company and/or the Bank may be required to obtain the prior written approval of the Federal Reserve, and, in the case of the Bank, the OCC, before it may repay the subordinated notes issued thereby upon acceleration or otherwise.

#### **Junior Subordinated Debentures**

Our junior subordinated debt consists of the following:

| <b>(In thousands)</b>  | <b>March 31, 2021</b> | <b>December 31, 2020</b> |
|--|-----------------------|--------------------------|
| Junior subordinated debentures, 3 month LIBOR plus 2.85%, due 2033 | \$ 30,000             | \$ 30,000                |
| Junior subordinated debentures, 3 month LIBOR plus 2.95%, due 2033 | 5,155                 | 5,155                    |
| Junior subordinated debentures, 3 month LIBOR plus 1.75%, due 2037 | 15,464                | 15,464                   |
| Total par value  | 50,619                | 50,619                   |
| Purchase accounting adjustment, net of amortization                | (12,925)              | (12,982)                 |
| Total junior subordinated debentures                               | <u>\$ 37,694</u>      | <u>\$ 37,637</u>         |

#### **Advances from FHLB**

Outstanding FHLB advances were \$100 million as of March 31, 2021 and December 31, 2020. At March 31, 2021, the outstanding advance was a long-term convertible advance. Advances and letters of credit outstanding are collateralized by \$3.7 billion of commercial and residential real estate loans pledged under a blanket lien arrangement as of March 31, 2021. At March 31, 2021, there remained \$889.9 million of borrowing availability.

As of March 31, 2021 and December 31, 2020, the FHLB has issued for the benefit of the Bank irrevocable letters of credit with outstanding balances of \$749 million and \$1.3 billion, respectively. The FHLB letters of credit are variable letters of credit in favor of municipal customers to secure certain deposits. Of the \$749 million in letters of credit, \$291 million expired on April 15, 2021, \$377 million will expire on June 30, 2021, and the remaining \$81 million will expire on December 31, 2021.

### **Note 7—Other Noninterest Income and Other Noninterest Expense**

The detail of other noninterest income and other noninterest expense captions presented in the consolidated statements of operations is as follows:

| <b>(In thousands)</b>                          | <b>Three Months Ended March 31,</b> |                 |
|--|-------------------------------------|-----------------|
|  | <b>2021</b>                         | <b>2020</b>     |
| Other noninterest income                       |                                     |                 |
| Insurance revenue                              | \$ 270                              | \$ 249          |
| Income from bank owned life insurance policies | 1,574                               | 1,328           |
| Other  | 4,688                               | (577)           |
| Total other noninterest income                 | <u>\$ 6,532</u>                     | <u>\$ 1,000</u> |

| (In thousands)                   | Three Months Ended March 31, |                  |
|----------------------------------|------------------------------|------------------|
|                                  | 2021                         | 2020             |
| Other noninterest expenses       |                              |                  |
| Data processing expense          | \$ 3,259                     | \$ 3,352         |
| Software amortization            | 4,507                        | 3,547            |
| Consulting and professional fees | 3,233                        | 2,707            |
| Loan related expenses            | 796                          | 760              |
| FDIC insurance                   | 1,465                        | 2,436            |
| Communications                   | 1,243                        | 1,156            |
| Advertising and public relations | 927                          | 1,464            |
| Legal expenses                   | 925                          | 411              |
| Other                            | 9,037                        | 11,636           |
| Total other noninterest expenses | <u>\$ 25,392</u>             | <u>\$ 27,469</u> |

#### Note 8—Income Taxes

Income tax expense (benefit) for the three months ended March 31, 2021 was \$30.5 million compared to a benefit of \$(33.2) million for the same period in 2020. The effective tax rate was 22.3% for the three months ended March 31, 2021 compared to 7.7% for the same period in 2020. The increase in the effective tax rate for the three months ended March 31, 2021 primarily resulted higher pre-tax income in the current period. The effective tax rate for the three months ended March 31, 2020 was driven by the non-tax-deductible portion of the goodwill impairment charge that occurred in 2020.

The effective tax rate is primarily affected by the amount of pre-tax income, and to a lesser extent, tax-exempt interest income, and the increase in cash surrender value of bank-owned life insurance. The effective tax rate is also affected by discrete items that may occur in any given period but are not consistent from period-to-period, which may impact the comparability of the effective tax rate between periods.

At March 31, 2021, we had a net deferred tax asset of \$72.1 million, compared to \$63.7 million at December 31, 2020. The increase in the net deferred asset was primarily due to the tax effect of the decrease in unrealized gains on securities available-for-sale, partially mitigated by the income tax effects of the release for credit losses recorded in the first quarter of 2021.

#### Note 9—Earnings Per Common Share

The following table displays a reconciliation of the information used in calculating basic and diluted net income (loss) per common share for the three months ended March 31, 2021 and 2020.

| (In thousands, except share and per share data)               | Three Months Ended March 31, |                     |
|---|------------------------------|---------------------|
|   | 2021                         | 2020                |
| Net income (loss) per consolidated statements of operations   | \$ 106,425                   | \$ (399,311)        |
| Net income allocated to participating securities              | (596)                        | —                   |
| Net income (loss) allocated to common stock                   | <u>\$ 105,829</u>            | <u>\$ (399,311)</u> |
| Weighted average common shares outstanding (Basic)            | 125,079,250                  | 126,630,446         |
| Weighted average dilutive restricted stock units and warrants | 542,258                      | —                   |
| Weighted average common shares outstanding (Diluted)          | <u>125,621,508</u>           | <u>126,630,446</u>  |
| Earnings (loss) per common share (Basic)                      | <u>\$ 0.85</u>               | <u>\$ (3.15)</u>    |
| Earnings (loss) per common share (Diluted)                    | <u>\$ 0.84</u>               | <u>\$ (3.15)</u>    |

The effect from the assumed exercise of 171,483 and 2,512,524 stock options and restricted stock units for the three months ended March 31, 2021 and 2020, respectively, was not included in the above computations of diluted earnings per share because such amounts would have had an antidilutive effect on earnings per common share.

#### Note 10—Regulatory Matters

Cadence and Cadence Bank are each required to comply with regulatory capital requirements established by federal and state banking agencies. Failure to meet minimum capital requirements can subject the Company and the Bank to certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. These regulatory capital requirements involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items, and qualitative judgments by the regulators.

Quantitative measures established by regulation to ensure capital adequacy require institutions to maintain minimum ratios of common equity Tier 1, Tier 1, and total capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to average tangible assets (the “Leverage” ratio).

During 2020, the federal banking agencies issued a final rule to delay 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 strains on the U.S economy due to COVID-19, while also maintaining the quality of regulatory capital. Under the final rule, 100% of the CECL Day 1 impact and 25% of subsequent provisions for credit losses (“Day 2” impacts) are deferred over a two-year year period ending January 1, 2022, at which time this deferred amount will be phased in on a pro rata basis over a three-year period ending January 2025.

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

|                              | Consolidated Company |                   | Bank           |                   |
|------------------------------|----------------------|-------------------|----------------|-------------------|
|                              | March 31, 2021       | December 31, 2020 | March 31, 2021 | December 31, 2020 |
| Tier 1 leverage              | 10.9%                | 10.9%             | 11.0%          | 11.3%             |
| Common equity tier 1 capital | 14.2                 | 14.0              | 14.0           | 14.1              |
| Tier 1 risk-based capital    | 14.2                 | 14.0              | 14.3           | 14.5              |
| Total risk-based capital     | 16.7                 | 16.7              | 15.8           | 15.9              |

Under regulations controlling national banks, the payment of any dividends by a bank without prior approval of the OCC is limited to the current year’s net profits (as defined by the OCC) and retained net profits of the two preceding years. Due to the effects of the recognition of the non-cash goodwill impairment charge in the first quarter of 2020 to the Bank’s retained profits and the net loss incurred in the second quarter of 2020, the Bank is currently required to seek prior approval of the OCC to pay dividends to the holding company. The Federal Reserve, as primary regulator for bank holding companies, has also stated that all common stock dividends should be paid out of current income. Additionally, on July 24, 2020, the Federal Reserve amended its supervisory guidance and regulations addressing dividends from bank holding companies to require consultation with the Federal Reserve prior to paying a dividend that exceeds earnings for the period for which the dividend is being paid.

The holding company had \$183.5 million in cash on hand as of March 31, 2021, and has \$50 million in senior debt maturing in June 2021. While the holding company cash level is currently significant, the holding company does not generate income on a stand-alone basis, and other than raising cash from capital or debt markets, the holding company’s future cash level is dependent upon receiving dividends from the Bank.

#### Note 11—Commitments and Contingent Liabilities

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. The commitments and contingent liabilities are commitments to extend credit, home equity lines, overdraft protection lines, and standby and commercial letters of credit. Such financial instruments are recorded when they are funded. A summary of commitments and contingent liabilities is as follows:

| (In thousands)                | March 31, 2021 | December 31, 2020 |
|-------------------------------|----------------|-------------------|
| Commitments to extend credit  | \$ 4,450,271   | \$ 4,344,268      |
| Commitments to grant loans    | 285,863        | 154,507           |
| Standby letters of credit     | 216,011        | 216,741           |
| Performance letters of credit | 17,032         | 16,065            |
| Commercial letters of credit  | 20,832         | 21,156            |

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. No significant losses on commitments were incurred during the three months ended March 31, 2021 and 2020.

The Company makes investments in limited partnerships, including certain low-income housing partnerships for which tax credits are received. As of March 31, 2021 and December 31, 2020, unfunded capital commitments totaled \$39.3 million and \$40.6 million, respectively (see Note 13).

The Company and the Bank are defendants in various pending and threatened legal actions arising in the normal course of business. In the opinion of management, based upon the advice of legal counsel, the ultimate disposition of all pending and threatened legal action will not have a material effect on the Company's consolidated financial statements.

#### Note 12—Disclosure About Fair Values of Financial Instruments

See Note 17 to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2020 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 table below presents the Company's assets and liabilities measured at fair value on a recurring basis categorized by the level of inputs used in the valuation of each asset at March 31, 2021 and December 31, 2020:

| (In thousands)                             | Carrying Value      | (Level 1)   | (Level 2)           | (Level 3)        |
|--|---------------------|-------------|---------------------|------------------|
| <b>March 31, 2021</b>                      |                     |             |                     |                  |
| <b>Assets</b>                              |                     |             |                     |                  |
| Investment securities available-for-sale   | \$ 3,918,666        | \$ —        | \$ 3,918,666        | \$ —             |
| Derivative assets                          | 36,809              | —           | 36,809              | —                |
| Other assets                               | 40,693              | —           | —                   | 40,693           |
| Total recurring basis measured assets      | <u>\$ 3,996,168</u> | <u>\$ —</u> | <u>\$ 3,955,475</u> | <u>\$ 40,693</u> |
| <b>Liabilities</b>                         |                     |             |                     |                  |
| Derivative liabilities                     | \$ 13,146           | \$ —        | \$ 13,146           | \$ —             |
| Total recurring basis measured liabilities | <u>\$ 13,146</u>    | <u>\$ —</u> | <u>\$ 13,146</u>    | <u>\$ —</u>      |
| <b>December 31, 2020</b>                   |                     |             |                     |                  |
| <b>Assets</b>                              |                     |             |                     |                  |
| Investment securities available-for-sale   | \$ 3,332,168        | \$ —        | \$ 3,332,168        | \$ —             |
| Derivative assets                          | 56,977              | —           | 56,977              | —                |
| Other assets                               | 38,758              | —           | —                   | 38,758           |
| Total recurring basis measured assets      | <u>\$ 3,427,903</u> | <u>\$ —</u> | <u>\$ 3,389,145</u> | <u>\$ 38,758</u> |
| <b>Liabilities</b>                         |                     |             |                     |                  |
| Derivative liabilities                     | \$ 15,000           | \$ —        | \$ 15,000           | \$ —             |
| Total recurring basis measured liabilities | <u>\$ 15,000</u>    | <u>\$ —</u> | <u>\$ 15,000</u>    | <u>\$ —</u>      |

##### Changes in Level 3 Fair Value Measurements

The tables below include a roll-forward of the consolidated balance sheet amounts for the three months ended March 31, 2021 and 2020 for changes in the fair value of financial instruments within Level 3 of the valuation hierarchy that are recorded on a recurring basis. Level 3 financial instruments typically include unobservable components but may also include some observable components that may be validated to external sources. The gains or (losses) in the following table (which are reported in other noninterest income in the consolidated statements of operations) may include changes to fair value due in part to observable factors that may be part of the valuation methodology.



**Level 3 Assets Measured at Fair Value on a Recurring Basis**

| (In thousands)  | For the Three Months Ended March 31, |       |                                     |       |                      |         |      |        |    |       |    |       |
|---|--------------------------------------|-------|-------------------------------------|-------|----------------------|---------|------|--------|----|-------|----|-------|
|   | 2021                                 |       | 2020                                |       | 2021                 |         | 2020 |        |    |       |    |       |
|   | Net Profits Interests                |       | Investments in Limited Partnerships |       | SBA Servicing Rights |         |      |        |    |       |    |       |
| Beginning Balance   | \$                                   | 3,282 | \$                                  | 4,330 | \$                   | 30,902  | \$   | 18,742 | \$ | 4,574 | \$ | 3,811 |
| Originations  |                                      | —     |                                     | —     |                      | —       |      | —      |    | 387   |    | 299   |
| Net (losses) gains included in earnings   |                                      | —     |                                     | (259) |                      | 1,785   |      | (316)  |    | (30)  |    | (168) |
| Reclassifications   |                                      | —     |                                     | —     |                      | (2)     |      | 525    |    | —     |    | —     |
| Contributions paid  |                                      | —     |                                     | —     |                      | 1,807   |      | 1,283  |    | —     |    | —     |
| Distributions received  |                                      | —     |                                     | —     |                      | (2,012) |      | (449)  |    | —     |    | —     |
| Ending Balance  | \$                                   | 3,282 | \$                                  | 4,071 | \$                   | 32,480  | \$   | 19,785 | \$ | 4,931 | \$ | 3,942 |
| Net unrealized (losses) gains included in earnings relating to assets held at the end of the period                     | \$                                   | —     | \$                                  | (259) | \$                   | 1,785   | \$   | (316)  | \$ | (30)  | \$ | (168) |
| Net unrealized gains (losses) recognized in other comprehensive income relating to assets held at the end of the period | \$                                   | —     | \$                                  | —     | \$                   | —       | \$   | —      | \$ | —     | \$ | —     |

**Assets 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. For assets measured at fair value on a nonrecurring basis which were still held on the balance sheets at March 31, 2021 and December 31, 2020, the following tables provide the level of valuation assumptions used to determine each adjustment and the related carrying value:

| (In thousands)   | Carrying Value | (Level 1) | (Level 2) | (Level 3) |
|--|----------------|-----------|-----------|-----------|
| <b>March 31, 2021</b>  |                |           |           |           |
| Loans held for sale  | \$ 46,696      | \$ —      | \$ 46,696 | \$ —      |
| Individually evaluated loans, net of allocated allowance for credit losses | 67,268         | —         | —         | 67,268    |
| Other real estate and repossessed assets                                   | 6,255          | —         | —         | 6,255     |
| Total assets measured on a nonrecurring basis                              | \$ 120,219     | \$ —      | \$ 46,696 | \$ 73,523 |

| (In thousands)   | Carrying Value | (Level 1) | (Level 2) | (Level 3) |
|--|----------------|-----------|-----------|-----------|
| <b>December 31, 2020</b>   |                |           |           |           |
| Loans held for sale  | \$ 47,018      | \$ —      | \$ 47,018 | \$ —      |
| Individually evaluated loans, net of allocated allowance for credit losses | 87,084         | —         | —         | 87,084    |
| Other real estate  | 6,517          | —         | —         | 6,517     |
| Total assets measured on a nonrecurring basis                              | \$ 140,619     | \$ —      | \$ 47,018 | \$ 93,601 |

Significant unobservable inputs used in Level 3 fair value measurements for financial assets measured at fair value on a nonrecurring basis are summarized below:

| (In thousands)   | Quantitative Information about Level 3 Fair Value Measurements |                              |                                    |             |                      |
|--|--|------------------------------|------------------------------------|-------------|----------------------|
|  | Carrying Value   | Valuation Methods            | Unobservable Inputs                | Range       | Weighted Average (1) |
| <b>March 31, 2021</b>  |  |                              |                                    |             |                      |
| Individually evaluated loans, net of allowance for credit losses | \$ 67,268  | Appraised value, as adjusted | Discount to fair value             | 0% - 104%   | 26%                  |
|  |  | Enterprise value             | Comparables and average multiplier | 1.8x - 6.7x | 6.23x                |
|  |  | Enterprise value             | Discount rates and comparables     | 9%-13%      | 11%                  |
| Other real estate and repossessed assets                         | 6,255  | Appraised value, as adjusted | Discount to fair value             | 0% - 20%    | 10%                  |
|  |  |                              | Estimated closing costs            | 10%         | 10%                  |

| (In thousands)   | Quantitative Information about Level 3 Fair Value Measurements |                              |                                    |               |                      |
|--|--|------------------------------|------------------------------------|---------------|----------------------|
|  | Carrying Value   | Valuation Methods            | Unobservable Inputs                | Range         | Weighted Average (1) |
| <b>December 31, 2020</b>   |  |                              |                                    |               |                      |
| Individually evaluated loans, net of allowance for credit losses | \$ 87,084  | Appraised value, as adjusted | Discount to fair value             | 0% - 72%      | 32%                  |
|  |  | Discounted cash flow         | Discount rate                      | 3.75% - 3.91% | 4%                   |
|  |  | Enterprise value             | Comparables and average multiplier | 4.5x - 6.47x  | 4.95x                |
|  |  | Enterprise value             | Discount rates and comparables     | 9%-15%        | 12%                  |
| Other real estate and repossessed assets                         | 6,517  | Appraised value, as adjusted | Discount to fair value             | 0% - 20%      | 10%                  |
|  |  |                              | Estimated closing costs            | 10%           | 10%                  |

(1) Weighted averages was calculated using the input attribute and the outstanding balance of the loan

The estimated fair values of the Company's financial instruments are as follows:

| (In thousands)                           | March 31, 2021  |            |            |            |            |
|--|-----------------|------------|------------|------------|------------|
|  | Carrying Amount | Fair Value | Level 1    | Level 2    | Level 3    |
| <i>Financial Assets:</i>                 |                 |            |            |            |            |
| Cash and due from banks                  | \$ 205,425      | \$ 205,425 | \$ 205,425 | \$ —       | \$ —       |
| Interest-bearing deposits in other banks | 1,680,087       | 1,680,087  | 1,680,087  | —          | —          |
| Federal funds sold                       | 3,006           | 3,006      | 3,006      | —          | —          |
| Investment securities available-for-sale | 3,918,666       | 3,918,666  | —          | 3,918,666  | —          |
| Loans held for sale                      | 69,858          | 69,858     | —          | 69,858     | —          |
| Net loans                                | 12,057,297      | 12,165,321 | —          | —          | 12,165,321 |
| Derivative assets                        | 36,809          | 36,809     | —          | 36,809     | —          |
| Other assets                             | 94,579          | 94,579     | —          | —          | 94,579     |
| <i>Financial Liabilities:</i>            |                 |            |            |            |            |
| Deposits                                 | 16,129,199      | 16,134,499 | —          | 16,134,499 | —          |
| Advances from FHLB                       | 100,000         | 100,000    | —          | 100,000    | —          |
| Senior debt                              | 49,994          | 50,264     | —          | 50,264     | —          |
| Subordinated debt                        | 143,575         | 154,412    | —          | 154,412    | —          |
| Junior subordinated debentures           | 37,694          | 44,219     | —          | 44,219     | —          |
| Notes payable                            | 1,721           | 1,721      | —          | 1,721      | —          |
| Derivative liabilities                   | 13,146          | 13,146     | —          | 13,146     | —          |

| (In thousands)                           | December 31, 2020 |            |            |            |            |
|--|-------------------|------------|------------|------------|------------|
|  | Carrying Amount   | Fair Value | Level 1    | Level 2    | Level 3    |
| <i>Financial Assets:</i>                 |                   |            |            |            |            |
| Cash and due from banks                  | \$ 283,261        | \$ 283,261 | \$ 283,261 | \$ —       | \$ —       |
| Interest-bearing deposits in other banks | 1,768,847         | 1,768,847  | 1,768,847  | —          | —          |
| Federal funds sold                       | 1,838             | 1,838      | 1,838      | —          | —          |
| Investment securities available-for-sale | 3,332,168         | 3,332,168  | —          | 3,332,168  | —          |
| Loans held for sale                      | 47,018            | 47,018     | —          | 47,018     | —          |
| Net loans                                | 12,351,969        | 12,529,458 | —          | —          | 12,529,458 |
| Derivative assets                        | 56,977            | 56,977     | —          | 56,977     | —          |
| Other assets                             | 96,838            | 96,838     | —          | —          | 96,838     |
| <i>Financial Liabilities:</i>            |                   |            |            |            |            |
| Deposits                                 | 16,052,245        | 16,059,358 | —          | 16,059,358 | —          |
| Advances from FHLB                       | 100,000           | 100,000    | —          | 100,000    | —          |
| Senior debt                              | 49,986            | 50,439     | —          | 50,439     | —          |
| Subordinated debt                        | 183,344           | 191,438    | —          | 191,438    | —          |
| Junior subordinated debentures           | 37,637            | 42,745     | —          | 42,745     | —          |
| Notes payable                            | 1,702             | 1,702      | —          | 1,702      | —          |
| Derivative liabilities                   | 15,000            | 15,000     | —          | 15,000     | —          |

### Note 13—Variable Interest Entities and Other Investments

The Bank has invested in several affordable housing projects as a limited partner. The partnerships have qualified to receive annual affordable housing federal tax credits that are recognized as a reduction of current tax expense. The Company has determined that these structures meet the definition of a VIE but that consolidation is not required, as the Bank is not the primary beneficiary. At March 31, 2021 and December 31, 2020, the Bank's maximum exposure to loss associated with these limited partnerships was limited to the Bank's investment. The Company accounts for these investments and the related tax credits using either the effective yield method or the proportional amortization method, depending upon the date of the investment. Under the effective yield method, the Bank recognizes the tax credits as they are allocated and amortizes the initial costs of the investments to provide a constant effective yield over the period that the tax credits are allocated. Under the proportional amortization method, the Bank 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. At March 31, 2021 and December 31, 2020, the Company had recorded investments in other assets on its consolidated balance sheets of approximately \$30.7 million and \$31.5 million, respectively, related to these investments.

Additionally, the Company invests in other certain limited partnerships accounted for under the fair value practical expedient of net asset value totaling \$32.5 million and \$30.9 million as of March 31, 2021 and December 31, 2020, respectively. The company recognized \$1.8 million in gains for the three months ended March 31, 2021 compared to \$0.3 million in losses for the same period in 2020 related to these assets recorded at fair value through net income. Certain other limited partnerships without readily determinable fair values that do not qualify for the practical expedient are accounted for at their cost minus impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. These investments totaled \$4.6 million and \$7.1 million as of March 31, 2021 and December 31, 2020, respectively. Other limited partnerships are accounted for under the equity method totaling \$14.1 million and \$14.6 million at March 31, 2021 and December 31, 2020, respectively.

The following table presents a summary of the Company's investments in limited partnerships :

| (In thousands)   | March 31, 2021   | December 31, 2020 |
|--|------------------|-------------------|
| Affordable housing projects (amortized cost)   | \$ 30,665        | \$ 31,541         |
| Limited partnerships accounted for under the fair value practical expedient of NAV   | 32,480           | 30,902            |
| Limited partnerships without readily determinable fair values that do not qualify for the practical expedient of NAV accounted for under the cost method | 4,559            | 7,105             |
| Limited partnerships required to be accounted for under the equity method  | 14,136           | 14,646            |
| Total investments in limited partnerships  | <u>\$ 81,840</u> | <u>\$ 84,194</u>  |

Equity investments with readily determinable fair values not held for trading are recorded at fair value, with changes in fair value reported in net income. Cadence elected a measurement alternative to fair value for certain equity investments without a readily determinable fair value. As of March 31, 2021 and December 31, 2020, there were no downward and upward adjustments to these investments for impairments or price changes from observable transactions. However, in 2020, there was one investment determined to be fully impaired and a \$1.9 million charge was recognized. The carrying amount of equity investments measured under the measurement alternative are as follows:

| (In thousands)                    | For the Three Months Ended March 31, |                 |
|-----------------------------------|--------------------------------------|-----------------|
|                                   | 2021                                 | 2020            |
| Carrying value, Beginning of Year | \$ 7,105                             | \$ 8,681        |
| Reclassifications                 | 2,821                                | (525)           |
| Distributions                     | (5,941)                              | (215)           |
| Contributions                     | 574                                  | 300             |
| Carrying value, End of Period     | <u>\$ 4,559</u>                      | <u>\$ 8,241</u> |

During 2016, the Bank received net profits interests in oil and gas reserves, in connection with the reorganization under bankruptcy of two loan customers (one of these was sold during 2018). The Company has determined that these contracts meet the definition of a VIE but that consolidation is not required as the Bank is not the primary beneficiary. The net profits interests are financial instruments and recorded at estimated fair value, which was \$3.3 million at both March 31, 2021 and December 31, 2020, representing the maximum exposure to loss as of that date.

The Company has established a rabbi trust related to the deferred compensation plan offered to certain of its employees. The Company contributes employee cash compensation deferrals to the trust. The assets of the trust are available to creditors of the Company only in the event the Company becomes insolvent. This trust is considered a VIE because either there is no equity at risk in the trust or because the Company provided the equity interest to its employees in exchange for services rendered. The Company is considered the primary beneficiary of the rabbi trust as it has the ability to select the underlying investments made by the trust, the activities that most significantly impact the economic performance of the rabbi trust. The Company includes the assets of the rabbi trust as a component of other assets and a corresponding liability for the associated benefit obligation in other liabilities in its consolidated balance sheets. The amount of rabbi trust assets and benefit obligation was \$4.1 million and \$4.0 million at March 31, 2021 and December 31, 2020, respectively.

#### Note 14—Segment Reporting

The Company evaluates performance and allocates resources based on profit or loss from operations. Information on the reportable segments is discussed in Note 19 of the Annual Report on Form 10-K for the year ended December 31, 2020. There are no material inter-segment sales or transfers. During the first quarter of 2020, the Company recognized a \$443.7 non-cash goodwill impairment charge representing all of the goodwill allocated to the Banking segment. The accounting policies used by each reportable segment are the same as those discussed in Note 1 of the Annual Report on Form 10-K for the year ended December 31, 2020. All costs, except corporate administration and income taxes, have been allocated to the reportable segments. Therefore, combined amounts agree to the consolidated totals.

The following tables present the operating results of the segments as of and for the three months ended March 31, 2021 and 2020:

| (In thousands)                        | Three Months Ended March 31, 2021 |                    |            |               |
|---------------------------------------|-----------------------------------|--------------------|------------|---------------|
|                                       | Banking                           | Financial Services | Corporate  | Consolidated  |
| Net interest income (expense)         | \$ 146,119                        | \$ (47)            | \$ (3,324) | \$ 142,748    |
| Provision (release) for credit losses | (48,262)                          | —                  | —          | (48,262)      |
| Noninterest income                    | 30,071                            | 13,261             | 364        | 43,696        |
| Noninterest expense                   | 86,867                            | 9,329              | 1,626      | 97,822        |
| Income tax expense (benefit)          | 32,153                            | 386                | (2,080)    | 30,459        |
| Net income (loss)                     | \$ 105,432                        | \$ 3,499           | \$ (2,506) | \$ 106,425    |
| Total assets                          | \$ 18,698,902                     | \$ 92,374          | \$ 9,074   | \$ 18,800,350 |

| (In thousands)                | Three Months Ended March 31, 2020 |                    |            |               |
|-------------------------------|-----------------------------------|--------------------|------------|---------------|
|                               | Banking                           | Financial Services | Corporate  | Consolidated  |
| Net interest income (expense) | \$ 157,557                        | \$ (352)           | \$ (3,737) | \$ 153,468    |
| Provision for credit losses   | 83,429                            | —                  | —          | 83,429        |
| Noninterest income            | 25,343                            | 10,208             | (482)      | 35,069        |
| Noninterest expense           | 528,066                           | 8,710              | 877        | 537,653       |
| Income tax (benefit) expense  | (30,922)                          | 95                 | (2,407)    | (33,234)      |
| Net (loss) income             | \$ (397,673)                      | \$ 1,051           | \$ (2,689) | \$ (399,311)  |
| Total assets                  | \$ 17,142,981                     | \$ 90,600          | \$ 4,337   | \$ 17,237,918 |

#### Note 15—Equity-based Compensation

The Company administers a long-term incentive compensation plan that permits the granting of incentive awards in the form of stock options, restricted stock, restricted stock units, performance units, stock appreciation rights, or other stock-based awards. The terms of all awards issued under these plans are determined by the Compensation Committee of the Board of Directors.

The Amended and Restated 2015 Omnibus Incentive Plan (the “Plan”) permits the Company to grant to employees and directors various forms of incentive compensation. The principal purposes of this plan are to focus directors, officers, and other employees and consultants on business performance that creates shareholder value, to encourage innovative approaches to the business of the Company, and to encourage ownership of the Company’s stock. The Plan authorizes 7.5 million common share equivalents available for grant, where grants of full value awards (e.g., shares of restricted stock, restricted stock units and performance stock units) count as one share equivalent. The number of remaining share equivalents available for future issuance under the Plan was 3.8 million at March 31, 2021.

### **Restricted Stock Units**

During the three months ended March 31, 2021 and 2020, the Company did not grant any shares of stock-based awards in the form of restricted stock units (“RSU”) pursuant to and subject to the provisions of the Plan. The following table summarizes the activity related to restricted stock unit awards:

|                                   | <b>For the Three Months Ended March 31,</b> |   |                         |   |
|-----------------------------------|---|---|-------------------------|---|
|                                   | <b>2021</b>                                 |   | <b>2020</b>             |   |
|                                   | <b>Number of Shares</b>                     | <b>Weighted Average Fair Value per Unit at Award Date</b> | <b>Number of Shares</b> | <b>Weighted Average Fair Value per Unit at Award Date</b> |
| Non-vested at beginning of period | 1,617,945                                   | \$ 14.35  | 1,229,863               | \$ 19.97  |
| Granted during the period         | —   | —   | —                       | —   |
| Vested during the period          | (363,495)                                   | 14.63   | (160,668)               | 20.55   |
| Forfeited during the period       | (118,049)                                   | 23.72   | (56,429)                | 20.20   |
| Non-vested at end of period       | <u>1,136,401</u>                            | <u>\$ 13.28</u>   | <u>1,012,766</u>        | <u>\$ 19.86</u>   |

The RSU granted include both time and performance-based components. The following table summarizes the vesting schedule for the time-based RSU granted that remain unvested at March 31, 2021:

| <b>Quarter Ending</b> | <b>Annual Vesting</b> | <b>Quarterly Vesting</b> | <b>Cliff Vesting</b> |
|-----------------------|-----------------------|--------------------------|----------------------|
| June 30, 2021         |                       | 1,000                    |                      |
| September 30, 2021    | 962                   |                          |                      |
| March 31, 2022        | 24,282                | 138,652                  | 21,653               |
| March 31, 2023        | 96,989                |                          |                      |
| June 30, 2023         | 5,252                 |                          |                      |
| September 30, 2023    | 7,426                 |                          |                      |
| March 31, 2024        | 544,361               |                          |                      |
| June 30, 2024         | 9,200                 |                          |                      |
| September 30, 2024    | 10,000                |                          |                      |

While the grants of performance-based RSU specify a stated target number of units, the determination of the actual number of shares to be issued will be based on the achievement of certain financial performance measures of the Company. These performance conditions will determine the actual number of shares to be issued and can be in the range of 0% to 200% of the target number of performance-based RSU granted. RSU include rights as a shareholder in the form of dividend equivalents. Dividend equivalents for time-based RSU will be paid on each dividend payment date for the Company; dividend equivalents for the performance-based RSU will be accrued and paid on the number of earned shares once the performance level is determined and the corresponding number of shares are issued. The fair value of the RSU was estimated based upon the fair value of the underlying shares on the date of the grant.

The Company recorded \$2.2 million of equity-based compensation expense for the outstanding restricted stock units for the three months ended March 31, 2021, compared to \$1.1 million for the three months ended March 31, 2020. The remaining expense related to unvested restricted stock units is \$11.3 million as of March 31, 2021 and will be recognized over service periods ranging from 3 months to 42 months.

## Stock Options

During the first quarter of 2019, the Company granted 1,602,848 stock options to certain executive officers. The options were granted at an exercise price equal to a 15% premium to the fair value of the Company's Class A common stock at the date of grant, with a weighted-average exercise price of \$20.43. The options vest over a three-year period and expire at the end of seven years. During the three months ended March 31, 2021 and 2020, 534,283 of the stock options vested, leaving 534,283 stock options unvested as of March 31, 2021. The Company recorded \$309 thousand of equity-based compensation expense for the outstanding stock options for both the three months ended March 31, 2021 and 2020. The remaining expense related to unvested stock options is \$1.0 million at March 31, 2021 and will be recognized over the next 10 months.

The Company uses the Black-Scholes option pricing model to estimate the fair value of the stock options. See Note 20 to the consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2020 for a description of the assumptions used for stock option awards issued during 2019.

## Employee Stock Purchase Plan

On June 1, 2018, the Company commenced the 2018 Employee Stock Purchase Plan ("ESPP"), whereby employees may purchase the Company's Class A common stock at a discount of 15% of the fair market value of a share of Class A common stock, defined as the closing price of Class A common stock on the NYSE for the last day of the purchase period (as defined in the ESPP). The total amount of the Company's Class A common stock on which options may be granted under the ESPP shall not exceed 500,000 shares. Shares of Class A common stock subject to any unexercised portion of a terminated, canceled, or expired option granted under the ESPP may again be used for options under the ESPP. No participating employee shall have any rights as a shareholder until the issuance of shares to the employee. There were 20,212 shares of Class A common stock purchased in the open market by the ESPP during the three months ended March 31, 2021, compared to 67,844 shares during the three months ended March 31, 2020, which resulted in compensation expense of \$75 thousand and \$14 thousand for the three months ended March 31, 2021 and 2020, respectively.

## Note 16—Accumulated Other Comprehensive Income (Loss)

Activity within the balances in accumulated other comprehensive income (loss) is shown in the following tables for the three months ended March 31, 2021 and 2020.

| (In thousands)               | Three Months Ended March 31, 2021                          |  |   |
|------------------------------|--|--|---|
|                              | Unrealized gains (losses) on securities available-for-sale | Unrealized gains (losses) on derivative instruments designated as cash flow hedges | Accumulated other comprehensive income (loss) |
| Balance at December 31, 2020 | \$ 65,594  | \$ 44,492  | \$ 110,086                                    |
| Net change                   | (68,810)   | (18,077)   | (86,887)                                      |
| Balance at March 31, 2021    | \$ (3,216)   | \$ 26,415  | \$ 23,199                                     |

  

| (In thousands)               | Three Months Ended March 31, 2020                 |   |  |
|------------------------------|---|---|--|
|                              | Unrealized gains on securities available-for-sale | Unrealized gains on derivative instruments designated as cash flow hedges | Accumulated other comprehensive income |
| Balance at December 31, 2019 | \$ 19,605   | \$ 95,097   | \$ 114,702                             |
| Net change                   | 45,842  | 120,129   | 165,971                                |
| Balance at March 31, 2020    | \$ 65,447   | \$ 215,226  | \$ 280,673                             |

### **Note 17—Subsequent Events**

On April 12, 2021, Cadence Bancorporation, a Delaware corporation (“Cadence”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) with BancorpSouth Bank, a Mississippi-chartered bank (“BancorpSouth”), and Cadence’s bank subsidiary, Cadence Bank, N.A., a national association (“Cadence Bank”) entered into a related bank-level Agreement and Plan of Merger (the “Bank Merger Agreement”) with BancorpSouth, pursuant to which BancorpSouth and Cadence have agreed to effect a merger-of-equals transaction. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Cadence will merge with and into BancorpSouth (the “Merger”), with BancorpSouth continuing as the surviving entity. Immediately following the Merger, or at such later time as the parties may mutually agree, Cadence Bank will merge with and into BancorpSouth (the “Bank Merger”), with BancorpSouth continuing as the surviving entity. The Merger Agreement and the Bank Merger Agreement were unanimously approved by the Board of Directors of each of BancorpSouth and Cadence.

The main office and bank headquarters of the combined company will be located in Tupelo, Mississippi and the corporate headquarters of the combined company will be located in Houston, Texas. The Chief Executive Officer and the Executive Vice Chairman of the combined company will maintain their respective principal offices in Tupelo, Mississippi and Houston, Texas. The name of the surviving entity will be Cadence Bank.

For more information regarding the pending merger with BancorpSouth, see the Current Reports on Form 8-K filed with the SEC on April 12, 2021 and April 16, 2021.

On April 22, 2021, the Board of Directors of Cadence Bancorporation declared a quarterly cash dividend in the amount of \$0.15 per share of outstanding common stock, representing an annualized dividend of \$0.60 per share. The dividend will be paid on May 14, 2021 to holders of record of Cadence’s Class A common stock on May 7, 2021.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### General

The following discussion and analysis presents our results of operations and financial condition on a consolidated basis for the three months ended March 31, 2021. This discussion should be read in conjunction with the unaudited consolidated financial statements, accompanying notes and supplemental financial data included herein. The emphasis of this discussion will be amounts as of March 31, 2021 compared to December 31, 2020 for the balance sheets and the three months ended March 31, 2021 compared to March 31, 2020 for the statements of operations.

On April 12, 2021, Cadence Bancorporation, a Delaware corporation ("Cadence"), entered into an Agreement and Plan of Merger (the "Merger Agreement") with BancorpSouth Bank, a Mississippi-chartered bank ("BancorpSouth"), and Cadence's bank subsidiary, Cadence Bank, N.A., a national association ("Cadence Bank"), entered into a related bank-level Agreement and Plan of Merger (the "Bank Merger Agreement") with BancorpSouth, pursuant to which BancorpSouth and Cadence have agreed to effect a merger-of-equals transaction. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Cadence will merge with and into BancorpSouth (the "Merger"), with BancorpSouth continuing as the surviving entity. Immediately following the Merger, or at such later time as the parties may mutually agree, Cadence Bank will merge with and into BancorpSouth (the "Bank Merger"), with BancorpSouth continuing as the surviving entity. The Merger Agreement and the Bank Merger Agreement were unanimously approved by the Board of Directors of each of BancorpSouth, Cadence, and Cadence Bank.

The main office and bank headquarters of the combined company will be located in Tupelo, Mississippi and the corporate headquarters of the combined company will be located in Houston, Texas. The Chief Executive Officer, James D. Rollins, III, and the Executive Vice Chairman, Paul B. Murphy, Jr., of the combined company will maintain their respective principal offices in Tupelo, Mississippi and Houston, Texas. The name of the surviving entity will be Cadence Bank.

Upon the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of common stock, par value, \$0.01 per share, of Cadence ("Cadence Common Stock") issued and outstanding immediately prior to the Effective Time, other than certain shares held by Cadence or BancorpSouth, will be converted into the right to receive 0.70 shares of common stock (the "Exchange Ratio"), par value \$2.50 per share, of BancorpSouth (the "BancorpSouth Common Stock"). Prior to the Effective Time, Cadence will declare and pay a special cash dividend of \$1.25 per share of Cadence Common Stock (the "Special Dividend"). For more information regarding the Merger, the Merger Agreement, the Bank Merger, and the Bank Merger Agreement, please refer to the Current Report on Form 8-K that Cadence filed with the United States Securities and Exchange Commission on April 16, 2021.

Because we conduct our material business operations through our bank subsidiary, Cadence Bank, the discussion and analysis relates to activities primarily conducted by Cadence Bank. We generate most of our revenue from interest on loans and investments and fee-based revenues. Our primary source of funding for our loans is deposits. Our largest expenses are interest on these deposits and salaries and related employee benefits. We measure our performance primarily through our net income, pre-tax and pre-loan provision revenue, net interest margin, efficiency ratio, ratio of allowance for credit losses to total loans, return on average assets and return on average equity, among other metrics, while maintaining appropriate regulatory leverage and risk-based capital ratios.

This Quarterly Report on Form 10-Q contains forward-looking statements. These forward-looking statements reflect our current views with respect to, among other things, future events and our results of operations, financial condition and financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will result," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "foresee," "hope," "may," "might," "goal," "would" and "outlook," or the negative version of those words or other comparable words of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, the following:

- business and economic conditions;
- COVID-19, market, operational, liquidity, credit, strategic and general risks associated with our business;
- deteriorating asset quality and higher loan charge-offs;
- the laws and regulations applicable to our business;

- our ability to achieve organic loan and deposit growth and the composition of such growth;
- increased competition in the financial services industry;
- derivative transactions expose us to credit and market risk;
- our ability to raise additional capital to implement our business plan;
- material weaknesses in our internal control over financial reporting;
- systems failures or interruptions involving our information technology and telecommunications systems or third-party servicers;
- the composition of our management team and our ability to attract and retain key personnel;
- our ability to monitor our lending relationships;
- the composition of our loan portfolio, including the identity of our borrowers and the concentration of loans in energy-related industries and in our specialized industries;
- the portion of our loan portfolio that is comprised of participations and shared national credits;
- the amount of nonperforming and criticized assets we hold;
- any interruption or breach of security resulting in failures or disruptions in customer account management, general ledger, deposit, loan, or other systems;
- environmental liability associated with our lending activities;
- the geographic concentration of our markets in Texas and the southeast United States;
- litigation and other legal proceedings;
- changes in legislation, regulation, policies, or administrative practices, whether by judicial, governmental, or legislative action, and other changes pertaining to banking, securities, taxation, rent regulation and housing, financial accounting and reporting, environmental protection, and the ability to comply with such changes in a timely manner;
- changes in the monetary and fiscal policies of the U.S. Government, including policies of the U.S. Department of the Treasury and the Federal Reserve Board;
- requirements to remediate adverse examination findings;
- regulatory initiatives regarding regulatory capital requirements may require heightened capital;
- the discontinuation of the London Interbank Offered Rate (“LIBOR”) and other reference rates;
- our modeling estimates related to a changing interest rate environment;
- natural disasters, war, terrorist activities, or a pandemic;
- adverse effects due to COVID-19 on us and our customers, counterparties, employees, and third-party service providers, and the adverse impacts to our business, financial position, results of operations, and prospects;
- other economic, competitive, governmental, regulatory, technological, and geopolitical factors affecting our operations, pricing, and services; or
- Merger-related risks, including:
  - possible negative impact on our stock price and future business and financial results,
  - uncertainties while the Merger is pending which could have a negative effect,
  - potential adverse changes to our business or employee relationships as a result of the Merger,
  - termination of the Merger Agreement or the failure to complete the Merger,
  - certain restrictions during the pendency of the Merger that may impact each party’s ability to pursue certain business opportunities or strategic transactions,
  - unexpected costs associated with the Merger,
  - diversion of management’s attention from ongoing business operations and opportunities,
  - possible inability to achieve expected synergies and operating efficiencies in the Merger within the expected timeframes or at all,
  - uncertainty regarding the market price of BancorpSouth Common Stock at closing,
  - failure to receive or satisfy required regulatory, shareholder or other approvals, consents, waivers and/or non-objections or other conditions to the closing, or receipt of required regulatory approvals with adverse conditions,
  - the impact of, or problems arising from. The integration of the two companies, and
  - current or future adverse legislation or regulation.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this Quarterly Report as well as the joint proxy statement on Schedule 14A and offering circular that BancorpSouth and Cadence intend to file. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

### Overview

Cadence is a financial holding company and a Delaware corporation headquartered in Houston, Texas, and is the parent company of Cadence Bank. With \$18.8 billion in assets, \$12.4 billion in total loans (net of unearned discounts and fees), \$16.1 billion in deposits and \$2.1 billion in shareholders' equity as of March 31, 2021, we currently operate a network of 98 locations across Texas, Georgia, Alabama, Florida, Mississippi, and Tennessee. We focus on middle-market commercial lending, complemented by retail banking and wealth management services, and provide a broad range of banking services to businesses, high net worth individuals and business owners.

We continue to actively monitor developments related to COVID-19 and its impact to our business, customers, employees, counterparties, vendors, and service providers. During the first quarter of 2021, the most notable financial impact to our results of operations was a decreased provision for credit losses. The decrease in the provision for credit losses was primarily driven by improved macroeconomic variables such as unemployment and GDP, which are incorporated into our economic forecasts utilized to calculate our allowance for credit losses, as well as continued improvements in the level of nonperforming and criticized loans.

We also continue to offer various forms of support to our customers, employees, and communities that have experienced impacts from COVID-19. We are actively working with customers impacted by the economic downturn, offering payment deferrals and other loan modifications. As of March 31, 2021, we have remaining outstanding balances of \$96.9 million in active loan payment deferrals. We continue to have active dialogue with customers on deferrals, and we anticipate a decrease in these requests throughout 2021.

We operate Cadence through three operating segments: Banking, Financial Services and Corporate. Our Banking Segment, which represented approximately 93% of our total revenues for the three months ended March 31, 2021, consists of our Commercial Banking, Retail Banking and Private Banking lines of business. Within our Commercial Banking line of business, we focus on select industries, which we refer to as our "specialized industries," in which we believe we have specialized experience and service capabilities. These industries include franchise restaurant, healthcare, and technology. Energy lending is also an important part of our business as energy production and energy related industries are meaningful contributors to the economy in our Texas market. In our Retail Banking business line, we offer a broad range of banking services through our branch network to serve the needs of consumers and small businesses. In our Private Banking business line, we offer banking services, such as deposit services and residential mortgage lending, to affluent clients and business owners. Our Financial Services Segment includes our Trust, Retail Brokerage, and Investment Services. These businesses offer products independently to their own customers as well as to Banking Segment clients. Investment Services operates through a wholly owned subsidiary, Linscomb & Williams. The products offered by the businesses in our Financial Services Segment primarily generate non-banking service fee income. Our Corporate Segment reflects parent-only activities, including debt and capital raising, and intercompany eliminations.

We are focused on organic growth and expanding our position in our markets. We believe that our franchise is positioned for continued growth as a result of prudent lending in our markets through experienced relationship managers and a client-centered, relationship-driven banking model, and our focus and capabilities in serving specialized industries. We believe our continued growth is supported by (i) our attractive geographic footprint, (ii) our stable and efficient deposit funding provided by our acquired franchises (each of which was a long-standing institution with an established customer network), (iii) our veteran board of directors and management team, (iv) our capital position and (v) our credit quality and risk management processes.

### Selected Financial Data

The following table summarizes certain selected consolidated financial data for the periods presented. The historical consolidated financial information presented below contains financial measures that are not presented in accordance with U.S. GAAP and which have not been audited. See "Table 28 – Non-GAAP Financial Measures."

Table 1 – Selected Financial Data

| (In thousands, except share and per share data)                          | As of and for the Three Months<br>Ended March 31, |              | As of and for the Year<br>Ended December 31, |
|--|---|--------------|--|
|  | 2021  | 2020         | 2020   |
| <b>Statement of Operations Data:</b>                                     |   |              |  |
| Net income (loss)  | \$ 106,425  | \$ (399,311) | \$ (205,527)                                 |
| Net interest income  | 142,748   | 153,468      | 618,966                                      |
| Noninterest income (4)   | 43,696  | 35,069       | 307,355                                      |
| Noninterest expense (3)  | 97,822  | 537,653      | 826,464                                      |
| Provision (release) for credit losses                                    | (48,262)  | 83,429       | 278,048                                      |
| Efficiency ratio (1)   | 52.47%  | 285.17%      | 89.22%                                       |
| Adjusted efficiency ratio (1)  | 53.11%  | 49.88%       | 41.04%                                       |
| <b>Per Share Data:</b>   |   |              |  |
| Earnings (loss) - basic  | \$ 0.85   | \$ (3.15)    | \$ (1.63)                                    |
| Earnings (loss) - diluted  | 0.84  | (3.15)       | (1.63)                                       |
| Book value per common share  | 16.78   | 16.79        | 16.84  |
| Tangible book value (1)  | 15.80   | 15.65        | 15.83  |
| Weighted average common shares outstanding                               |   |              |  |
| Basic  | 125,079,250                                       | 126,630,446  | 126,120,534                                  |
| Diluted  | 125,621,508                                       | 126,630,446  | 126,120,534                                  |
| Cash dividends declared  | \$ 0.150  | \$ 0.175     | \$ 0.350                                     |
| Dividend payout ratio  | 17.65%  | (5.56)%      | (21.47)%                                     |
| <b>Performance Ratios:</b>   |   |              |  |
| Return on average common equity(2)                                       | 20.69%  | (65.64)%     | (9.46)%                                      |
| Return on average tangible common equity (1)(2)                          | 22.80   | 3.86         | 11.63  |
| Return on average assets(2)  | 2.29  | (9.08)       | (1.13)                                       |
| Net interest margin (2)  | 3.22  | 3.80         | 3.58   |
| <b>Period-End Balance Sheet Data:</b>                                    |   |              |  |
| Investment securities, available-for-sale                                | \$ 3,918,666                                      | \$ 2,461,644 | \$ 3,332,168                                 |
| Total loans, net of unearned income                                      | 12,365,334  | 13,392,191   | 12,719,129                                   |
| Allowance for credit losses ("ACL")                                      | 308,037   | 245,246      | 367,160                                      |
| Total assets   | 18,800,350  | 17,237,918   | 18,712,567                                   |
| Total deposits   | 16,129,199  | 14,489,505   | 16,052,245                                   |
| Total shareholders' equity   | 2,092,536   | 2,113,543    | 2,121,102                                    |
| <b>Asset Quality Ratios:</b>   |   |              |  |
| Total nonperforming assets ("NPA") to total loans and OREO and other NPA | 1.15%   | 1.31%        | 1.24%  |
| Total nonperforming loans to total loans                                 | 1.00  | 1.19         | 1.08   |
| Total ACL to total loans   | 2.49  | 1.83         | 2.89   |
| ACL to total nonperforming loans ("NPLs")                                | 249.70  | 153.61       | 266.05                                       |
| Net charge-offs to average loans(2)                                      | 0.39  | 0.99         | 0.79   |
| <b>Capital Ratios:</b>   |   |              |  |
| Total shareholders' equity to assets                                     | 11.1%   | 12.3%        | 11.3%  |
| Tangible common equity to tangible assets (1)                            | 10.6  | 11.5         | 10.7   |
| Common equity tier 1 (CET1)  | 14.2  | 11.4         | 14.0   |
| Tier 1 leverage capital  | 10.9  | 10.1         | 10.9   |
| Tier 1 risk-based capital  | 14.2  | 11.4         | 14.0   |
| Total risk-based capital   | 16.7  | 13.8         | 16.7   |

(1) Considered a non-GAAP financial measure. See "Table 28 – Non-GAAP Financial Measures" for a reconciliation of our non-GAAP measures to the most directly comparable GAAP financial measure.

(2) Annualized.

(3) The quarter ended March 31, 2020 includes the non-cash goodwill impairment charge of \$443.7 million in noninterest expense, \$412.9 million after-tax.

(4) The year ended December 31, 2020 includes accelerated hedge revenue of \$169.2 million, \$129.5 million after-tax.

### Summary of Results of Operations – Three Months Ended March 31, 2021

Net income for the three months ended March 31, 2021 totaled \$106.4 million compared to a net loss of \$399.3 million for the same period in 2020. The first quarter of 2021 net income included a loan provision release of \$48.2 million. The net loss in the first quarter of 2020 included a non-cash goodwill impairment charge of \$412.9 million, net of tax. The resulting earnings per diluted common share for the three months ended March 31, 2021 were \$0.84 compared to (\$3.15) for the same period in 2020.

The first quarter periods of 2021 and 2020 included non-routine revenues and expenses. The non-routine revenue for the first quarter of 2021 consists of net security gains. The non-routine revenues and expenses of the first quarter of 2020 consists primarily of the non-cash goodwill impairment charge, merger related expenses, and expenses related to COVID-19. Excluding these non-routine revenues and expenses, adjusted net income<sup>(1)</sup> was \$104.7 million or \$0.83 per share for the three months ended March 31, 2021, and \$12.5 million or \$0.10 per share for the comparable period of 2020.

Annualized returns on average assets, common equity and tangible common equity<sup>(1)</sup> for the three months ended March 31, 2021 were 2.29%, 20.69%, and 22.80%<sup>(1)</sup>, respectively, compared to (9.08)%, (65.64)%, and 3.86%<sup>(1)</sup>, respectively, for the same period of 2020. Adjusted returns<sup>(1)</sup> on average assets, common equity, and tangible common equity for the three months ended March 31, 2021 were 2.25%, 20.36%, and 22.44%, respectively, and exclude the impact of the non-routine items noted above.

Net interest income was \$142.7 million for the three months ended March 31, 2021, a \$10.7 million or 7.0% decrease compared to the same period of 2020. Our net interest spread decreased to 3.06% for the three months ended March 31, 2021 compared to 3.38% for the same period in 2020. Our fully tax-equivalent net interest margin (“NIM”) for the three months ended March 31, 2021 was 3.22% as compared to 3.80% for the same period of 2020. The year-over-year decrease in NIM reflects the impact of lower interest rates, lower yielding PPP loans and securities, and a decrease in average loans outstanding, and lower hedge income, partially offset by the impact of lower interest rates on deposit costs.

Provision for credit losses was a (\$48.3) million release, a decrease of \$131.7 million, for the three months ended March 31, 2021, compared to a \$83.4 million provision in the same period in 2020 (see “—Provision for Credit Losses” and “—Asset Quality”). The current quarter’s provision release was driven by improvement in current economic forecasts resulting from a decrease in COVID-19 driven stress and improvements in nonperforming and criticized loans. Annualized net charge-offs were 0.39% and 0.99% of average loans for the three months ended March 31, 2021 and 2020, respectively. The current quarter charge-offs included \$10.7 million in General C&I and \$2.1 million in Energy.

Noninterest income for the first quarter of 2021 was \$43.7 million, an increase of \$8.6 million or 24.6% from the same period of 2020. Adjusted noninterest income<sup>(1)</sup> for the first quarter of 2021 was \$41.4 million an increase of \$9.4 million or 29.2% from the first quarter of 2020. Noninterest income as a percent of total revenue for the first quarter of 2021 was 23.4% as compared to 18.6% for the first quarter of 2020

Noninterest expense for the three months ended March 31, 2021 was \$97.8 million, an increase of \$3.9 million or 4.1% from noninterest expense, excluding goodwill impairment charge, for the same period in 2020. Adjusted noninterest expense<sup>(1)</sup>, which excludes the impact of non-routine items<sup>(1)</sup>, was \$97.8 million, an increase of \$5.3 million or 5.7% from the first quarter of 2020.

Our efficiency ratio<sup>(1)</sup> was 52.47% for the three months ended March 31, 2021, compared to 49.84% efficiency ratio, excluding the non-cash goodwill impairment charge, for that same period of 2020. Our adjusted efficiency ratio<sup>(1)</sup> was 53.11% for the three months ended March 31, 2021, compared to 49.88% adjusted efficiency ratio for the same period of 2020. Adjusted efficiency ratios exclude the impact of the non-routine items.

- (1) Considered a non-GAAP financial measure. See “Table 28 – Non-GAAP Financial Measures” for a reconciliation of our non-GAAP measures to the most directly comparable GAAP financial measure.

### Summary of Financial Condition as of March 31, 2021

Our total loans, net of unearned income, decreased \$353.8 million or 2.8%, from December 31, 2020 to \$12.4 billion at March 31, 2021. The decrease in loan balances included \$130.9 million in PPP loan paydowns and forgiveness and a net decrease of \$222.9 million in non-PPP loans primarily driven by net paydowns and payoffs, partially offset by an increase in commercial real estate construction draws related to the industrial and multifamily categories.

Total nonperforming assets (“NPAs”) as a percent of total loans, OREO and other NPAs decreased to 1.15% compared to 1.24% as of December 31, 2020. NPAs totaled \$142.5 million as of the March 31, 2021, compared to \$157.8 million as of December 31, 2020.

Our allowance for credit losses decreased by \$59.1 million or 16.1%, to \$308.0 million at March 31, 2021, and represented approximately 2.49% of total loans at March 31, 2021 and 2.89% at December 31, 2020.

Total deposits increased by \$77.0 million or 0.5% from December 31, 2020 to \$16.1 billion at March 31, 2021. At March 31, 2021, noninterest-bearing deposits increased \$522.5 million, or 10.4%, from the prior quarter end and comprised 34.4% and 31.4% of total deposits at March 31, 2021 and December 31, 2020, respectively. There was a decrease in brokered deposits of \$106.9 million from December 31, 2020 bringing the ratio of brokered deposits to total deposits down to 3.1%.

Total borrowed funds decreased by \$39.7 million or 10.6% from December 31, 2020 to \$333.0 million at March 31, 2021. On March 11, 2021, we called the \$40 million fixed-to-floating rate subordinated debt that was due on March 11, 2025. On the date the subordinated notes were called, the interest rate on them was approximately 4.84%.

Our Tier 1 leverage ratio decreased 6 basis points, Tier 1 risk-based capital increased 22 basis points, and total risk-based capital ratio decreased 1 basis point from December 31, 2020. We met all capital adequacy requirements and the Bank continued to exceed the requirements to be considered well-capitalized under regulatory guidelines as of March 31, 2021.

## Results of Operations

### Earnings

For the three months ended March 31, 2021, the Company reported net income of \$106.4 million compared to net loss of \$399.3 million for that same period in 2020. The following table presents key earnings data for the periods:

**Table 2 – Key Earnings Data**

| (In thousands, except percentages and per share data) | Three Months Ended |              |
|---|--------------------|--------------|
|   | 2021               | 2020         |
| Net income (loss)                                     | \$ 106,425         | \$ (399,311) |
| Net income (loss) per common share                    |                    |              |
| - basic   | 0.85               | (3.15)       |
| - diluted (1)   | 0.84               | (3.15)       |
| Dividends declared per share                          | 0.150              | 0.175        |
| Dividend payout ratio                                 | 17.65%             | (5.56)%      |
| Net interest margin(2)                                | 3.22               | 3.80         |
| Net interest spread(2)                                | 3.06               | 3.38         |
| Return on average assets(2)                           | 2.29               | (9.08)       |
| Return on average equity(2)                           | 20.69              | (65.64)      |
| Return on average tangible common equity(2)(3)        | 22.80              | 3.86         |

(1) For three months ended March 31, 2021, there were 542,258 common stock equivalents, were included. As of three months ended March 31, 2020, there were no common stock equivalents, as these were anti-dilutive.

(2) Annualized.

(3) Considered a non-GAAP financial measure. See "Table 28 – Non-GAAP Financial Measures" for a reconciliation of the non-GAAP measures to the most directly comparable GAAP financial measure.

## Net Interest Income

The largest component of our net income is net interest income, which is the difference between the income earned on interest earning assets and interest paid on deposits and borrowings. We manage our interest-earning assets and funding sources to maximize our net interest margin. (See “Quantitative and Qualitative Disclosures about Market Risk” for a discussion regarding our interest rate risk.) Net interest income is determined by the rates earned on our interest-earning assets, rates paid on our interest-bearing liabilities, the relative amounts of interest-earning assets and interest-bearing liabilities, the degree of mismatch and the maturity and re-pricing characteristics of our interest-earning assets and interest-bearing liabilities. Net interest income divided by average interest-earning assets represents our net interest margin. The yield on our net earning assets less the yield on our interest-bearing liabilities represents our net interest spread.

Interest earned on our loan portfolio is the largest component of our interest income. Our originated and acquired non-credit impaired loans (“ANCI”) portfolios are presented at the principal amount outstanding net of deferred origination fees and unamortized discounts and premiums. Interest income is recognized based on the principal balance outstanding and the stated rate of the loan. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield on the related loan. ANCI loans are initially recorded at fair value and the resulting discounts or premiums created are being accreted or amortized over the remaining term of the loan as an adjustment to the related loan’s yield.

Under CECL, interest income for a PCD asset is recognized using the effective interest rate (“EIR”) calculated at initial measurement. This EIR is determined by equating the amortized cost basis of the instrument to its contractual cash flows, consistent with ANCI loans. Noncredit-related discount or premium on the PCD loans is accreted or amortized, using the EIR. Interest earned on PCD loans is reflected through interest income. The yield on our PCD portfolio for the three months ended March 31, 2021, excluding accretion, was 6.15% compared to 5.65% for the three months ended March 31, 2020.

The following table summarizes the amount of interest income related to our originated, ANCI, and PCD portfolios for the periods presented:

**Table 3 – Interest Income on Loan Portfolios**

| (In thousands)                            | For the Three Months Ended, |                   |
|---|-----------------------------|-------------------|
|   | March 31,<br>2021           | March 31,<br>2020 |
| <b>Interest Income Detail</b>             |                             |                   |
| Originated loans                          | \$ 113,735                  | \$ 129,402        |
| ANCI loans: interest income               | 17,832                      | 32,940            |
| ANCI loans: accretion                     | 4,879                       | 7,710             |
| PCD loans: interest income <sup>(1)</sup> | 2,433                       | 3,039             |
| PCD loans: accretion                      | 945                         | 2,043             |
| <b>Total loan interest income</b>         | <b>\$ 139,824</b>           | <b>\$ 175,134</b> |
| <b>Yields</b>                             |                             |                   |
| Originated loans                          | 4.35%                       | 5.10%             |
| ANCI loans without discount accretion     | 3.85                        | 4.85              |
| ANCI loans discount accretion             | 1.05                        | 1.14              |
| PCD loans without discount accretion      | 6.15                        | 5.65              |
| PCD loans discount accretion              | 2.39                        | 3.80              |
| <b>Total loan yield</b>                   | <b>4.48%</b>                | <b>5.35%</b>      |

(1) Interest income for PCD loans represents contractual interest.

### Three Months Ended March 31, 2021 and 2020

Our net interest income, fully-tax equivalent (“FTE”), for the three months ended March 31, 2021 and 2020 was \$143.3 million and \$153.8 million, respectively, a decrease of \$10.6 million. Our net interest margin for the three months ended March 31, 2021 and 2020 was 3.22% and 3.80%, respectively, a decrease of 58 basis points. In response to the pandemic, the Federal Reserve took a number of actions, including dropping the target fed funds rate from 1% to 1.25% to 0% to 0.25%; beginning a new round of quantitative easing; and dropping the reserve requirement for all depository institutions to zero. These actions resulted in significant decreases to market interest rates.

The following table sets forth the components of our FTE net interest income with the effect that the varying levels of interest-earning assets and interest-bearing liabilities and the applicable rates have had on changes in net interest income for the three months ended March 31, 2021:

**Table 4 - Rate/Volume Analysis**

| (In thousands)                                   | Three Months Ended March 31, |                   |                        |                    |                   |
|--|------------------------------|-------------------|------------------------|--------------------|-------------------|
|  | Net Interest Income          |                   | Increase<br>(Decrease) | Changes Due To (1) |                   |
|  | 2021                         | 2020              |                        | Rate               | Volume            |
| Increase (decrease) in:                          |                              |                   |                        |                    |                   |
| Income from interest-earning assets:             |                              |                   |                        |                    |                   |
| Interest and fees on loans:                      |                              |                   |                        |                    |                   |
| Originated loans                                 | \$ 113,735                   | \$ 129,402        | \$ (15,667)            | \$ (12,472)        | \$ (3,195)        |
| ANCI portfolio                                   | 22,710                       | 40,650            | (17,940)               | (6,602)            | (11,338)          |
| PCD portfolio                                    | 3,378                        | 5,082             | (1,704)                | (465)              | (1,239)           |
| Interest on securities:                          |                              |                   |                        |                    |                   |
| Taxable  | 11,821                       | 14,015            | (2,194)                | (6,756)            | 4,562             |
| Tax-exempt (2)                                   | 2,576                        | 1,807             | 769                    | (263)              | 1,032             |
| Interest on fed funds and short-term investments | 684                          | 1,783             | (1,099)                | (2,461)            | 1,362             |
| Interest on other investments                    | 337                          | 394               | (57)                   | (34)               | (23)              |
| Total interest income                            | 155,242                      | 193,133           | (37,891)               | (29,053)           | (8,839)           |
| Expense from interest-bearing liabilities:       |                              |                   |                        |                    |                   |
| Interest on demand deposits                      | 3,596                        | 21,667            | (18,071)               | (17,678)           | (395)             |
| Interest on savings deposits                     | 108                          | 317               | (209)                  | (282)              | 73                |
| Interest on time deposits                        | 4,277                        | 12,744            | (8,467)                | (7,067)            | (1,399)           |
| Interest on other borrowings                     | 927                          | 1,108             | (181)                  | 209                | (390)             |
| Interest on subordinated debentures              | 3,045                        | 3,450             | (405)                  | (256)              | (149)             |
| Total interest expense                           | 11,953                       | 39,286            | (27,333)               | (25,074)           | (2,260)           |
| Net interest income                              | <u>\$ 143,289</u>            | <u>\$ 153,847</u> | <u>\$ (10,558)</u>     | <u>\$ (3,979)</u>  | <u>\$ (6,579)</u> |

(1) The change in interest income due to both rate and volume has been allocated to rate and volume changes in proportion to the relationship of the absolute dollar amounts of the changes in each.

(2) Interest income is presented on a tax equivalent basis using a Federal tax rate of 21% on our state, county and municipal investment portfolios.

Our FTE total interest income for the three months ended March 31, 2021 totaled \$155.2 million compared to \$193.1 million for the three months ended March 31, 2020. Interest income on loans declined by 20.2% due to a decrease in market interest rates that began in the second quarter of 2020 as a result of the economic effects of COVID-19. Additionally, the average balance of loans decreased due to paydowns and payoff exceeding new originations and fundings during the last year impacted by softer demand, and de-risking of certain portfolio segments during 2020. During the three months ended March 31, 2021, we continued to deploy our increased liquidity in purchases of investment securities and short-term investments, but these instruments also have a lower interest rate than they did in the prior year’s quarter.

Our interest expense for the three months ended March 31, 2021 and 2020 was \$12.0 million and \$39.3 million, respectively, a decrease of \$27.3 million. This decrease is primarily related to strategic decisions to lower higher cost deposit balances and rates. Our cost of interest-bearing deposits decreased to 0.30% for the three months ended March 31, 2021 compared to 1.28% for the three months ended March 31, 2020. Additionally, our average noninterest-bearing deposits increased to 34.4% of total deposits, compared to 27.3% for the 2020 period. This increase, combined with the decrease in interest rates on interest-bearing deposits, resulted in a total cost of funds of 0.29% for the 2021 period compared to 1.05% for the prior year period.

The following table presents for the three months ended March 31, 2021 and 2020, on an FTE basis, our average balance sheet and our annualized average yields on assets and annualized average costs of liabilities. Average yields are calculated by dividing income or expense by the average balance of the corresponding assets or liabilities. Average balances have been calculated on a daily basis.



**Table 5 – Average Balances, Net Interest Income and Interest Yields/Rates**

| (In thousands)                                  | For the Three Months Ended March 31, |                |            |                 |                |            |
|---|--------------------------------------|----------------|------------|-----------------|----------------|------------|
|   | 2021                                 |                |            | 2020            |                |            |
|   | Average Balance                      | Income/Expense | Yield/Rate | Average Balance | Income/Expense | Yield/Rate |
| <b>ASSETS</b>                                   |                                      |                |            |                 |                |            |
| <b>Interest-earning assets:</b>                 |                                      |                |            |                 |                |            |
| Loans, net of unearned income <sup>(1)</sup>    |                                      |                |            |                 |                |            |
| Originated loans                                | \$ 10,611,240                        | \$ 113,735     | 4.35%      | \$ 10,213,846   | \$ 129,402     | 5.10%      |
| ANCI portfolio                                  | 1,879,832                            | 22,711         | 4.90       | 2,731,240       | 40,650         | 5.99       |
| PCD portfolio                                   | 160,513                              | 3,378          | 8.54       | 216,285         | 5,082          | 9.45       |
| Total loans                                     | 12,651,585                           | 139,824        | 4.48       | 13,161,371      | 175,134        | 5.35       |
| Investment securities                           |                                      |                |            |                 |                |            |
| Taxable   | 3,117,348                            | 11,821         | 1.54       | 2,198,528       | 14,015         | 2.56       |
| Tax-exempt <sup>(2)</sup>                       | 328,824                              | 2,576          | 3.18       | 198,747         | 1,807          | 3.66       |
| Total investment securities                     | 3,446,172                            | 14,397         | 1.69       | 2,397,275       | 15,822         | 2.65       |
| Federal funds sold and short-term investments   | 1,848,748                            | 684            | 0.15       | 628,885         | 1,783          | 1.14       |
| Other investments                               | 75,621                               | 337            | 1.81       | 80,173          | 394            | 1.98       |
| Total interest-earning assets                   | 18,022,126                           | 155,242        | 3.49       | 16,267,704      | 193,133        | 4.77       |
| <b>Noninterest-earning assets:</b>              |                                      |                |            |                 |                |            |
| Cash and due from banks                         | 346,289                              |                |            | 250,804         |                |            |
| Premises and equipment                          | 124,351                              |                |            | 127,812         |                |            |
| Accrued interest and other assets               | 715,103                              |                |            | 1,249,483       |                |            |
| Allowance for credit losses                     | (370,736)                            |                |            | (201,785)       |                |            |
| Total assets                                    | \$ 18,837,133                        |                |            | \$ 17,694,018   |                |            |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>     |                                      |                |            |                 |                |            |
| <b>Interest-bearing liabilities:</b>            |                                      |                |            |                 |                |            |
| Demand deposits                                 | \$ 8,275,895                         | \$ 3,596       | 0.18%      | \$ 8,121,641    | \$ 21,667      | 1.07%      |
| Savings deposits                                | 353,826                              | 108            | 0.12       | 272,444         | 317            | 0.47       |
| Time deposits                                   | 2,214,790                            | 4,277          | 0.78       | 2,521,917       | 12,744         | 2.03       |
| Total interest-bearing deposits                 | 10,844,511                           | 7,981          | 0.30       | 10,916,002      | 34,728         | 1.28       |
| Other borrowings                                | 149,989                              | 927            | 2.51       | 217,363         | 1,108          | 2.05       |
| Subordinated debentures                         | 213,057                              | 3,045          | 5.80       | 222,335         | 3,450          | 6.24       |
| Total interest-bearing liabilities              | 11,207,557                           | 11,953         | 0.43       | 11,355,700      | 39,286         | 1.39       |
| <b>Noninterest-bearing liabilities:</b>         |                                      |                |            |                 |                |            |
| Demand deposits                                 | 5,356,120                            |                |            | 3,658,612       |                |            |
| Accrued interest and other liabilities          | 187,744                              |                |            | 232,896         |                |            |
| Total liabilities                               | 16,751,421                           |                |            | 15,247,208      |                |            |
| <b>Shareholders' equity</b>                     |                                      |                |            |                 |                |            |
| Total liabilities and shareholders' equity      | \$ 18,837,133                        |                |            | \$ 17,694,018   |                |            |
| Net interest income/net interest spread         |                                      | 143,289        | 3.06%      |                 | 153,847        | 3.38%      |
| Net yield on earning assets/net interest margin |                                      |                | 3.22%      |                 |                | 3.80%      |
| <b>Taxable equivalent adjustment:</b>           |                                      |                |            |                 |                |            |
| Investment securities                           |                                      | (541)          |            |                 | (379)          |            |
| Net interest income                             |                                      | \$ 142,748     |            |                 | \$ 153,468     |            |

(1) Nonaccrual loans are included in loans, net of unearned income. No adjustment has been made for these loans in the calculation of yields.

(2) Interest income and yields are presented on a taxable equivalent basis using a tax rate of 21%.

### Provision (Release) for Credit Losses

On January 1, 2020, we adopted the current expected credit loss (“CECL”) accounting standard for estimating credit losses (see Note 1 of the Annual Report on Form 10-K for the year ended December 31, 2020). CECL replaces the current incurred loss accounting model with an expected loss approach and requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. In addition, the provision for credit losses includes the provision for loan losses and the provision for unfunded credit commitments. Prior to the adoption of CECL, the provision for unfunded credit commitments was included in other noninterest expenses.

The provision for credit losses included a provision release totaling \$48.3 million for the three months ended March 31, 2021, compared to a provision expense of \$83.4 million for the three months ended March 31, 2020. The provision for the quarter reflects both improved economic conditions and forecasts, as well as improved levels of nonperforming and criticized loans. The first quarter 2021 provision release included \$29.5 million release in the CRE segment (including releases of \$11.1 million in the Hospitality category), \$9.6 million release in the C&I segment (including releases of \$9.5 million in the Restaurant category) and \$7.9 million release in the Consumer segment (see “—Allowance for Credit Losses”). Net charge-offs were \$12.1 million or 0.39% annualized of average loans for the three months ended March 31, 2021 compared to \$32.5 million or 0.99% for the three months ended March 31, 2020. The current quarter charge-offs included \$11.2 million in General C&I and \$2.4 million in Energy.

The following is a summary of our provision (release) for credit losses for the periods indicated:

**Table 6 – Provision (Release) for Credit Losses**

| (in thousands)                              | Three Months Ended March 31, |           |
|---|------------------------------|-----------|
|   | 2021                         | 2020      |
| <b>Funded Loans</b>                         |                              |           |
| Commercial and industrial                   | \$ (9,594)                   | \$ 63,684 |
| Commercial real estate                      | (29,481)                     | 17,798    |
| Consumer                                    | (7,940)                      | 756       |
| Total provision (release) for funded loans  | (47,015)                     | 82,238    |
| <b>Unfunded commitments</b>                 |                              |           |
| Total provision (release) for credit losses | \$ (48,262)                  | \$ 83,429 |

### Noninterest Income

Noninterest income is a component of our revenue and is comprised primarily of income generated from the services we provide our customers. Noninterest income totaled \$43.7 million for the three months ended March 31, 2021, compared to \$35.1 million for the three months ended March 31, 2020. The increases for the 2021 period compared to the same period in 2020 are primarily attributable to increases in earnings in limited partnerships, investment advisory revenue, trust revenue, SBA income, and mortgage banking income partially offset by declines in credit related fees and net securities gains.

The following table compares noninterest income for the three months ended March 31, 2021 and 2020:

**Table 7 – Noninterest Income**

| (In thousands)                                 | Three Months Ended March 31, |           |          |
|--|------------------------------|-----------|----------|
|  | 2021                         | 2020      | % Change |
| Investment advisory revenue                    | \$ 7,609                     | \$ 5,605  | 35.8%    |
| Trust services revenue                         | 5,509                        | 4,815     | 14.4     |
| Service charges on deposit accounts            | 6,404                        | 6,416     | (0.2)    |
| Mortgage banking income                        | 2,115                        | 1,111     | 90.4     |
| Credit related fees                            | 3,849                        | 5,983     | (35.7)   |
| Bankcard fees                                  | 1,753                        | 1,958     | (10.5)   |
| Payroll processing revenue                     | 1,490                        | 1,367     | 9.0      |
| SBA income                                     | 3,967                        | 1,908     | 107.9    |
| Other service fees                             | 2,209                        | 1,912     | 15.5     |
| Securities gains, net                          | 2,259                        | 2,994     | (24.5)   |
| <b>Other noninterest income</b>                |                              |           |          |
| Insurance revenue                              | 270                          | 249       | 8.4      |
| Income from bank owned life insurance policies | 1,574                        | 1,328     | 18.5     |
| Other  | 4,688                        | (577)     | NM       |
| Total other noninterest income                 | 6,532                        | 1,000     | NM       |
| Total noninterest income                       | \$ 43,696                    | \$ 35,069 | 24.6%    |

**Investment Advisory Revenue.** Our investment advisory revenue is comprised largely of investment management and financial planning revenues generated through our subsidiary Linscomb & Williams, Inc. (“L&W”). Investment advisory revenue increased \$2.0 million or 35.8% during three months ended March 31, 2021 compared to the same period for 2020. This was primarily due to an increase of 36.3% in assets under management as of March 31, 2021 compared to March 31, 2020, as well as the continued market performance.

**Trust Services Revenue.** We earn fees from our customers for trust services. For the three months ended March 31, 2021 and 2020, trust fees totaled \$5.5 million and \$4.8 million respectively, an increase of \$0.7 million, or 14.4%. At March 31, 2021, assets under management (AUM) increased 21.1% compared to March 31, 2020, which drove the increase in revenue.

**Service Charges on Deposit Accounts.** We earn fees from our customers for deposit-related services. For the three months ended March 31, 2021, service charges on deposits remained essentially flat compared the same period for 2020. During the 2021 quarter, nonsufficient funds fees declined by 27.3% while other service fees increased by 9.7%.

**Mortgage Banking Income.** Our mortgage banking revenue is comprised primarily of mortgage loan sales and servicing income. For the three months ended March 31, 2021, mortgage banking revenue experienced an increase of \$1.0 million or 90.4% compared to the same period for 2020, primarily due to gains on sales of mortgage loans. Total mortgage loan originations increased by \$51.6 million to \$160.2 million in the first quarter of 2021 compared to the same period of 2020. This includes an increase in mortgage loan refinancing of \$43.3 million to \$56.3 million, and purchase mortgages increased by \$8.3 million to \$103.9 million. The increased volume was driven by the decline in mortgage interest rates which began in the second quarter of 2020.

**Credit-Related Fees.** Our credit-related fees include fees related to credit advisory services, unfunded commitment fees and letter of credit fees. For the three months ended March 31, 2021, credit-related fees decreased by 35.7% to \$3.8 million, compared to \$6.0 million for the three months ended March 31, 2020. The majority of the decrease was related to decreases in loan activity resulting from the COVID-19 pandemic and strategic declines in certain sectors as we work to reduce select exposures. Additionally, there was a decrease of \$0.5 million in fees from customer derivatives and swaps.

**Bankcard Fees.** Our bankcard fees are comprised of automated teller machine (“ATM”) network fees and debit card revenue. Our bankcard fees were \$1.8 million for the three months ended March 31, 2021 compared to \$2.0 million for the same period for 2020. The decrease of 10.5% was related to a decrease in card usage resulting from the economic slowdown associated with COVID-19.

**Payroll Processing Revenue.** Our payroll processing revenue is generated through our division, Altera. The payroll processing revenue for three months ended March 31, 2021 was \$1.5 million, an increase of 9.0%, compared to the same period for 2020. The increase was driven by new customers and seasonal work related to taxes.

**SBA Income.** Small Business Administration (“SBA”) income consists of gains on sales of SBA loans, servicing fees, and other miscellaneous fees. SBA income was \$4.0 million for the three months ended March 31, 2021 compared to \$1.9 million for the three months ended March 31, 2020. The increase was largely driven by an increase in gains on sales of \$1.9 million resulting from an increase in the volume of SBA loans sold.

**Other Service Fees.** Our other service fees include retail services fees. For the three months ended March 31, 2021 and 2020, other service fees totaled \$2.2 million and \$1.9 million, respectively. The first quarter of 2021 increase resulted primarily from increases in foreign exchange fees and ancillary treasury management fees.

**Other Noninterest Income.** Other income for the three months ended March 31, 2021 compared to the same period for 2020 increased by \$5.5 million. The increase resulted from an increase of \$4.7 million in earnings on limited partnerships due to an increase of \$1.6 million in the values of these investments, a distribution in excess of cost of \$2.8 million, and an increase in income from the rabbi trust of \$0.5 million.

## Noninterest Expenses

The following table compares noninterest expense for the three and three months ended March 31, 2021 and 2020:

**Table 8 – Noninterest Expense**

| (Dollars in thousands)           | Three Months Ended March 31, |            |          |
|----------------------------------|------------------------------|------------|----------|
|                                  | 2021                         | 2020       | % Change |
| Salaries and employee benefits   | \$ 57,070                    | \$ 48,807  | 16.9%    |
| Premises and equipment           | 10,374                       | 10,808     | (4.0)    |
| Merger related expenses          | —                            | 1,282      | NM       |
| Goodwill impairment              | —                            | 443,695    | NM       |
| Intangible asset amortization    | 4,986                        | 5,592      | (10.8)   |
| Other noninterest expenses       |                              |            |          |
| Data processing expense          | 3,259                        | 3,352      | (2.8)    |
| Software amortization            | 4,507                        | 3,547      | 27.1     |
| Consulting and professional fees | 3,233                        | 2,707      | 19.4     |
| Loan related expenses            | 796                          | 760        | 4.7      |
| FDIC insurance                   | 1,465                        | 2,436      | (39.9)   |
| Communications                   | 1,243                        | 1,156      | 7.5      |
| Advertising and public relations | 927                          | 1,464      | (36.7)   |
| Legal expenses                   | 925                          | 411        | 125.1    |
| Other                            | 9,037                        | 11,636     | (22.3)   |
| Total other noninterest expenses | 25,392                       | 27,469     | (7.6)%   |
| Total noninterest expense        | \$ 97,822                    | \$ 537,653 | (81.8)%  |

Noninterest expense was \$97.8 million for the three months ended March 31, 2021, compared to \$537.7 million for the three months ended March 31, 2020. The decrease of \$439.8 million was driven by the non-cash goodwill impairment charge of \$443.7 million that occurred in the first quarter of 2020. For the first quarter of 2021, noninterest expense, excluding the goodwill impairment charge, increased \$3.8 million, or 4.05%, from \$94.0 million for the first quarter of 2020.

## Salaries and Employee Benefits

Excluding goodwill impairment charge, salaries and employee benefit costs are the largest component of noninterest expense and includes employee payroll expense, incentive compensation, health insurance, benefit plans and payroll taxes. Salaries and employee benefits increased \$8.3 million, or 16.9%, for the three months ended March 31, 2021 compared to 2020. Regular compensation makes up the majority of the total salaries and employee benefits category. It decreased 3.8% for the three months ended March 31, 2021 compared to the 2020 period. The incentive compensation expense increased 319% compared to the same period of 2020 primarily related to the COVID-19 impact on first quarter 2020 incentive accruals.

The following table provides additional detail of our salaries and employee benefits expense for the periods presented:

**Table 9 – Salaries and Employee Benefits Expense**

| (Dollars in thousands)               | Three Months Ended March 31, |           |          |
|--------------------------------------|------------------------------|-----------|----------|
|                                      | 2021                         | 2020      | % Change |
| Regular compensation                 | \$ 34,770                    | \$ 36,138 | (3.8)%   |
| Incentive compensation               | 11,804                       | 2,817     | 319.0    |
| Taxes and employee benefits          | 10,496                       | 9,852     | 6.5      |
| Total salaries and employee benefits | \$ 57,070                    | \$ 48,807 | 16.9%    |

**Premises and Equipment.** Rent, depreciation and maintenance costs comprise the majority of our premises and equipment expenses, which remain essentially unchanged compared to the same period as of 2020.

**Goodwill Impairment Charge.** During the first quarter of 2020, we conducted an interim goodwill test which indicated a goodwill impairment of \$443.7 million. The primary causes of the goodwill impairment in the Bank reporting unit were economic and industry conditions resulting from COVID-19 that caused volatility and reductions in our market capitalization and our peer banks, increased loan provision estimates, increased discount rates and other changes in variables driven by the uncertain macro-environment that resulted in the estimated fair value of the reporting unit being less than the reporting unit's carrying value.

**Intangible Asset Amortization.** The company has recorded core deposit and other intangible assets related to acquisitions in prior years with the majority related to the State Bank acquisition. The core deposits intangibles are being amortized on an accelerated basis over a ten-year period and the other intangibles on a ten to twenty-year period, therefore the expense recorded will decline over the remaining lives of the assets.

**Data Processing.** Data processing expense for our operating systems remained essentially flat at \$3.3 million for the three months ended March 31, 2021 compared to \$3.4 million for the same period of 2020.

**Software Amortization.** Our software amortization for the three months ended March 31, 2021 increased \$1.0 million, or 27.1%, compared to 2020. The primary drivers were related to software licenses and the amortization of software licenses acquired to administer increased technology used for automation and customer functionality.

**Consulting and Professional Services.** For the three months ended March 31, 2021, our consulting and professional services increased \$0.5 million, or 19.4%, compared to that same period in 2020. The increase was driven by \$1.5 million related to costs associated with various strategic projects.

**Loan Related Expenses.** Our loan related expenses remained flat at \$0.8 million for three months ended March 31, 2021 compared to the same period of 2020. Expenses related to SBA lending increased while expenses related to mortgage lending decreased.

**FDIC Insurance.** For the three months ended March 31, 2021, FDIC insurance expense totaled \$1.5 million, a decrease of \$1.0 million or 39.9%, compared to 2020. The decrease resulted from improvements in nonperforming and criticized assets as well as positive quarterly net earnings trends. Our FDIC assessment will vary between reported periods as it is determined on various risk factors including credit, liquidity, composition of our balance sheet, loan concentration and regulatory ratings.

**Communications.** Communications expenses include all forms of communications such as telecommunications, as well as data communications. For the three months ended March 31, 2021, communications expense increased by \$0.1 million, or 7.5%, compared to 2020, due primarily to increased data communication costs.

**Advertising and Public Relations.** Advertising and public relations expenses, which include costs to create marketing campaigns, purchase the various media space or time, conduct market research, and various sponsorships in our expanded markets, decreased by \$0.5 million or 36.7% for the three months ended March 31, 2021. The decrease was primarily driven by decreased sponsorship costs and event costs impacted by the COVID-19 pandemic.

**Other Noninterest Expenses.** These expenses include costs for insurance, supplies, education and training, and other operational expenses. For the three months ended March 31, 2021, other noninterest expenses decreased by \$2.6 million, or 22.3%, compared to the same period in 2020 primarily due a decrease of \$0.6 million decrease in employee travel, a decrease of \$0.4 million in franchise taxes, and a decrease of \$0.3 million related to special assets.

#### **Income Tax (Benefit) Expense**

Income tax expense (benefit) for the three months ended March 31, 2021 was \$30.5 million compared to (\$33.2) million for the same period in 2020.

The effective tax rate on our pretax income of \$136.9 million was 22.3% for the three months ended March 31, 2021 compared to 7.7% on pre-tax income for the same period in 2020. The effective tax rate for the first quarter of 2021 primarily resulted from higher pre-tax income in the current period. The effective rate for the three months ended March 31, 2020 was driven by the non-tax-deductible portion of the goodwill impairment charge that occurred in 2020.

The effective tax rate is primarily affected by the amount of pre-tax income, and to a lesser extent, tax-exempt interest income, and the increase in cash surrender value of bank-owned life insurance. The effective tax rate is also affected by discrete items that may occur in any given period but are not consistent from period-to-period, which may impact the comparability of the effective tax rate between periods.

At March 31, 2021, we had a net deferred tax asset of \$72.1 million, compared to \$63.7 million at December 31, 2020. The increase in the net deferred asset was primarily due to the tax effect of the decrease in unrealized gains on securities available-for-sale, partially offset by the income tax effects of the release for credit losses recorded in the first quarter of 2021.

## Financial Condition

The following table summarizes selected components of our balance sheet as of the periods indicated:

**Table 10 – Financial Condition**

| (In thousands)                         | As of          |                   | Average Balances                     |                                 |
|--|----------------|-------------------|--------------------------------------|---------------------------------|
|  | March 31, 2021 | December 31, 2020 | Three Months Ended<br>March 31, 2021 | Year Ended<br>December 31, 2020 |
| Total assets                           | \$ 18,800,350  | \$ 18,712,567     | \$ 18,837,133                        | \$ 18,199,726                   |
| Total interest-earning assets          | 18,083,647     | 17,945,552        | 18,022,126                           | 17,348,620                      |
| Total interest-bearing liabilities     | 10,905,966     | 11,391,166        | 11,207,557                           | 11,220,769                      |
| Short-term and other investments       | 1,752,951      | 1,847,237         | 1,924,369                            | 1,101,275                       |
| Securities available-for-sale          | 3,918,666      | 3,332,168         | 3,446,172                            | 2,763,450                       |
| Loans, net of unearned income          | 12,365,334     | 12,719,129        | 12,651,585                           | 13,483,895                      |
| Goodwill                               | 43,061         | 43,061            | 43,061                               | 151,935                         |
| Noninterest-bearing deposits           | 5,556,217      | 5,033,748         | 5,356,120                            | 4,598,544                       |
| Interest-bearing deposits              | 10,572,982     | 11,018,497        | 10,844,511                           | 10,831,494                      |
| Borrowings and subordinated debentures | 332,984        | 372,669           | 363,046                              | 389,275                         |
| Shareholders' equity                   | 2,092,536      | 2,121,102         | 2,085,712                            | 2,171,826                       |

### Investment Portfolio

Our available-for-sale securities portfolio increased by \$586.5 million or 17.6% during the first quarter of 2021. During the first quarter of 2021, we purchased \$1.0 billion of securities, approximately \$118.7 million of securities were sold and \$255.3 million of securities matured, were called, or paid down. At March 31, 2021, our securities portfolio amount to 21.7% of our total interest-earning assets and produced an average taxable equivalent yield of 1.69% for the three months ending March 31, 2021 compared to 2.65% for the three months ended March 31, 2020. The lower yield reflects the mix of securities purchased in the current and prior quarters.

The following table sets forth the fair value of the available-for-sale securities at the dates indicated:

**Table 11 – Securities Available-for-Sale Portfolio**

| (In thousands)  | As of          |                   | Percent Change |
|---|----------------|-------------------|----------------|
|   | March 31, 2021 | December 31, 2020 | 2020 vs 2019   |
| Obligations of U.S. government agencies                                   | \$ 296,379     | \$ 288,729        | 2.6%           |
| Mortgage-backed securities ("MBS") issued or guaranteed by U.S. agencies: |                |                   |                |
| Residential pass-through:   |                |                   |                |
| Guaranteed by GNMA  | 132,942        | 125,335           | 6.1            |
| Issued by FNMA and FHLMC  | 2,437,839      | 1,916,889         | 27.2           |
| Other residential mortgage-backed securities                              | 211,363        | 216,655           | (2.4)          |
| Commercial mortgage-backed securities                                     | 428,617        | 431,777           | (0.7)          |
| Total MBS   | 3,210,761      | 2,690,656         | 19.3           |
| Obligations of states and municipal subdivisions                          | 361,379        | 352,783           | 2.4            |
| Foreign debt security   | 50,147         | —                 | NM             |
| Total securities available-for-sale                                       | \$ 3,918,666   | \$ 3,332,168      | 17.6%          |

The gross unrealized gains in our investment security portfolio totaled \$51.9 million as of March 31, 2021. The following tables summarize the investment securities with unrealized losses at March 31, 2021 by aggregated major security type and length of time in a continuous unrealized loss position:

**Table 12 – Investment Securities with Unrealized Losses**

| (In thousands)                                   | Unrealized Loss Analysis |                         |                      |                         |
|--|--------------------------|-------------------------|----------------------|-------------------------|
|  | Losses < 12 Months       |                         | Losses > 12 Months   |                         |
|  | Estimated Fair Value     | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| <b>March 31, 2021</b>                            |                          |                         |                      |                         |
| Obligations of U.S. government agencies          | \$ 229,306               | \$ 12,998               | \$ 28,764            | \$ 243                  |
| Mortgage-backed securities                       | 1,887,482                | 43,307                  | 31,169               | 248                     |
| Obligations of states and municipal subdivisions | 82,175                   | 1,944                   | —                    | —                       |
| <b>Total</b>                                     | <b>\$ 2,198,963</b>      | <b>\$ 58,249</b>        | <b>\$ 59,933</b>     | <b>\$ 491</b>           |

As of March 31, 2021, the unrealized losses were not deemed to be caused by credit-related issues. We define credit loss as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. Non-credit related impairments are recognized in other comprehensive income, net of tax. The unrealized losses were primarily impacted by recent changes in the interest rate environment and none relate to the marketability of the securities or the issuer's ability to honor redemption of the obligations. As of March 31, 2021, we did not recognize any allowance for credit losses related to available-for-sale securities since decline in fair value did not result from credit-related issues. We have adequate liquidity and, therefore, do not plan to sell and, more likely than not, will not be required to sell, these securities before recovery of the indicated impairment. Accordingly, the unrealized losses on these securities have been determined to be temporary.

#### **Loan Portfolio**

We originate commercial and industrial loans, commercial real estate loans (including construction loans), residential mortgages and other consumer loans. A strong emphasis is placed on the commercial portfolio, consisting of commercial and industrial and commercial real estate loan types, with approximately 80% of the portfolio residing in these loan types as of March 31, 2021 and December 31, 2020. Our commercial portfolio is further diversified by industry concentration and includes loans to clients in specialized industries, including restaurant, healthcare and technology. Additional commercial lending activities include energy, construction, general corporate loans, business banking and community banking loans. Also, with the acquisition of State Bank, we added asset-based lending and Small Business Administration (“SBA”) lending. Mortgage, wealth management and retail make up most of the consumer portfolio.

Total loans decreased by \$353.8 million or 2.8% from December 31, 2020. PPP loans declined by \$130.9 million in the first quarter, with the remaining non-PPP loan decline of \$222.9 million being driven by net paydowns and payoffs partially offset by approximately \$1.0 billion in loan fundings in the quarter. The declines were driven by corporate reductions of debt in the C&I segment and strategic declines in loans in the restaurant, energy and leveraged loan sectors as we work to reduce select exposures. These declines were partially offset by an increase in CRE balances largely due to construction draws in the industrial and multifamily categories.

The following table presents total loans outstanding by portfolio segment and class of financing receivable.

**Table 13 – Loan Portfolio**

| (Dollars in thousands)           | Amortized Cost       |                      | Change              |               |
|----------------------------------|----------------------|----------------------|---------------------|---------------|
|                                  | March 31, 2021       | December 31, 2020    | Amount              | Percent       |
| <b>Commercial and industrial</b> |                      |                      |                     |               |
| General C&I                      | \$ 4,189,775         | \$ 4,421,286         | \$ (231,511)        | (5.2)%        |
| Energy                           | 1,287,406            | 1,310,612            | (23,206)            | (1.8)         |
| Restaurant                       | 924,314              | 971,662              | (47,348)            | (4.9)         |
| Healthcare                       | 526,552              | 547,491              | (20,939)            | (3.8)         |
| Total commercial and industrial  | 6,928,047            | 7,251,051            | (323,004)           | (4.5)         |
| <b>Commercial real estate</b>    |                      |                      |                     |               |
| Industrial, retail, and other    | 1,723,545            | 1,683,975            | 39,570              | 2.3           |
| Multifamily                      | 804,495              | 776,494              | 28,001              | 3.6           |
| Office                           | 445,130              | 452,639              | (7,509)             | (1.7)         |
| Total commercial real estate     | 2,973,170            | 2,913,108            | 60,062              | 2.1           |
| <b>Consumer</b>                  |                      |                      |                     |               |
| Residential                      | 2,375,017            | 2,452,865            | (77,848)            | (3.2)         |
| Other                            | 89,100               | 102,105              | (13,005)            | (12.7)        |
| Total consumer                   | 2,464,117            | 2,554,970            | (90,853)            | (3.6)         |
| <b>Total</b>                     | <u>\$ 12,365,334</u> | <u>\$ 12,719,129</u> | <u>\$ (353,795)</u> | <u>(2.8)%</u> |

**Commercial and Industrial.** Total C&I loans decreased by \$323.0 million or 4.5% since December 31, 2020 and represented 56.0% of the total loan portfolio at March 31, 2021, compared to 57.0% of total loans at December 31, 2020. As noted above, a significant portion of this change resulted from \$130.9 million decline in PPP loans as detailed in Table 17 below, with the remaining non-PPP loan decline of \$192.1 million being driven by net paydowns, soft loan originations and strategic declines in certain portfolios.

**General C&I.** As of March 31, 2021, our general C&I category included loans to the following industries: finance and insurance, professional services, durable manufacturing, technology, construction services and contractors, consumer services, and other. Generally, C&I loans typically provide working capital, equipment financing, and financing for expansion and are generally secured by assignments of corporate assets including accounts receivable, inventory, and/or equipment. There were \$555.3 million in PPP loans outstanding in the General C&I portfolio as of March 31, 2021.

**Energy.** Our energy team is comprised of experienced lenders with significant product expertise and long-standing relationships. Additionally, energy production and energy related industries are substantial contributors to the economies in the Houston metropolitan area and the State of Texas. We strive for a rigorous and thorough approach to energy underwriting and credit monitoring. The ACL was \$37.0 million or 2.87% of the energy portfolio at March 31, 2021, compared to \$32.3 million or 2.46% as of December 31, 2020 (see “—Provision for Credit Losses” and “—Allowance for Credit Losses”). As of March 31, 2021, we had \$34.2 million of nonperforming energy credits compared to \$20.2 million of nonperforming energy credits as of December 31, 2020. In addition, 18.5% of the energy portfolio was criticized as of March 31, 2021 compared to 19.3% at December 31, 2020. The increase in nonperforming energy credits during the first quarter of 2021 is due to a single credit. As of March 31, 2021, there were approximately \$67.5 million in PPP loans outstanding in the Energy portfolio as follows: \$48.2 million in Energy Services, \$12.5 million in Midstream, and \$6.8 million in E&P. As presented in the following table our energy lending business is comprised of three areas: Exploration and Production (“E&P”), Midstream, and Energy Services.



**Table 14 – Energy Loan Portfolio**

| (Dollars in thousands)       | As of               |                     | As of March 31, 2021 |                   |
|------------------------------|---------------------|---------------------|----------------------|-------------------|
|                              | March 31, 2021      | December 31, 2020   | Unfunded Commitments | Criticized        |
| Loans (amortized cost)       |                     |                     |                      |                   |
| E&P                          | \$ 242,955          | \$ 267,896          | \$ 46,605            | \$ 58,573         |
| Midstream                    | 864,035             | 853,846             | 577,609              | 125,470           |
| Energy services              | 180,416             | 188,870             | 39,489               | 54,106            |
| Total energy                 | <u>\$ 1,287,406</u> | <u>\$ 1,310,612</u> | <u>\$ 663,703</u>    | <u>\$ 238,149</u> |
| As a % of total loans        | <u>10.41%</u>       | <u>10.30%</u>       |                      |                   |
| Allocated ACL                |                     |                     |                      |                   |
| E&P                          | \$ 5,787            | \$ 6,997            |                      |                   |
| Midstream                    | 26,485              | 19,734              |                      |                   |
| Energy services              | 4,684               | 5,548               |                      |                   |
| Total allocated ACL          | <u>\$ 36,956</u>    | <u>\$ 32,279</u>    |                      |                   |
| ACL as a % of amortized cost |                     |                     |                      |                   |
| E&P                          | 2.38%               | 2.61%               |                      |                   |
| Midstream                    | 3.07                | 2.31                |                      |                   |
| Energy services              | 2.60                | 2.94                |                      |                   |
| Total energy                 | <u>2.87%</u>        | <u>2.46%</u>        |                      |                   |

E&P loans outstanding comprised approximately 18.9% of outstanding energy loans as of March 31, 2021, compared to 20.4% of outstanding energy loans as of December 31, 2020. We have strategically reduced our exposure to this category of energy lending over time, down from 51.7% of our outstanding energy loans as of December 31, 2014. Our E&P customers are primarily businesses that derive a majority of their revenues from the sale of oil and gas and whose credit needs require technical evaluation of oil and gas reserves. Emphasis for E&P is on high quality, independent producers with proven track records. Our E&P credit underwriting includes a combination of well-by-well analyses, frequent updates to our pricing decks, and engaging energy engineers to actively monitor the portfolio and provide credit redeterminations, at a minimum, every six months. At least quarterly, and more frequently as needed during periods of higher commodity price volatility, we adjust the base and sensitivity price decks on which we value our clients' oil and gas reserves. Generally, we seek to follow the shape of the NYMEX strips for oil and natural gas, but at a discount to the strip. In periods of higher commodity prices, our discount from the strip is higher whereas in lower price periods our discount is lower. The price decks utilized in our engineering analyses are ratified by our Senior Credit Risk Management Committee. Borrowing base redeterminations occur every spring and fall, with the spring redeterminations completed prior to the end of the second quarter and fall determinations completed prior to the end of the fourth quarter.

Approximately 77% of the committed E&P loans are secured by properties primarily producing oil, and the remaining 23% are secured by natural gas. It is expected that our E&P portfolio will experience additional stress, although the level of stress will depend on the duration of the crisis and the level of commodity prices resulting from decreased energy demand. We are working with our clients to manage through this difficult period, as most are focused on maximizing cash flow and downside protection by restructuring and optimizing their hedge strategies where appropriate. Additionally, we are determining which existing clients and bank partners are part of go-forward traditional energy strategy and we plan to exit those relationships that are not.

Midstream loans outstanding comprised 67.1% of outstanding energy loans as of March 31, 2021, compared to 65.1% of outstanding energy loans as of December 31, 2020. We have strategically increased Midstream lending as a percent of our total energy lending over time, up from 30.8% as of December 31, 2014. Midstream lending is generally to customers who handle the gathering, treating and processing, storage or transportation of oil and gas. These customers' businesses are generally less commodity price sensitive than other energy segments given the nature of their fee-based revenue streams. Most of the midstream portfolio experienced volume declines associated with weak energy demand because of COVID. Essentially all shut-in volumes came back online very quickly, and we continue to see a gradual increase in global energy demand since those initial declines at the outset of the pandemic. The majority of the portfolio is backed by large, energy focused private equity funds and operated by highly experienced management teams with long term relationships and track records with Cadence Midstream bankers. Underwriting guidelines for the Midstream portfolio generally require a first lien on all assets as collateral.

Energy Services loans outstanding comprised 14.0% of outstanding energy loans as of March 31, 2021, compared to 14.4% of outstanding energy loans as of December 31, 2020. This category of lending has remained a low percentage of our total energy lending over time, down slightly from 17.5% as of December 31, 2014. Energy Services lending targets oilfield service companies that provide equipment and services used in the exploration for and extraction of oil and natural gas. Customers consist of a wide variety of businesses, including production equipment manufacturers, chemical sales, water transfer, rig equipment and other early and late stage services companies. We have limited exposure to drilling, and a majority of our exposure is in ongoing well production.

*Specialized Lending.* The following table presents our specialized lending portfolio by category as of the dates presented.

**Table 15 – Specialized Lending Portfolio**

| (In thousands)            | Amortized Cost |                   | As of March 31, 2021 |
|---------------------------|----------------|-------------------|----------------------|
|                           | March 31, 2021 | December 31, 2020 | Unfunded Commitments |
| Restaurant                | \$ 924,314     | \$ 971,662        | \$ 200,884           |
| Healthcare                | 526,552        | 547,491           | 142,250              |
| Technology                | 398,185        | 437,529           | 85,919               |
| Total specialized lending | \$ 1,849,051   | \$ 1,956,682      | \$ 429,053           |

Restaurant, healthcare, and technology are the components of our specialized industries. For these industries, we focus on larger corporate clients, who are typically well-known within the industry. The client coverage for these components is national in scope, given the size and capital needs of the majority of the clients. Given these customer profiles, we frequently participate in such credits with two or more banks through syndication.

Restaurant loans outstanding decreased by \$47.3 million or 4.9% compared to December 31, 2020 due to \$14.8 million decline in PPP loans, with the remaining \$32.5 million decline driven by net paydowns as a result of strategic declines in the portfolio. In the restaurant sector, we focus on major franchisees and the operating companies of “branded” restaurant concepts. Our restaurant group focuses on top tier operators in restaurant operating companies and franchisee restaurants in nationwide markets. The portfolio includes approximately 70% to Quick Service Restaurants (“QSRs”), 5% to Fast Casual, 20% to Full-Service and 5% to Other. Although the Restaurant sector has experienced increases in nonperforming loans and charge-offs during 2020, our portfolio has seen meaningful improvements in credit quality during the first quarter of 2021. Dining room closures and restrictions have required restaurants to adjust their business and labor models accordingly, although many of our QSR customers are experiencing meaningful drive-through and pick-up business. Our Full-Service portfolio is the most stressed segment of the portfolio with continued uncertainty and inconsistencies in dining-room re-openings or capacity across the country.

Healthcare loans outstanding decreased by \$20.9 million or 3.8% with the majority of this decrease due to \$14.2 million decline in PPP loans. Healthcare loans comprised 28.5% of total specialized lending at March 31, 2021, compared to 28.0% at December 31, 2020. Our healthcare portfolio focuses on middle-market healthcare providers generally with a diversified payor mix.

Technology loans outstanding decreased by \$39.3 million or 9.0% due in part to \$4.9 million decline in PPP loans, and comprised 21.5% of total specialized lending at March 31, 2021, compared to 22.4% at December 31, 2020. Our technology portfolio focuses on the technology sub-segments of software and services, network and communications infrastructure, and internet and mobility applications.

**Commercial Real Estate.** Commercial real estate (“CRE”) loans increased by \$60.1 million or 2.1% since December 31, 2020. CRE loans represented 24.0% of the total loan portfolio as of March 31, 2021, compared to 22.9% of total loans as of December 31, 2020. Our CRE loan segment includes loans which are secured by a variety of property types, including multi-family dwellings, office buildings, industrial properties, and retail facilities. The Company offers construction financing, acquisition or refinancing of properties primarily located in or owned by sponsors in our markets in Texas and the southeast United States. Our CRE lending team is a group of experienced relationship managers focusing on construction and income producing property lending which generally have property or sponsors located in our geographic footprint. CRE loans are secured by a variety of property types, including multi-family dwellings, office buildings, industrial properties, and retail facilities.

Included in our CRE portfolio are hospitality loans totaling approximately \$261 million at March 31, 2021, representing 60 relationships, or an average outstanding balance of \$4.4 million. This portfolio has been significantly affected by COVID-19 with approximately \$39 million in ACL attributable to the portfolio (see “—Provision for Credit Losses,” “—Asset Quality” and “—Allowance for Credit Losses”). These credits consist of predominantly long-term relationships with experienced operators and are geographically in-footprint, primarily in local markets demonstrating resiliency in past economic cycles. Additionally, the portfolio is Hilton and Marriott family flag centric: primarily limited service/smaller properties with lower fixed cost structure and limited to no exposure to luxury, big box, heavy food and beverage dependent properties and no conference centers. With the significant reduction in services and labor, breakeven occupancy is now meaningfully lower than historical levels. The weighted average loan-to-value ratio for the hospitality portfolio was approximately 52% at origination (excludes SBA loans).

**Consumer.** Consumer loans decreased by \$90.9 million or 3.6% from December 31, 2020. Consumer loans represented 19.9% of total loans at March 31, 2021, compared to 20.1% of total loans at December 31, 2020. We originate residential real estate mortgages that are held for investment as well as held for sale in the secondary market. Approximately 14.1% of the consumer portfolio relates to acquired portfolios, compared to 14.8% as of December 31, 2020. Our originated consumer loan portfolio totaled \$2.1 billion as of March 31, 2021, compared to \$2.2 billion as of December 31, 2020.

**Concentrations of Credit.** We closely and consistently monitor our concentrations of credit. Individual concentration limits are assessed and established, as needed, on a quarterly basis and measured as a percentage of risk-based capital. All concentrations greater than 25% of risk-based capital require a concentration limit, which are monitored and reported to the Board of Directors on at least a quarterly basis. In addition to the specialized industries, energy, and CRE segments in the loan portfolio, we manage concentration limits for other loans, such as leveraged loans, and non-specialized enterprise value loans. We evaluate the appropriateness of our underwriting standards in response to changes in national and regional economic conditions, including energy prices, interest rates, real estate values, and employment levels. Underwriting standards and credit monitoring activities are assessed and enhanced in response to changes in these conditions.

**Shared National Credits.** The federal banking agencies define a shared national credit (“SNC”) as any loan(s) extended to a borrower by a supervised institution or any of its subsidiaries and affiliates which aggregates \$100 million or more and is shared by three or more institutions under a formal lending agreement or a portion of which is sold to two or more institutions, with the purchasing institutions assuming its pro rata share of the credit risk. As a commercial focused relationship bank, we often participate in syndicated loan offerings as a result of the size of the customers and nature of industries we serve.

Our SNC loans are spread across our commercial products, with many falling within our specialized industries, and are focused on customers where we have ancillary business or believe we can develop such business. Our management team, relationship managers, and credit risk management team have extensive experience in the underwriting, due diligence, and monitoring of SNC credits. We evaluate SNC loans using the same credit standards we apply in underwriting all our loans.

The following table presents our SNC portfolio by portfolio segment and class of financing receivable.

**Table 16 – Shared National Credits**

| (Dollars in thousands)          | March 31, 2021 |                    | December 31, 2020 |                    |
|---------------------------------|----------------|--------------------|-------------------|--------------------|
|                                 | Amortized Cost | % of SNC Portfolio | Amortized Cost    | % of SNC Portfolio |
| Commercial and industrial       |                |                    |                   |                    |
| General C&I                     | \$ 892,485     | 38.4%              | \$ 866,287        | 37.3%              |
| Energy                          | 754,865        | 32.5               | 757,514           | 32.6               |
| Restaurant                      | 392,217        | 16.8               | 414,492           | 17.9               |
| Healthcare                      | 53,779         | 2.3                | 43,782            | 1.9                |
| Total commercial and industrial | 2,093,346      | 90.0               | 2,082,075         | 89.7               |
| Commercial real estate          |                |                    |                   |                    |
| Industrial, retail, and other   | 163,882        | 7.0                | 172,367           | 7.4                |
| Office                          | 68,278         | 3.0                | 65,817            | 2.9                |
| Total commercial real estate    | 232,160        | 10.0               | 238,184           | 10.3               |
| Total shared national credits   | \$ 2,325,506   | 100.0%             | \$ 2,320,259      | 100.0%             |
| As a % of total loans           | 18.8%          |                    | 18.2%             |                    |

**Paycheck Protection Program.** The CARES Act created the PPP to provide certain small businesses with liquidity to support their operations during the COVID-19 pandemic. Entities must meet certain eligibility requirements to receive PPP loans, and they must maintain specified levels of payroll and employment to have the loans forgiven. The conditions are subject to audit by the U.S. government, but entities that borrow less than \$2.0 million (together with any affiliates) will be deemed to have made the required certification concerning the necessity of the loan in good faith. However, the SBA does reserve the right to audit any PPP borrower.

Under the PPP, eligible small businesses could apply to an SBA-approved lender for a loan that does not require collateral or personal guarantees. Loans issued prior to June 5, 2020 mature in two years unless otherwise modified and loans issued after June 5, 2020 mature in five years. However, they are eligible for forgiveness (in full or in part, including any accrued interest) under certain conditions. All borrowers are required to retain the supporting documents for six years. For loans (or parts of loans) that are forgiven, the lender will collect the forgiven amount from the U.S. government. The average amount of each PPP loan outstanding was approximately \$212 thousand at March 31, 2021.

The PPP loans have a 1% fixed interest rate and produced an annualized yield of 2.95% for the first quarter of 2021 due to the amortization of net deferred loan fees.

The following table presents our PPP loans by portfolio segment and class of financing receivable.

**Table 17 – Paycheck Protection Program**

| (Dollars in thousands)          | March 31, 2021 |                    | December 31, 2020 |                    |
|---------------------------------|----------------|--------------------|-------------------|--------------------|
|                                 | Amortized Cost | % of PPP Portfolio | Amortized Cost    | % of PPP Portfolio |
| Commercial and industrial       |                |                    |                   |                    |
| General C&I                     | \$ 555,274     | 68.8%              | \$ 648,458        | 69.1%              |
| Energy                          |                |                    |                   |                    |
| E&P                             | 6,782          | 0.8                | 8,814             | 0.9                |
| Midstream                       | 12,527         | 1.6                | 15,704            | 1.7                |
| Energy services                 | 48,203         | 6.0                | 51,710            | 5.5                |
| Restaurant                      | 119,662        | 14.8               | 134,454           | 14.4               |
| Healthcare                      | 64,897         | 8.0                | 79,120            | 8.4                |
| Total commercial and industrial | 807,345        | 100.0              | 938,260           | 100.0              |
| Total PPP loans                 | \$ 807,345     | 100.0%             | \$ 938,260        | 100.0%             |
| As a % of total loans           | 6.5%           |                    | 7.4%              |                    |

### *Asset Quality*

We focus on asset quality strength through robust underwriting, proactive monitoring and reporting of the loan portfolio and collaboration between the lines of business, credit risk and enterprise risk management.

Credit risk is governed and reported up to the Board of Directors primarily through our Senior Credit Risk Management Committee (the “SCRMC”). The SCRMC reviews credit portfolio management information such as problem loans, delinquencies, concentrations of credit, asset quality trends, portfolio analysis, exception management, policy updates and changes, and other relevant information. Further, both the Senior Loan Committee and Credit Transition Committee, the primary channels for credit approvals, report up through the SCRMC. The approval of our Senior Loan Committee is generally required for aggregate loan relationships totaling more than \$5.0 million. For aggregate loan relationships totaling more than \$5.0 million that are risk rated 10 or worse, approval of the Credit Transition Committee is generally required. There is a credit executive assigned to each line of business who holds the primary responsibility for the approval process outside of the loan approval committees. Our Board of Directors receives information concerning asset quality measurements and trends on a periodic basis.

Our credit policy requires that key risks be identified and measured, documented and mitigated, to the extent possible, and requires various levels of internal approvals based on the characteristics of the loans, including the size of the exposure. We also have specialized underwriting guidelines for loans in our specialized industries that we believe reflects the unique characteristics of these industries.

Under our dual credit risk rating (“DCRR”) system, it is our policy to assign risk ratings to all commercial loan (C&I and CRE) exposures using our internal credit risk rating system. The assignment of loan risk ratings is the primary responsibility of the lending officer concurrent with approval from the credit officer reviewing and recommending approval of the credit. The assignment of commercial risk ratings is completed on a transactional basis using scorecards. We use a total of nine different scorecards that accommodate various areas of lending. Each scorecard contains two main components: probability of default (“PD”) and loss given default (“LGD”). The PD rating is used as our risk grade of record. Loans with PD ratings of 1 through 8 are loans that we rate internally as “Pass.” Loans with PD ratings of 9 through 13 are rated internally as “Criticized” and represent loans for which one or more potential or defined weaknesses exist. Loans with PD ratings of 10 through 13 are also considered “Classified” and represent loans for which one or more defined weaknesses exist. These classifications are consistent with regulatory guidelines.

Consumer purpose loan risk classification is assigned in accordance with the Uniform Retail Credit Classification, based on delinquency and accrual status.

An important aspect of our assessment of risk is the ongoing completion of periodic risk rating reviews. As part of these reviews, we seek to review the risk ratings of each facility within a customer relationship and may recommend an upgrade or downgrade to the risk ratings. Our policy is to review two times per year all customer relationships with an aggregate exposure of \$10.0 million or greater as well as all SNC. Additionally, all customer relationships with an aggregate exposure of \$2.5 million to \$10.0 million are reviewed annually. Further, customer relationships with an aggregate exposure of \$2.5 million and greater with pass/watch risk rating (defined as a borderline risk credit representing the weakest pass risk rating) are reviewed quarterly. This threshold is reduced to \$1.0 million in the fourth quarter of each year. Customer relationships with an aggregate exposure of \$2.5 million and greater with criticized risk ratings are reviewed quarterly. Additionally, customer relationships with an aggregate exposure of \$5.0 million and greater with classified risk ratings are reviewed intra-quarter on a monthly basis. Certain relationships are exempt from risk reviews, such as relationships where our exposure is cash-secured.

### **Nonperforming Assets**

Nonperforming assets (“NPA”) primarily consist of nonperforming loans (“NPL”) and other assets acquired through any means in full or partial satisfaction of a debt previously contracted. The following table presents all nonperforming assets and additional asset quality data for the dates indicated.

**Table 18 – Nonperforming Assets**

| (Dollars in thousands)                        | March 31, 2021    | December 31, 2020 |
|---|-------------------|-------------------|
| Nonperforming loans <sup>(1)</sup>            |                   |                   |
| Commercial and industrial                     |                   |                   |
| General C&I                                   | \$ 21,222         | \$ 34,363         |
| Energy  | 34,212            | 20,241            |
| Restaurant                                    | 37,874            | 53,856            |
| Healthcare                                    | 845               | 950               |
| Total commercial and industrial               | <u>94,153</u>     | <u>109,410</u>    |
| Commercial real estate                        |                   |                   |
| Industrial, retail, and other                 | 6,178             | 7,301             |
| Multifamily                                   | —                 | —                 |
| Office  | 8,668             | 7,258             |
| Total commercial real estate                  | <u>14,846</u>     | <u>14,559</u>     |
| Consumer                                      |                   |                   |
| Residential                                   | 14,361            | 14,029            |
| Other   | 3                 | 4                 |
| Total consumer                                | <u>14,364</u>     | <u>14,033</u>     |
| Total nonperforming loans                     | <u>123,363</u>    | <u>138,002</u>    |
| Foreclosed OREO and other NPA                 |                   |                   |
| Foreclosed OREO                               | 1,728             | 1,728             |
| Net profits interests                         | 3,282             | 3,282             |
| Reposessed assets                             | 14,115            | 14,778            |
| Total foreclosed OREO and other NPA           | <u>19,125</u>     | <u>19,788</u>     |
| Total nonperforming assets                    | <u>\$ 142,488</u> | <u>\$ 157,790</u> |
| NPL as a percentage of total loans            | 1.00%             | 1.08%             |
| NPA as a percentage of loans plus OREO/other  | 1.15%             | 1.24%             |
| NPA as a percentage of total assets           | 0.76%             | 0.84%             |
| Total accruing loans 90 days or more past due | \$ 1,399          | \$ 13,880         |

(1) Nonperforming loans do not include nonperforming loans held for sale of \$3.4 million and \$0.2 million at March 31, 2021 and December 31, 2020, respectively.

**Nonperforming Loans.** Commercial loans, including small business loans, are generally placed on nonaccrual status when principal or interest is past due 90 days or more unless the loan is well secured and in the process of collection, or when the loan is specifically determined to be impaired. When a commercial loan is placed on nonaccrual status, interest accrued but not received is generally reversed against interest income. Of the total nonperforming loans at March 31, 2021, approximately 60.8% are current on their contractual payments.

Consumer loans, including residential first and second lien loans secured by real estate, are generally placed on nonaccrual status when they are 120 or more days past due. When a consumer loan is placed on nonaccrual status, interest accrued but not received is generally reversed against interest income.

Generally, cash receipts on nonperforming loans are used to reduce principal rather than recorded as interest income. Past due status is determined based upon contractual terms. A nonaccrual loan may be returned to accrual status when repayment is reasonably assured under the terms of the loan or, if applicable, under the terms of the restructured loan. For the three months ended March 31, 2021 and 2020, an immaterial amount of contractual interest paid was recognized on the cash basis.

Our nonperforming loans have decreased to 1.00% of our loan portfolio as of March 31, 2021, compared to 1.08% of our loan portfolio as of December 31, 2020 and reflects COVID-driven stress on the portfolio, particularly in energy, restaurant and CRE, including hospitality.

**Other Real Estate Owned and Other NPA.** Other real estate owned consists of properties acquired through foreclosure and unutilized bank-owned properties. These properties, as held for sale properties, are initially recorded at fair value, less estimated costs to sell, on the date of foreclosure (establishing a new cost basis for the property). Subsequent to the foreclosure date, the OREO is maintained at the lower of cost or fair value. Any write-down to fair value required at the time of foreclosure is charged to the allowance for credit losses. Subsequent gains or losses on other real estate owned resulting from either the sale of the property or additional valuation allowances required due to further declines in fair value are reported in other noninterest expense.

The balance of foreclosed OREO was \$1.7 million as of March 31, 2021 and consisted of five properties, consistent with December 31, 2020, with the majority related to foreclosures within our acquired loan portfolio. Included in loans are \$1.6 million of consumer loans secured by single family residential real estate that are in process of foreclosure at March 31, 2021 and December 31, 2020. We have ceased foreclosure activities on residential real estate due to the COVID-19 pandemic. Loans in process of foreclosure include those for which formal foreclosure proceedings are in process according to local requirements of the applicable jurisdiction. There were no additions to OREO resulting from foreclosure or repossession from a SNC during the three months ended March 31, 2021 and 2020.

In 2016, we received net profits interests (“NPI”) in certain oil and gas reserves related to two energy credit bankruptcies that were charged-off in 2016. We recorded the NPI at estimated fair value using a discounted cash flow analysis applied to the expected cash flows from the producing developed wells. We sold one NPI during 2018. The remaining NPI balance was \$3.3 million as of March 31, 2021, consistent with December 31, 2020. In addition, during the first quarter of 2020, we received assets of \$4.3 million in the form of limited partnership units related to two SNC energy credit bankruptcies and \$6.3 million in inventory in a general C&I bankruptcy. During the second quarter of 2020, we charged off \$2.0 million of these limited partnership assets. Other NPA also includes limited partnership units we received in the third quarter of 2020, representing an approximately eleven-percent ownership interest valued at \$8.1 million related to a general C&I credit where the underlying assets of consumer receivables securing the loan were transferred to liquidating trusts.

**Past Due 90 Days and Accruing.** We classify certain loans with principal or interest past due 90 days or more as accruing loans if those loans are well secured and in the process of collection or are specifically determined to be impaired as accruing loans. As of March 31, 2021, approximately 30% of these loans are within the acquired residential portfolio, compared to 28% as of December 31, 2020. These loans are monitored on a monthly basis by both the lines of business and credit administration.

**Troubled Debt Restructuring.** We attempt to work with borrowers when necessary to extend or modify loan terms to better align with the borrower’s ability to repay. Extensions and modifications to loans are made in accordance with internal policies and guidelines which conform to regulatory guidance. Each occurrence is unique to the borrower and is evaluated separately. The Bank considers regulatory guidelines when restructuring loans to ensure that prudent lending practices are followed. Qualifying criteria and payment terms are structured by the borrower’s current and prospective ability to comply with the modified terms of the loan.

A modification is classified as a troubled debt restructuring (“TDR”) if the borrower is experiencing financial difficulty and it is determined that we have granted a concession to the borrower. We may determine that a borrower is experiencing financial difficulty if the borrower is currently in default on any of its debt, or if it is probable that a borrower may default in the foreseeable future without the modification. Concessions could include reductions of interest rates at a rate lower than the current market rate for a new loan with similar risk, extension of the maturity date, reduction of accrued interest, principal forgiveness, forbearance, or other concessions. The assessments of whether a borrower is experiencing or will likely experience financial difficulty and whether a concession has been granted is highly subjective in nature, and management’s judgment is required when determining whether a modification is classified as a TDR.

All TDRs are reported as impaired. An impaired classification may be removed if the borrower demonstrates compliance with the modified terms and the restructuring agreement specifies an interest rate equal to that which would be provided to a borrower with similar credit at the time of restructuring. Nonperforming loans and impaired loans have unique definitions. Some loans may be included in both categories, whereas other loans may only be included in one category. There were no SNCs designated as TDRs as of March 31, 2021 or December 31, 2020.

The following table provides information regarding loans that were modified into TDRs for the periods indicated.

**Table 19 – Loans Modified into TDRs**

| (Dollars in thousands)           | For the Three Months Ended March 31, |                               |                |                               |
|----------------------------------|--------------------------------------|-------------------------------|----------------|-------------------------------|
|                                  | 2021                                 |                               | 2020           |                               |
|                                  | Number of TDRs                       | Amortized Cost <sup>(1)</sup> | Number of TDRs | Amortized Cost <sup>(1)</sup> |
| <b>Commercial and industrial</b> |                                      |                               |                |                               |
| General C&I                      | —                                    | \$ —                          | 4              | \$ 33,339                     |
| Energy                           | —                                    | —                             | 1              | 8,105                         |
| Restaurant                       | —                                    | —                             | 2              | 24,247                        |
| <b>Commercial real estate</b>    |                                      |                               |                |                               |
| Industrial, retail, and other    | 1                                    | 2,362                         | —              | —                             |
| <b>Total</b>                     | <b>1</b>                             | <b>\$ 2,362</b>               | <b>7</b>       | <b>\$ 65,691</b>              |

(1) There was zero and less than \$0.1 million of net accrued interest receivable recorded on the loan balances above as of March 31, 2021 and 2020, respectively.

For the three months ended March 31, 2021 and 2020, the Company had no TDRs for which there was a payment default within the 12 months following the restructure date. During the three months ended March 31, 2021, approximately \$289 thousand in charge-offs were taken related to one energy loan that was modified into a TDR during the same period. During the three months ended March 31, 2020, approximately \$6.8 million in charge-offs were taken related to one general C&I loan that was modified into a TDR during the same period.

**Loan Modifications Related to COVID-19.** Affected companies may experience cash flow challenges as a result of disruptions in their operations, higher operating costs or lost revenues. They may need to obtain additional financing, amend the terms of existing debt agreements or obtain waivers if they no longer satisfy debt covenants.

On March 27, 2020, the CARES Act was signed into law. The CARES Act provides financial institutions the option to temporarily suspend certain requirements under U.S. GAAP related to TDRs for a limited period of time to account for the effects of COVID-19. Additionally, in April 2020, regulators issued the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised) which permits certain loan modifications due to the effects of COVID-19 (as defined) to not be identified as a TDR. The modifications must be made during the period beginning on March 1, 2020 and ending on the earlier of December 31, 2020 or 60 days after the national emergency is lifted, and the borrowers must have been less than 30 days past due on December 31, 2019. On December 27, 2020, this provision was extended under new legislation to the earlier of 60 days after the national emergency is lifted or January 1, 2022.

Lenders that determine that a modification is not eligible for the relief from TDR accounting under Section 4013 of the CARES Act or elect not to apply it can consider the interagency statement issued by the federal and state banking regulators in March 2020 and revised in April 2020. The statement provides guidance on accounting for loan modifications related to COVID-19.

The guidance in the statement, which was developed in consultation with the FASB staff, indicates that short-term loan modifications (e.g., deferral of payments) made to help borrowers that are current on existing loans, either individually or as part of a program for creditworthy borrowers who are experiencing short-term financial or operational problems as a result of COVID-19, generally would not be considered TDRs.

As of March 31, 2021, the Company had active payment deferrals totaling \$96.9 million compared to \$179.3 million at December 31, 2020. As of March 31, 2021, \$83.6 million of restructured loans were exempt from the accounting guidance for TDRs, which includes \$36.8 million of loans included in the COVID-19 related loan payment deferral total. The Company believes additional loans may be restructured because of COVID-19 in the next twelve-months where the exemption from TDR accounting may be elected.

**Potential Problem Loans.** Potential problem loans represent loans that are currently performing, but for which available information about possible credit problems of the related borrowers causes management to have doubts as to the ability of such borrowers to comply with the repayment terms in the future and which may result in the classification of such loans as nonperforming at some time in the future. These loans are not included in the amounts of nonaccrual or restructured loans presented above but there is a reasonable possibility that they may become nonperforming before the end of the second quarter 2021. We cannot predict the extent to which economic conditions or other factors may impact borrowers and the potential problem loans. Accordingly, there can be no assurance that other loans will not become 90 days or more past due, be placed on nonaccrual status, become restructured, or require increased allowance coverage and provision for credit losses. We have identified approximately \$48.1 million in credits as potential problem loans at March 31, 2021. Any potential problem loans would be assessed for loss exposure consistent with the methods described in Notes 1 and 3 to our Consolidated Financial Statements.

We expect the levels of nonperforming assets and potential problem loans to fluctuate in response to changing economic and market conditions, and the relative sizes of the respective loan portfolios, along with our degree of success in resolving problem assets. We seek to take a proactive approach with respect to the identification and resolution of problem loans.

## Allowance for Credit Losses

The allowance for credit losses (“ACL”) is maintained at a level that management believes is adequate to absorb expected credit losses on loans in the loan portfolio as of the reporting date. On January 1, 2020 we adopted CECL which replaces the incurred loss accounting model with an expected loss approach and requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Events that are not within our control, such as changes in economic conditions, could change after the reporting date and could cause increases or decreases to the ACL. The amount of the allowance is affected by loan charge-offs, which decrease the allowance; recoveries on loans previously charged off, which increase the allowance; and the provision for credit losses charged to earnings, which increases the allowance (see Notes 1 and 3 to the Consolidated Financial Statements). This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available or as events change.

Total ACL as of March 31, 2021 was \$308.0 million or 2.49% of total loans (net of unearned discounts and fees) of \$12.4 billion. Excluding PPP loans, the ACL was 2.67% of total loans at March 31, 2021. This compares with \$367.2 million on total loans of \$12.7 billion or 2.89% of total loans at December 31, 2020. Excluding PPP loans, the ACL was 3.12% of total loans at December 31, 2020. The provision for credit losses was a release of \$48.3 million for the quarter which reflects both improvements in credit quality and the economic forecast used in our ACL model. Our estimate of the ACL used the baseline scenario provided by a nationally recognized service, as adjusted for consideration of certain qualitative and environmental factors. These adjustments consider, among other factors, risk attributes of each portfolio, relevant third-party research, and energy prices. Loan charge-offs recognized during 2021 are lower than 2020 as a result of improved levels of nonperforming and criticized loans that has occurred primarily in C&I – Restaurant and CRE – Hospitality classes (see “—Provision for Credit Losses”).

The following table presents the allocation of the ACL and the percentage of these loans to total loans. The allocation below is neither indicative of the specific amounts or the loan categories in which future charge-offs may occur, nor is it an indicator of any future loss trends. The allocation of the allowance to each category does not restrict the use of the allowance to absorb any losses in any category.

**Table 20 – Allocation of Allowance for Credit Losses**

|                                   | Allowance for Credit Losses |                   | Percent of ACL to Each Category of Loans |                   | Percent of Loans in Each Category to Total Loans |                   |
|-----------------------------------|-----------------------------|-------------------|--|-------------------|--|-------------------|
|                                   | March 31, 2021              | December 31, 2020 | March 31, 2021                           | December 31, 2020 | March 31, 2021                                   | December 31, 2020 |
| (Dollars in thousands)            |                             |                   |  |                   |  |                   |
| Commercial and industrial         | \$ 165,371                  | \$ 187,365        | 2.39%                                    | 2.58%             | 56.03%   | 57.01%            |
| Commercial real estate            | 111,410                     | 141,187           | 3.75%                                    | 4.85%             | 24.04%   | 22.90%            |
| Consumer                          | 31,256                      | 38,608            | 1.27%                                    | 1.51%             | 19.93%   | 20.09%            |
| Total allowance for credit losses | <u>\$ 308,037</u>           | <u>\$ 367,160</u> | 2.49%                                    | 2.89%             | <u>100.00%</u>                                   | <u>100.00%</u>    |

As of March 31, 2021, \$165.4 million or 53.7% of our ACL is attributable to our C&I loan segment compared to \$187.4 million or 51.0% as of December 31, 2020. The ACL as a percentage of the C&I portfolio was 2.39% as of March 31, 2021 compared to 2.58% as of December 31, 2020. The Energy and Restaurant portfolios experienced significant stress as a result of COVID-19. Approximately 48% of the C&I ACL is attributable to these portfolios, however energy prices have stabilized recently, and a majority of the shut-ins and curtailments have come back online. Revenues in the restaurant industry have increased from prior quarters, however, full-service segments continue to experience greater stress than the QSR/fast casual segments.

As of March 31, 2021, \$111.4 million or 36.2% of our ACL is attributable to the CRE loan segment, compared to \$141.2 million or 38.5% as of December 31, 2020. The CRE ACL as a percentage of the CRE loan segment decreased to 3.75% as of March 31, 2021 from 4.85% as of December 31, 2020. Approximately 35% of the CRE ACL is attributable to our hospitality portfolio, as the hotel industry continues to experience lower average occupancy rates as a result of COVID, although credit quality has improved in this sector. The ACL for our \$261.4 million CRE – Hospitality portfolio decreased to 14.8% of total loans at March 31, 2021 compared 19.5% at December 31, 2020.

As of March 31, 2021, \$31.3 million or 10.1% of our ACL is attributable to the Consumer loan segment compared to \$38.6 million or 10.5% as of December 31, 2020. The Consumer ACL as a percentage of the Consumer portfolio decreased to 1.27% as of March 31, 2021 from 1.51% as of December 31, 2020.

As of March 31, 2021, \$50.1 million or 16.3% of the total ACL was attributable to SNC loans compared to \$59.8 million or 16.3% as of December 31, 2020. The ACL methodology is consistent whether or not a loan is a SNC.



During the three months ended March 31, 2021, we recorded net charge-offs of \$12.1 million, or 0.39% annualized of average loans, compared to \$32.5 million, or 0.99% annualized of average loans for the three months ended March 31, 2020. The current quarter charge-offs included: \$11.2 million related to General C&I credits (\$0.1 million SNC), \$2.4 million related to Energy credits, \$0.5 million related to Healthcare credits, and \$0.4 million in CRE credits, including \$0.2 million related to hospitality.

The following tables summarize certain information with respect to our ACL on the total loan portfolio and the composition of charge-offs and recoveries for the periods indicated.

**Table 21 – Allowance for Credit Losses Rollforward**

| (Dollars in thousands)                                   | For the Three Months Ended March 31, 2021 |                        |           |                                   |
|--|---|------------------------|-----------|-----------------------------------|
|  | Commercial and Industrial                 | Commercial Real Estate | Consumer  | Total Allowance for Credit Losses |
| As of December 31, 2020                                  | \$ 187,365                                | \$ 141,187             | \$ 38,608 | \$ 367,160                        |
| Provision (release) for loan losses                      | (9,594)                                   | (29,481)               | (7,940)   | (47,015)                          |
| Charge-offs  | (14,124)                                  | (401)                  | (146)     | (14,671)                          |
| Recoveries   | 1,724                                     | 105                    | 734       | 2,563                             |
| As of March 31, 2021                                     | \$ 165,371                                | \$ 111,410             | \$ 31,256 | \$ 308,037                        |
| Loans at end of period, net of unearned income           |   |                        |           | \$ 12,365,334                     |
| Average loans, net of unearned income                    |   |                        |           | 12,651,585                        |
| Ratio of ending allowance to ending loans                |   |                        |           | 2.49%                             |
| Ratio of net charge-offs to average loans <sup>(1)</sup> |   |                        |           | 0.39                              |
| Net charge-offs as a percentage of:                      |   |                        |           |                                   |
| Provision (release) for loan losses                      |   |                        |           | (25.75)                           |
| Allowance for credit losses <sup>(1)</sup>               |   |                        |           | 15.94                             |
| ACL as a percentage of NPL                               |   |                        |           | 249.70                            |

(1) Annualized.

| (Dollars in thousands)                                   | For the Three Months Ended March 31, 2020 |                        |           |                                   |
|--|---|------------------------|-----------|-----------------------------------|
|  | Commercial and Industrial                 | Commercial Real Estate | Consumer  | Total Allowance for Credit Losses |
| As of December 31, 2019                                  | \$ 89,796                                 | \$ 15,319              | \$ 14,528 | \$ 119,643                        |
| Cumulative effect of the adoption of CECL                | 32,951                                    | 20,599                 | 22,300    | 75,850                            |
| As of January 1, 2020                                    | 122,747                                   | 35,918                 | 36,828    | 195,493                           |
| Provision for loan losses                                | 63,684                                    | 17,798                 | 756       | 82,238                            |
| Charge-offs  | (31,987)                                  | (478)                  | (633)     | (33,098)                          |
| Recoveries   | 141                                       | 180                    | 292       | 613                               |
| As of March 31, 2020                                     | \$ 154,585                                | \$ 53,418              | \$ 37,243 | \$ 245,246                        |
| Loans at end of period, net of unearned income           |   |                        |           | \$ 13,392,191                     |
| Average loans, net of unearned income                    |   |                        |           | 13,161,371                        |
| Ratio of ending allowance to ending loans                |   |                        |           | 1.83%                             |
| Ratio of net charge-offs to average loans <sup>(1)</sup> |   |                        |           | 0.99                              |
| Net charge-offs as a percentage of:                      |   |                        |           |                                   |
| Provision for loan losses                                |   |                        |           | 39.50                             |
| Allowance for credit losses <sup>(1)</sup>               |   |                        |           | 53.27                             |
| ACL as a percentage of NPL                               |   |                        |           | 153.61                            |

(1) Annualized.

Total criticized loans at March 31, 2021 were \$816.3 million or 6.60% of total loans as compared to \$871.7 million or 6.85% at December 31, 2020. The linked quarter decrease was primarily in Restaurant, Energy, Healthcare, and CRE – Hospitality. The level of criticized loans in the loan portfolio is presented in the following tables as of March 31, 2021 and December 31, 2020.

**Table 22 – Criticized Loans**

| (Amortized cost in thousands)    | As of March 31, 2021 |                   |                  |                   |
|----------------------------------|----------------------|-------------------|------------------|-------------------|
|                                  | Special Mention      | Substandard       | Doubtful         | Total Criticized  |
| <b>Commercial and industrial</b> |                      |                   |                  |                   |
| General C&I                      | \$ 40,518            | \$ 117,658        | \$ 4,334         | \$ 162,510        |
| Energy                           | 73,333               | 148,099           | 16,717           | 238,149           |
| Restaurant                       | 50,619               | 126,536           | 4,778            | 181,933           |
| Healthcare                       | 1,953                | 15,258            | —                | 17,211            |
| Total commercial and industrial  | 166,423              | 407,551           | 25,829           | 599,803           |
| <b>Commercial real estate</b>    |                      |                   |                  |                   |
| Industrial, retail, and other    | 25,206               | 39,503            | —                | 64,709            |
| Hospitality <sup>(1)</sup>       | 31,097               | 85,395            | —                | 116,492           |
| Multifamily                      | 90                   | 1,425             | —                | 1,515             |
| Office                           | 5,699                | 13,774            | —                | 19,473            |
| Total commercial real estate     | 62,092               | 140,097           | —                | 202,189           |
| <b>Consumer</b>                  |                      |                   |                  |                   |
| Residential                      | —                    | 14,286            | —                | 14,286            |
| Other                            | —                    | 37                | —                | 37                |
| Total consumer                   | —                    | 14,323            | —                | 14,323            |
| <b>Total<sup>(2)</sup></b>       | <b>\$ 228,515</b>    | <b>\$ 561,971</b> | <b>\$ 25,829</b> | <b>\$ 816,315</b> |

(1) Hospitality balances have historically been included in Industrial, retail, and other.

(2) Criticized loans do not include loans held for sale of \$3.6 million.

| (Amortized cost in thousands)    | As of December 31, 2020 |                   |                  |                   |
|----------------------------------|-------------------------|-------------------|------------------|-------------------|
|                                  | Special Mention         | Substandard       | Doubtful         | Total Criticized  |
| <b>Commercial and industrial</b> |                         |                   |                  |                   |
| General C&I                      | \$ 61,910               | \$ 90,896         | \$ 12,583        | \$ 165,389        |
| Energy                           | 93,708                  | 150,810           | 8,115            | 252,633           |
| Restaurant                       | 55,141                  | 133,709           | 6,987            | 195,837           |
| Healthcare                       | 761                     | 29,614            | —                | 30,375            |
| Total commercial and industrial  | 211,520                 | 405,029           | 27,685           | 644,234           |
| <b>Commercial real estate</b>    |                         |                   |                  |                   |
| Industrial, retail, and other    | 35,992                  | 26,540            | —                | 62,532            |
| Hospitality <sup>(1)</sup>       | 54,449                  | 83,460            | —                | 137,909           |
| Multifamily                      | 90                      | 198               | —                | 288               |
| Office                           | 4,863                   | 7,843             | —                | 12,706            |
| Total commercial real estate     | 95,394                  | 118,041           | —                | 213,435           |
| <b>Consumer</b>                  |                         |                   |                  |                   |
| Residential real estate          | —                       | 14,023            | —                | 14,023            |
| Other                            | —                       | 4                 | —                | 4                 |
| Total consumer                   | —                       | 14,027            | —                | 14,027            |
| <b>Total<sup>(2)</sup></b>       | <b>\$ 306,914</b>       | <b>\$ 537,097</b> | <b>\$ 27,685</b> | <b>\$ 871,696</b> |

(1) Hospitality balances were previously reported in Industrial, retail, and other but have been reclassified to match current period presentation.

(2) Criticized loans do not include loans held for sale of \$0.4 million.

**Deposits.** Deposits at March 31, 2021 totaled \$16.1 billion, an increase of \$77.0 million or 0.5% compared to December 31, 2020. Our core deposits (total deposits less brokered deposits) increased \$183.8 million, or 1.2%, compared to December 31, 2020. The increase was due to growth in noninterest-bearing deposits and savings, which was offset by the reductions in interest-bearing demand accounts and time deposits. The reduction in interest-bearing demand accounts was due to seasonal fluctuations related to taxes on certain municipal deposit accounts. The reduction in time deposit accounts was due to customers opting for interest-bearing and savings accounts in the current environment. We continued to lower our interest rates on deposits for the three months ended March 31, 2021, resulting in a cost of total deposits of 0.20% compared to 0.96% for the same period of 2020. Additionally, noninterest-bearing deposits as a percent of total deposits increased to 34.4% at March 31, 2021 from 31.4% at December 31, 2020.

The following table illustrates the growth in our deposits during the periods indicated:

**Table 23 – Deposits**

| (Dollars in thousands)                   | March 31,<br>2021 | December 31,<br>2020 | Percent to Total  |                      | Percentage<br>Change |
|--|-------------------|----------------------|-------------------|----------------------|----------------------|
|  |                   |                      | March 31,<br>2021 | December 31,<br>2020 |                      |
| Noninterest-bearing demand               | \$ 5,556,217      | \$ 5,033,748         | 34.4%             | 31.4%                | 10.4%                |
| Interest-bearing demand                  | 8,076,945         | 8,434,041            | 50.1              | 52.5                 | (4.2)                |
| Savings                                  | 396,061           | 343,441              | 2.5               | 2.1                  | 15.3                 |
| Time deposits less than \$100,000        | 868,475           | 976,683              | 5.4               | 6.1                  | (11.1)               |
| Time deposits greater than \$100,000     | 1,231,501         | 1,264,332            | 7.6               | 7.9                  | (2.6)                |
| Total deposits                           | \$ 16,129,199     | \$ 16,052,245        | 100.0%            | 100.0%               | 0.5%                 |
| Total brokered deposits (included above) | \$ 500,399        | \$ 607,284           | 3.1%              | 3.8%                 | (17.6)%              |

Domestic time deposits \$250,000 and over were \$480.2 million and \$486.3 million at March 31, 2021 and December 31, 2020, respectively. These amounts represented 3.0% of total deposits at both March 31, 2021 and December 31, 2020.

The following tables set forth our average deposits and the average rates expensed for the periods indicated:

**Table 24 – Average Deposits/Rates**

| (Dollars in thousands)          | Three Months Ended March 31,     |                         |                                  |                         |
|---------------------------------|----------------------------------|-------------------------|----------------------------------|-------------------------|
|                                 | 2021                             |                         | 2020                             |                         |
|                                 | Average<br>Amount<br>Outstanding | Average<br>Rate<br>Paid | Average<br>Amount<br>Outstanding | Average<br>Rate<br>Paid |
| Noninterest-bearing demand      | \$ 5,356,120                     | — %                     | \$ 3,658,612                     | — %                     |
| Interest-bearing deposits:      |                                  |                         |                                  |                         |
| Interest-bearing demand         | 8,275,895                        | 0.18                    | 8,121,641                        | 1.07                    |
| Savings                         | 353,826                          | 0.12                    | 272,444                          | 0.47                    |
| Time deposits                   | 2,214,790                        | 0.78                    | 2,521,917                        | 2.03                    |
| Total interest-bearing deposits | 10,844,511                       | 0.30 %                  | 10,916,002                       | 1.28 %                  |
| Total average deposits          | \$ 16,200,631                    | 0.20 %                  | \$ 14,574,614                    | 0.96 %                  |

### Borrowings

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

**Table 25 – Borrowings**

| (In thousands)                 | March 31, 2021 | December 31, 2020 |
|--------------------------------|----------------|-------------------|
| Advances from FHLB             | \$ 100,000     | \$ 100,000        |
| Senior debt                    | 49,994         | 49,986            |
| Subordinated debt              | 143,575        | 183,344           |
| Junior subordinated debentures | 37,694         | 37,637            |
| Notes payable                  | 1,721          | 1,702             |
| Total borrowings               | \$ 332,984     | \$ 372,669        |
| Average total borrowings - YTD | \$ 363,046     | \$ 389,275        |

At March 31, 2021, the outstanding advance from the FHLB was a long-term convertible advance.

On March 11, 2021, we called the \$40 million fixed-to-floating rate subordinated notes due on March 11, 2025.

In June 2014, we completed a \$245 million unregistered multi-tranche debt transaction, and in March 2015, we completed an unregistered \$50 million debt transaction (\$10 million senior; \$40 million subordinated). In June 2019, we completed a registered public offering of \$85 million aggregate principal amount of 4.75% fixed to floating rate subordinated notes due 2029, the net proceeds of which, along with holding company cash, were used to redeem our 4.875% senior notes due June 28, 2019.

The senior notes were structured with a seven-year maturity to provide holding company liquidity and to stagger our debt maturity profile. The \$35 million and \$25 million subordinated notes transactions were structured with a fifteen-year maturity, ten-year call options, and fixed-to-floating interest rates. The \$85 million subordinated notes transaction was structured with a ten-year maturity, a five-year call option, and a fixed-to-floating interest rate. The \$40 million subordinated notes transaction has a five-year call option. These subordinated debt structures were designed to achieve full Tier 2 capital treatment for 10 years.

### Shareholders' Equity

As of March 31, 2021 and December 31, 2020, our ratio of shareholders' equity to total assets was 11.13% and 11.34%, respectively, and we had tangible common equity ratios of 10.6% and 10.7%, respectively. Shareholders' equity was \$2.1 billion at March 31, 2021, a decrease of \$28.6 million from December 31, 2020. The decrease primarily resulted from a decrease of \$86.9 million in other comprehensive income and from the repurchase of 1.6 million shares of common stock totaling \$30.0 million as part of our common share repurchase program, partially offset by net income of \$106.4 million.

In January 2021, our previously approved share repurchase program expired. On January 21, 2021, our Board of Directors authorized a new share repurchase program providing for an aggregate purchase price of up to \$200 million, subject to regulatory approvals, which were received. At March 31, 2021, we had repurchased 1.6 million shares of common stock at an average price of \$19.06. Given the previously announced pending merger with BancorpSouth, the stock buyback activity has been placed on hold.

### Regulatory Capital

We are required to comply with regulatory capital requirements established by federal banking agencies. These regulatory capital requirements involve quantitative measures of the Company's assets, liabilities and selected off-balance sheet items, and qualitative judgments by the regulators. Failure to meet minimum capital requirements can subject us to a series of increasingly restrictive regulatory actions. Failure to meet well capitalized capital levels (as defined) can result in restrictions on our operations.

Additionally, the regulatory capital requirements impose a capital conservation buffer designed to absorb losses during periods of economic stress. The capital conservation buffer is on top of minimum risk-weighted asset ratios and is equal to the lowest difference between the three risk-based capital ratios less the applicable minimum required ratio. The capital conservation buffer is 2.5% of common equity Tier 1 capital to risk-weighted assets. Banking institutions with ratios that are above the minimum but below the combined capital conservation buffer face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall and the institution's eligible retained income ("ERI"). ERI is compiled using the past four quarter trailing net income, net of distributions and tax effects not reflected in net income.

During 2020, the federal banking agencies issued a final rule to delay 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 strains on the U.S economy due to COVID-19, while also maintaining the quality of regulatory capital. Under the final rule, 100% of the Day-1 impact of the adoption of CECL and 25% of subsequent provisions for credit losses ("Day 2 impacts") will be deferred over a two-year year period ending January 1, 2022. At that point, the amount will be phased into regulatory capital on a pro rata basis over a three-year period ending January 1, 2025.

At March 31, 2021, our regulatory capital ratios exceeded the requirements discussed above. Our actual regulatory capital ratios as of the dates indicated are presented in the following table:

**Table 26 – Regulatory Capital**

|                              | Consolidated Company |                   | Bank           |                   |
|------------------------------|----------------------|-------------------|----------------|-------------------|
|                              | March 31, 2021       | December 31, 2020 | March 31, 2021 | December 31, 2020 |
| Tier 1 leverage              | 10.9%                | 10.9%             | 11.0%          | 11.3%             |
| Common equity tier 1 capital | 14.2                 | 14.0              | 14.0           | 14.1              |
| Tier 1 risk-based capital    | 14.2                 | 14.0              | 14.3           | 14.5              |
| Total risk-based capital     | 16.7                 | 16.7              | 15.8           | 15.9              |

### ***Regulatory Requirements Affecting Dividends***

Under regulations controlling national banks, the payment of any dividends by a bank without prior approval of the OCC is limited to the current year's net profits (as defined by the OCC) and retained net profits of the two preceding years. Due to the effects to the Bank's retained profits from the recognition of the non-cash goodwill impairment charge in the first quarter of 2020 and the net loss in the second quarter of 2020, the Bank is currently required to seek prior approval of the OCC to pay dividends to the holding company.

The holding company had \$183.5 million in cash on hand as of March 31, 2021 and has \$50 million in senior debt that matures in June 2021. While the holding company cash level is currently significant, the holding company does not generate income on a stand-alone basis, and other than raising cash from capital or debt markets, the holding company's future cash level is dependent upon receiving dividends from the Bank. Additionally, on July 24, 2020, the Federal Reserve amended its supervisory guidance and regulations addressing dividends from bank holding companies to require consultation with the Federal Reserve prior to paying a dividend that exceeds earnings for the period for which the dividend is being paid.

## **Liquidity**

### ***Overview***

We measure and seek to manage liquidity risk by a variety of processes, including monitoring the composition of our funding mix; monitoring financial ratios specifically designed to measure liquidity risk; maintaining a minimum liquidity cushion; and performing forward cash flow gap forecasts in various liquidity stress testing scenarios designed to simulate possible stressed liquidity environments. We attempt to limit our liquidity risk by setting board-approved concentration limits on sources of funds and limits on liquidity ratios used to measure liquidity risk and maintaining adequate levels of on-hand liquidity. We use the following ratios to monitor and analyze our liquidity:

- Total Loans to Total Deposits—the ratio of our outstanding loans to total deposits.
- Non-Brokered Deposits to Total Deposits—the ratio of our deposits that are organically originated through commercial and branch activity to total deposits.
- Brokered Deposits to Total Deposits—the ratio of our deposits generated through wholesale sources to total deposits.
- Highly Liquid Assets to Uninsured Large Depositors—the ratio of cash and highly liquid assets to uninsured deposits with a current depository relationship greater than \$10 million.
- Wholesale Funds Usage—the ratio of our current borrowings and brokered deposits to all available wholesale sources with potential maturities greater than one day.
- Wholesale Funds to Total Assets—the ratio of current outstanding wholesale funding to assets.

As of March 31, 2021, all our liquidity measures were within our established guidelines.

The goal of liquidity management is to ensure that we maintain adequate funds to meet changes in loan demand or any deposit withdrawals. Additionally, we strive to maximize our earnings by investing our excess funds in securities and other assets. To meet our short-term liquidity needs, we seek to maintain a targeted cash position and have borrowing capacity through many wholesale sources including the FHLB, correspondent banks, and the Federal Reserve Bank. At March 31, 2021, we had \$889.9 million of borrowing availability at the FHLB. To meet long-term liquidity needs, we additionally depend on the repayment of loans, sales of loans, term wholesale borrowings, brokered deposits, and the maturity or sale of investment securities.

As a result of the economic environment resulting from COVID-19, we experienced elevated levels of liquidity from an increase in deposits and the decline in our core loans. We anticipate these elevated levels to continue in the near future until the markets in which we operate return to a more normalized economic environment.

### ***Maturities of Time Deposits***

The aggregate amount of time deposits in denominations of \$100,000 or more as of March 31, 2021 and December 31, 2020, was \$1.23 billion and \$1.26 billion, respectively.

At March 31, 2021, the scheduled maturities of time deposits greater than \$100,000 were as follows:

**Table 27 – Time Deposit Maturity Schedule**

| (Dollars in thousands) | March 31, 2021 |                                |
|------------------------|----------------|--------------------------------|
|                        | Amount         | Weighted Average Interest Rate |
| Under 3 months         | \$ 365,467     | 0.77%                          |
| 3 to 6 months          | 298,342        | 0.74                           |
| 6 to 12 months         | 449,027        | 0.55                           |
| 12 to 24 months        | 104,261        | 0.57                           |
| 24 to 36 months        | 7,142          | 1.02                           |
| 36 to 48 months        | 5,264          | 0.86                           |
| Over 48 months         | 1,998          | 0.34                           |
| Total                  | \$ 1,231,501   | 0.67%                          |

**Cash Flow Analysis*****Cash and cash equivalents***

At March 31, 2021, we had \$1.9 billion in cash and cash equivalents on hand, a decrease of \$165.4 million or 8.1% from our cash and cash equivalents of \$2.1 billion at December 31, 2020. At March 31, 2021, our cash and cash equivalents comprised 10.0% of total assets compared to 11.0% at December 31, 2020. We monitor our liquidity position and increase or decrease our short-term liquid assets as necessary, however, as a result of the current environment, with the increase in deposits, we experienced elevated levels of liquidity. We anticipate these elevated levels to continue in the near future until we reach a more normalized environment.

***2021 vs 2020***

Operating activities provided \$78.0 million in the three months ended March 31, 2021 compared to providing \$409.3 million in the three months ended March 31, 2020. The decrease in operating funds during the three months ended March 31, 2021 compared to 2020 was due to proceeds received of \$368.6 million from the termination of the interest rate collar in the first quarter of 2020, \$95.3 million related to originations of loans held for sale, and a provision release of \$48.3 million. This was offset by \$104.1 million from proceeds from paydowns and sales of loans held for sale.

Investing activities during the three months ended March 31, 2021 used net funds of \$231.5 million, primarily due to \$970.6 million in purchases of available-for-sale securities. This was partially offset by \$355.4 million in net loan funding, \$255.3 million in proceeds from maturities, calls, and paydowns of securities available-for-sale, and \$118.7 million in proceeds from sales of securities available-for-sale. This compares to investing activities during the three months ended March 31, 2020 that used \$483.3 million of net funds, primarily due to \$240.7 million in purchases of available-for-sale securities and \$436.8 million in net loan funding. This was offset by \$113.4 million from proceeds from maturities, calls, and paydowns of securities available-for-sale, \$46.9 million from proceeds from sale of loans held for sale, and \$37.9 million from proceeds from sales of securities available-for-sale.

Financing activities during the three months ended March 31, 2021 used net funds of \$11.9 million, due to the purchase of \$30.0 million in our common stock, dividends of \$18.9 million, and repayment of subordinate debt of \$40.0 million. This was partially offset by a net increase of \$77.0 million in deposits. The increase in deposits was driven by customers maintaining higher levels of liquidity and broad impacts from the financial stimulus. This compares to financing activities during the three months ended March 31, 2020 that used \$305.4 million in funds primarily due to a decrease in deposits of \$253.3 million, purchase of \$30.0 million in our common stock, and dividends of \$22.1 million.

## NON-GAAP FINANCIAL MEASURES

We identify “efficiency ratio,” “adjusted efficiency ratio,” “adjusted noninterest expense,” “adjusted noninterest income,” “adjusted operating revenue,” “tangible common equity,” “tangible common equity ratio,” “return on average tangible common equity,” “adjusted return on average tangible common equity,” “tangible book value per share,” “adjusted return on average assets,” “adjusted net income,” “adjusted net income allocated to common stock,” “tangible net income,” “adjusted tangible net income,” “adjusted diluted earnings per share” and “adjusted pre-tax pre-provision net revenue” as “non-GAAP financial measures.” In accordance with the SEC’s rules, we identify certain financial measures as non-GAAP financial measures if such financial measures exclude or include amounts in the most directly comparable measures calculated and presented in accordance with generally accepted accounting principles (“GAAP”) in effect in the United States in our statements of operations, balance sheet, or statements of cash flows. Non-GAAP financial measures do not include operating and other statistical measures, ratios or statistical measures calculated using exclusively financial measures calculated in accordance with GAAP.

The non-GAAP financial measures that we discuss herein should not be considered in isolation or as a substitute for the most directly comparable or other financial measures calculated in accordance with GAAP. Moreover, the manner in which we calculate these non-GAAP financial measures may differ from that of other companies reporting measures with similar names, and, therefore, may not be comparable to our non-GAAP financial measures.

Efficiency ratio is defined as noninterest expenses divided by operating revenue, which is equal to net interest income plus noninterest income. Adjusted efficiency ratio is defined as adjusted noninterest expenses divided by adjusted operating revenue, which is equal to net interest income plus noninterest income, excluding certain non-routine income and expenses. We believe that these measures are important to many investors in the marketplace who wish to assess our performance versus that of our peers.

Our adjusted noninterest expenses represent total noninterest expenses net of any merger, restructuring or other non-routine expense items. Our adjusted operating revenue is equal to net interest income plus noninterest income excluding gains and losses on sales of securities and other non-routine revenue items. In our judgment, the adjustments made to noninterest expense and operating revenue allow management and investors to better assess our performance by removing the volatility that is associated with certain other discrete items that are unrelated to our core business.

Tangible common equity is defined as total shareholders’ equity less goodwill and other intangible assets. We believe that this measure is important to many investors in the marketplace who are interested in changes from period to period in common shareholders’ equity exclusive of changes in intangible assets. Goodwill, an intangible asset that is recorded in a purchase business combination, has the effect of increasing both common equity and assets while not increasing our tangible common equity or tangible assets.

The tangible common equity ratio is defined as the ratio of tangible common equity divided by total assets less goodwill and other intangible assets. We believe that this measure is important to many investors in the marketplace who are interested in relative changes from period to period in common equity and total assets, each exclusive of changes in intangible assets. We believe that the most directly comparable GAAP financial measure is total shareholders’ equity to total assets.

Return on average tangible common equity is defined as tangible net income divided by average tangible common equity. Adjusted return on average tangible common equity is defined as adjusted tangible net income divided by average tangible common equity. We believe the most directly comparable GAAP financial measure is the return on average common equity.

Tangible net income is defined as net income plus goodwill impairment and intangible asset amortization, net of tax. Adjusted tangible net income is defined as net income plus goodwill impairment and intangible asset amortization, net of tax, plus non-routine item, net of tax. Non-routine items include merger related expenses, net securities gains, and other non-routine expenses.

Adjusted net income is defined as net income plus goodwill impairment, net of tax, and plus or minus total non-routine items, net of tax. Non-routine items include merger related expenses, gain on acquired loans, net securities gains, and other non-routine income and expenses. We believe the most directly comparable GAAP financial measure is net income.

Tangible book value per share is defined as book value, excluding the impact of goodwill and other intangible assets, if any, divided by shares of our common stock outstanding.

Adjusted return on average assets is defined as adjusted net income divided by average assets. We believe the most directly comparable GAAP financial measure is the return on average assets.

Adjusted net income allocated to common stock is defined as net income allocated to common stock plus goodwill impairment, net of tax, and plus total non-routine items. We believe the most directly comparable GAAP financial measure is net income allocated to common stock.

Adjusted diluted earnings per share is defined as adjusted net income allocated to common stock divided by diluted weighted average common shares outstanding. We believe the most directly comparable GAAP financial measure is diluted earnings per share.

Adjusted pre-tax, pre-provision net revenue is defined as income before taxes, provision for credit losses, goodwill impairment, and non-routine items. We believe the most directly comparable GAAP financial measure is income before taxes.

The following table is a reconciliation of each of our Non-GAAP measures to the most directly comparable GAAP financial measure:

**Table 28 – Non-GAAP Financial Measures**

| (In thousands, except share and per share data)  | As of and for the<br>Three Months Ended |                   | As of and for the<br>Year Ended |
|--|---|-------------------|---------------------------------|
|  | March 31,<br>2021                       | March 31,<br>2020 | December 31,<br>2020            |
| <b>Efficiency ratio</b>                          |   |                   |                                 |
| <i>Noninterest expenses (numerator)</i>          | \$ 97,822                               | \$ 537,653        | \$ 826,464                      |
| Net interest income                              | \$ 142,748                              | \$ 153,468        | \$ 618,966                      |
| Noninterest income                               | 43,696                                  | 35,069            | 307,355                         |
| <i>Operating revenue (denominator)</i>           | \$ 186,444                              | \$ 188,537        | \$ 926,321                      |
| <i>Efficiency ratio</i>                          | 52.47%                                  | 285.17%           | 89.22%                          |
| <b>Adjusted efficiency ratio</b>                 |   |                   |                                 |
| Noninterest expenses                             | \$ 97,822                               | \$ 537,653        | \$ 826,464                      |
| Less: non-cash goodwill impairment charge        | —                                       | 443,695           | 443,695                         |
| Less: merger related expenses                    | —                                       | 1,282             | 3,386                           |
| Less: expenses related to COVID-19 pandemic      | —                                       | 122               | 1,777                           |
| <i>Adjusted noninterest expenses (numerator)</i> | \$ 97,822                               | \$ 92,554         | \$ 377,606                      |
| Net interest income                              | \$ 142,748                              | \$ 153,468        | \$ 618,966                      |
| Noninterest income                               | 43,696                                  | 35,069            | 307,355                         |
| Plus: impairment charge on branch building       | —                                       | —                 | 538                             |
| Less: securities gains (losses), net             | 2,259                                   | 2,994             | 6,712                           |
| <i>Adjusted noninterest income</i>               | 41,437                                  | 32,075            | 301,181                         |
| <i>Adjusted operating revenue (denominator)</i>  | \$ 184,185                              | \$ 185,543        | \$ 920,147                      |
| <i>Adjusted efficiency ratio</i>                 | 53.11%                                  | 49.88%            | 41.04%                          |
| <b>Tangible common equity ratio</b>              |   |                   |                                 |
| Shareholders' equity                             | \$ 2,092,536                            | \$ 2,113,543      | \$ 2,121,102                    |
| Less: goodwill and other intangible assets, net  | (121,856)                               | (142,782)         | (126,841)                       |
| <i>Tangible common shareholders' equity</i>      | 1,970,680                               | 1,970,761         | 1,994,261                       |
| Total assets                                     | 18,800,350                              | 17,237,918        | 18,712,567                      |
| Less: goodwill and other intangible assets, net  | (121,856)                               | (142,782)         | (126,841)                       |
| <i>Tangible assets</i>                           | \$ 18,678,494                           | \$ 17,095,136     | \$ 18,585,726                   |
| <i>Tangible common equity ratio</i>              | 10.55%                                  | 11.53%            | 10.73%                          |
| <b>Tangible book value per share</b>             |   |                   |                                 |
| Shareholders' equity                             | \$ 2,092,536                            | \$ 2,113,543      | \$ 2,121,102                    |
| Less: goodwill and other intangible assets, net  | (121,856)                               | (142,782)         | (126,841)                       |
| <i>Tangible common shareholders' equity</i>      | \$ 1,970,680                            | \$ 1,970,761      | \$ 1,994,261                    |
| Common shares outstanding                        | 124,698,518                             | 125,897,827       | 125,978,561                     |
| <i>Tangible book value per share</i>             | \$ 15.80                                | \$ 15.65          | \$ 15.83                        |



| (In thousands, except share and per share data)                        | As of and for the<br>Three Months Ended |                     | As of and for the<br>Year Ended |
|--|---|---------------------|---------------------------------|
|  | March 31,<br>2021                       | March 31,<br>2020   | December 31,<br>2020            |
| <b>Return on average tangible common equity</b>                        |   |                     |                                 |
| Average common equity  | \$ 2,085,712                            | \$ 2,446,810        | \$ 2,171,826                    |
| Less: average intangible assets  | (125,042)                               | (584,513)           | (247,121)                       |
| <i>Average tangible common shareholders' equity</i>                    | <u>\$ 1,960,670</u>                     | <u>\$ 1,862,297</u> | <u>\$ 1,924,705</u>             |
| Net income (loss)  | \$ 106,425                              | \$ (399,311)        | \$ (205,527)                    |
| Plus: non-cash goodwill impairment charge, net of tax                  | —                                       | 412,918             | 412,918                         |
| Plus: intangible asset amortization, net of tax                        | 3,809                                   | 4,261               | 16,416                          |
| Tangible net income  | <u>\$ 110,234</u>                       | <u>\$ 17,868</u>    | <u>\$ 223,807</u>               |
| <i>Return on average tangible common equity<sup>(1)</sup></i>          | <u>22.80%</u>                           | <u>3.86%</u>        | <u>11.63%</u>                   |
| <b>Adjusted return on average tangible common equity</b>               |   |                     |                                 |
| <i>Average tangible common shareholders' equity</i>                    | <u>\$ 1,960,670</u>                     | <u>\$ 1,862,297</u> | <u>\$ 1,924,705</u>             |
| Tangible net income  | <u>\$ 110,234</u>                       | <u>\$ 17,868</u>    | <u>\$ 223,807</u>               |
| Non-routine items:   |   |                     |                                 |
| Plus: merger related expenses  | —                                       | 1,282               | 3,386                           |
| Plus: expenses related to COVID-19 pandemic                            | —                                       | 122                 | 1,777                           |
| Plus: impairment loss on branch building                               | —                                       | —                   | 538                             |
| Less: securities gains (losses), net                                   | 2,259                                   | 2,994               | 6,712                           |
| Less: income tax effect of tax deductible non-routine items            | (533)                                   | (464)               | (326)                           |
| Total non-routine items, after tax                                     | <u>(1,726)</u>                          | <u>(1,126)</u>      | <u>(685)</u>                    |
| <i>Adjusted tangible net income</i>                                    | <u>\$ 108,508</u>                       | <u>\$ 16,742</u>    | <u>\$ 223,122</u>               |
| <i>Adjusted return on average tangible common equity<sup>(1)</sup></i> | <u>22.44%</u>                           | <u>3.62%</u>        | <u>11.59%</u>                   |
| <b>Adjusted return on average assets</b>                               |   |                     |                                 |
| Average assets   | \$ 18,837,133                           | \$ 17,694,018       | \$ 18,199,726                   |
| <i>Net income (loss)</i>   | <u>\$ 106,425</u>                       | <u>\$ (399,311)</u> | <u>\$ (205,527)</u>             |
| Return on average assets <sup>(1)</sup>                                | <u>2.29%</u>                            | <u>(9.08)%</u>      | <u>(1.13)%</u>                  |
| <i>Net income (loss)</i>   | <u>\$ 106,425</u>                       | <u>\$ (399,311)</u> | <u>\$ (205,527)</u>             |
| Plus: non-cash goodwill impairment charge, net of tax                  | —                                       | 412,918             | 412,918                         |
| Total non-routine items, after tax                                     | <u>(1,726)</u>                          | <u>(1,126)</u>      | <u>(685)</u>                    |
| <i>Adjusted net income</i>   | <u>\$ 104,699</u>                       | <u>\$ 12,481</u>    | <u>\$ 206,706</u>               |
| <i>Adjusted return on average assets<sup>(1)</sup></i>                 | <u>2.25%</u>                            | <u>0.28%</u>        | <u>1.14%</u>                    |
| <b>Adjusted diluted earnings per share</b>                             |   |                     |                                 |
| Diluted weighted average common shares outstanding                     | 125,621,508                             | 126,630,446         | 126,120,534                     |
| Net income (loss) allocated to common stock                            | \$ 105,829                              | \$ (399,311)        | \$ (205,527)                    |
| Plus: non-cash goodwill impairment, net of tax                         | —                                       | 412,918             | 412,918                         |
| Total non-routine items, after tax                                     | <u>(1,726)</u>                          | <u>(1,126)</u>      | <u>(685)</u>                    |
| <i>Adjusted net income allocated to common stock</i>                   | <u>\$ 104,103</u>                       | <u>\$ 12,481</u>    | <u>\$ 206,706</u>               |
| <i>Adjusted diluted earnings per share</i>                             | <u>\$ 0.83</u>                          | <u>\$ 0.10</u>      | <u>\$ 1.64</u>                  |
| <b>Adjusted pre-tax, pre-provision net revenue</b>                     |   |                     |                                 |
| Income (loss) before taxes   | \$ 136,884                              | \$ (432,545)        | \$ (178,191)                    |
| Plus: provision (release) for credit losses                            | (48,262)                                | 83,429              | 278,048                         |
| Plus: non-cash goodwill impairment                                     | —                                       | 443,695             | 443,695                         |
| Plus: Total non-routine items before taxes                             | <u>(2,259)</u>                          | <u>(1,590)</u>      | <u>(1,011)</u>                  |
| <i>Adjusted pre-tax, pre-provision net revenue</i>                     | <u>\$ 86,363</u>                        | <u>\$ 92,989</u>    | <u>\$ 542,541</u>               |

(1) Annualized for the three months ended March 31, 2021 and 2020.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to unanticipated changes in net interest earnings or changes in the fair value of financial instruments due to fluctuations in interest rates, exchange rates and equity prices. Our primary market risk is interest rate risk (“IRR”).

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

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

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

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

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

The models simulate the cash flows and accounting accruals generated by the financial instruments on our balance sheet, as well as the cash flows generated by the new business, we anticipate over a 60-month forecast horizon. Numerous assumptions are made in the modeling process, including balance sheet composition, the pricing, re-pricing and maturity characteristics of existing business, and new business. Additionally, loan and investment prepayments, administered rate account elasticity, and other option risks are considered as well as the uncertainty surrounding future customer behavior. Because of the limitations inherent in any approach used to measure interest rate risk and because our loan portfolio will be actively managed in the event of a change in interest rates, simulation results, including those discussed in “—Interest Rate Exposures” immediately below, are not intended as a forecast of the actual effect of a change in market interest rates on our NII or EVE or indicative of management’s expectations of actual results in the event of a fluctuation in market interest rates; however, these results are used to help measure the potential risks related to IRR.

### ***LIBOR Transition***

One additional emerging risk related to IRR is the transition of the market from LIBOR to an alternative benchmark index. We have formed a cross-functional project team to manage the assessment, identification, and resolution of risks and potential issues related to the transition from LIBOR to a replacement index. This team reports to the ALCO and Enterprise Risk Management Committee, who provide regular reports to the Board of Directors. See “Risk Factors—*We May Be Adversely Impacted by The Transition from LIBOR as a Reference Rate*” of Annual Report on Form 10-K for the year ended December 31, 2020.

As part of our transition, we have identified approximately 33.8% of our assets and 0.3% of our liabilities and equity as being tied to LIBOR, with 29.1% of our assets and 0.2% of our liabilities and equity having a maturity date beyond 2021. We have begun remediation plans that include standardization of fallback language in all new contracts, solicitation from existing customers of rate index and spread amendments prior to LIBOR transition, providing customers with at least three options on alternative rate indexes of Prime, Ameribor, and Secured Overnight Financing Rate (“SOFR”), and adopting ISDA protocols for derivative contracts.

At this time, we do not anticipate any changes with our outstanding cash flow hedges because the Alternative Reference Rates Committee (“ARRC”) has already approved SOFR as a replacement index to LIBOR and we anticipate sufficient SOFR loans will be available to hedge at transition. For the terminated collar, the timing of future forecasted income from accumulated other comprehensive income (“AOCI”) may be further accelerated as our loans could migrate to an index not qualified by FASB as a replacement for LIBOR.

We anticipate remediation of all LIBOR-based contracts in advance of transition events resulting in the discontinuation of the index.

**Table 29 – Interest Rate Sensitivity**

**Interest Rate Exposures**

Based upon the current interest rate curves as of March 31, 2021, our NII simulation model projects our sensitivity over the next 12 months to an instantaneous increase or decrease in interest rates was as follows:

| (Dollars in millions)<br>Change (in Basis Points) in Interest Rates (12-Month Projection) | Increase (Decrease) |         |  |                          |         |  |
|---|---------------------|---------|--|--------------------------|---------|--|
|   | Net Interest Income |         |  | Economic Value of Equity |         |  |
|   | Amount              | Percent |  | Amount                   | Percent |  |
| + 200 BP  | \$ 53.1             | 9.62%   |  | \$ 470.2                 | 12.21%  |  |
| + 100 BP  | 22.8                | 4.13    |  | 266.6                    | 6.93    |  |
| - 25 BP   | (1.4)               | (0.26)  |  | (79.0)                   | (2.05)  |  |

Based upon the current interest rate curves as of March 31, 2021, the following table reflects our NII sensitivity over the next 12 months to a gradual increase or decrease in interest rates over a twelve-month period:

| (Dollars in millions)<br>Change (in Basis Points) in Interest Rates (12-Month Projection) | Increase (Decrease) |         |
|---|---------------------|---------|
|   | Net Interest Income |         |
|   | Amount              | Percent |
| + 200 BP  | \$ 41.3             | 7.47%   |
| + 100 BP  | 17.9                | 3.23    |
| - 25 BP   | (2.0)               | (0.36)  |

Both the NII and EVE simulations include 12-month 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, as well as non-parallel changes in the yield curve, may change our market risk exposure.

**Derivative Positions**

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

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

The following is a discussion of our primary derivative positions.

**Interest Rate Lock Commitments.** We enter certain commitments with customers in connection with the origination of residential mortgage loans which will be sold in the secondary market. 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 earnings in mortgage banking revenue.

**Interest Rate Agreements not Designated as Hedging Derivatives.** To attempt to meet the financing needs and interest rate risk management needs of our customers, we enter into interest rate swap, floor, collar, or cap agreements related to commercial loans with customers while at the same time entering into offsetting interest rate agreements with other financial institutions in order to minimize IRR. These interest rate swap agreements are non-hedging derivatives and are recorded at fair value, with changes in fair value reflected in earnings in other noninterest income. The fair value of these derivatives is recorded on the consolidated balance sheet in other assets and other liabilities.

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

**Cash Flow Hedges.** Cash flow hedge relationships mitigate exposure to the variability of future cash flows or other forecasted transactions. The Company uses interest rate swaps, caps, floors, and collars to manage overall cash flow changes related to interest rate risk exposure on benchmark interest rate loans (1-Month LIBOR).

In March 2020, a notional interest rate collar of \$4.0 billion was terminated, resulting in a \$261.2 million realized gain initially recorded in other comprehensive income (“OCI”) net of deferred income taxes. The gain was forecast to reclass out of OCI and amortize into interest income through February 29, 2024 based on a continuing expectation of an adequate number of hedge-eligible loans. Due to the economic impacts of the COVID-19 pandemic, the hedge was given the accounting designation of partial ineffectiveness due to a forecasted shortfall of hedge-eligible loans which began in the fourth quarter of 2020 and continuing throughout the remaining term of the original hedge. As a result, during the fourth quarter of 2020, an accelerated hedge revenue of \$169.2 million was recognized. Additional information is discussed on Note 7 of the Annual Report on Form 10-K for the year ended December 31, 2020

At March 31, 2021, the Company has outstanding the following interest rate swap agreements to manage overall cash flow changes related to interest rate risk exposure:

**Table 30 – Interest Rate Swaps**

| Effective Date | Maturity Date     | Notional Amount<br>(In Thousands) | Fixed Rate | Variable Rate |
|----------------|-------------------|-----------------------------------|------------|---------------|
| March 8, 2016  | February 27, 2026 | \$ 175,000                        | 1.5995%    | 1 Month LIBOR |
| March 8, 2016  | February 27, 2026 | 175,000                           | 1.5890     | 1 Month LIBOR |

The following summarizes all derivative positions as of March 31, 2021 and December 31, 2020:

**Table 31 – Derivatives**

| (In thousands)  | March 31, 2021  |              |                   | December 31, 2020 |              |                   |
|---|-----------------|--------------|-------------------|-------------------|--------------|-------------------|
|   | Notional Amount | Fair Value   |                   | Notional Amount   | Fair Value   |                   |
|   |                 | Other Assets | Other Liabilities |                   | Other Assets | Other Liabilities |
| Derivatives designated as hedging instruments (cash flow hedges): |                 |              |                   |                   |              |                   |
| Commercial loan interest rate swaps                               | \$ 350,000      | \$ 11,744    | \$ —              | \$ 350,000        | \$ 22,560    | \$ —              |
| Total derivatives designated as hedging instruments               | 350,000         | 11,744       | —                 | 350,000           | 22,560       | —                 |
| Derivatives not designated as hedging instruments:                |                 |              |                   |                   |              |                   |
| Commercial loan interest rate swaps                               | 1,188,783       | 13,916       | 2,503             | 1,200,581         | 20,699       | 1,647             |
| Commercial loan interest rate caps                                | 177,747         | 10           | 10                | 162,479           | 4            | 4                 |
| Commercial loan interest rate floors                              | 551,412         | 9,654        | 9,654             | 560,048           | 11,986       | 11,986            |
| Commercial loan interest rate collars                             | 64,442          | 150          | 150               | 66,665            | 305          | 305               |
| Mortgage loan held-for-sale interest rate lock commitments        | 26,126          | 249          | —                 | 33,458            | 531          | —                 |
| Mortgage loan forward sale commitments                            | 8,021           | 100          | —                 | 11,081            | 112          | —                 |
| Mortgage loan held-for-sale floating commitments                  | 4,746           | —            | —                 | 4,206             | —            | —                 |
| Foreign exchange contracts  | 67,500          | 986          | 829               | 89,707            | 780          | 1,058             |
| Total derivatives not designated as hedging instruments           | 2,088,777       | 25,065       | 13,146            | 2,128,225         | 34,417       | 15,000            |
| Total derivatives   | \$ 2,438,777    | \$ 36,809    | \$ 13,146         | \$ 2,478,225      | \$ 56,977    | \$ 15,000         |

**Counterparty Credit Risk**

Derivative contracts involve the risk of dealing with both bank customers and institutional derivative counterparties and their ability to meet contractual terms. Our policies require that institutional counterparties must be approved by our ALCO and all positions over and above the minimum transfer amounts are secured by marketable securities or cash.

#### ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and are also designed to ensure that the information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

(b) Internal Control Over Financial Reporting

*Changes in internal control over financial reporting*

There have been no changes in the Company's internal control over financial reporting during the period ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Any control system, no matter how well conceived and operated, can provide only reasonable assurance that its objectives are achieved. The design of a control system inherently has limitations, including the controls' cost relative to their benefits. Additionally, controls can be circumvented. No cost-effective control system can provide absolute assurance that all control issues and instances of fraud, if any, will be detected.

## PART II: OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

The Company and its subsidiaries are from time to time subject to claims and litigation arising in the ordinary course of business. At this time, in the opinion of management, the likelihood is remote that the impact of such proceedings, either individually or in the aggregate, would have a material adverse effect on our consolidated results of operations, financial condition or cash flows. However, one or more unfavorable outcomes in any claim or litigation against us could have a material adverse effect for the period in which they are resolved. In addition, regardless of their merits or their ultimate outcomes, such matters are costly, divert management's attention and may materially adversely affect our reputation, even if resolved in our favor.

### ITEM 1A. RISK FACTORS.

The following represents a material change in our risk factors from those disclosed under Part I, Item 1.A. of the Annual Report on Form 10-K for the year ended December 31, 2020.

#### **MERGER-RELATED RISKS**

***Because the market price of BancorpSouth common stock may fluctuate, holders of Cadence common stock cannot be certain of the market value of the merger consideration they will receive.***

In the merger, each share of Cadence common stock issued and outstanding immediately prior to the effective time of the merger (other than certain shares held by BancorpSouth or the Company) will be converted into 0.70 shares of BancorpSouth common stock. This exchange ratio is fixed and will not be adjusted for changes in the market price of either BancorpSouth common stock or Cadence common stock. Changes in the price of BancorpSouth common stock between now and the time of the merger will affect the value that holders of Cadence common stock will receive in the merger. Neither BancorpSouth nor Cadence is permitted to terminate the merger agreement as a result of any increase or decrease in the market price of BancorpSouth common stock or Cadence common stock. For more information regarding the merger, the merger agreement, the bank merger and the bank merger agreement, please refer to the Current Report on Form 8-K that Cadence filed with the United States Securities and Exchange Commission on April 16, 2021.

Stock price changes may result from a variety of factors, including general market and economic conditions, changes in Cadence's and BancorpSouth's businesses, operations and prospects and regulatory considerations, many of which factors are beyond our control. Therefore, at the time of our special meeting, holders of our common stock will not know the market value of the consideration that our shareholders will receive at the effective time of the merger. You should obtain current market quotations for shares of BancorpSouth common stock and Cadence common stock.

***The market price of BancorpSouth common stock after the merger may be affected by factors different from those affecting the shares of Cadence common stock or BancorpSouth common stock currently.***

As a result of the merger, holders of Cadence common stock will become holders of BancorpSouth common stock. BancorpSouth's business differs from that of Cadence. Accordingly, the results of operations and financial condition of the combined company and the market price of BancorpSouth common stock after the completion of the merger may be affected by factors different from those currently affecting the independent results of operations and financial condition of each of BancorpSouth and Cadence.

***Combining BancorpSouth and Cadence may be more difficult, costly or time consuming than expected and Cadence may fail to realize the anticipated benefits of the merger.***

The success of the merger will depend, in part, on the ability to realize the anticipated synergies, operating efficiencies, and cost savings from combining the businesses of BancorpSouth and Cadence. To realize the anticipated benefits and cost savings from the merger, BancorpSouth and Cadence must integrate and combine their businesses in a manner that permits those cost savings to be realized, without adversely affecting current revenues and future growth. If BancorpSouth and Cadence are not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. In addition, the actual cost savings of the merger could be less than anticipated, the costs associated with effecting the merger may be more than anticipated, and integration may result in additional and unforeseen expenses.

An inability to realize the full extent of the anticipated benefits of the merger and the other transactions contemplated by the merger agreement, as well as any delays encountered in the integration process, could have an adverse effect upon the revenues, levels of expenses and operating results and financial condition of the combined company, which may adversely affect the value of the common stock of the combined company after the completion of the merger.

BancorpSouth and Cadence have operated and, until the completion of the merger, must continue to operate, independently. It is possible that the integration process could result in the loss of key associates, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect each company's ability to maintain relationships with clients, customers, depositors and associates or to achieve the anticipated benefits and cost savings

of the merger. Integration efforts between the two companies may also divert management attention and resources. These integration matters could have an adverse effect on Cadence or BancorpSouth during this transition period and for an undetermined period after completion of the merger on the combined company. Other factors such as the strength of the economy and competitive factors in the areas where BancorpSouth and Cadence do business may also affect the ability of Cadence or the combined company to realize the anticipated benefits of the merger.

Furthermore, the board of directors and executive leadership of the combined company will consist of former directors and executive officers from each of BancorpSouth and Cadence. Combining the boards of directors and management teams of each company into a single board and a single management team could require the reconciliation of differing priorities and philosophies.

***The combined company may be unable to retain BancorpSouth and/or Cadence personnel successfully after the merger is completed.***

The success of the merger will depend in part on the combined company's ability to retain the talents and dedication of key associates currently employed by BancorpSouth and Cadence. It is possible that these associates may decide not to remain with Cadence while the merger is pending or with the combined company after the merger is consummated. If the combined company is unable to retain key associates, including management, who are critical to the successful integration and future operations of the combined company, the combined company could face disruptions in its operations, loss of existing customers, loss of key information, expertise or know-how and unanticipated additional recruitment costs. In addition, if key associates terminate their employment, the combined company's business activities may be adversely affected and management's attention may be diverted from successfully integrating BancorpSouth and Cadence to hiring suitable replacements, all of which may cause the combined company's business to suffer. In addition, the combined company may not be able to locate or retain suitable replacements for any key associates who leave.

***Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the merger.***

Before the merger may be completed, various approvals, consents, waivers, and/or non-objections must be obtained from the Federal Deposit Insurance Corporation (the "FDIC"), the Mississippi Department of Banking and Consumer Finance, and various other regulatory authorities in the United States. In determining whether to grant these approvals, such regulatory authorities consider a variety of factors, including the regulatory standing of each party. These approvals and waivers could be delayed or not obtained at all, including due to: an adverse development in either party's regulatory standing or in any other factors considered by regulators when granting such approvals; governmental, political or community group inquiries, investigations or opposition; or changes in legislation or the political environment generally. The approvals and waivers that are granted may impose terms and conditions, limitations, obligations or costs, or place restrictions on the conduct of the combined company's business or require changes to the terms of the transactions contemplated by the merger agreement. There can be no assurance that regulators will not impose any such conditions, limitations, obligations or restrictions and that such conditions, limitations, obligations or restrictions will not have the effect of delaying the completion of any of the transactions contemplated by the merger agreement, imposing additional material costs on or materially limiting the revenues of the combined company following the merger or otherwise reduce the anticipated benefits of the merger if the merger were consummated successfully within the expected timeframe. In addition, there can be no assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the merger. Additionally, the completion of the merger is conditioned on the absence of certain orders, injunctions or decrees by any court or regulatory agency of competent jurisdiction that would prohibit or make illegal the completion of any of the transactions contemplated by the merger agreement.

In addition, despite the parties' commitments to use their reasonable best efforts to comply with conditions imposed by regulators, under the terms of the merger agreement, neither party will be required, and neither party will be permitted without the prior written consent of the other party, to take actions or agree to conditions that would reasonably be expected to have a material adverse effect on the combined company and its subsidiaries, taken as a whole, after giving effect to the merger.

***The merger agreement may be terminated in accordance with its terms, and the merger may not be completed.***

The merger agreement is subject to a number of conditions which must be fulfilled in order to complete the merger. Those conditions include: (i) the approval of the merger agreement by Cadence's shareholders and BancorpSouth's shareholders; (ii) authorization for listing on the NYSE of the shares of BancorpSouth common stock to be issued in the merger, subject to official notice of issuance; (iii) the receipt of all required regulatory authorizations, consents, waivers, orders, or approvals which are necessary to close the merger and the bank merger being in full force and effect and the expiration or termination of all statutory waiting periods without the imposition of any materially burdensome regulatory condition; (iv) the absence of any order, injunction, decree or other legal restraint preventing the completion of the merger or any of the other transactions contemplated by the merger agreement or making the completion of the merger illegal; (v) subject to certain exceptions, the accuracy of the representations and warranties of each party, generally subject to a material adverse effect qualification; (vi) the prior performance in all material respects by each party of the obligations required to be performed by it at or prior to the closing date; and (vii) receipt by each party of an opinion from its counsel to the effect that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code.

These conditions to the closing may not be fulfilled in a timely manner or at all, and, accordingly, the merger may not be completed. In addition, the parties can mutually decide to terminate the merger agreement at any time, before or after shareholder approval, or BancorpSouth or Cadence may elect to terminate the merger agreement in certain other circumstances.

***Failure to complete the merger could negatively impact Cadence.***

If the merger agreement is not completed for any reason, including as a result of Cadence shareholders or BancorpSouth shareholders failing to approve the merger agreement, there may be various adverse consequences and Cadence may experience negative reactions from the financial markets and from its customers and associates. For example, Cadence's business may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger. Additionally, if the merger agreement is terminated, the market price of Cadence common stock could decline to the extent that current market prices reflect a market assumption that the merger will be beneficial and will be completed. Cadence also could be subject to litigation related to any failure to complete the merger or to proceedings commenced against Cadence to perform its obligations under the merger agreement. If the merger agreement is terminated under certain circumstances, Cadence may be required to pay a termination fee of \$118 million to BancorpSouth.

Additionally, Cadence has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement, as well as the costs and expenses of preparing, filing, printing and mailing a joint proxy statement/offering circular, and all filing and other fees paid in connection with the merger. If the merger is not completed, Cadence would have to pay these expenses without realizing the expected benefits of the merger.

***Cadence will be subject to business uncertainties and contractual restrictions while the merger is pending.***

Uncertainty about the effect of the merger on associates and customers may have an adverse effect on Cadence. These uncertainties may impair our ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with Cadence to seek to change existing business relationships with us. The outcome of legal proceedings that may be instituted against BancorpSouth or Cadence in connection with the merger may also have an adverse effect on Cadence or the combined company. In addition, subject to certain exceptions, Cadence has agreed to operate its business in the ordinary course prior to the closing, and we are restricted from making certain acquisitions and taking other specified actions without the consent of BancorpSouth until the merger is completed. These restrictions may prevent us from pursuing attractive business opportunities or strategic transactions that may arise prior to the completion of the merger.

***The merger agreement contains provisions that could discourage a potential competing acquirer that might be willing to pay more to acquire or merge with Cadence.***

The merger agreement contains provisions that restrict our ability to, among other things, initiate, solicit, knowingly encourage or knowingly facilitate, inquiries or proposals with respect to, or, subject to certain exceptions generally related to the exercise of fiduciary duties by its board of directors, engage in any negotiations concerning, or provide any confidential or nonpublic information or data relating to, any alternative acquisition proposals. These provisions, which include a \$118 million termination fee payable under certain circumstances, might discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of Cadence from considering or proposing that acquisition even if, in the case of a potential acquisition of Cadence, it were prepared to pay consideration with a higher per share price to our shareholders than what is contemplated in the merger, or might result in a potential competing acquirer proposing to pay a lower per share price to acquire Cadence than it might otherwise have proposed to pay.

***The shares of BancorpSouth common stock to be received by holders of Cadence common stock as a result of the merger will have different rights from the shares of Cadence common stock.***

In the merger, holders of our common stock will become holders of BancorpSouth common stock and their rights as shareholders will be governed by Mississippi law and the governing documents of the combined company. The rights associated with BancorpSouth common stock are different from the rights associated with our common stock.

***Cadence will incur transaction and integration costs in connection with the merger.***

Cadence has incurred and expects to incur significant, non-recurring costs in connection with negotiating the merger agreement and closing the merger. In addition, the combined company will incur integration costs following the completion of the merger as BancorpSouth and Cadence integrate their businesses, including facilities and systems consolidation costs and employment-related costs. There can be no assurances that the expected benefits and efficiencies related to the integration of the businesses will be realized to offset these transaction and integration costs over time. Cadence may also incur additional costs to maintain associate morale and to retain key associates. Cadence will also incur significant legal, financial advisory, accounting, banking and consulting fees, fees relating to regulatory filings and notices, SEC filing fees, printing and mailing fees and other costs associated with the merger. Some of these costs are payable regardless of whether the merger is completed.



***In connection with the merger, BancorpSouth will assume Cadence's outstanding debt obligations, and the combined company's level of indebtedness following the completion of the merger could adversely affect the combined company's ability to raise additional capital and to meet its obligations under its existing indebtedness.***

In connection with the merger, BancorpSouth will assume our outstanding indebtedness. BancorpSouth's existing debt, together with any future incurrence of additional indebtedness, could have important consequences for the combined company's creditors and the combined company's shareholders. For example, it could:

- limit the combined company's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- restrict the combined company from making strategic acquisitions or cause the combined company to make non-strategic divestitures;
- restrict the combined company from paying dividends to its shareholders;
- increase the combined company's vulnerability to general economic and industry conditions; and
- require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on the combined company's indebtedness and dividends on the preferred stock, thereby reducing the combined company's ability to use cash flows to fund its operations, capital expenditures and future business opportunities.

Following completion of the merger, holders of BancorpSouth common stock will be subject to the prior dividend and liquidation rights of the holders of the BancorpSouth preferred stock. Holders of shares of BancorpSouth preferred stock and any shares of preferred stock that BancorpSouth may issue in the future, would receive, upon the combined company's voluntary or involuntary liquidation, dissolution or winding up, before any payment is made to holders of BancorpSouth common stock, their liquidation preferences as well as any accrued and unpaid distributions, as applicable. These payments would reduce the remaining amount of the combined company's assets, if any, available for distribution to holders of its common stock.

***Holders of Cadence common stock will have a reduced ownership and voting interest in the combined company after the merger and will exercise less influence over management.***

Holders of our common stock currently have the right to vote in the election of the board of directors and on other matters affecting us. When the merger is completed, each Cadence shareholder will become a shareholder of BancorpSouth, and each holder of BancorpSouth common stock and each holder of Cadence common stock will become a holder of common stock of the combined company, with a percentage ownership of the combined company that is smaller than the shareholder's percentage ownership of either BancorpSouth or Cadence individually, as applicable, prior to the consummation of the merger. Based on the number of shares of BancorpSouth and Cadence common stock outstanding as of March 31, 2021, and based on the number of shares of BancorpSouth common stock expected to be issued in the merger, the former holders of our common stock, as a group, are estimated to own approximately forty-five percent (45%) of the outstanding shares of common stock of the combined company immediately after the merger and current holders of BancorpSouth common stock as a group are estimated to own approximately fifty-five percent (55%) of the outstanding shares of common stock of the combined company immediately after the merger. Because of this, holders of our common stock may have less influence on the management and policies of the combined company than they now have on the management and policies of Cadence.

***Holders of Cadence common stock will not have dissenters' rights or appraisal rights in the merger.***

Appraisal rights (also known as dissenters' rights) are statutory rights that, if applicable under law, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction.

Under Section 262 of the Delaware General Corporation Law, the holders of Cadence common stock will not be entitled to appraisal or dissenters' rights in connection with the merger if, on the record date for the Cadence special meeting, Cadence's shares are listed on a national securities exchange or held of record by more than two thousand (2,000) shareholders, and holders of Cadence common stock are not required to accept as consideration for their shares anything other than the shares of the combined company, shares of another corporation which at the effective date of the merger are either listed on a national securities exchange or held of record by more than two thousand (2,000) shareholders, cash paid in lieu of fractional shares or any combination of the foregoing. Cadence common stock is currently listed on the New York Stock Exchange, a national securities exchange, and is expected to continue to be so listed on the record date for the Cadence special meeting. In addition, the holders of Cadence common stock will receive shares of BancorpSouth common stock as consideration in the merger, which shares are currently listed on the New York Stock Exchange and are expected to continue to be so listed at the effective time of the merger. Accordingly, the holders of Cadence common stock are not entitled to any appraisal or dissenters' rights in connection with the merger.

***Shareholder litigation could prevent or delay the completion of the merger or otherwise negatively impact the business and operations of Cadence.***

Shareholders of Cadence may file lawsuits against us and/or the directors and officers of Cadence in connection with the merger. One of the conditions to the closing is that no order, injunction or decree issued by any court or governmental entity of

competent jurisdiction or other legal restraint preventing the consummation of the merger or any of the other transactions contemplated by the merger agreement be in effect. If any plaintiff were successful in obtaining an injunction prohibiting Cadence defendants from completing the merger pursuant to the merger agreement, then such injunction may delay or prevent the effectiveness of the merger and could result in significant costs to Cadence, including any cost associated with the indemnification of directors and officers of each company. If a lawsuit is filed, we may incur costs in connection with the defense or settlement of any shareholder lawsuits filed in connection with the merger. Such litigation could have an adverse effect on the financial condition and results of operations of Cadence and could prevent or delay the completion of the merger.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following table presents information related to issuer purchases of equity securities during the first quarter of 2021:

| Period        | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Approximate Dollar Value of Shares that May Be Purchased Under Publicly Announced Plans or Programs |
|---------------|----------------------------------|------------------------------|--|---|
| January 2021  | 322,602                          | \$ 18.59                     | 322,602  | \$ 194,001,219  |
| February 2021 | 1,250,890                        | \$ 19.18                     | 1,250,890  | \$ 170,005,228  |
| March 2021    | —                                | \$ —                         | —  | \$ —  |

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

## ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

## ITEM 5. OTHER INFORMATION.

None.

## ITEM 6. EXHIBITS.

| Exhibit Number | Description of Exhibit  |
|----------------|---|
| 10.1*          | <a href="#">Agreement and Plan of Merger, dated as of April 12, 2021, by and between BancorpSouth Bank and Cadence Bancorporation (incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K of Cadence Bancorporation, filed with the Securities and Exchange Commission on April 16, 2021).</a> |
| 31.1           | <a href="#">Certification of the Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002</a>  |
| 31.2           | <a href="#">Certification of the Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002</a>  |
| 32.1           | <a href="#">Certification of the Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002</a>  |
| 32.2           | <a href="#">Certification of the Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002</a>  |
| 101            | Inline Interactive Financial Data   |
| 104            | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, has been formatted in Inline XBRL.  |

\* Certain schedules and similar attachments have been omitted in accordance with item 601(a)(5) of Regulation S-K. Cadence hereby undertakes to furnish supplemental copies of any omitted schedules or similar attachments upon request by the SEC; provided, however, that Cadence may request confidential treatment for any schedules so furnished.

**SIGNATURES**

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

**Cadence Bancorporation**  
(Registrant)

Date: May 10, 2021

/s/ Paul B. Murphy  
Paul B. Murphy  
Chairman and Chief Executive Officer

Date: May 10, 2021

/s/ Valerie C. Toalson  
Valerie C. Toalson  
Executive Vice President and Chief Financial Officer

## CERTIFICATIONS

I, Paul B. Murphy, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cadence Bancorporation;
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)) 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: May 10, 2021

/s/ Paul B. Murphy, Jr.

Paul B. Murphy, Jr.

Chairman and Chief Executive Officer

## CERTIFICATIONS

I, Valerie C. Toalson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cadence Bancorporation;
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)) 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: May 10, 2021

/s/ Valerie C. Toalson  
\_\_\_\_\_  
Valerie C. Toalson  
Chief Financial Officer  
(Principal Accounting Officer)

**Chief Executive Officer's Certification required under Section 906 of Sarbanes-Oxley Act of 2002**

In connection with the quarterly report of Cadence Bancorporation (the "Company") on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Paul B. Murphy, Chief Executive Officer, certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) This Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2021

/s/ Paul B. Murphy, Jr  
Paul B. Murphy, Jr.  
Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Cadence Bancorporation and will be retained by Cadence Bancorporation and furnished to the Securities and Exchange Commission or its staff upon request.

**Chief Financial Officer's Certification required under Section 906 of Sarbanes-Oxley Act of 2002**

In connection with the quarterly report of Cadence Bancorporation (the "Company") on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Valerie C. Toalson, Chief Financial Officer, certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) This Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2021

/s/ Valerie C. Toalson  
\_\_\_\_\_  
Valerie C. Toalson  
Chief Financial Officer  
(Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Cadence Bancorporation and will be retained by Cadence Bancorporation and furnished to the Securities and Exchange Commission or its staff upon request.