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

FORM 10-K

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

For the fiscal year ended December 31, 2020

☐ **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	**47-1329858**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2800 Post Oak Boulevard, Suite 3800, Houston, Texas	**77056**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (713) 871-4000

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock	CADE	New York Stock Exchange

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting shares of common stock held by non-affiliates of the registrant was approximately $0.9 billion. This figure is based on the closing sale price of $8.86 per share of the registrant's Class A common stock, par value $0.01 per share (the "Class A common stock") on June 30, 2020.

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

Class	Outstanding as of February 26, 2021
Class A Common Stock, $0.01 Par Value	124,457,864

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement relating to the 2021 Annual Meeting of Shareholders, which will be filed within 120 days after December 31, 2020, are incorporated by reference into Part II, Item 5 and Part III, Items 10-14 of this Annual Report on Form 10-K.

CADENCE BANCORPORATION AND SUBSIDIARIES
2020 ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

Forward-Looking Statements

This Report on Form 10-K (“Annual Report”) 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 likely result,” “expect,” “continue,” “will,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “projection,” “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;
- our ability to identify potential candidates for, consummate, and achieve synergies resulting from, potential future acquisitions;
- 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; or
- other economic, competitive, governmental, regulatory, technological, and geopolitical factors affecting our operations, pricing, and services.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this Annual Report. 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.

Summary of Risk Factors

Our business is subject to a number of risks that could cause actual results to differ materially from those indicated by forward-looking statements made herein and presented elsewhere by management from time to time. These risks are discussed more fully under “Item 1A. Risk Factors” and include, but are not limited to the following:

Public Health and COVID-19

- The COVID-19 pandemic is adversely affecting us and our customers, counterparties, employees, and third-party service providers, and the continued adverse impacts on our business, financial position, results of operations, and prospects could be significant.

Credit Risk

We are highly subject to credit risk.

- Our allowance for credit losses may prove to be insufficient to absorb losses in our loan portfolio.
- The security interest that we have in our clients’ assets may not be sufficient to protect us from loss.
- Many of our loans are to commercial borrowers, which have unique risks compared to other types of loans.
- Our loan portfolio has significant concentration in energy and specialized industries.
- Sustained low oil prices, volatility in oil prices and downturns in the energy industry, including in Texas, could materially and adversely affect us.
- A significant portion of our loan portfolio is comprised of loan participations and Shared National Credits.
- The amount of nonperforming and criticized assets may adversely affect our results of operations and financial condition.
- The fair value of our investment securities may decline.

Liquidity Risk

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

Market Risk

- We are subject to interest rate risk.
- The geographic concentration of our markets in Texas and the southeast United States makes our business susceptible to local economic conditions.
- By engaging in derivative transactions, we are exposed to credit and market risk.

Strategic Risk

- We face significant competition to attract and retain customers and clients.
- We may not be able to manage our growth effectively.
- We may not be able to raise additional capital in the future.
- Future acquisitions will subject us to a variety of risks.
- If the goodwill that we record in connection with a business acquisition becomes impaired, it could require a charge to earnings.

Operational Risk

- We are subject to certain operational risks.
- We are subject to environmental liability risk associated with our lending activities.
- We offer certain third-party wealth management products which could experience significant declines in value, subjecting us to reputational damage and litigation risk.
- We may be adversely impacted by the transition from LIBOR as a reference rate.
- A failure in or breach of our operational or security systems or infrastructure, or those of our third-party providers, could result in financial losses to us and/or in the disclosure or misuse of confidential or proprietary information, including client information.

- We depend on third parties for many of our information technology and telecommunications solutions.
- We are subject to laws regarding the privacy, information security and protection of personal information, and any violation of these laws or another incident involving personal, confidential or proprietary information of individuals could damage our reputation.
- We continually encounter technological changes, and if we are unable to stay current with those changes, we may not be able to effectively compete.
- We may be adversely affected by the soundness of other financial institutions.

Regulatory Risk

- The banking industry is highly regulated, and current and future legislative or regulatory changes could have a significant adverse effect on our business, financial condition, or results of operations.
- Because our total assets exceed $10 billion, we are subject to additional regulatory requirements.
- Regulatory initiatives regarding bank capital requirements may require heightened capital.
- Regulators periodically examine our business and we may be required to remediate adverse examination findings.
- The Federal Reserve may require us to commit additional capital resources to support Cadence Bank.

Compliance Risk

- We are subject to numerous laws designed to protect consumers.
- Federal, state and local consumer lending laws may restrict our ability to originate certain mortgage loans or increase our risk of liability with respect to such loans and could increase our cost of doing business.
- The expanding body of federal, state and local regulations and/or the licensing of loan servicing, collections or other aspects of our business and our sales of loans to third parties may increase the cost of compliance and the risks of noncompliance.
- Failure to comply with economic and trade sanctions or with applicable anti-corruption laws could have a material adverse effect on our business.

Economic Conditions

- The fiscal and monetary policies of the U.S. government could have a material adverse effect on our results of operations.
- The current economic environment poses significant challenges and could adversely affect our financial condition and results of operations.

Investment in Our Class A Common Stock

- The market price of our Class A common stock may be subject to substantial fluctuations.
- There are substantial regulatory limitations on changes of control of bank holding companies that may discourage investors from purchasing shares of our Class A common stock.
- Securities analysts may not continue coverage on our Class A common stock.
- Shares of our Class A common stock are subject to dilution.
- We may issue shares of Class B non-voting common stock or shares of preferred stock that would adversely affect the rights of our Class A common shareholders.
- Our future ability to pay dividends is subject to restrictions.
- Our certificate of incorporation and bylaws include provisions that could impede a takeover of the Company.
- Shares of our Class A common stock are not deposits insured by the FDIC and are subject to risk of loss.
- The return on investment in our common stock is uncertain.

Other Risks

- As a public company, we are required to meet periodic reporting requirements under the rules and regulations of the Securities and Exchange Commission (the "SEC").
- As a public company, we incur significant legal, accounting, insurance, compliance and other expenses. Any deficiencies in our financial reporting or internal controls could materially and adversely affect us.
- We may be adversely affected by changes in U.S. tax laws.
- We rely heavily on our management team and could be adversely affected by the unexpected loss of key personnel.
- Acts or threats of terrorism and political or military actions taken by the United States or other governments could adversely affect general economic or industry conditions.
- We are required to make significant estimates and assumptions in the preparation of our financial statements.
- We are subject to litigation, which could result in substantial judgment or settlement costs.

PART I

ITEM 1. BUSINESS

Company Overview

Cadence Bancorporation is a financial holding company and a Delaware corporation headquartered in Houston, Texas, and is the parent company of Cadence Bank, National Association ("Cadence Bank"). Formed in 2009 by banking industry veterans, we secured $1.0 billion of capital commitments in 2010 and built our franchise on the foundation established from three successful acquisitions: Cadence Bank, in March 2011, the franchise of Superior Bank in April 2011, and Encore Bank, N.A. in July 2012. On January 1, 2019, we completed our merger with State Bank Financial Corporation, the holding company for State Bank and Trust Company ("State Bank"). Today, we are a middle-market focused commercial relationship bank providing a broad range of banking and wealth management services to businesses, high net worth individuals, business owners and retail customers through a network of 98 branches in Alabama, Florida, Georgia, Texas, Mississippi, and Tennessee. We completed our initial public offering and listing on the NYSE in April 2017 with the ticker "CADE."

As of December 31, 2020, we had $18.7 billion of assets, $12.7 billion of gross loans, $16.1 billion in deposits and $2.1 billion in shareholders' equity. We generated a net loss of ($205.5) million and net income of $202.0 million in 2020 and 2019, respectively.

COVID-19 Pandemic

During 2020, the global economy experienced a downturn related to the impacts of the COVID-19 global pandemic ("COVID-19"). Such impacts have included significant volatility in the global stock markets, a 150-basis-point reduction in the target federal funds rate, the enactment of the Coronavirus Aid, Relief, and Economic Security ("CARES Act") and related relief legislation, including the Paycheck Protection Program ("PPP") administered by the Small Business Administration, and a variety of rulings from the federal banking regulators.

We continue to actively monitor developments related to COVID-19 and its impact upon our business, customers, employees, counterparties, vendors, and service providers and have taken several actions to offer various forms of support to our customers, employees, and communities that have experienced impacts from this development. We have actively worked with customers adversely impacted by the economic downturn, offering payment deferrals and other loan modifications as well as provided loans under PPP (see "Overview" in Management's Discussion and Analysis of Financial Condition and Results of Operations).

Our Strategy

Our strategy is to build a premier commercial bank primarily through organically growing our client base while using mergers and acquisitions as an opportunistic complement to this strategy. We focus on middle-market commercial lending (generally characterized as lending to businesses with annual revenues of $10 million to $500 million) and provide a broad range of banking services to businesses, high net worth individuals, business owners and retail customers. Through our experienced and motivated team of commercial relationship managers and our integrated, client-centric approach to banking, we have successfully grown our businesses. Our management team and experienced relationship managers have long-standing client relationships and operating experience in the markets we serve, and we believe these attributes will continue to position us to build market share. Further, we believe our franchise is positioned for continued growth as a result of (i) our attractive geographic footprint, (ii) our focus and ability to provide differentiated, personalized service to a wide variety of industries and clients, (iii) our stable and customer-driven deposit funding base, (iv) our veteran board of directors, management team and relationship managers, (v) our ability to realize economies of scale, (vi) our capital position and (vii) our credit and risk management processes.

Leverage our Relationships and Service Capabilities to Drive Organic Growth

We have previously demonstrated meaningful loan growth in our markets, driven by our client relationships and client development efforts. We believe our loan growth has been a direct result of our people and our strategy, which focuses on a client-centered, service-oriented approach. Further, we believe our relationship managers' entrepreneurial spirit, decision-making autonomy, flexibility and market expertise offer us unique growth opportunities not available to many of our peers. We intend to leverage the quality of our team, our existing relationships and our institutional approach to building tailored banking solutions to drive deeper relationships and increase penetration in our markets. Additionally, we are dedicated to investing in our team to ensure they continue to meet our high standard of excellence, while attracting and developing early career talent that embodies our entrepreneurial spirit and drives incremental relationships and loan growth.

Grow our Core Deposit Franchise

The strength of our deposit franchise is derived from the relationships we have with our clients and the strong ties we have to the markets we serve. Our deposit footprint has provided, and we believe will continue to provide, primary support for our loan growth. Deposits comprise nearly 98% of our total funding as of December 31, 2020. Our deposit growth and funding opportunities to support our loan growth come from our commercial and public-sector relationships, in addition to our retail deposit base. An additional part of our strategy is to continue to enhance our funding sources by expanding the ways in which we serve our customers, including ongoing optimization of our product offerings, treasury management services and client service capabilities, and increased adoption of mobile and digital platforms.

Prudently Invest in our Business to Drive Operating Leverage

We believe it is critical to prudently invest in our business to provide the best possible customer experience and build a scalable infrastructure that can support our growth while driving operating leverage. We have a history of making successful investments, starting with the acquisition and integration of our four predecessor banks. Our past investments have yielded significant benefits to our business, and we believe a focus on investing in our people, our technology and our processes will allow us to continue to support operational efficiencies.

Build our Fee-Based Business through New Business Initiatives and Existing Customer Relationships

We have built a successful base of fee businesses—in both our Banking segment and our Financial Services segment—that provide complementary products and services to our core banking business. Each of our fee-based businesses is run by an experienced team and has infrastructure to support additional growth. We believe our integrated approach to our commercial relationships, along with our growing market position and the expertise and knowledge of our team, will provide ongoing new business opportunities.

Engage in Opportunistic Mergers and Acquisitions

We prioritize organic growth but may evaluate acquisition opportunities that we believe could produce attractive returns for our shareholders. We may consider acquisition opportunities that can improve our market position in geographies with attractive demographics and business growth trends (including Texas and the southeast United States), expand our branch network in existing markets, increase our earnings power and/or enhance our suite of products. We believe our acquisition and integration experience provides an advantage in identifying and executing on strategically and financially compelling opportunities that could supplement our organic growth strategy. We have been, and will continue to be, highly selective on acquisitions.

Products and Services

Lending Activities

Our primary strategic objective is to engage in commercial lending to middle-market customers (generally characterized as businesses with annual revenues of $10 million to $500 million) and provide a full array of commercial loans to middle-market commercial businesses, high net worth individuals and business owners. We believe we have a strong team of consumer and commercial bankers to execute on a client-centered, relationship-driven banking model, with dedicated expertise in the sectors we serve. Our Commercial Banking team focuses on middle-market businesses with an advisory approach that emphasizes understanding the client's business and offering a broad suite of loan, deposit and treasury management products and services.

Our Consumer Banking team consists of experienced professionals that focus on knowing individual clients in order to best meet their financial needs, offering a full complement of loan, deposit and online banking solutions. Our consumer bankers do most of their new lending in the areas served by our branches, which are also where our marketing is focused.

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

Commercial and Industrial Loans ("C&I"). As of December 31, 2020, $7.3 billion or 57% of our total bank loan portfolio consisted of C&I loans. Our C&I loans, which are generally made to middle-market businesses, include lines of credit, acquisition finance credit facilities and other types of commercial credit, and typically have maturities of five years or less.

Commercial Real Estate Loans. As of December 31, 2020, $2.9 billion or 23% of our bank loan portfolio consisted of commercial real estate loans. We offer construction financing, acquisition or refinancing of properties primarily located in our geographic footprint.

Residential Real Estate Loans. As of December 31, 2020, $2.5 billion or 19% of our bank loan portfolio consisted of residential real estate loans. We provide one-to-four family residential real estate loans with terms ranging from 10 to 30 years; however, our portfolio is heavily weighted to the 30-year term. We offer both fixed and adjustable interest rates. We do not originate subprime loans. Loans are typically closed end first lien loans for purposes of purchasing property or for refinancing existing loans with or without cash out. Our loans are primarily owner occupied, full documentation loans.

Other Consumer Loans. As of December 31, 2020, $102.1 million or 1% of our bank loan portfolio consisted of other types of consumer loans. We offer consumer loans to our customers for personal, family and household purposes, automobiles, and boats.

Shared National Credits ("SNC"). The federal banking agencies define a SNC as any loan(s) extended to a borrower by a supervised institution or any of its subsidiaries and affiliates which aggregates $100 million or more and is shared by three or more institutions under a formal lending agreement or a portion of which is sold to two or more institutions, with the purchasing institutions assuming its pro rata share of the credit risk. As a commercial focused relationship bank, we may participate in syndicated loan offerings because of the size of the customers and nature of industries we serve. As of December 31, 2020, we have $2.3 billion of outstanding SNC, representing 18% of total loans, compared to $2.6 billion or 20% of total loans at December 31, 2019.

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.

Deposit Products and Other Funding Sources

We offer our customers a variety of deposit products, including checking accounts, savings accounts, money market accounts, time deposits, and other deposit accounts through multiple channels, including our extensive network of full-service branches, drive-through branches, ATMs, ITMs, and our online, mobile and telephone banking platforms. See "—Marketing and Distribution." As of December 31, 2020, our deposit portfolio was comprised of 31% noninterest-bearing deposits and 69% interest bearing deposits. We intend to continue our efforts to provide funding for our business from customer relationship deposits.

Deposit flows are significantly influenced by general and local economic conditions, changes in prevailing interest rates, internal pricing decisions and competition. Our deposits are primarily obtained from depositors located in our footprint, and we believe that we have attractive opportunities to capture additional retail and commercial deposits in our markets. To attract and retain deposits, we rely on providing quality service, offering a suite of retail and commercial products and services at competitive prices, and introducing new products and services that meet our customers' needs as they evolve.

Wealth Management

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

Payroll Services

In January 2019, we acquired Altera Payroll and Insurance, Inc. ("Altera") as part of the acquisition of State Bank. This acquisition diversified our revenue beyond existing business lines and complements our other treasury management services. Altera operates as a subsidiary of Cadence Bank, and in partnership with treasury management services, provides payroll services, human resources services, payroll cards and employee health insurance. Altera also offers employer liability insurance and workers' compensation insurance through licensed insurance agents.

Financial Products and Services

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

Our Markets

We define our markets broadly as Texas and the southeast United States. Our active banking operations are located principally in six states, which we refer to as our geographic footprint (our "footprint"), where we operate 98 branches as of December 31, 2020 throughout Texas, Alabama, Florida, Georgia, Mississippi, and Tennessee. We focus on serving these regional markets, although we also serve specialized industries clients both within our footprint and throughout the United States, as many of our clients in these industries have operations nationwide.

While we are focused on driving growth across all our markets and products, we believe our Texas presence will be the largest contributor to near term asset growth, followed by Georgia, with funding support from our deposit base in Texas and the southeast United States.

Technology Systems

We continue to make significant investments in our information technology systems for our banking, lending, and cash management activities. We believe this is necessary investment to offer new products and enhance our overall customer experiences, as well as to provide scale for future growth. Our technology investments include investment in the foundational layer of our infrastructure (including security, data and voice network, storage, and business continuity).

Additionally, our technology investments include investment in the application layer of our technology. We have built a robust technology core for the Treasury Management product suite, including “Allegro,” our single sign on portal for our business customers to access our Treasury Management products. Supported by this technology core, our Treasury Management product suite is competitive with small community banks as well as large regional and money center banks. Additionally, we operate the “Fluent by Cadence” platform, our online, mobile and other digital banking solution for consumer and small business banking. By leveraging the same platform as “Allegro,” we can centrally service and manage all digital banking activities and provide a seamless experience to our customers as they migrate from a small business to one that leverages our Treasury Management services.

We have also invested in video teller capabilities which enable our customers to interact with tellers outside of regular banking hours through interactive drive-throughs.

Credit Policy and Procedures

General. Our credit policy requires that key risks be identified and measured, documented, and mitigated, to the extent possible, to seek to ensure the soundness of our loan portfolio. We require various levels of internal approvals based on the characteristics of our loans, including the size of the exposure. We also have specialized underwriting guidelines for loans in our specialized industries that we believe reflect the unique characteristics of these industries. Our credit policy also provides guidelines for the underwriting of loans to individuals along with the regulatory requirements to ensure that all loan applications are evaluated subject to our fair lending policy. We believe that the guidelines required by our credit policies enhance internal responsibility and accountability for underwriting decisions and permit us to monitor the performance of credit decision-making.

Credit Risk Management. Our credit risk management is overseen by our Board of Directors, including its Risk Management Committee, and our Senior Credit Risk Management Committee (“SCRMC”). Our SCRMC has seven standing members, including the Chief Executive Officers of Cadence Bancorporation and Cadence Bank, Cadence Bank’s President, our Chief Credit Administration Executive, who serves as chairman of the committee, our Chief Risk Officer, our Chief Credit Officer, and our Chief Credit Underwriting Executive, who serves as vice chairman of the committee. The committee is responsible for reviewing our credit portfolio management information, including asset quality trends, concentration reports, policy, financial and documentation exceptions, delinquencies, charge-offs, and nonperforming assets. The approval of the SCRMC is required for changes to our credit policy as well as lending and wire authority.

Under our dual credit risk rating (“DCRR”) system, it is our policy to assign risk ratings to all commercial loan (CRE and C&I) 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 done on a transactional basis using scorecards. We use nine different scorecards that accommodate various areas of lending. Each scorecard contains two main components: probability of default (“PD”) and loss given default (“LGD”). Each component is assessed using a multitude of both qualitative and quantitative scoring elements, which will generate a percentage for each component. The key elements assessed in the scorecard for PD are financial performance and trends as well as qualitative measures. The key elements for LGD are collateral quality and the structure of the loan. The PD percentage and LGD percentage are converted into PD and LGD risk ratings for each loan. The PD rating is used as our risk grade of record, while the LGD rating is utilized in both our allowance estimate as well as pricing model. Loans with PD ratings of 1 through 8 are rated 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 bank regulatory guidelines. Consumer purpose loan risk classification is conducted in accordance with the Uniform Retail Credit Classification, based on delinquency and accrual status.

Concentration Limits. Our policies establish concentration limits for various industries within the commercial portfolio as well as commercial real estate, leveraged lending 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 or as needed. For example, given the changing economic environment during 2020, certain concentration limits were reassessed and adjusted during the year an deemed appropriate for the environment.

Credit Approval Process. The approval of our Senior Loan Committee is generally required for relationships in an amount greater than $5.0 million. The Senior Loan Committee has eight standing voting members, including six members of the SCRMC. Two “no” votes will result in declining a credit request.

For loans in an amount greater than $5.0 million that are risk rated 9 or worse, approval of the Credit Transition Committee is generally required. The Credit Transition Committee has seven standing members, including our Chief Credit Officer, our Director of Special Assets Group, our Chief Credit Administration Executive, and our Chief Credit Underwriting Executive. Two “no” votes will result in declining a credit application.

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.

Portfolio Monitoring and Reporting. We believe that an important part 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 a pass/watch risk weighting (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 each year. Customer relationships with an aggregate exposure of $2.5 million and greater with criticized risk ratings are reviewed quarterly. Certain relationships are exempt from review, such as relationships where our exposure is cash-secured. An updated risk rating scorecard is required during each risk review as well as with any credit event that requires credit approval. Additionally, in response to COVID-19, we implemented internal reporting on PPP loans and loans with COVID-19 payment deferrals to the Board of Directors and certain senior officers. We also include this information in our regulatory filings with the banking regulators and in our public filings and investor materials.

Marketing and Distribution

As of December 31, 2020, we conduct our banking business through 98 branches located in Texas and five states in the southeast United States. Our distribution network also includes ATMs, ITMs, fully integrated online banking and a telephone banking service. In addition, our customers have free access to Publix Presto! ATMs located throughout Alabama, Florida, North Carolina, South Carolina and Tennessee and Allpoint ATMs worldwide. Our ATMs are enabled for several networks, including Visa, Discover, MasterCard, NYCE, Plus, Cirrus, Pulse, American Express and Quest.

We target growing companies and middle-market businesses, as well as individual consumers throughout Texas and the southeast United States. In order to market our deposit products and financial services, we use local print advertising and direct mail and provide sales incentives for our employees. We market our lending products through our experienced relationship managers, who rely on robust calling efforts and relationship banking to develop relationships with customers that result in business growth and product sales. Our compensation plans for our relationship managers include incentives based on achievement of certain loan, deposit, fee, income and profitability metrics that are established as individual performance goals that support our business plan each year. The incentive plans for the relationship managers is reviewed annually by executive management, including the Chief Risk Officer, to ensure that the design of the incentive plan does not encourage excessive risk-taking. Additionally, all incentives are reviewed in light of the credit quality of the manager's portfolio.

Competition

The financial services industry in general and in our markets in Texas and the southeast United States are highly competitive. We actively compete with national, regional and local financial services providers, including banks, thrifts, credit unions, mortgage bankers and finance companies, money market mutual funds, other financial institutions, and fintech companies, some of which are not subject to the same degree of regulation and restrictions imposed upon us. See "Risk Factors—Risks Relating to Our Business—We face significant competition to attract and retain customers and clients, which could adversely affect our growth and profitability."

Competition among providers of financial products and services continues to increase, with consumers having the opportunity to select from a growing variety of traditional and non-traditional alternatives. The primary factors driving commercial and consumer competition for loans and deposits are the interest rates, the fees charged, the levels of customer service and the range of products and services offered. In addition, other competitive factors include the location and hours of our branches and ATMs/ITMs.

In addition to the terms of loans and deposits, we compete with other financial institutions with respect to the terms of swaps and letters of credit that we offer our customers and the fraud prevention products and other technological aspects of customers' accounts that we provide, including compatibility with our commercial customers' accounting systems.

Supervision and Regulation

Banking is a complex, highly regulated industry. Consequently, our growth and earnings performance can be affected, not only by management decisions and general and local economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. These authorities include, but are not limited to, the Federal Reserve Board ("Federal Reserve"), the Office of the Comptroller of the Currency ("OCC"), the Federal Deposit Insurance Corporation ("FDIC"), the Consumer Financial Protection Bureau ("CFPB"), various state banking regulators, the Internal Revenue Service ("IRS") and state taxing authorities. The effect of these statutes, regulations and policies and any changes to any of them can be significant and cannot be predicted.

The primary goals of the bank regulatory structure are to maintain a safe and sound banking system and to facilitate the conduct of sound monetary policy. In furtherance of those goals, the U.S. Congress and the individual states have created numerous regulatory agencies and enacted numerous laws and regulations that govern banks and the banking industry. The system of supervision and regulation applicable to the Company establishes a comprehensive framework for our operations and is intended primarily for the protection of the Deposit Insurance Fund ("DIF"), our depositors and the public, rather than our shareholders and creditors.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and its implementing regulations impose additional supervisory obligations on banking organizations with $10.0 billion or more in total consolidated assets. The Economic Growth, Regulatory Relief, and Consumer Protection Act (the "EGRRCPA") was enacted in May 2018, which provided entities having less than $50.0 billion in consolidated assets, such as Cadence and Cadence Bank, with relief from several requirements of the Dodd-Frank Act, including the annual company-run stress testing.

The following summarizes some of the relevant laws, rules and regulations governing banks and bank holding companies, but does not purport to be a complete summary of all applicable laws, rules and regulations governing banks and bank holding companies. The descriptions are qualified in their entirety by reference to the specific statutes and regulations discussed.

Bank Holding Company Regulation

The Company is a financial holding company registered under the Bank Holding Company Act of 1956 (the "BHC Act") and is subject to supervision and regulation by the Federal Reserve. Federal laws subject financial holding companies to restrictions on the types of activities in which they may engage and to a range of supervisory requirements and activities, including regulatory enforcement actions, for violation of laws and policies.

Activities Closely Related to Banking

The BHC Act permits a financial holding company (an "FHC"), such as Cadence, to engage in a broader set of activities, including insurance underwriting and broker-dealer services, as well as activities that are jointly determined by the Federal Reserve and the Treasury Department to be financial in nature or incidental to such financial activity. FHCs may also engage in activities that are determined by the Federal Reserve to be complementary to financial activities. To qualify as an FHC, the bank holding company and all subsidiary depository institutions must be well managed and well capitalized. Additionally, each subsidiary depository institution of the bank holding company must have received at least a "Satisfactory" rating on its most recent Community Reinvestment Act of 1977 ("CRA") examination. Failure to meet any of these requirements may result in limitations on activities and acquisitions.

Safe and Sound Banking Practices

Bank holding companies are not permitted to engage in unsafe and unsound banking practices. The Federal Reserve may order a bank holding company to terminate an activity or control of a non-bank subsidiary if such activity or control constitutes a significant risk to the financial safety, soundness or stability of a subsidiary bank and is inconsistent with sound banking principles. Regulation Y and capital rules also require a holding company to receive the prior approval of the Federal Reserve for certain redemption or repurchase of its own equity securities.

Consistent with the Dodd-Frank Act codification of the Federal Reserve's policy that bank holding companies must serve as a source of financial strength for their subsidiary banks, the Federal Reserve has stated that, as a matter of prudence, a bank holding company generally should not maintain a rate of distributions to shareholders unless its available net income has been sufficient to fully fund the distributions, and the prospective rate of earnings retention appears consistent with a bank holding company's capital needs, asset quality and overall financial condition.

In addition, the Federal Reserve Supervisory Letter SR 09-4 provides guidance on the declaration and payment of dividends, capital redemptions and capital repurchases by a bank holding company. Supervisory Letter SR 09-4 provides that, as a general matter, a bank holding company should eliminate, defer or significantly reduce its dividends if: (i) the bank holding company's net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, (ii) the bank holding company's prospective rate of earnings retention is not consistent with the bank holding company's capital needs and overall current and prospective financial condition, or (iii) the bank holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. Failure to do so could result in a supervisory finding that the bank holding company is operating in an unsafe and unsound manner.

Limitations on the Bank paying dividends could, in turn, affect our ability to pay dividends to our shareholders. For more information concerning the Bank's ability to pay dividends, see "Bank Regulation" below.

Volcker Rule

Section 619 of the Dodd-Frank Act, known as the Volcker Rule, prohibits any bank, bank holding company, or affiliate (referred to collectively as "banking entities") from engaging in two types of activities: "proprietary trading" and the ownership or sponsorship of private equity or hedge funds that are referred to as "covered funds." In December 2013, the federal banking agencies, the SEC, and the Commodities Futures Trading Commission, finalized a regulation to implement the Volcker Rule. After the enactment of the EGRRCPA in May 2018, Volcker Rule limitations apply to banking entities with $10.0 billion or more in total consolidated assets. Under the Volcker Rule implementing regulations, banking entities had until January 1, 2021, to conform its investments and implement the required compliance plan. As of January 1, 2021, we were in compliance with these limitations and we also have a compliance plan structured with our level of trading.

Regulatory Capital

Cadence and Cadence Bank are each required to comply with applicable capital adequacy standards established by the federal banking agencies. Under the Basel III Rules implementing the Basel III framework as well as certain provisions of the Dodd-Frank Act, we are subject to the following risk-based capital ratios: Common Equity Tier 1 risk-based ratio ("CET1"), Tier 1 risk-based based capital ratio, which consists of CET1 and additional Tier 1 capital, and a total capital ratio, which consists of Tier 1 capital and Tier 2 capital. CET1 is primarily comprised of common stock and related surplus net of treasury stock and retained earnings, less certain adjustments and deductions. For more information, see the "Regulatory Capital" section of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K. FHCs and banks are also required to comply with minimum leverage capital requirements. These requirements provide for a minimum ratio of Tier 1 capital to quarterly average tangible assets of 4.0%.

Effective January 1, 2019, the capital rules require a capital conservation buffer of 2.5% above each of the minimum capital ratio requirements, which is designed to absorb losses during period of economic stress. This buffer requirement must be met for the bank or bank holding company to be able to pay dividends, repurchase its stock, and make certain discretionary incentive compensation payments to executive management without restriction.

As of December 31, 2020, the Bank exceeded the capital levels required to be deemed well capitalized.

Further, by statute and regulation, a bank holding company must serve as a source of financial and managerial strength to each bank that it controls and, under appropriate circumstances, may be required to commit resources to support each such controlled bank. This support may be required at times when the bank holding company may not have the resources to provide the support. In addition, if the Federal Reserve believes that a bank holding company's activities, assets or affiliates represent a significant risk to the financial safety, soundness or stability of a controlled bank, then the Federal Reserve could require the bank holding company to terminate the activities, liquidate the assets or divest the affiliates. The regulators may require these and other actions in support of controlled banks even if such actions are not in the best interests of the bank holding company or its shareholders.

In March 2020, the federal banking agencies issued an interim final rule (followed in August 2020 by a final rule) that provides banking organizations with an option to delay for two years an estimate of the CECL accounting standard's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period. The agencies granted this relief to allow institutions to focus on lending to customers in light of recent 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) will be 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. We elected this alternative option instead of the one described in the December 2018 rule previously issued by banking agencies.

Acquisitions by Bank Holding Companies

The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve before (1) acquiring more than 5% of any class of voting stock of any bank or other bank holding company, (2) acquiring all or substantially all of the assets of any bank or bank holding company, or (3) merging or consolidating with any other bank holding company. Additionally, the BHC Act provides that the Federal Reserve may not approve any of these transactions if it would result in or tend to create a monopoly or substantially lessen competition or otherwise function as a restraint of trade, unless the anti-competitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve is also required to consider the financial and managerial resources and prospects of the bank holding companies and banks concerned and the convenience and needs of the community to be served. The Federal Reserve's consideration of financial resources generally focuses on capital adequacy. As a result of the USA PATRIOT Act of 2001, the Federal Reserve is required to consider the record of a bank holding company and its subsidiary bank(s) in combating money laundering activities in its evaluation of bank holding company merger or acquisition transactions. The Dodd-Frank Act also amended the BHC Act to require consideration of the extent to which a proposed acquisition, merger or consolidation would result in greater or more concentrated risks to the stability of the U.S. banking or financial system.

Bank Regulation

Cadence Bank

Cadence Bank is a national banking association, which is subject to regulation and supervision primarily by the OCC and secondarily by the Federal Reserve, the FDIC, and the Consumer Financial Protection Bureau ("CFPB"). Cadence Bank is subject to requirements and restrictions under federal law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be granted and the interest that may be charged thereon and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of the Bank.

The OCC regularly examines the Bank. The FDIC and CFPB may also periodically examine and evaluate insured banks.

Standards for Safety and Soundness

As part of the FDIC Improvement Act's ("FDICIA") efforts to promote the safety and soundness of depository institutions and their holding companies, the federal banking regulators are required to have in place regulations specifying operational and management standards (addressing internal controls, loan documentation, credit underwriting and interest rate risk), asset quality and earnings. As discussed above, the Federal Reserve, the OCC, the FDIC, and the CFPB have extensive authority to police unsafe or unsound practices and violations of applicable laws and regulations by depository institutions and their holding companies. For example, the FDIC may terminate the deposit insurance of any institution that it determines has engaged in an unsafe or unsound practice. The agencies can also assess civil money penalties of up to $1.0 million per day, issue cease-and-desist or removal orders, seek injunctions and publicly disclose such actions.

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 on 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 present and future dividend policy of Cadence Bank is subject to the discretion of its Board of Directors. In determining whether to pay dividends to the Company and, if made, the amount of the dividends, the board of directors of Cadence Bank considers many of the same factors discussed above. Cadence Bank cannot guarantee that it will have the financial ability to pay dividends to the Company, or if dividends are paid, that they will be sufficient for Cadence to make distributions to shareholders. Cadence Bank is not obligated to pay dividends.

The CARES Act and Initiatives Related to COVID-19

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

Capital Adequacy

In addition to the capital rules applicable to both banks and bank holding companies discussed above, under the prompt corrective action regulations, the federal bank regulators are required and authorized to take supervisory actions against undercapitalized banks. For this purpose, a bank is placed in one of five categories based on the bank's capital: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. The quantitative requirements for well capitalized are: 5% leverage capital, 6.5% common equity Tier 1 capital, 8% Tier 1 capital and 10% total capital. As of December 31, 2020, the Bank exceeded the capital levels required to be deemed well capitalized.

Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. Generally, subject to a narrow exception, banking regulators must appoint a receiver or conservator for an institution that is "critically undercapitalized." The federal banking agencies have specified by regulation the relevant capital level for each category. An institution that is categorized as "undercapitalized," "significantly undercapitalized," or "critically undercapitalized" is required to submit an acceptable capital restoration plan to its appropriate federal banking agency, which, for Cadence Bank, is the OCC.

Failure to meet capital guidelines could subject the Bank to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting brokered deposits and other restrictions on our business.

Deposit Insurance

The FDIC insures the deposits of federally insured banks up to prescribed statutory limits for each depositor, through the Deposit Insurance Fund (the "DIF") and safeguards the safety and soundness of the banking and thrift industries. The Dodd-Frank Act permanently raised the standard maximum deposit insurance amount to $250,000.

Cadence Bank pays deposit insurance assessments to the FDIC based on an assessment rate established by the FDIC. FDIC assessment rates for large institutions with more than $10.0 billion in assets, such as Cadence Bank, are calculated on a scorecard methodology that seeks to capture both the probability that an individual institution will fail and the magnitude of the impact on the

DIF if such a failure occurs. The FDIC has the authority to make discretionary adjustments to the total score, up or down, based upon significant risk factors that are not adequately captured in the scorecard.

Consumer Financial Protection Bureau ("CFPB")

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

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

Financial Privacy and Cybersecurity

The federal banking regulators have adopted rules that limit the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties, including provisions of the Gramm-Leach-Bliley Act dealing with privacy for nonpublic personal information of individual customers. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services. Federal law makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

The federal banking agencies regularly issue guidance regarding cybersecurity intended to enhance cyber risk management standards among financial institutions. A financial institution is expected to establish multiple lines of defense and to ensure their risk management processes address the risk posed by comprised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution. A financial institution's management is expected to maintain sufficient business continuity processes to effectively respond and recover the institution's operations after a cyber-attack. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to a cyber-attack. If we fail to observe this guidance, we could be subject to various regulatory sanctions, including financial penalties. The Cadence Information Security Program reflects the requirements of this guidance.

State regulators have been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and providing detailed requirements with respect to these programs, including data encryption requirements. Many states have also recently implemented or modified their data breach notification and data privacy requirements. In June 2018, the California legislature passed the California Consumer Privacy Act of 2018 (the "CCPA"), which took effect on January 1, 2020. The CCPA, which covers businesses that obtain or access personal information on California resident consumers, grants consumers enhanced privacy rights and control over their personal information and imposes significant requirements on covered companies with respect to consumer data privacy rights. Some of the rights afforded to California resident consumers also extend to California employees, though the California legislature exempted certain employee information and employer usage from some of the act's provisions until at least January 1, 2021. Other states have implemented, or are considering, similar privacy laws. We expect this trend of state-level activity to continue and are monitoring developments in the states in which we operate.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our operations and to store sensitive data. We employ an in-depth, layered, defensive approach that leverages people, processes and technology to manage and maintain cybersecurity controls. We employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of our defensive measures, the threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date we have not detected a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, our systems and those of our customers and third-party service providers are under constant threat and it is possible that we could experience a significant event in the future. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking and other technology-based products and services by us and our customers. See "Risks Relating to Our Business – Operational Risks" for a further discussion of risks related to cybersecurity.

In January 2021, it was reported that the information systems at numerous government agencies, including the U.S. Treasury and Commerce Departments, were compromised by a supply chain attack on SolarWinds, a security vendor whose software is utilized by over 300,000 customers, including the federal government, the U.S. military and a range of private sector companies, including Cadence, to monitor the health of their IT networks. The systems of many SolarWinds customers experienced a highly sophisticated, manual supply chain attack through malware installed on the SolarWinds Orion® Platform. As a result of this compromise, multiple federal and industry regulatory authorities issued directives and advisories.

Cadence is aware of the SolarWinds supply chain attack and has reviewed the cybersecurity recommendations provided by SolarWinds. No malicious activity has been observed to date on the Cadence network. Cadence operates a multi-layered, widely distributed information security infrastructure and our security team is actively monitoring our environment using all the available tools based on available threat intelligence published by the DHS Cybersecurity and Infrastructure Security Agency, and others. Our SolarWinds infrastructure was immediately disconnected and isolated from the Cadence network. We are implementing additional recommended actions from SolarWinds on our affected infrastructure. Cadence continuously monitors its infrastructure for any malicious activity and will continue to monitor our numerous Threat Intelligence sources for any updates and further actions.

PATRIOT Act, International Money Laundering Abatement and Financial Anti-Terrorism Act and Bank Secrecy Act

A major focus of governmental policy on financial institutions has been aimed at combating money laundering and terrorist financing. The PATRIOT Act and the International Money Laundering and Financial Anti-Terrorism Act of 2001 substantially broadened the scope of U.S. anti-money-laundering laws and penalties, specifically related to the Bank Secrecy Act, and expanded the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued a number of implementing regulations which apply various requirements of the PATRIOT Act to financial institutions such as Cadence Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers.

Failure of a financial institution and its holding company to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with relevant laws and regulations, could have serious legal, reputational and financial consequences for the institution. Because of the significance of regulatory emphasis on these requirements, Cadence Bank will continue to expend significant staffing, technology and financial resources to maintain programs designed to ensure compliance with applicable laws and regulations and an effective audit function for testing of the banks' compliance with the Bank Secrecy Act on an ongoing basis.

Community Reinvestment Act ("CRA")

The CRA requires that the primary federal regulators evaluate the record of each financial institution within their respective jurisdictions in meeting the credit needs of its local community, including low and moderate-income neighborhoods. The performance of a financial institution in meeting the credit needs of its community is a factor that must be taken into consideration when the federal banking agencies evaluate applications related to mergers and acquisitions, as well as branch openings and relocations. Additionally, financial institutions must publicly disclose the terms of various CRA-related agreements.

Failure to adequately meet the credit needs of our community in accordance with the CRA could prevent us from pursuing our business strategy. Any CRA rating below "Satisfactory" for the Bank could restrict the Company's ability to undertake certain activities, including any merger or acquisition that our management and Board of Directors may otherwise desire to pursue, and may prevent or materially delay the consummation of future mergers or acquisitions or the opening of new branch locations, until the Bank's rating improves. In addition, as described above, an FHC faces limitations on activities and acquisitions if its subsidiary depository institutions do not have at least a "Satisfactory" CRA rating. Our latest CRA rating assessment period was January 1, 2015 through December 31, 2018, for which our public CRA rating was "Satisfactory."

In June 2020, the OCC adopted a final rule to update, strengthen and modernize the regulatory framework implementing the CRA by: clarifying and expanding the activities that qualify for CRA credit; updating where activities count for CRA credit; creating a more consistent and objective method for evaluating CRA performance; and providing for more timely and transparent CRA-related data collection, recordkeeping, and reporting. Banks subject to the general performance standards, including Cadence Bank, must comply with the new CRA framework by January 1, 2023.

Commercial Real Estate Lending Concentration Regulations

The federal banking agencies have promulgated guidance governing concentrations in commercial real estate lending for financial institutions. The guidance provides that a bank has a concentration in commercial real estate lending if (i) total reported loans for construction, land development and other land represent 100% or more of total capital or (ii) total reported loans secured by multifamily and non-farm residential properties and loans for construction, land development and other land represent 300% or more of total capital and the bank's commercial real estate loan portfolio has increased 50% or more during the prior 36 months. If a concentration is present, management must employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing and increasing capital requirements. Cadence Bank has never exceeded these thresholds, therefore we have not been subject to the heightened risk management practices.

Effect of Governmental Monetary Policies

The commercial banking business is affected not only by general economic conditions but also by both U.S. fiscal policy and the monetary policies of the Federal Reserve. Some of the instruments of fiscal and monetary policy available to the Federal Reserve include changes in the discount rate on member bank borrowings, the fluctuating availability of borrowings at the "discount window," open market operations, the imposition of and changes in reserve requirements against member banks' deposits and assets of foreign branches, the imposition of and changes in reserve requirements against certain borrowings by banks and their affiliates, and the placing of limits on interest rates that member banks may pay on time and savings deposits. Such policies influence to a significant extent the overall growth of bank loans, investments, and deposits and the interest rates charged on loans or paid on time and savings deposits. We cannot predict the nature of future fiscal and monetary policies and the effect of such policies on the future business and our earnings.

Human Capital

We recognize that our most valuable asset is our people. One of our top strategic priorities is the retention and development of our talent. This includes providing career development opportunities for all associates; increasing our diversity, equity, and inclusion; training our next generation of leaders; and succession planning. Our goal each day is to create an environment that makes Cadence Bank a great place to work.

Recruiting

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

Core Values and Culture

Fostering and maintaining a strong, healthy culture is a key strategic focus. Our core values reflect who we are and the way our employees interact with one another, our customers, partners and shareholders. The core values include "Do Right," "Own Your Actions," "Embrace We," and "Fresh Thinking Welcomed Here." "Do Right" focuses on doing right by customers, colleagues, and yourself. "Own Your Actions" means to be accountable for what works and what does not work. "Embrace We" encompasses the importance of bringing together a diverse group of professionals committed to customers, colleagues, and the community. "Fresh Thinking Welcomed Here" encourages us to challenge convention to find new and better ways to do things to separate us from our competition and best serve our clients. These core values drive the organization and our diversity, equity, and inclusion efforts.

Education and Training

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

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

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

During 2020, we introduced our new leadership development program. This program included over 100 of our most promising associates who currently have a people management role and have shown the ability to progress within the organization for greater responsibility. This talent pipeline is integral to our succession planning. The development program has continued into 2021 when we will graduate our first class. During 2021 we expect to enhance diversity, equity and inclusion ("DEI") training across the organization as well.

Health and Welfare

We support our employees' and their families' health by offering full medical, dental, and vision insurance for employees and their families, life insurance and long-term disability plans, and health and dependent care flexible spending accounts. We also provide our Employee Assistance Program ("EAP"), which includes confidential services that can help employees and their families with personal or work life issues. The EAP is available 24 hours a day, online or over the phone. During 2020 we expanded our benefits to include a new paid short-term leave. The short-term leave policy will be beneficial to any employee who needs extended time off for a medical procedure and will particularly benefit those on maternity leave. Health and welfare benefits provided to our associates have been enhanced each of the last two years and will be enhanced again in 2021. In 2020, we added telemedicine services prior to the pandemic onset, which proved very helpful to our associates. We also added a diabetes management program which has been beneficial to some of our associates. For 2021 we will be expanding our programs to include assistance in weight reduction for employees who are either prediabetic or obese.

Retirement

We provide a variety of resources and services to help our employees prepare for retirement. We provide a 401(k) plan with a wide variety of investment options and a company match. We also provide our Employee Stock Purchase Plan that offers our associates the opportunity to purchase shares of Cadence common stock at a discount to the market price using after-tax payroll deductions.

Diversity, Equity and Inclusion ("DEI")

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

Our DEI efforts at Cadence are grounded solidly in our core values: Do Right, Own It, Embrace We and Fresh Thinking Welcome Here. Key focus areas include:

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

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

> *Powered by Cadence's core values of Embrace We, Do Right, Own It and Fresh Thinking, we consciously foster a diverse, equitable and inclusive workforce with a shared commitment to collaborative innovation, sustainable growth and positive progress for our associates, clients, communities, shareholders and vendors.*

We have also created Diversity, Equity and Inclusion Council subcommittees to further carryout the goals of the Council.

We measure gender and diversity demographic levels by business and function and are placing a more targeted focus on our incoming college graduate pipeline and branch operations roles to improve overall representation. In 2020, we introduced a diversity scorecard to be utilized to track the level of diversity within our organization. The scorecard is provided to our Board of Directors quarterly to track progress in adding diversity at higher levels of the organization. Additionally, we began reporting on all key positions recruited during the period, and the number of diverse candidates included in our interview pool. During 2021, we expect our Chief Diversity Officer to enhance this reporting.

At December 31, 2020, 65% of our workforce was comprised of females and 31% of our workforce was comprised of people of color. Our Board of Directors includes three females (representing 33% of directors), two of which are persons of color (representing 22% of directors). Our executive officers include three females (representing 29% of section 16 executive officers). In our most senior management group, 28% are either women or people of color.

The following table contains our Diversity Dashboard as of the dates indicated (numbers represent actual number of employees):

	December 31, 2020				December 31, 2019			
Level	Nonminority Female	Minority Female	Minority Male	Total	Nonminority Female	Minority Female	Minority Male	Total
Executives and senior managers	23	5	6	110	25	3	6	114
First and mid-level managers	161	57	28	363	162	44	28	347
Professional	152	88	35	383	160	85	35	375
Sales workers	260	119	34	523	306	137	34	602
Technician	15	6	24	93	14	5	24	72
Administrative support	163	135	24	346	167	134	24	354
	774	410	151	1,818	834	408	151	1,864

We also include information on DEI in our Cadence Bancorporation Human Rights Statement and our Cadence Bancorporation Statement of Corporate Social Responsibility, both of which can be found on our Investor Relations web site under www.cadencebancorporation.com/governance/documents.

Employee Metrics

None of our employees is represented by any collective bargaining unit or is a party to a collective bargaining agreement. We believe that our relations with our employees are good. We regularly survey our employees regarding their level of engagement, company culture, and other metrics that would indicate their satisfaction with employment at Cadence Bank. Based on the surveys, we develop plans to actively respond to any opportunities identified.

The following table presents our full-time equivalent employees by business segment as of the dates indicated.

Segments	December 31, 2020	December 31, 2019	Change
Banking	961	1,056	(9.0)%
Financial services	116	119	(2.5)%
Corporate	731	680	7.5%
Consolidated	1,808	1,855	(2.6)%

Availability of Information

Our investor website can be accessed at *www.cadencebancorporation.com* under “Investor Relations.” Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished to the Securities and Exchange Commission (the “SEC”) pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our investor website under the caption “SEC Filings” as soon as reasonably practicable after we electronically file such materials with, or furnish such materials to, the SEC. No information contained on any of our websites is intended to be included as part of, or incorporated by reference into, this Annual Report on Form 10-K. Documents filed with the SEC are also available free of charge on the SEC’s website at *www.sec.gov*.

ITEM 1A. RISK FACTORS

There are risks, many beyond our control, which could cause our results to differ significantly from management’s expectations. Some of these risk factors are described below. Any factor described in this Annual Report on Form 10-K (“Annual Report”) could, by itself or together with one or more other factors, adversely affect our business, results of operations and/or financial condition. Additional risks and uncertainties not currently known to us or that we currently consider to not be material also may materially and adversely affect us. In assessing these risks, you should also refer to other information disclosed in our SEC filings, including the financial statements and notes thereto.

Risks Relating to Our Business

Public Health and COVID-19

The COVID-19 pandemic is adversely affecting us and our customers, counterparties, employees, and third-party service providers, and the continued adverse impacts on our business, financial position, results of operations, and prospects could be significant.

The spread of COVID-19 has created a global public-health crisis that has resulted in widespread volatility and deteriorations in household, business, economic, and market conditions. The extent of the impact of the COVID-19 pandemic on the Company's capital, liquidity, financial condition, and results of operations during 2020 include:

- A goodwill impairment charge of $443.7 million, recognized in the first quarter of 2020, primarily caused by economic and industry conditions resulting from COVID-19. At December 31, 2020, our remaining goodwill totaled $43.1 million.
- Provision for credit losses of $278.0 million for 2020, primarily caused by the adoption of the CECL accounting standard and the forecasted effects of COVID-19 on the various loan segments due to worsening economic conditions. Because of CECL, our financial results may be negatively affected as soon as weak or deteriorating economic conditions are forecasted and alter our expectations for credit losses. In addition, due to the expansion of the time horizon over which we are required to estimate future credit losses under CECL, we may experience increased volatility in our future provisions for credit losses.
- Hedge income of $169.2 million recognized in the fourth quarter of 2020, which resulted from a partial accounting ineffectiveness determination that resulted from a decline of hedge eligible loans due to the economic impact of COVID-19.
- Loans decreased by 2.0% during 2020, resulting from decreased loan originations due in part to the economic impacts from COVID-19. This decrease was partially mitigated by outstanding Paycheck Protection Program ("PPP") loans which were $938.0 million at December 31, 2020.
- Deposits increased by 8.9% during 2020 due to corporate customer increases in liquidity in the current economic environment and broader impacts of fiscal stimulus.

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

The extent of the impact of COVID-19 on the Company's future capital, liquidity, and other financial positions and on its business, results of operations, and prospects will depend on a number of evolving factors, including:

- *The duration, extent, and severity of the COVID-19 pandemic*. COVID-19 is not yet contained and could affect significantly more households and businesses. The duration and severity of the COVID-19 pandemic continue to be impossible to accurately predict.
- *The response of governmental and nongovernmental authorities*. The actions of many governmental and nongovernmental authorities have been directed toward curtailing household and business activity to contain COVID-19 while simultaneously deploying fiscal- and monetary-policy measures to partially mitigate the adverse effects on individual households and businesses. These actions are not always coordinated or consistent across jurisdictions but, in general, have rapidly expanded in scope and intensity.
- *The effect on the Company's customers, counterparties, employees, and third-party service providers*. COVID-19 and its associated consequences and uncertainties have affected individuals, households, and businesses differently and unevenly. The COVID-19 pandemic had an impact on our operations, financial condition and results of operations during 2020, and we expect that the virus will continue to have an impact on the business, financial condition, and results of operations of the Company and its customers during 2021. In order to protect the health of our customers and employees, and to comply with applicable government directives, we have modified our business practices, including restricting employee travel, asking employees to work from home insofar as is possible, cancelling in-person meetings and implementing our business continuity plans and protocols to the extent necessary. We may take further such actions that we determine are in the best interest of our employees, customers and communities or as may be required by government order. These actions in response to the COVID-19 pandemic, and similar actions by our vendors and business partners, have not materially impaired our ability to support our employees, conduct our business and serve our customers, but there is no assurance that these actions will be sufficient to successfully mitigate the risks presented by COVID-19 or that our ability to operate will not be materially affected going forward.
- *CARES Act and Consolidated Appropriations Act 2021 ("CAA")*. In response to the pandemic, we have also enacted assistance for customers affected by COVID-19, including fee and penalty waivers, loan deferrals or other scenarios that may help our customers. Furthermore, in an effort to support our communities during the pandemic, we are participating in the PPP under the CARES Act whereby loans to small businesses are made and those loans are subject to the regulatory

requirements that would require forbearance of loan payments for a specified time or that would limit our ability to pursue all available remedies in the event of a loan default. If the borrower under the PPP loan fails to qualify for loan forgiveness, we are at the heightened risk of holding the loan at an unfavorable interest rate as compared to the loans to customers that we would have otherwise extended credit. Rules providing for forgiveness have been constantly evolving, including an automatic forgiveness if the amount of the PPP loan was not larger than a specified floor. The CAA was enacted on December 27, 2020 and includes nearly $900 billion in COVID-19 aid including taxpayer stimulus checks, enhanced federal unemployment benefits, an additional $284 billion in PPP loans, and other economic aid.

- *The effect on economies and markets*. Whether the actions of governmental and nongovernmental authorities will be successful in mitigating the adverse effects of COVID-19 is unclear. National, regional, and local economies and markets could suffer disruptions that are lasting. An economic slowdown could adversely affect the Company's origination of new loans and the performance of its existing loans. In addition, governmental actions are meaningfully influencing the interest-rate environment, which could adversely affect the Company's results of operations and financial condition.

COVID-19 has also resulted in increased operational risks. A significant portion of our workforce has been working remotely, and the increased level of remote access creates additional cybersecurity risk and opportunities for cybercriminals to exploit vulnerabilities. Cybercriminals may increase their attempts to compromise business emails, including an increase in phishing attempts, and fraudulent vendors or other parties may view the pandemic as an opportunity to prey upon consumers and businesses during this time. The increase in online and remote banking activities may also increase the risk of fraud in certain instances. Additionally, our third-party service providers have also been impacted by the pandemic and we may experience some disruption to certain services performed by vendors, which could adversely impact our business.

Credit Risk

We are highly subject to credit risk.

Our business depends on our ability to successfully measure and manage credit risk. As a lender, we are exposed to the risk that the principal of, or interest on, a loan will not be repaid timely or at all or that the value of any collateral supporting a loan will be insufficient to cover our outstanding exposure. In addition, we are exposed to risks with respect to the period of time over which the loan may be repaid; proper loan underwriting; and changes in economic and industry conditions. The creditworthiness of a borrower is affected by many factors including local market conditions and general economic conditions. If the overall economic climate in the United States, generally, or our market areas, specifically, experiences material disruption, our borrowers may experience difficulties in repaying their loans, the collateral we hold may decrease in value or become illiquid, and the level of nonperforming loans, charge-offs and delinquencies could rise and require significant additional provisions for credit losses. Additional factors related to the credit quality of commercial loans include the quality of the management of the business and the borrower's ability both to properly evaluate changes in the supply and demand characteristics affecting their market for products and services and to effectively respond to those changes. Additional factors related to the credit quality of commercial real estate loans include tenant vacancy rates and the quality of management of the property.

Our credit risk management practices and our credit approval, review and administrative practices may not adequately reduce credit risk, and our credit administration policies and procedures may not adequately adapt to changes in economic or any other conditions affecting customers and the quality of the loan portfolio. A failure to effectively measure and limit the credit risk associated with our loan portfolio may result in loan defaults, foreclosures and additional charge-offs, and may necessitate that we significantly increase our allowance for credit losses ("ACL"). As a result, our inability to successfully manage credit risk could have a material adverse effect on our business, financial condition and results of operations.

Our ACL may prove to be insufficient to absorb losses in our loan portfolio, which may adversely affect our business, financial condition and results of operations.

Credit losses are inherent in the business of making loans and could have a material adverse effect on our operating results. Our ACL is maintained at a level considered adequate by management to absorb expected credit losses based on our analysis of the quality of our loan portfolio, market environment and other factors we deem to be relevant to this analysis based upon relevant information available to us. The ACL contains provisions for expected losses relating to specific borrowing relationships, as well as expected life-of-loan losses in the loan portfolio and credit undertakings that are not specifically identified. The determination of the appropriate level of the ACL inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Although our management has established an ACL it believes is adequate to absorb expected losses in our loan portfolio, the allowance may not be adequate. We could sustain credit losses that are significantly higher than the amount of our ACL for a variety of reasons, including changes in economic, operating and other conditions within our markets, as well as changes in the financial condition, cash flows, and operations of our borrowers. In addition, regulatory agencies periodically review our ACL, the policies and procedures we use to determine the level of the allowance and the value attributed to nonperforming loans or to real estate acquired through foreclosure. Such regulatory agencies may require us to recognize future charge-offs. Substantial increases in the ACL could have a material adverse effect on our business, financial condition and results of operations.

The security interest that we have in our clients' assets may not be sufficient to protect us from a partial or complete loss if we are required to foreclose.

Our loans are often secured by a lien on specified collateral of our clients. However, the collateral may not protect us from suffering a loss if we foreclose on the collateral. Factors that could reduce the value of the collateral that we have a security interest in include:

- changes in general economic and industry conditions;
- changes in the real estate markets in which we lend;
- inherent uncertainties in the future value of the collateral;
- the financial condition and/or cash flows of the borrower and/or the project being financed; and
- any representation by the borrower of, or failure to keep adequate records related to, important information concerning the collateral.

Any one or more of the preceding factors could materially impair our ability to collect on specified collateral of our clients in the event loans we have made to such clients are not repaid in accordance with their terms, which could have a material adverse effect on our business, financial condition and results of operations.

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

As of December 31, 2020, approximately $10.2 billion or 80% of our loan portfolio was comprised of commercial loans. Because payments on these loans are often dependent on the successful operation or development of the property or business involved, their repayment is sensitive to adverse conditions in the real estate market and the general economy. Accordingly, downturns in the real estate market and economy increase the risk related to commercial loans, particularly commercial real estate loans. Commercial loans are also subject to loan specific risks, including risks associated with construction, cost overruns, project completion risk, general contractor credit risk and risks associated with the ultimate sale or use of the completed construction. If a decline in economic conditions, natural disasters affecting commercial development or other issues cause difficulties for our borrowers of these types of business loans, if we fail to evaluate the credit of these loans accurately when we underwrite them or if we do not continue to monitor adequately the performance of these loans, our lending portfolio could experience delinquencies, defaults and credit losses that could have a material adverse effect on our business, financial condition or results of operations.

Our loan portfolio has significant concentration in energy and our specialized industries.

Much of our lending activity is concentrated in energy and our specialized industries. As of December 31, 2020, we had a total of $1.5 billion of loans, or 12.0% of our total loans, to companies operating in the restaurant and healthcare industries, and $1.3 billion, or 10.3%, to companies operating in the energy sector. These industries and businesses are sensitive to economic conditions and complex factors (such as supply chain factors), which may expose us to the risk of economic downturns and other risks unique to these industries. Oil prices can fluctuate widely on a month-to-month basis in response to a variety of factors that are beyond our control. Factors that contribute to price fluctuations include instability in oil-producing regions, worldwide economic conditions, weather conditions, the supply and price of domestic and foreign oil, natural gas and natural gas liquids, consumer demand, the price and availability of alternative fuels, the proximity to, and capacity of, transportation facilities and the effect of worldwide energy conservation measures. Adverse economic conditions or business conditions relating to these industries could negatively impact our operating results more than if our loan portfolio was not concentrated in these industries.

The ACL allocated to the Energy portfolio was $32.3 million or 2.46% of the energy portfolio at December 31, 2020, compared to $12.7 million or 0.89% as of December 31, 2019 (see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Provision for Credit Losses" and "—Allowance for Credit Losses"). As of December 31, 2020, we had $20.2 million of nonperforming energy credits compared to $9.8 million of nonperforming energy credits as of December 31, 2019. In addition, 19.3% of the energy portfolio was criticized as of December 31, 2020 compared to 6.7% at December 31, 2019. The increases in nonperforming and criticized energy credits is due to stress in the sector that resulted from the significant decline in demand due to the COVID-19 pandemic. As of December 31, 2020, there were approximately $76.2 million in PPP loans outstanding in the Energy portfolio.

The Restaurant portfolio is one of the components of our specialized industries. The Restaurant portfolio has experienced increases in nonperforming loans and charge-offs during 2020 and 2019 as certain customers have faced difficulties dealing with market pressures on employee compensation and increased competition, and more recently, the significant effects of COVID-19. 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.

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

As of December 31, 2020, energy lending comprised approximately 10% of our loan portfolio. The economy in Texas has dependence on the energy industry. A downturn or lack of growth in the energy industry and energy-related business, including sustained low oil prices or the failure of oil prices to rise in the future, could adversely affect our results of operations and financial condition. The economic impacts of COVID-19 resulted in pricing pressure on oil and gas which lead to increased credit stress in our energy portfolio, increased losses associated with our energy portfolio, increased utilization of our contractual obligations to extend credit and weaker demand for energy lending. These factors and general uncertainty resulting from continued volatility could have other future adverse impacts such as job losses in industries tied to energy, increased spending habits, lower borrowing needs, higher transaction deposit balances or a number of other effects that are difficult to isolate or quantify, particularly in states with significant dependence on the energy industry such as Texas, all of which could have a material adverse effect on our business, financial condition and results of operations.

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

We participate in loans originated by other institutions and in SNC's, broadly defined as loans to larger institutions by a group of participating lenders where the client's needs are larger than any individual lender can prudently provide, and in which other lenders serve as the agent bank. Additionally, our specialized industries lending includes larger, national companies that tend to be served through SNC's. As of December 31, 2020, $2.3 billion, or approximately 18% of our total loans, consisted of participations or SNC's. For the vast majority of SNC's, we are not the lead bank. Our reduced control over the monitoring and management of these relationships could lead to increased risk of loss, which could have a material adverse effect on our results of operations.

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

At December 31, 2020 and 2019, we had nonperforming assets of $157.8 million and $125.5 million, respectively. Total criticized loans as of December 31, 2020 and 2019, were $871.7 million and $605.1 million, respectively. These increases in nonperforming assets and criticized loans resulted in increased provisions for credit losses, lost income, and additional expenses to maintain such assets which had a material adverse effect on our results of operations.

The fair value of our investment securities may decline.

As of December 31, 2020, the fair value of our investment securities portfolio was approximately $3.3 billion. Factors beyond our control can significantly influence the fair value of our securities and can cause adverse changes to the fair value of these securities. These factors include rating agency actions, defaults by or other adverse events affecting the issuer, lack of liquidity, changes in market interest rates, and continued instability in the capital markets. A prolonged decline in the fair value of our securities could result in an other-than-temporary impairment write-down, which would affect our results of operations.

Liquidity Risk

Liquidity risk could impair our ability to fund operations and meet our obligations as they become due and could jeopardize our financial condition.

Liquidity is essential to our business. A failure to maintain adequate liquidity or any substantial, unexpected, and/or prolonged change in the level or cost of liquidity could impair our ability to fund operations and meet our obligations as they become due and could have a material adverse effect on our business, financial condition and results of operations.

Liquidity risk is the potential that we will be unable to meet our obligations as they become due because of an inability to liquidate assets or obtain adequate funding. We require sufficient liquidity to meet customer loan requests, customer deposit maturities and withdrawals, payments on our debt obligations as they come due and other cash commitments under both normal operating conditions and other unpredictable circumstances, including events causing industry or general financial market stress. Our access to deposits may be affected by the liquidity needs of our depositors. We depend on deposit account balances as our primary source of funding for our lending activities. A key part of our liquidity plan and funding strategy is to increase our deposit base as a source of funds. We might have difficulty replacing such funds in the future, especially if a large number of our depositors withdraw their accounts, regardless of the reason. Liquidity risk can increase due to a number of factors, including an over-reliance on a particular source of funding or market-wide phenomena such as market dislocation and major disasters. Our inability to raise funds through deposits, borrowings, the sale of loans or securities, and other sources could have a substantial negative effect on liquidity. Our access to funding sources in amounts adequate to finance our activities or on acceptable terms could be impaired by factors that affect our organization specifically or the financial services industry or economy in general. We rely on brokered deposits as a source of liquidity and generally target a brokered deposit to total deposit ratio of less than 15% to 20%. Brokered deposits may have a higher deposit cost compared to our core deposits. Factors that could detrimentally impact access to liquidity sources include, but are not limited to, a decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated (including a downturn resulting from natural disasters affecting those markets) or adverse regulatory actions against us or changes in the liquidity needs of our depositors. Market conditions or other events could also negatively affect the level or cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations (including any unfunded credit commitments), and fund asset growth and new business transactions at a reasonable cost, in a timely manner, and without adverse consequences.

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

We rely on customer deposits as a significant source of funding. Competition among U.S. banks and non-banks for customer deposits is intense and may increase the cost of deposits or prevent new deposits and may otherwise negatively affect our ability to grow our deposit base. Our deposit accounts may decrease in the future, and any such decrease could have a material adverse impact on our sources of funding. Any changes we make to the rates offered on our deposit products to remain competitive with other financial institutions may adversely affect our profitability. The demand for our deposit products may also be reduced due to a variety of factors such as demographic patterns, changes in customer preferences, reductions in consumers' disposable income, regulatory actions that decrease customer access to particular products or the availability of competing products. In addition, a portion of our deposits are brokered deposits. The levels of these types of deposits that we hold may be more volatile during changing economic conditions. At December 31, 2020, the median balance in our deposits accounts was approximately $5 thousand.

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

A commitment to extend credit is a formal agreement to lend funds to a client as long as there is no violation of any condition established under the agreement. The actual borrowing needs of our clients under these credit commitments have historically been lower than the contractual amount of the commitments. As of December 31, 2020, we had $4.5 billion in unfunded credit commitments to our clients. Actual borrowing needs of our clients may exceed our expectations for any numbers of reasons. This could adversely affect our liquidity, which could impair our ability to fund operations and meet obligations as they become due and could have a material adverse effect on our business, financial condition and results of operations.

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

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

As of December 31, 2020, the Company and its subsidiaries had $285.6 million of gross indebtedness ($50.6 million of which represents junior subordinated debt before purchase accounting adjustment). During 2021, borrowings will decrease by $90 million as we will call $40 million in subordinated notes as of March 11, 2021, and our $50 million senior notes are due on June 28, 2021. Total interest expense on all outstanding indebtedness was $16.8 million on a pre-tax basis for 2020. An increase in interest rates would increase our interest expense. See "Item 7A. Quantitative and Qualitative Disclosures about Market Risk." Our principal source of funds for interest and repayment of our debt is dividends received directly from our subsidiaries, primarily the Bank. Federal and state statutes and regulations limit the amount of dividends that the Bank may pay to us, with or without regulatory approval. We may not receive dividends sufficient to fund our debt obligations. In addition, we may not be able to refinance our indebtedness on substantially similar terms, or at all, at or prior to the time that it comes due.

Market Risk

We are subject to interest rate risk.

The majority of our banking assets are subject to changes in interest rates. The principal component of our earnings is our net interest income, which is the difference between interest earned on interest-earning assets and interest paid on our interest-bearing liabilities. We expect that we will periodically experience "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, this "gap" will negatively impact our earnings. Many factors beyond our control impact interest rates, including economic conditions, governmental monetary policies, inflation, recession, unemployment, the money supply, and disorder and instability in domestic and foreign financial markets. Changes in monetary policies of the Federal Reserve could influence not only our net income but could also affect our ability to originate loans and obtain deposits, the fair value of our financial assets and liabilities, and the average duration of our assets and liabilities.

In any future declining interest rate environment, there may be an increase in prepayments on loans as borrowers refinance their loans at lower rates. Interest rate increases often result in larger payment requirements for our floating interest rate borrowers, which increases the potential for default. At the same time, the marketability of the property securing a loan may be adversely affected by any reduced demand resulting from higher interest rates. An increase or decrease in interest rates may also require us to increase or decrease the interest rates that we pay on our deposits.

Changes in interest rates also can affect the value of loans, securities, and other assets. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to increases in nonperforming assets, charge-offs, further increases to the ACL, and a reduction of income recognized, among others, which could have a material adverse effect on our results of operations and cash flows.

Additionally, an increase in interest rates may not increase our net interest income to the same extent we currently anticipate based on our modeling estimates and the assumptions underlying such modeling. Our failure to benefit from an increased interest rate environment to the extent we currently estimate, to the same extent as our competitors or at all could have a material adverse effect on our business, financial condition and results of operations.

Our fully tax equivalent total interest income for 2020 totaled $712.9 million compared to $861.8 million for 2019. This decrease is primarily the result of decreases in interest income on loans and on short-term investments partially offset by an increase in interest income on securities. The decrease in interest income on loans resulted from: decreased market interest rates caused by the economic slowdown resulting from the COVID-19 pandemic; the origination of $1.0 billion in Paycheck Protection Program ("PPP") loans with an average yield of 2.50%; a decrease of 30.9% in accretion on acquired loans due to the declining balance of those loans; and a decrease in average loan balances due to payoffs and paydowns. We recognized $65.3 million in hedge income during 2020 which partially offset the decline in interest rates and average balances. Additionally, our interest expense for 2020 and 2019 was $92.2 million and $208.9 million, respectively, a decrease of $116.7 million as we achieved record low-deposit costs and record high levels of non-interest bearing deposits during 2020. Our cost of interest-bearing deposits decreased to 0.70% for 2020 compared to 1.68% for 2019. Due to this decrease and an increase of $1.2 billion or 34.0% in noninterest bearing deposits, our cost of total deposits decreased to 0.49% in 2020 from 1.29% in 2019. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk" and " —Net Interest Income" for additional information.

The geographic concentration of our markets in Texas and the southeast United States makes our business susceptible to local economic conditions, local adverse weather events, public health issues, and other events which could have an adverse effect on our business or results of operations.

Unlike larger financial institutions that are nationally diversified, we are a regional banking franchise concentrated in Texas and the southeast United States. A deterioration in local economic conditions in these markets could have a material adverse effect on the quality of our portfolio, the demand for our products and services, the ability of borrowers to timely repay loans, and the value of the collateral securing loans. If the population, employment or income growth in one of our markets is negative or slower than projected, income levels, deposits, and performing loans could be adversely impacted. Our markets are also susceptible to severe weather. The occurrence of adverse weather and natural or man-made disasters could destroy or cause a decline in the value of assets that serve as our collateral and increase the risk of delinquencies, defaults, foreclosures and losses on our loans, damage our banking facilities and offices, negatively impact regional economic conditions, result in a decline in local loan demand, loan originations and deposit availability and negatively impact the implementation of our growth strategy. Any one or more of these developments could have a material adverse effect on our business, financial condition and results of operations.

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

We manage interest rate risk by, among other things, utilizing derivative instruments to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Hedging interest rate risk is a complex process, requiring sophisticated models and constant monitoring, and is not a perfect science. Due to interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation will generally be offset by income or loss on the derivative instruments that are linked to the hedged assets and liabilities. By engaging in derivative transactions, we are exposed to credit and market risk. If the counterparty fails to perform, credit risk exists to the extent of the fair value gain in the derivative. Market risk exists to the extent that interest rates change in ways that are significantly different from what we expected when we entered into the derivative transaction. The existence of credit and market risk associated with our derivative instruments could adversely affect our net interest income and, therefore, could have a material effect on our business, financial condition and results of operations. Failure to manage interest rate risk could have a material adverse effect on our business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk."

Strategic Risk

We face significant competition to attract and retain customers and clients, which could adversely affect our growth and profitability.

We operate in the highly competitive banking industry and face significant competition in originating loans, attracting deposits and providing other financial services for customers. Many of our competitors are significantly larger and have significantly more resources, greater name recognition, larger market share, and more extensive and established branch networks than we do. Because of their scale, many of these competitors can be more aggressive than we can on loan and deposit pricing. Also, many of our non-bank competitors have fewer regulatory constraints and may have lower cost structures. In addition, they may maintain a wider range of product offerings than we do, including more technology-based banking tools. We expect competition to continue to intensify due to financial institution consolidation; legislative, regulatory and technological changes; and the emergence of alternative banking sources.

Customer and client loyalty can also be influenced by a competitor's new products, especially offerings that could provide cost savings or a higher return to the customer. Increased competition could require us to increase the rates that we pay on deposits or lower the rates that we offer on loans, which could reduce our profitability. Our failure to compete effectively in our markets could restrain our growth or cause us to lose market share, which could have a material adverse effect on our business, financial condition and results of operations. We may also face a competitive disadvantage as a result of our concentration in Texas and the southeast United States and will be unable, as compared to our more geographically diversified peers, to spread our operating costs across a broader market.

We may not be able to manage our growth effectively, which could adversely affect our profitability and financial condition.

We may face a variety of risks and difficulties in pursuing our organic growth strategy and managing our growth, including, among other things:

- maintaining organic loan growth;
- maintaining asset quality;
- finding suitable markets for expansion;
- attracting funding to support additional growth;
- managing execution risks;
- attracting and retaining qualified management;
- maintaining adequate regulatory capital;
- managing a growing number of client relationships;
- scaling technology platforms; and
- achieving expected additional capacity of our relationship managers.

To manage our growth and maintain adequate information and reporting systems within our organization, we must identify, hire and retain qualified associates, particularly in the accounting and operational areas of our business. We must also successfully implement improvements to, or integrate, our management information and control systems, procedures and processes in an efficient or timely manner and identify deficiencies in existing systems and controls. In particular, our controls and procedures must be able to accommodate an increase in loan volume in various markets and the infrastructure that comes with expanding operations, including new branches. Our growth strategy may divert management from our existing franchises and may require us to incur additional expenditures to expand our administrative and operational infrastructure. If we are unable to effectively manage and grow our banking franchise, we may experience compliance and 4 problems, have to slow the pace of growth, or have to incur additional expenditures beyond current projections to support such growth, any one of which could materially and adversely affect our business, financial condition, results of operations and future prospects.

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

In the future, should we need additional capital to implement our business plan, support our business, expand our operations, or meet applicable capital requirements, we may not be able to raise additional funds in the form of additional debt or equity. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, and our financial condition, results of operations and prospects. Economic conditions and a loss of confidence in financial institutions may increase our cost of funding and limit access to certain customary sources of capital, including inter-bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve System.

Such capital may not be available on acceptable terms, or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, depositors of our bank or counterparties participating in the capital markets or other disruption in the capital markets, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Further, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would then have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a material adverse effect on our business, financial condition or results of operations.

Future acquisitions will subject us to a variety of risks, including execution risks, failure to realize anticipated transaction benefits, and failure to overcome integration risks, which could adversely affect our growth and profitability.

We regularly consider potential acquisition opportunities that we believe would support our businesses and enhance our profitability. If we do pursue acquisitions, we may have difficulty executing and may not realize the anticipated benefits of any transaction we complete. Any of the foregoing matters could materially and adversely affect us.

Generally, any acquisition of financial institutions, branches or other banking assets by us will require approval by, and cooperation from, federal and state banking regulatory agencies. Such regulators could deny our application, which would restrict our growth, or the regulatory approvals may not be granted on terms that are acceptable to us. For example, we could be required to sell branches as a condition to receiving regulatory approvals, and such a condition may not be acceptable to us or may reduce the benefit of an acquisition.

As to any acquisition that we complete, we may fail to realize some or all of the anticipated transaction benefits if the integration process takes longer or is more costly than expected or otherwise fails to meet our expectations.

In addition, acquisition activities could be material to our business and involve several risks, including the following:

- incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, resulting in our attention being diverted from the operation of our existing business;
- using inaccurate estimates and judgments to evaluate credit, operations, management and market risks with respect to the target institution or assets;
- projected results may vary significantly from actual results;
- intense competition from other banking organizations and other inquirers for acquisitions;
- potential exposure to unknown or contingent liabilities of banks and businesses we acquire;
- unexpected asset quality problems;
- the time and expense required to integrate the operations and personnel of the combined businesses;
- experiencing higher operating expenses relative to operating income from the new operations;
- creating an adverse short-term effect on our results of operations;
- losing key employees and customers as a result of an acquisition that is poorly received;
- significant problems relating to the conversion of the financial and customer data of the entity;
- integration of acquired customers into our financial and customer product systems;
- risk of assuming businesses with internal control deficiencies; or
- risks of impairment to goodwill or other than temporary impairment of investment securities.

Depending on the condition of any institution or assets or liabilities that we may acquire, that acquisition may, at least in the near term, adversely affect our capital and earnings and, if not successfully integrated with our organization, may continue to have such effects over a longer period. We may not be successful in overcoming these risks or any other problems encountered in connection with potential acquisitions, and any acquisition we may consider will be subject to prior regulatory approval. Also, acquisitions may involve the payment of a premium over book and market values and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Our inability to overcome these risks could have a material adverse effect on our profitability, return on equity and return on assets, our ability to implement our business strategy and enhance shareholder value, which, in turn, could have a material adverse effect on our business, financial condition and results of operations. Additionally, our inability to overcome these risks could materially and adversely affect the market price of our Class A common stock, which could make it difficult to sell your shares at the volume, price or time desired.

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

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

We evaluate goodwill for impairment by comparing the estimated fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its estimated fair value, an impairment loss is recognized in an amount equal to that excess. Factors that could cause an impairment charge include adverse changes to macroeconomic conditions, declines in the profitability of the reporting unit, or declines in the tangible book value of the reporting unit. We recorded an impairment charge of $443.7 million in the first quarter of 2020 to our bank reporting unit. Future evaluations of goodwill may result in impairment and additional losses, which could have a material adverse effect on our business, financial condition and results of operations.

Operational Risk

We are subject to certain operational risks, including, but not limited to, employee or customer fraud, employee errors, and data processing system failures and errors.

Employee errors and employee and customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include, among other things, improper use of confidential information or engaging in unauthorized activities on behalf of our customers. It is not always possible to prevent such employee errors and misconduct or documentation errors, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors and misconduct could also subject us to financial claims for negligence.

While we maintain a system of internal controls and insurance coverage to mitigate against operational risks, if our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition and results of operations.

In addition, we rely heavily upon information supplied by third parties, including the information contained in credit applications, property appraisals, title information, equipment pricing and valuation and employment and income documentation, in deciding which loans we will originate, as well as the terms of those loans. If any of the information upon which we rely is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to asset funding, the value of the asset may be significantly lower than expected, or we may fund a loan that we would not have funded or on terms we would not have extended. Whether a misrepresentation is made by the applicant or another third party, we generally bear the risk of loss associated with such misrepresentation. A loan subject to a material misrepresentation is typically unsellable or subject to repurchase if it is sold prior to detection of the misrepresentation. The sources of the misrepresentations are often difficult to identify, and it is often difficult to recover any of the monetary losses we may suffer.

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

We own certain of our properties, and, in the course of our business, we may purchase real estate, or we may foreclose on and take title to real estate. As a result, we could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial and could exceed the value of the underlying properties. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. Any significant environmental liabilities could have a material adverse effect on our business, financial condition and results of operations.

We offer certain third-party wealth management products which could experience significant declines in value subjecting us to reputational damage and litigation risk.

We offer third-party products including mutual funds, annuities, life insurance, individual securities and other wealth management products. If these products do not generate competitive risk-adjusted returns that satisfy clients in a variety of asset classes, we will have difficulty maintaining existing business and attracting new business. Additionally, our wealth management business involves the risk that clients or others may sue us, claiming that we have failed to perform under a contract or otherwise failed to carry out a duty owed to them. This risk may be heightened during periods when credit, equity or other financial markets are deteriorating in value or are particularly volatile, or when clients or investors are experiencing losses. Significant declines in the performance of these third-party products could subject us to reputational damage and litigation risk.

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

In 2017, the United Kingdom's Financial Conduct Authority announced that after 2021 it would no longer compel banks to submit the rates required to calculate the London Interbank Offered Rate ("LIBOR"). This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Consequently, at this time, it is not possible to predict whether and to what extent banks will continue to provide submissions for the calculation of LIBOR. Similarly, it is not possible to predict whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may be on the markets for LIBOR-indexed financial instruments.

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

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

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 Asset Liability Committee ("ALCO") and Enterprise Risk Management Committee, who provide regular reports to the Board of Directors.

As part of our transition, we have identified approximately 35.2% of our assets and 1.3% of our liabilities and equity as being tied to LIBOR, with 28.2% of our assets and 1.3% 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 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 ARRC convened by the Federal Reserve has already approved the Secured Overnight Financing Rate ("SOFR") as a replacement index for 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 other comprehensive income 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 contracts will be essentially complete by third quarter of 2021 in advance of LIBOR's potential termination.

A failure in or breach of our operational or security systems or infrastructure, or those of our third-party providers, could result in financial losses to us and/or in the disclosure or misuse of confidential or proprietary information, including client information, each of which could adversely affect our financial condition, damage our reputation and subject us to litigation.

As a financial institution, we may be the target of fraudulent activity that may result in financial losses to us or our clients, privacy breaches against our clients or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, unauthorized intrusion into or use of our systems, and other dishonest acts. We provide our clients with the ability to bank remotely, including over the Internet and over the telephone. The secure transmission of confidential information over the Internet and other remote channels is a critical element of remote banking.

Additionally, our customers and employees have been, and will continue to be, targeted by parties using fraudulent e-mails and other communications in attempts to misappropriate passwords, bank account information or other personal information or to introduce viruses or other malware through "Trojan horse" programs to our information systems and/or our customers' computers. Information security risks for financial institutions related to these types of attacks have generally increased in recent years in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties, including foreign state-sponsored parties. Though we endeavor to mitigate these threats through product improvements, use of encryption and authentication technology and customer and employee education, such cyberattacks against us or our merchants and our third-party service providers remain a serious issue.

Our operations are dependent upon our ability to protect the computer systems and network infrastructure utilized by us, including our Internet, telephone and other remote channel banking activities, our debit and credit card payment processing activities, and our customer relationship management, general ledger, deposit, loans and other systems, against damage from physical break-ins, cybersecurity breaches and other disruptive problems caused by the Internet or other users. Such computer break-ins and other disruptions would jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability, damage our reputation and inhibit current and potential customers from using our Internet banking services. While we maintain security measures to mitigate the risk of cybersecurity breaches, it is possible that we may not be able to anticipate, detect or recognize threats to its systems or to implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently or are not recognized until launched, and because cyberattacks can originate from a wide variety of sources, including third parties. Controls employed by our information technology department and cloud vendors could prove inadequate. These risks may increase in the future as we continue to increase our Internet-based product offerings and expand our internal usage of web-based products and applications. In addition, maintaining our security measures to seek to protect against the latest types of threats entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones.

A breach of our security that results in unauthorized access to our data could expose us to a disruption or challenges relating to our daily operations, as well as to data loss, litigation, damages, fines and penalties, significant increases in compliance costs (such as repairing systems or adding new personnel or protection technologies), and reputational damage (including customer dissatisfaction), any of which could have a material adverse effect on our business, financial condition and results of operations.

We depend on third parties for many of our information technology and telecommunications solutions, and any systems failures, interruptions, or data breaches involving these systems could adversely affect our operations and financial condition.

Our business depends on the successful and uninterrupted functioning of our information technology and telecommunications systems, third-party servicers and financial intermediaries. We outsource many of our major systems, such as data processing, loan servicing and deposit processing systems. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations and we could experience difficulty in implementing replacement solutions. In many cases, our operations rely heavily on the secure processing, storage and transmission of information and the monitoring of a large number of transactions on a minute-by-minute basis, and even a short interruption in service could have significant consequences. In addition, we interact with and rely on financial counterparties, regulators and retailers for whom we process transactions. Each of these third parties may be targets of the same types of fraudulent activity, computer break-ins and other cybersecurity breaches described in the immediately preceding risk factor, and the cybersecurity measures that they maintain to mitigate the risk of such activity may be different than our own.

Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our business, financial condition and results of operations. In addition, failure of third parties to comply with applicable laws and regulations, or fraud or misconduct on the part of employees of any of these third parties could disrupt our operations or adversely affect our reputation. We may also incur costs as a result of data or security breaches of third parties with whom we do not have a significant direct relationship. For example, various retailers and companies processing payments on their behalf have reported that they were victims of cyberattacks in which large amounts of their customers' data, including debit and credit card information, was obtained. In these situations, we generally incur costs to replace compromised cards and address fraudulent transaction activity affecting our customers.

As a result of financial entities and technology systems becoming more interdependent and complex, a cyber incident, information breach or loss, or technology failure that compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including ourselves. We have taken measures to implement backup systems and other safeguards, such as third party risk management due diligence and ongoing monitoring, disaster recovery testing with key providers, key service level agreements, and strategic planning/exit strategy, to support our operations, but our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact.

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

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

We continually encounter technological changes, and if we are unable to stay current with those changes, we may not be able to effectively compete.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. Our future success depends, in part, upon our ability to stay current with technological changes. Many of our competitors have substantially greater resources to invest in technological improvements than we do. As a result, they may be able to offer additional or superior products to those that we will be able to provide, which would put us at a competitive disadvantage. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. In addition, the implementation of technological changes and upgrades to maintain current systems and integrate new ones may also cause service interruptions, transaction processing errors and system conversion delays, may cause us to fail to comply with applicable laws, and may cause us to incur additional expenses, which may be substantial. Failure to successfully keep pace with technological change affecting the financial services industry and avoid interruptions, errors and delays could have a material adverse effect on our business, financial condition or results of operations.

We expect that new technologies and business processes applicable to the consumer credit industry will continue to emerge and these new technologies and business processes may be better than those we currently use. Because the pace of technological change is high, and our industry is intensely competitive, we may not be able to sustain our investment in new technology as critical systems and applications become obsolete or as better ones become available. A failure to maintain current technology and business processes could cause disruptions in our operations or cause our products and services to be less competitive, all of which could have a material adverse effect on our business, financial condition or results of operations.

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

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty, and other relationships. We have exposure to different industries and counterparties including through transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional clients. As a result, defaults by, or even rumors or questions about the soundness of, one or more financial services companies, or the financial services industry generally, have historically led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. These losses or defaults could have a material effect on our business, financial condition and results of operations.

Risks Relating to the Regulation of Our Industry

Regulatory Risk

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

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

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

Because our total assets exceed $10 billion, we are subject to additional regulatory requirements, which could have an adverse effect on our financial condition or results of operations.

Various federal banking laws and regulations, including rules adopted by the Federal Reserve pursuant to the requirements of the Dodd-Frank Act, impose heightened requirements on certain large banks and bank holding companies. Most of these rules apply primarily to bank holding companies with at least $50 billion in total consolidated assets, but certain rules also apply to banks and bank holding companies with at least $10 billion in total consolidated assets. The Economic Growth, Regulatory Relief, and Consumer Protection Act (“EGRRCPA”) was enacted in 2018 and provides certain limited amendments to the Dodd-Frank Act as well as other modifications to certain post-crisis regulatory requirements. The EGRRCPA has decreased the overall regulatory burden on institutions like Cadence.

As a result of our total assets exceeding $10 billion, we and Cadence Bank: are required to have a dedicated risk committee of our Board of Directors responsible for overseeing our enterprise-risk management policies that includes at least one risk management expert; are subject to more frequent regulatory examinations; and are subject to examination for compliance with federal consumer protection laws by the CFPB. We established a dedicated risk committee of the Board prior to reaching $10 billion in total assets in 2018 and were already subject to more frequent examinations because we were part of the OCC mid-size bank group.

Regulatory initiatives regarding bank capital requirements may require heightened capital.

Cadence and Cadence Bank are subject to risk-based and leverage capital requirements under the BASEL III capital rules. We must maintain certain risk-based and leverage capital ratios as required by our banking regulators, which can change depending on economic conditions and our particular condition, risk profile, growth plans, and regulatory capital guidelines. Failure to meet minimum capital guidelines and/or other regulatory requirements can subject the Company and the Bank to certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Company's consolidated financial statements. Additional information, including the Company's and Bank's compliance with applicable capital adequacy standards is provided in "Note 15 to the Consolidated Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Shareholders' Equity."

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

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

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

The Federal Reserve may require us to commit additional capital resources to support Cadence Bank.

The Federal Reserve requires a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. The Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it and therefore may be required to borrow the funds or raise capital. Any loans by a holding company to its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, claims based on any such commitment will be entitled to priority of payment over the claims of the institution's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by the bank holding company to make the required capital injection becomes more difficult and expensive and could have a material adverse effect on our business, financial condition and results of operations.

Compliance Risk

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

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

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

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

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

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

Failure to comply with economic and trade sanctions or with applicable anti-corruption laws could have a material adverse effect on our business, financial condition and results of operations.

The Office of Foreign Assets Control administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. We are responsible for, among other things, blocking accounts of, and transactions with, such persons and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Through our company and the Bank, and our agents and employees, we are subject to the Foreign Corrupt Practices Act ("FCPA"), which prohibits offering, promising, giving, or authorizing others to give anything of value, either directly or indirectly, to a non-U.S. government official in order to influence official action or otherwise gain an unfair business advantage. The Company is also subject to applicable anti-corruption laws in the jurisdictions in which it may operate. The Company has implemented policies, procedures, and internal controls that are designed to comply with economic and trade sanctions or with applicable anti-corruption laws, including the FCPA. Failure to comply with economic and trade sanctions or with applicable anti-corruption laws, including the FCPA, could have serious legal and reputational consequences for us.

General Risk Factors

Economic Conditions

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

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

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

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

Investment in Our Class A Common Stock

The market price of our Class A common stock may be subject to substantial fluctuations, which may make it difficult to sell shares at the volume, prices and times desired.

The market price of our Class A common stock may be highly volatile, which may make it difficult to sell shares at the volume, prices and times desired. There are many factors that may impact the market price and trading volume of our Class A common stock, including, without limitation:

- actual or anticipated fluctuations in our operating results, financial condition or asset quality;
- changes in economic or business conditions;
- failure to meet market predictions of our earnings;
- the effects of trade, monetary and fiscal policies of the federal government;
- publication of research reports about us, our competitors, or the financial services industry generally, or changes in, or failure to meet, estimates made by securities analysts or ratings agencies of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage;
- operating and stock price performance of companies that investors deemed comparable to us;
- future issuances of our Class A common stock or other securities;
- additions or departures of key personnel;
- changes in laws, regulations or policies affecting us;
- perceptions in the marketplace regarding our competitors and/or us;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving our competitors or us;
- other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services; and
- other news, announcements or disclosures (whether by us or others) related to us, our competitors, our markets or the financial services industry.

The stock market and the market for financial institution stocks, have experienced substantial fluctuations in recent years, which in many cases have been unrelated to the operating performance and prospects of particular companies. In addition, significant fluctuations in the trading volume in our Class A common stock may cause significant price variations to occur. Increased market volatility may materially and adversely affect the market price of our Class A common stock, which could make it difficult to sell your shares at the volume, prices and times desired.

There are substantial regulatory limitations on changes of control of bank holding companies that may discourage investors from purchasing shares of our Class A common stock.

With certain limited exceptions, federal regulations prohibit a person or company or a group of persons deemed to be "acting in concert" from, directly or indirectly, acquiring more than 10% (5% if the acquirer is a bank holding company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise direct the management or policies of our Company without prior notice or application to, and the approval of, the Federal Reserve. Companies investing in banks and bank holding companies receive additional review and may be required to become bank holding companies, subject to regulatory supervision. Accordingly, prospective investors must be aware of and comply with these requirements, if applicable, in connection with any purchase of shares of our Class A common stock. These provisions could discourage third parties from seeking to acquire significant interests in us or in attempting to acquire control of us, which, in turn, could adversely affect the market price of our Class A common stock.

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

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

Shares of our Class A common stock are subject to dilution.

Actual or anticipated issuances or sales of substantial amounts of our Class A common stock could cause the market price of our Class A common stock to decline significantly and make it more difficult for us to sell equity or equity-related securities in the future at a time and on terms that we deem appropriate. The issuance of any shares of our Class A common stock in the future also would, and equity-related securities could, dilute the percentage ownership interest held by shareholders prior to such issuance. We may issue all these shares without any action or approval by our shareholders, and these shares, once issued (including upon exercise of outstanding options), will be available for sale into the public market, subject to the restrictions described below, if applicable, for affiliate holders.

We may issue shares of Class B non-voting common stock or shares of preferred stock that would adversely affect the rights of our Class A common shareholders.

Our authorized capital stock includes 300,000,000 shares of Class B non-voting common stock, $0.01 par value per share, and 50,000,000 shares of preferred stock, $0.01 par value per share. As of the date of the filing of this Annual Report with the SEC, we have no issued and outstanding shares of either our Class B non-voting common stock or our preferred stock. Our Board of Directors, in its sole discretion, may issue Class B non-voting common stock and one or more series of preferred stock. Subject to limitations imposed by our certificate of incorporation, our Board of Directors is empowered to determine, among other items, the number of shares for each series, the dividend rate for each series, the terms and conditions of any voting, conversion or exchange rights for each series, and the preferences and the relative rights for each series.

Our future ability to pay dividends is subject to restrictions.

We currently conduct substantially all our operations through our subsidiaries, and a significant part of our income is attributable to dividends from the Bank and we principally rely on the profitability of the Bank to conduct operations and satisfy obligations. Our principal source of funds to pay dividends on our common and preferred stock and service any of our obligations are dividends received directly from our subsidiaries, including Cadence Bank. As is the case with all financial institutions, the profitability of the Bank is subject to the fluctuating cost and availability of money, changes in interest rates, and in economic conditions in general. In addition, various federal and state statutes and regulations limit the amount of dividends that the Bank may pay to us, with or without regulatory approval.

Holders of our Class A common stock are entitled to receive only such cash dividends as our Board of Directors may declare out of funds legally available for such payments. Any declaration and payment of dividends on Class A common stock will depend upon our earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, our ability to service any equity or debt obligations senior to the Class A common stock, and other factors deemed relevant by the board of directors. Furthermore, consistent with our business plans, growth initiatives, capital availability, projected liquidity needs, and other factors, we have made, and will continue to make, capital management decisions and policies that could adversely impact the amount of dividends, if any, paid to our common shareholders.

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

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

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

These provisions may discourage potential acquisition proposals and could delay or prevent a change in control, including when our shareholders might otherwise receive a premium over the market price of our shares. At the 2020 Annual Shareholders Meeting, certain amendments to our certificate of incorporation and by-laws were approved by our shareholders. These amendments: (a) declassify the Board of Directors beginning in 2021, at which time each director on the ballot for election would be elected to a one-year term following the expiration of such director’s existing term (beginning in 2022) and (b) eliminate the requirement for a supermajority vote in order to amend the By-Laws and replace the requirement with a majority vote standard.

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

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

The return on investment in our common stock is uncertain.

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

Other Risks

As a public company, we are required to meet periodic reporting requirements under the rules and regulations of the Securities and Exchange Commission (the "SEC"). Complying with federal securities laws as a public company is expensive.

As a publicly traded company, we are required to file periodic reports containing our consolidated financial statements with the SEC within a specified time following the completion of quarterly and annual periods. Any failure by us to file our periodic reports with the SEC in a timely manner could harm our reputation and cause investors and potential investors to lose confidence in us and reduce the market price of our Class A common stock.

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

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

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

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

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

We rely heavily on our management team and could be adversely affected by the unexpected loss of key personnel.

We are led by an experienced management team with substantial experience in the markets that we serve, and our operating strategy focuses on providing products and services through long-term relationship managers. Accordingly, our success depends in large part on the performance of our key personnel, as well as on our ability to attract, motivate and retain highly qualified senior and middle management. Competition for employees is intense, and we may be unsuccessful in locating key personnel with the combination of skills and attributes required to execute our business plan. We may not be successful in retaining our key employees, and the unexpected loss of key personnel, including our relationship managers, could also have a material adverse effect on our business because of their skills, knowledge of our market, industry experience, relationship-centric banking model, and the difficulty of promptly finding qualified replacement personnel.

Acts or threats of terrorism and political or military actions taken by the United States or other governments could adversely affect general economic or industry conditions.

Geopolitical conditions may affect our business. Acts or threats of terrorism and political or military actions taken by the United States or other governments, including in response to terrorism or similar activity, could have a material adverse effect on our business, financial condition, and results of operations.

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

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

We are subject to litigation, which could result in substantial judgment or settlement costs.

We may be involved from time to time in litigation matters in the ordinary course of business. While we believe that these litigation matters should not have a material adverse effect on our business, financial condition, results of operations or future prospects, we may be unable to successfully defend or resolve any current or future litigation matters, in which case those litigation matters could have a material adverse effect on our business, financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our main office is located at 2800 Post Oak Boulevard, Suite 3800, Houston, Texas 77056. In addition to our main office, which is leased, as of December 31, 2020, we operate from 98 branch offices located in Alabama, Florida, Georgia, Mississippi, Tennessee, and Texas, of which 31 are leased, 79 are in free standing facilities, 78 provide for drive-up access, and most are equipped with ATMs. Additionally, throughout our footprint, we operate three operations centers (one leased, two owned), leased trust offices, leased mortgage offices, leased Linscomb & Williams offices, and leased lending offices with most of these located within our branch offices.

ITEM 3. 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 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our Class A common stock has been listed on the New York Stock Exchange ("NYSE") under the symbol "CADE" since April 13, 2017. The NYSE is the principal U.S. market where our Class A common stock is traded.

Holders

There were 665 shareholders of record of the Company's Class A common stock as of December 31, 2020.

Dividend Policy

During 2020, we declared one quarterly dividend of $0.175, two quarterly dividends of $0.05, and one quarterly dividend of $0.075 per share of our Class A common stock, for an annual total of $0.35 per share. On January 21, 2021, our Board of Directors declared a quarterly dividend of $0.15 per share of outstanding common stock, payable on February 12, 2021 to shareholders of record on the close of business on February 5, 2021.

Although we currently expect to continue to pay quarterly dividends, any future determination relating to our dividend policy will be made by our Board of Directors and will depend on a number of factors, including: (1) our historic and projected financial condition, liquidity and results of operations, (2) our capital levels and needs, (3) tax considerations, (4) any acquisitions or potential acquisitions that we may examine, (5) statutory and regulatory prohibitions and other limitations, (6) the terms of any credit agreements or other borrowing arrangements that restrict our ability to pay cash dividends, (7) general economic conditions and (8) other factors deemed relevant by our Board of Directors. We are not obligated to pay dividends on our common stock and are subject to restrictions on paying dividends on our common stock.

As a Delaware corporation, we are subject to certain restrictions on dividends under the Delaware General Corporation Law (the "DGCL"). Generally, a Delaware corporation may only pay dividends either out of "surplus" or out of the current or the immediately preceding year's net profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a corporation's assets can be measured in a number of ways and may not necessarily equal their book value.

In addition, we are subject to certain restrictions on the payment of cash dividends as a result of banking laws, regulations and policies. See "Supervision and Regulation—Bank Holding Company Regulation—Safe and Sound Banking Practices."

Because we are a financial holding company and do not engage directly in business activities of a material nature, our ability to pay dividends to our shareholders depends, in large part, upon our receipt of dividends from Cadence Bank, which is also subject to numerous limitations on the payment of dividends under federal banking laws, regulations and policies. See "Supervision and Regulation—Bank Regulation—Standards for Safety and Soundness."

Recent Sales of Unregistered Securities

None.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of December 31, 2020 regarding total shares of Class A common stock subject to outstanding stock options and rights and total additional shares available for issuance under our existing equity incentive plans.

Plan Category	(a) Number of Shares to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1)	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (2)	(c) Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (3)
Equity compensation plans approved by security holders	3,220,793	$ 20.43	3,514,131
Equity compensation plans not approved by security holders	—	—	—
Total	3,220,793	$ 20.43	3,514,131

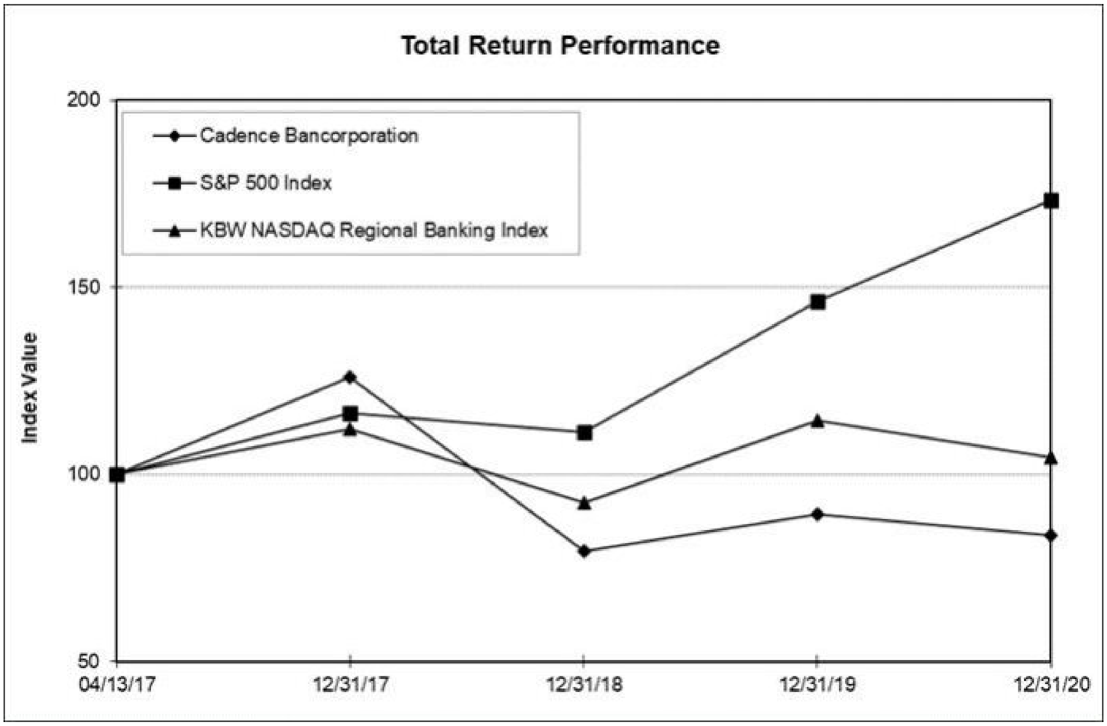
(1) This amount does not include 407,414 outstanding unvested performance-based restricted stock units (“RSU”) that will be earned if applicable performance goals are satisfied at the maximum attainment levels.
(2) The calculation of weighted-average exercise price does not take into account awards of RSU, for which there is no exercise price.
(3) This amount represents the number of shares available for future equity grants under the Amended and Restated Cadence Bancorporation 2015 Omnibus Incentive Plan. Excludes any shares issuable under the Cadence Bank 2013 Long-Term Incentive Plan, as we do not intend to use such plan for any future equity grants.

Issuer Purchases of Equity Securities

In October 2018, the Company’s Board of Directors authorized a share repurchase program in an amount of up to $50 million as part of the Company’s overall capital management strategies. On December 21, 2018, the Board approved an amendment to the repurchase program providing for the purchase of up to 4,310,000 shares not to exceed an aggregate purchase of $81 million, subject to receipt of required regulatory approvals. In July 2019, the Board authorized a new share repurchase program in an amount of up to $50 million which was increased by an additional $100 million on February 18, 2020. Due to the economic impacts from the COVID-19 pandemic, the share repurchase program was paused during the first quarter of 2020 and remained paused throughout the remainder of 2020 and expired in January 2021. On January 21, 2021, the Board of Directors of the Company authorized a share repurchase program providing for the purchase of shares of the Company’s Class A common stock for an aggregate purchase price of up to $200 million, subject to regulatory approvals which were subsequently received.

Performance Graph

The performance graph below compares the cumulative total shareholder return on Cadence Bancorporation Class A common stock with the cumulative total return on the equity securities of companies included in the Standard & Poor’s 500 Stock Index and the KBW NASDAQ Regional Bank Index, measured at the last trading day of each period shown. The graph assumes an investment of $100 on April 13, 2017 and reinvestment of dividends on the date of payment without commissions. The performance graph represents past performance and should not be considered to be an indication of future performance.



Index	04/13/17	12/31/17	12/31/18	12/31/19	12/31/20
Cadence Bancorporation	100.00	125.85	79.56	89.47	83.66
S&P 500 Index	100.00	116.43	111.33	146.38	173.31
KBW NASDAQ Regional Banking Index	100.00	112.10	92.48	114.50	104.53

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table summarizes certain selected consolidated financial data for the years presented. The selected historical financial data as of and for each of the years in the period ended December 31, 2020 have been derived from our audited consolidated financial statements. The historical consolidated financial information presented below contains financial measures that are not presented in accordance with generally accepted accounting principles ("GAAP") in effect in the United States and which have not been audited. See "Non-GAAP Financial Measures."

You should read the following information, together with "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and notes thereto included elsewhere in this Annual Report.

	As of and for the Years Ended December 31,				
(In thousands, except share and per share data)	**2020**	**2019**	**2018**	**2017**	**2016**
Statement of Operations Data:					
Net (loss) income	$ (205,527)	$ 201,958	$ 166,261	$ 102,353	$ 65,774
Net interest income	618,966	651,173	387,741	326,216	279,439
Noninterest income (2)	307,355	130,925	87,008	90,052	81,976
Noninterest expense (3)	826,464	408,770	258,301	233,356	220,180
Provision for credit losses	278,048	111,027	12,700	9,735	49,348
Efficiency ratio (1)	89.22 %	52.27 %	53.55 %	54.77 %	59.86 %
Adjusted efficiency ratio (1)	41.04 %	48.64 %	49.56 %	54.12 %	60.41 %
Per Share Data:					
Earnings (loss) - basic	$ (1.63)	$ 1.56	$ 1.99	$ 1.26	$ 0.88
Earnings (loss) - diluted	(1.63)	1.56	1.97	1.25	0.87
Book value per common share	16.84	19.29	17.43	16.25	14.41
Tangible book value (1)	15.83	14.65	13.62	12.33	9.97
Weighted average common shares outstanding					
Basic	126,120,534	128,913,962	83,562,109	81,072,945	75,000,000
Diluted	126,120,534	129,017,599	84,375,289	81,605,015	75,294,600
Cash dividends declared	$ 0.350	$ 0.700	$ 0.550	$ —	$ —
Dividend payout ratio	(21.47) %	44.87 %	27.64 %	— %	— %
Performance Ratios:					
Return on average common equity	(9.46) %	8.51 %	12.07 %	8.16 %	6.01 %
Return on average tangible common equity (1)	11.63	12.40	15.93	11.40	9.23
Return on average assets	(1.13)	1.14	1.45	1.02	0.71
Net interest margin	3.58	4.00	3.61	3.57	3.30
Period-End Balance Sheet Data:					
Investment securities, available-for-sale	$ 3,332,168	$ 2,368,592	$ 1,187,252	$ 1,257,063	$ 1,133,780
Total loans, net of unearned income	12,719,129	12,983,655	10,053,923	8,253,427	7,432,711
Allowance for credit losses ("ACL")	367,160	119,643	94,378	87,576	82,268
Total assets	18,712,567	17,800,229	12,730,285	10,948,926	9,530,888
Total deposits	16,052,245	14,742,794	10,708,689	9,011,515	8,016,749
Total shareholders' equity	2,121,102	2,460,846	1,438,274	1,359,056	1,080,498
Asset Quality Ratios (4):					
Total nonperforming assets ("NPA") to total loans and OREO and other NPA	1.24 %	0.97 %	0.82 %	0.85 %	2.22 %
Total nonperforming loans to total loans	1.08	0.92	0.74	0.58	1.73
Total ACL to total loans	2.89	0.92	0.94	1.06	1.11
ACL to total nonperforming loans	266.05	100.07	127.12	183.62	63.80
Net charge-offs to average loans	0.79	0.63	0.06	0.06	0.65
Capital Ratios:					
Total shareholders' equity to assets	11.3 %	13.8 %	11.3 %	12.4 %	11.3 %
Tangible common equity to tangible assets (1)	10.7	10.9	9.1	9.7	8.1
Common equity tier 1 (CET1)	14.0	11.5	9.8	10.6	8.8
Tier 1 leverage capital	10.9	10.3	10.1	10.7	8.9
Tier 1 risk-based capital	14.0	11.5	10.1	10.9	9.2
Total risk-based capital	16.7	13.7	11.8	12.8	11.2

(1) Considered a non-GAAP financial measure. See "Non-GAAP Financial Measures" for a reconciliation of our non-GAAP measures to the most directly comparable GAAP financial measure. The fourth quarter 2020 accelerated hedge revenue is not included as an adjustment from GAAP earnings to arrive at the non-GAAP adjusted performance metrics presented herein due to the historical and continuing nature of hedge revenue in our earnings, and the revenue

resulting from the partial ineffectiveness designation merely representing an acceleration of a portion of the fixed collar gain into earnings as compared to the original amortization expectation (see "Note —7 Derivatives" to our consolidated financial statements for additional information).

(2) Includes accelerated hedge revenue of $169.2 million, $129.5 million after tax that was recognized in the fourth quarter of 2020.

(3) Includes the non-cash goodwill impairment charge of $443.7 million in noninterest expense, $412.9 million after-tax that was recognized in the first quarter of 2020.

(4) Asset Quality Ratios do not include nonperforming loans held for sale of $176 thousand at December 31, 2020.

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 earnings" 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 income, 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:

(In thousands, except share and per share data)	As of and for the Year Ended December 31, 2020	2019	2018	2017	2016
Efficiency ratio					
Noninterest expenses (numerator)	$ 826,464	$ 408,770	$ 258,301	$ 233,356	$ 220,180
Net interest income	$ 618,966	$ 651,173	$ 387,741	$ 326,216	$ 279,439
Noninterest income	307,355	130,925	94,638	99,874	88,403
Operating revenue (denominator)	$ 926,321	$ 782,098	$ 482,379	$ 426,090	$ 367,842
Efficiency ratio	89.22%	52.27%	53.55%	54.77%	59.86%
Adjusted efficiency ratio					
Noninterest expenses	$ 826,464	$ 408,770	$ 258,301	$ 233,356	$ 220,180
Less: non-cash goodwill impairment charge	443,695	—	—	—	—
Less: merger related expenses	3,386	28,497	2,983	—	—
Less: secondary offerings expenses	—	—	4,552	1,302	—
Less: specially designated bonuses	—	—	9,795	—	—
Less: pension plan termination expense	—	1,225	—	—	—
Less: expenses related to COVID-19 pandemic	1,777	—	—	—	—
Less: other non-routine expenses(1)	—	—	3,423	1,964	238
Adjusted noninterest expenses (numerator)	$ 377,606	$ 379,048	$ 237,548	$ 230,090	$ 219,942
Net interest income	$ 618,966	$ 651,173	$ 387,741	$ 326,216	$ 279,439
Noninterest income	307,355	130,925	94,638	99,874	88,403
Plus: revaluation of receivable from sale of insurance assets	—	2,000	—	—	—
Plus: impairment charge on branch building	538	—	—	—	—
Less: gain on sale of insurance assets	—	—	4,871	1,093	—
Less: gain on sale of acquired loans	—	2,777	—	—	—
Less: securities gains (losses), net	6,712	2,018	(1,853)	(146)	3,736
Adjusted noninterest income	301,181	128,130	91,620	98,927	84,667
Adjusted operating revenue (denominator)	$ 920,147	$ 779,303	$ 479,361	$ 425,143	$ 364,106
Adjusted efficiency ratio	41.04%	48.64%	49.56%	54.12%	60.41%
Tangible common equity ratio					
Shareholders' equity	$ 2,121,102	$ 2,460,846	$ 1,438,274	$ 1,359,056	$ 1,080,498
Less: goodwill and other intangible assets, net	(126,841)	(590,949)	(314,400)	(328,040)	(332,691)
Tangible common shareholders' equity	1,994,261	1,869,897	1,123,874	1,031,016	747,807
Total assets	18,712,567	17,800,229	12,730,285	10,948,926	9,530,888
Less: goodwill and other intangible assets, net	(126,841)	(590,949)	(314,400)	(328,040)	(332,691)
Tangible assets	$ 18,585,726	$ 17,209,280	$ 12,415,885	$ 10,620,886	$ 9,198,197
Tangible common equity ratio	10.73%	10.87%	9.05%	9.71%	8.13%
Tangible book value per share					
Shareholders' equity	$ 2,121,102	$ 2,460,846	$ 1,438,274	$ 1,359,056	$ 1,080,498
Less: goodwill and other intangible assets, net	(126,841)	(590,949)	(314,400)	(328,040)	(332,691)
Tangible common shareholders' equity	$ 1,994,261	$ 1,869,897	$ 1,123,874	$ 1,031,016	$ 747,807
Common shares outstanding	125,978,561	127,597,569	82,497,009	83,625,000	75,000,000
Tangible book value per share	$ 15.83	$ 14.65	$ 13.62	$ 12.33	$ 9.97

(1) Other non-routine expenses for 2018 included expenses related to the sale of the assets of our insurance company and legal costs associated with litigation related to a pre-acquisition matter of a legacy acquired bank that has been resolved. 2017 non-routine expenses represent additional expenses for the aforementioned legal matter. 2016 non-routine expenses represent amounts related to branch closures.

(In thousands, except share and per share data)	2020	2019	2018	2017	2016
			As of and for the Year Ended December 31,		
Return on average tangible common equity					
Average common equity	$ 2,171,826	$ 2,373,856	$ 1,377,471	$ 1,253,861	$ 1,093,604
Less: average intangible assets	(247,121)	(598,546)	(320,232)	(330,411)	(336,054)
Average tangible common shareholders' equity	$ 1,924,705	$ 1,775,310	$ 1,057,239	$ 923,450	$ 757,550
Net (loss) income	$ (205,527)	$ 201,958	$ 166,261	$ 102,353	$ 65,774
Plus: non-cash goodwill impairment charge, net of tax	412,918	—	—	—	—
Plus: intangible asset amortization, net of tax	16,416	18,240	2,112	2,941	4,116
Tangible net income	$ 223,807	$ 220,198	$ 168,373	$ 105,294	$ 69,890
Return on average tangible common equity	11.63%	12.40%	15.93%	11.40%	9.23%
Adjusted return on average tangible common equity					
Average tangible common shareholders' equity	$ 1,924,705	$ 1,775,310	$ 1,057,239	$ 923,450	$ 757,550
Tangible net income (loss)	$ 223,807	$ 220,198	$ 168,373	$ 105,294	$ 69,890
Non-routine items:					
Plus: merger related expenses	3,386	28,497	2,983	—	—
Plus: secondary offering expenses	—	—	4,552	1,302	—
Plus: specially designed bonuses	—	—	9,795	—	—
Plus: pension plan termination expense	—	1,225	—	—	—
Plus: expenses related to COVID-19 pandemic	1,777	—	—	—	—
Plus: impairment loss on branch building	538	—	—	—	—
Plus: other non-routine expenses(1)	—	—	3,423	1,964	238
Plus: revaluation of receivable from sale of insurance assets	—	2,000	—	—	—
Less: gain on sale of acquired loans	—	2,777	—	—	—
Less: gain on sale of insurance assets	—	—	4,871	1,093	—
Less: securities gains (losses), net	6,712	2,018	(1,853)	(146)	3,736
Tax Expense:					
Plus: One-time tax change related to Tax Reform	—	—	—	19,022	—
Less: benefit of legacy loan bad debt deduction for tax	—	—	5,991	—	—
Less: income tax effect of tax deductible non-routine items	(326)	5,756	3,157	376	(1,294)
Total non-routine items, after tax	(684)	21,171	8,587	20,965	(2,204)
Adjusted tangible net income	$ 223,122	$ 241,369	$ 176,960	$ 126,259	$ 67,686
Adjusted return on average tangible common equity	11.59%	13.60%	16.74%	13.67%	8.93%
Adjusted return on average assets					
Average assets	$ 18,199,726	$ 17,689,126	$ 11,498,013	$ 10,020,036	$ 9,271,629
Net (loss) income	$ (205,527)	$ 201,958	$ 166,261	$ 102,353	$ 65,774
Return on average assets	(1.13)%	1.14%	1.45%	1.02%	0.71%
Net (loss) income	$ (205,527)	$ 201,958	$ 166,261	$ 102,353	$ 65,774
Plus: non-cash goodwill impairment charge, net of tax	412,918	—	—	—	—
Total non-routine items, after tax	(684)	21,171	8,587	20,965	(2,204)
Adjusted net income	$ 206,707	$ 223,129	$ 174,848	$ 123,318	$ 63,570
Adjusted return on average assets	1.14%	1.26%	1.52%	1.23%	0.69%
Adjusted diluted earnings per share					
Diluted weighted average common shares outstanding	126,120,534	129,017,599	84,375,289	81,605,015	75,294,600
Net (loss) income allocated to common stock	$ (205,527)	$ 201,275	$ 166,064	$ 102,353	$ 65,774
Plus: non-cash goodwill impairment, net of tax	412,918	—	—	—	—
Total non-routine items, after tax	(684)	21,171	8,587	20,965	(2,204)
Adjusted net income allocated to common stock	$ 206,707	$ 222,446	$ 174,651	$ 123,318	$ 63,570
Adjusted diluted earnings per share	$ 1.64	$ 1.72	$ 2.07	$ 1.51	$ 0.84
Adjusted pre-tax, pre-provision net revenue					
(Loss) income before taxes	$ (178,191)	$ 262,301	$ 211,378	$ 182,999	$ 98,314
Plus: provision for credit losses	278,048	111,027	12,700	9,735	49,348
Plus: non-cash goodwill impairment	443,695	—	—	—	—
Plus: Total non-routine items before taxes	(1,011)	26,927	17,735	2,319	(3,498)
Adjusted pre-tax, pre-provision net revenue	$ 542,541	$ 400,255	$ 241,813	$ 195,053	$ 144,164

(1) Other non-routine expenses for 2018 included expenses related to the sale of the assets of our insurance company and legal costs associated with litigation related to a pre-acquisition matter of a legacy acquired bank that has been resolved. 2017 non-routine expenses represent additional expenses for the aforementioned legal matter. 2016 non-routine expenses represent amounts related to branch closures.

ITEM 7. 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. This discussion should be read in conjunction with the consolidated financial statements, accompanying notes and supplemental financial data included herein. Because we conduct our material business operations through our bank subsidiary, Cadence Bank, N.A., the discussion and analysis relate to activities primarily conducted by the 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 earnings, 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 capital ratios.

Overview

Cadence Bancorporation is a financial holding company and a Delaware corporation headquartered in Houston, Texas, and is the parent company of Cadence Bank, National Association. With $18.7 billion in assets, $12.7 billion in total loans (net of unearned discounts and fees), $16.1 billion in deposits and $2.1 billion in shareholders' equity as of December 31, 2020, we operate a network of 98 branch locations across Texas, Alabama, Florida, Georgia, 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.

During 2020, the global economy experienced a downturn related to the impacts of the COVID-19 global pandemic. Such impacts included significant volatility in the global stock markets, a 150-basis-point reduction in the target federal funds rate, the enactment of the CARES Act, including the PPP administered by the Small Business Administration, and a variety of rulings from the federal banking regulators.

We continue to actively monitor developments related to COVID-19 and its impact on our business, customers, employees, counterparties, vendors, and service providers. During 2020, the most notable financial impacts to our results of operations included a non-cash goodwill impairment charge, accelerated hedge revenue and higher provision for credit losses primarily as a result of deterioration in macroeconomic variables such as unemployment, GDP and real estate prices, which are incorporated into our economic forecasts utilized to calculate our allowance for credit losses.

Since the start of the COVID-19 pandemic, we have taken several actions to offer various forms of support to our customers, employees, and communities that have experienced impacts from this development. We have actively worked with customers adversely impacted by the economic downturn, offering payment deferrals and other loan modifications. As of December 31, 2020, we have remaining outstanding balances of $179.3 million in COVID-19 related loan payment deferrals, down from $376.1 million at September 30, 2020. As of February 19, 2021, loan payment deferrals were down further to $128.2 million and include $31.9 million in general C&I; $31.6 million in Restaurant Industry; $23.8 million in Residential Real Estate; $17.7 million in CRE-Industrial, Retail, and Other; and $17.1 million in Hospitality, with the remainder spread throughout other portfolios. As of December 31, 2020, $54.3 million of loans were exempt from the accounting guidance for TDRs (see "Asset Quality – Loan Modifications Related to COVID-19") which includes $28.4 million of loans included in the COVID-19 related loan payment deferral total.

Additionally, during 2020 we originated a total of $1.1 billion in loans to approximately 4,350 customers under the Paycheck Protection Program ("PPP") of which the majority have been to customers in the general C&I and Restaurant portfolios. As of December 31, 2020, we have $938 million of PPP loans outstanding to 4,155 customers (see Table 17 – Paycheck Protection Program).

Considering the volatility in the capital markets and economic disruptions, we continue to carefully monitor our capital and liquidity positions, both of which have continued to reflect excess balances and capital levels well over regulatory requirements. As such, on January 21, 2021, our board of directors 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. Additionally, our board of directors authorized a share repurchase program providing for the purchase of shares of our Class A common stock for an aggregate purchase price of up to $200 million, subject to regulatory approvals, which have been received. The previously approved share repurchase program authorizing up to $100 million in share repurchases expired in January 2021.

We operate Cadence Bancorporation through three operating segments: Banking, Financial Services and Corporate. Our Banking Segment, which represented approximately 97% of our total revenues for the three years in the period ended December 31, 2020, consists of our Commercial Banking, Retail Banking and Private Banking lines of business. Considering the economic conditions resulting from the COVID-19 pandemic, we conducted an interim goodwill impairment test as of March 31, 2020. The 2020 interim test indicated a goodwill impairment of $443.7 million within the Banking reporting unit, resulting in our recording an impairment charge of the same amount in the Banking segment for the first quarter of 2020. The primary causes of the goodwill impairment in the Banking 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.

Within our Commercial Banking line of business, our largest focus is in General Commercial and Industrial banking, followed by Commercial Real Estate. 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. Additionally, we conduct business in 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. We offer treasury management services to our Commercial customers across all segments. 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. 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 the "Linscomb & Williams" name. 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 believe that our franchise is positioned for success as a result of prudent lending in our markets through experienced relationship managers and a client-centered, relationship-driven banking model. We believe our success is supported by (i) our attractive geographic footprint, (ii) our stable and efficient deposit funding, (iii) our experienced board of directors and management team, (iv) our strong capital position, and (v) our credit quality and risk management processes.

Key Factors Affecting Our Business and Financial Statements

We believe our business and results of operations will be impacted in the future by various trends and conditions, including the following:

Interest rates: With the termination of the interest rate collar in the first quarter of 2020, our balance sheet returned to asset sensitivity. While historical trends in rising and falling rate environments can be used as a potential indicator for the necessity and pace of asset and deposit repricing, asset and deposit repricing may vary from historical trends and result in unexpected speeds than would have been experienced historically. For additional information, please see Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Banking laws and regulations: The banking industry continues to experience intense regulatory focus, and continual revision of rules and regulations. We anticipate that this environment of heightened scrutiny will continue for the industry and for Cadence Bank specifically, since we are part of the OCC mid-size bank group for supervision purposes and our total assets exceed $10.0 billion. As such, Cadence Bank is subject to additional regulations, including regulation by the CFPB, being subject to the Durbin Amendment, and being subject to the Volcker Rule.

Asset quality: As our originated loan portfolio has grown and seasoned, our asset quality indicators have matured. Our credit quality metrics experienced notable declines during 2020, mostly reflecting the effects on the economy from COVID-19, especially certain segments of our portfolio. We continue to believe our underwriting practices are prudent and we strive to maintain long-term credit quality metrics that are favorable to peers.

Cost efficiency: For several years, we invested significantly in our infrastructure, including our management, lending teams, systems and integration. As a result, our ratio of expenses to revenue was historically greater than that experienced by many of our peer financial institutions. However, the pace of normalized expense growth has moderated, which resulted in a meaningful improving trend in our efficiency ratio (as defined in "Non-GAAP Financial Measures") since 2013. This improving ratio trend may be slowed, reversed or not continue over a longer term.

Competition: The industry and businesses in which we operate are highly competitive and we anticipate that competition will continue to remain robust and potentially increase. We may see increased competition in different areas including market rates, underwriting, products and structure. While we seek to maintain an appropriate risk-adjusted spread on our business, we anticipate that we may experience continued pressure on our net interest margins as we operate in this competitive environment.

CECL**:** In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (referred to as "CECL"). The effective date for CECL was January 1, 2020 and it replaced 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. The ASU also eliminates existing guidance for acquired credit impaired ("ACI") loans and requires recognition of the nonaccretable difference as an increase to the allowance for expected credit losses on financial assets purchased with more than insignificant credit deterioration since origination, which will be offset by an increase in the amortized cost of the related loans. For ACI loans accounted for under ASC 310-30 prior to adoption, the guidance in this amendment for purchase credit deteriorated assets has been prospectively applied. (See "Note 1 – Summary of Accounting Policies – Pending Accounting Policies" to the Consolidated Financial Statements.)

Capital: We manage capital to comply with our internal planning targets and regulatory capital standards. We monitor capital levels on an ongoing basis, perform periodic evaluations under stress scenarios and project capital levels in connection with our business plans to ensure appropriate capital levels. We evaluate several capital ratios, including Tier 1 capital to average assets (the leverage ratio), Tier 1 capital and Common Equity Tier 1 capital to risk-weighted assets, and our tangible common equity ratio.

Summary of Results of Operations

Our net loss for 2020 totaled $205.5 million, a $407.5 million or 201.8% decrease compared to net income of $202.0 million for 2019. The primary drivers of the decrease was a non-cash goodwill impairment charge of $412.9 million, net of tax, recognized in the first quarter of 2020, and increased provision for credit losses. These items were partially offset by hedge revenue of $129.5 million, net of tax, recognized in fourth quarter of 2020. The resulting loss per diluted common share for 2020 was $(1.63) compared to earnings per diluted common share of $1.56 for 2019.

The years 2020 and 2019 included non-routine revenues and expenses, primarily consisting of the goodwill impairment charge, merger related expenses, COVID-19 related expenses, impairment loss on branch building, gains and losses on sales of certain loans, insurance assets, and securities. These non-routine revenues and expenses resulted in adjusted net income(1) of $206.7 million for 2020, and $223.1 million for 2019. Adjusted diluted earnings per share(1) was $1.64 for 2020 and $1.72 for 2019.

Returns on average assets, average common equity and average tangible common equity(1) for 2020 were (1.13)%, (9.46)%, and 11.63%, respectively, compared to 1.14%, 8.51%, and 12.40%(1), respectively, for 2019. Excluding the impact of the non-routine items noted above, adjusted returns(1) on average assets, average common equity, and average tangible common equity for 2020 were 1.14%, 9.52%, and 11.59%, respectively, compared to 1.26%, 9.40%, and 13.60%, respectively, for 2019.

Net interest income was $619.0 million for 2020, a $32.2 million, or 4.9%, decrease compared to 2019. Our net interest spread decreased to 3.29% for 2020 compared to 3.48% for 2019, and the net interest margin decreased 42 basis points to 3.58% from 4.00%. The decrease in net interest income reflects the impact of lower interest rates, lower yielding PPP loans and securities, and lower accretion income on acquired loans, partially offset by amortized effective collar gain recognition and other hedge income and the impact of lower interest rates on deposit costs.

Provision for credit losses increased by $167.0 million to $278.0 million in 2020, compared to $111.0 million in 2019 (see "—Provision for Credit Losses" and "—Asset Quality"). The increase primarily reflects the forecasted effects of COVID-19 on the various loan segments, including higher unemployment, lower GDP, market value, energy prices, and real estate prices. Our calculation for the ACL in the 2020 periods was impacted by the adoption of CECL and used the baseline economic scenario provided by a nationally recognized service, as adjusted for qualitative and environmental factors. Net charge-offs were 0.79% and 0.63% of average loans during 2020 and 2019, respectively.

Noninterest expense for 2020 increased by $417.7 million or 102.2% to $826.5 million compared to $408.8 million during 2019. The increase from 2019 was largely due to a non-cash goodwill impairment charge of $443.7 million. Noninterest expense in 2020 also included non-routine expenses of $3.4 million in merger related expenses, $1.7 million in COVID-19 pandemic related expenses and $0.5 million from impairment loss on branch building. Noninterest expense in 2019 included $28.5 million in merger related expenses and $1.2 million in pension plan termination expense.

Our efficiency ratio(1) was 89.22% for 2020, compared to the 52.27% efficiency ratio for 2019. Our adjusted efficiency ratio(1) was 41.04% for 2020, compared to 48.64% adjusted efficiency ratio for 2019. Adjusted efficiency ratios exclude the impact of the non-routine items.

(1) Considered a non-GAAP financial measure. See "Non-GAAP Financial Measures" for a reconciliation of our non-GAAP financial measures to the most directly comparable GAAP financial measure. The fourth quarter 2020 accelerated hedge revenue is not included as an adjustment from GAAP earnings to arrive at the non-GAAP adjusted performance metrics presented herein due to the historical and continuing nature of hedge revenue in our earnings, and the revenue resulting from the partial ineffectiveness designation merely representing an acceleration of a portion of the fixed collar gain into earnings as compared to the original amortization expectation (see "Note —7 Derivatives" to our consolidated financial statements for additional information).

Summary of Financial Condition

Our total loans, net of unearned income, decreased $264.5 million or 2.0% from December 31, 2019 to $12.7 billion at December 31, 2020. The decrease was driven by net paydowns, decreased loan originations, and strategic declines in certain portfolios offset by the funding of PPP loans of which $938.0 million were outstanding at December 31, 2020.

Total nonperforming assets ("NPA") as a percent of total loans, OREO and other NPA increased to 1.24% at December 31, 2020, compared to 0.97% as of December 31, 2019. NPA totaled $157.8 million and $125.5 million as of December 31, 2020 and 2019, respectively. Our allowance for credit losses increased $247.5 million or 206.9%, to $367.2 million at December 31, 2020 and represented approximately 2.89% and 0.92% of total loans at December 31, 2020 and 2019, respectively.

Total deposits increased $1.3 billion or 8.9% to $16.1 billion at December 31, 2020. Over the same period, noninterest-bearing deposits increased $1.2 billion or 31.3% and comprised 31.4% and 26.0% of total deposits at December 31, 2020 and 2019, respectively. Interest-bearing deposits increased $0.1 billion or 1.0% and comprised 68.6% and 74.0% of total deposits at December 31, 2020 and 2019, respectively. Our deposit mix improved significantly during the year as we have continually worked to decrease our costs of deposits.

Our Tier 1 leverage ratio increased 61 basis points, total risk-based capital ratio increased 300 basis points and Tier 1 risk-based capital ratio increased 248 basis points from December 31, 2019 to December 31, 2020. We met all capital adequacy requirements and both Cadence and the Bank exceeded the requirements to be considered well-capitalized under regulatory guidelines as of December 31, 2020.

Business Segments

As described above in the "Overview" section, we operate Cadence Bancorporation through three operating segments: Banking, Financial Services and Corporate.

While this section reviews financial performance from a business segment perspective, it should be read in conjunction with the discussion of Results of Operations, and our consolidated financial statements and notes thereto for a full understanding of our consolidated financial performance.

Business segment results are determined based upon our management reporting process, which assigns balance sheet and income statement items to each of the business segments. The process is based on our organizational and management structure and, accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions and the results are not necessarily prepared in accordance with generally accepted accounting principles.

The following table presents the operating results of our segments for the periods presented:

Table 1 – Segment Results

	Year Ended December 31, 2020			
(In thousands)	**Banking**	**Financial Services**	**Corporate**	**Consolidated**
Net interest income (expense)	$ 633,489	$ (511)	$ (14,012)	$ 618,966
Provision for credit losses	278,048	—	—	278,048
Noninterest income	261,884	45,104	367	307,355
Noninterest expense	787,058	34,940	4,466	826,464
Income tax expense (benefit)	29,530	1,140	(3,334)	27,336
Net (loss) income	$ (199,263)	$ 8,513	$ (14,777)	$ (205,527)
Total assets	$ 18,608,749	$ 92,303	$ 11,515	$ 18,712,567

	Year Ended December 31, 2019			
(In thousands)	**Banking**	**Financial Services**	**Corporate**	**Consolidated**
Net interest income (expense)	$ 669,878	$ (2,156)	$ (16,549)	$ 651,173
Provision for credit losses	111,027	—	—	111,027
Noninterest income	88,098	41,580	1,247	130,925
Noninterest expense	361,874	34,281	12,615	408,770
Income tax expense (benefit)	66,090	714	(6,461)	60,343
Net income (loss)	$ 218,985	$ 4,429	$ (21,456)	$ 201,958
Total assets	$ 17,685,272	$ 107,772	$ 7,185	$ 17,800,229

(In thousands)	Year Ended December 31, 2018 Banking	Financial Services	Corporate	Consolidated
Net interest income (expense)	$ 407,674	$ (2,307)	$ (17,626)	$ 387,741
Provision for credit losses	12,700	—	—	12,700
Noninterest income	47,316	46,805	517	94,638
Noninterest expense	215,574	35,679	7,048	258,301
Income tax expense (benefit)	52,464	3,979	(11,326)	45,117
Net income (loss)	$ 174,252	$ 4,840	$ (12,831)	$ 166,261
Total assets	$ 12,622,287	$ 94,618	$ 13,380	$ 12,730,285

Banking Segment

Our Banking Segment is our largest business segment and generates most of our net income. Our Banking Segment's net income is composed of net interest earned on our loan and investment portfolios, in addition to service fees and revenue from our deposit and loan customers. The Banking Segment expense includes all interest expense on our deposit accounts and other bank liabilities, operational and administrative expenses related to the business conducted in this segment, and the provision for credit losses on our loan portfolio. All these income and expense components, including noninterest expense, are discussed in greater detail elsewhere in this section.

Financial Services Segment

Our Financial Services Segment primarily generates non-banking fee revenue from trust services, insurance, investment and retail brokerage services. For additional discussion, please refer to "—Noninterest Income."

Corporate Segment

The loss in our Corporate Segment is primarily driven by the interest expense on our corporate senior and subordinated debt. For additional discussion, please refer to "—Net Interest Income" and "—Borrowing."

Results of Operations

Earnings

Our net loss for 2020 totaled ($205.5) million compared to net income of $202.0 million and net income of $166.3 million for 2019 and 2018, respectively. Our results of operations for 2020 were significantly impacted by the COVID-19 pandemic and its effects on the economy and our clients as well as the impact of government actions and programs. The fourth quarter of 2020 included an acceleration of gain recognition from the interest rate collar we terminated in March 2020, which resulted in $129.5 million ($169.2 million pretax) or $1.02 per share being accelerated into fourth quarter earnings ("accelerated hedge revenue"). This acceleration was triggered by the determination of hedge accounting partial ineffectiveness (see "Note 7—Derivatives" to our consolidated financial statements for additional information).

- Excluding non-routine items, adjusted net income(2) was $206.7 million for 2020, down $16.4 million or 7.4% from $223.1 million for 2019.
- Net (loss) income per diluted share was $(1.63) for 2020, a decrease of $3.19 per share or 204.5% as compared to $1.56 per share in the prior year. Adjusted diluted earnings per share(2) for 2020 was $1.64 per share, a decrease of $0.08 per share or 4.7% as compared to $1.72 per share in the prior year.
- Returns on average assets, average common equity and average tangible common equity(2) for 2020 were (1.13)%, (9.46)% and 11.63%, respectively, as compared to 1.14%, 8.51% and 12.40%, respectively, for the prior year. Excluding total non-routine items, adjusted returns on average assets and average tangible common equity(2) were 1.14% and 11.59%, respectively, for 2020.

The following table presents key earnings data for the periods indicated:

Table 2 – Key Earnings Data

(In thousands, except percentages and per share data)	For the Years Ended December 31, 2020	2019	2018
Net (loss) income	$ (100,196)	$ 201,958	$ 166,261
Net (loss) income per common share			
- basic	(0.79)	1.56	1.99
- diluted (1)	(0.79)	1.56	1.97
Dividends declared per share	0.35	0.70	0.55
Dividend payout ratio	(44.30)%	44.87%	27.64%
Net interest margin	360.58	4.00	3.61
Net interest spread	327.77	3.48	3.17
Return on average assets	(0.55)	1.14	1.45
Return on average equity	(4.54)	8.51	12.07
Return on average tangible common equity(2)	16.81	12.40	15.73

(1) Includes common stock equivalents of zero, 103,637, and 813,180 for 2020, 2019, and 2018, respectively.

(2) Considered a non-GAAP financial measure. See "Non-GAAP Financial Measures" for a reconciliation of our non-GAAP measures to the most directly comparable GAAP financial measure. The fourth quarter 2020 accelerated hedge revenue is not included as an adjustment from GAAP earnings to arrive at the non-GAAP adjusted performance metrics presented herein due to the historical and continuing nature of hedge revenue in our earnings, and the revenue resulting from the partial ineffectiveness designation merely representing an acceleration of a portion of the fixed collar gain into earnings as compared to the original amortization expectation.

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 "Item 7A.—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 acquired through our acquisitions are initially recorded at fair value. Discounts or premiums created when the loans were recorded at their estimated fair values at acquisition are being accreted or amortized over the remaining term of the loan as an adjustment to the related loan's yield (see "Note 2—Business Combinations" to our consolidated financial statements for additional information related to the State Bank acquisition).

With the adoption of CECL, we measured the Day 1 amortized cost of our current Purchased Credit Deteriorated ("PCD") assets by adding the Day 1 estimate of expected credit losses under the CECL impairment model to the loans' Day 1 carrying value (or initial remaining purchase price). Because the initial estimate for expected credit losses for PCD loans is added to the carrying value to establish the Day 1 amortized cost, PCD accounting is commonly referred to as a "gross-up" approach. There was no capital impact recognized Day 1 on our PCD loans, rather the "gross-up" was offset by the establishment of the initial allowance. 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 where it was previously considered in ACI loan accretion based on expected cash flows. The prior period numbers in Table 3 have been revised to be comparable to the 2020 presentation (the total interest income on PCD loans has not changed). The yield on our PCD portfolio for 2020, excluding accretion, was 6.15% compared to 10.93% for 2019. This decrease is related to certain PCD loans that were previously accounted for within pools before the adoption of CECL returning to an individual accruing status.

The following table summarizes the amount of loan interest income and the related yields for the periods presented:

Table 3 – Loan Interest Income

	For the Years Ended,	
(Dollars in thousands)	**December 31, 2020**	**December 31, 2019**
Interest Income Detail		
Originated loans	$ 504,036	$ 542,543
ANCI loans: interest income	102,562	180,974
ANCI loans: accretion	25,212	38,209
PCD loans: interest income (1)	11,926	29,927
PCD loans: accretion (1)	4,402	4,632
Total loan interest income	$ 648,138	$ 796,285
Yields		
Originated loans	4.63%	5.40%
ANCI loans without discount accretion	4.25	5.34
ANCI loans discount accretion	1.04	1.13
PCD loans without discount accretion	6.15	10.93
PCD loans discount accretion	2.27	1.69
Total loan yield	4.81%	5.81%

(1) Prior to the adoption of CECL on January 1, 2020, these loans were referred to as ACI loans. For the individual components, prior year ACI amounts have been revised to be comparable to the current year presentation. The total amount for PCD loans has not changed. Interest income for PCD loans represents contractual interest.

Years Ended December 31, 2020 and 2019

Our net interest income, fully-tax equivalent ("FTE"), for 2020 and 2019 was $620.7 million and $652.9 million, respectively, a decrease of $32.1 million. Our net interest margin for 2020 and 2019 was 3.58% and 4.00%, respectively, a decrease of 42 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 thousands of banks, including Cadence, 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 2020 and 2019.

Table 4 – Rate/Volume Analysis

	Net Interest Income		Increase	Changes Due To (1)	
(In thousands)	**2020**	**2019**	**(Decrease)**	**Rate**	**Volume**
Increase (decrease) in:					
Income from interest-earning assets:					
Interest and fees on loans:					
Originated loans	$ 504,036	$ 542,543	$ (38,507)	$ (24,956)	$ (13,551)
ANCI portfolio	127,774	219,183	(91,409)	(35,515)	(55,894)
PCD portfolio (3)	16,328	34,559	(18,231)	(9,710)	(8,521)
Interest on securities:					
Taxable	51,983	42,450	9,533	(11,745)	21,278
Tax-exempt (2)	8,332	7,983	349	(1,055)	1,404
Interest on fed funds and short-term investments	3,092	12,762	(9,670)	(13,028)	3,358
Interest on other investments	1,371	2,274	(903)	(1,133)	230
Total interest income	712,916	861,754	(148,838)	(97,142)	(51,696)
Expense from interest-bearing liabilities:					
Interest on demand deposits	38,005	117,462	(79,457)	(77,802)	(1,655)
Interest on savings deposits	763	1,066	(303)	(492)	189
Interest on time deposits	36,647	69,550	(32,903)	(21,827)	(11,076)
Interest on other borrowings	3,906	8,704	(4,798)	(2,246)	(2,552)
Interest on subordinated debentures	12,879	12,121	758	(1,829)	2,587
Total interest expense	92,200	208,903	(116,703)	(104,196)	(12,507)
Net interest income	$ 620,716	$ 652,851	$ (32,135)	$ 7,054	$ (39,189)

(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 the Federal tax rate of 21% on our state, county and municipal investment portfolios.
(3) Prior to the adoption of CECL on January 1, 2020, these loans were referred to as ACI loans.

Our FTE total interest income for 2020 totaled $712.9 million compared to $861.8 million for 2019. This decrease is primarily the result of decreases in interest income on loans and on short-term investments partially offset by an increase in interest income on securities. The decrease in interest income on loans resulted from: decreased market interest rates caused by the economic slowdown resulting from the COVID-19 pandemic; the origination of $1.1 billion in Paycheck Protection Program ("PPP") loans with an average yield of 2.50%; a decrease of 30.9% in accretion on acquired loans due to the declining balance of those loans; and a decrease in average loan balances due to payoffs and paydowns. We recognized $65.3 million in hedge income during 2020 which partially offset the decline in interest rates and average balances.

On March 6, 2020, we terminated our $4.0 billion notional interest rate collar, realizing a gain of $261.2 million ("transaction gain"), initially recognized in other comprehensive income ("OCI") net of income taxes. Based on hedge accounting, that gain was forecasted to amortize out of OCI and into interest income over the remaining term of the hedge based on a continuing expectation of an adequate level of hedge-eligible loans. Hedge eligible loans are 1-month LIBOR loans that either have no interest rate floor or have not reached their floor rate.

Given the extraordinary events of the past nine months related to COVID-19 and the ensuing economic impacts, we experienced a decline in our hedge-eligible loans such that beginning in the fourth quarter of 2020, our forecast indicated a partial shortfall of hedge-eligible loans which is expected to continue through the remaining term of the original hedge. The declines in hedge-eligible loans were driven by loans reaching their floors as a result of rate declines during the year, new loans being originated and loans renewing at rates already at a floor, anticipated LIBOR transition to an index other than LIBOR, and increased loan paydowns. Based on the forecasted shortfall (ineffectiveness), accelerated hedge revenue of $169.2 million was reclassified from OCI into current period income as non-interest income. Based on our current interest rate forecast, the remaining amount of the deferred transaction gain in accumulated OCI of $35.4 million, is estimated to be reclassified into net interest income by early 2022. Future changes to interest rates or the amount of outstanding hedged loans may significantly change the timing of amounts reclassified to income.

Our interest expense for 2020 and 2019 was $92.2 million and $208.9 million, respectively, a decrease of $116.7 million as we achieved record low-deposit costs and record high levels of non-interest bearing deposits during 2020. Our cost of interest-bearing deposits decreased to 0.70% for 2020 compared to 1.68% for 2019. Due to this decrease and an increase of $1.2 billion or 34.0% in noninterest bearing deposits, our cost of total deposits decreased to 0.49% in 2020 from 1.29% in 2019. Our cost of borrowings decreased to 4.31% from 4.76%, reflecting a decrease in interest rates from the prior year and a decrease of 11.0% in average borrowings.

The following table presents our average balance sheet and our average FTE yields on assets and average costs of liabilities for the years presented. Average FTE 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

	For the Years Ended December 31,					
	2020			2019		
(Dollars in thousands)	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
ASSETS						
Interest-earning assets:						
Loans, net of unearned income (1)						
Originated loans	$ 10,874,853	$ 504,036	4.63%	$ 10,053,507	$ 542,543	5.40%
ANCI portfolio	2,415,141	127,774	5.29	3,387,367	219,183	6.47
PCD portfolio (3)	193,902	16,328	8.42	273,857	34,559	12.62
Total loans	13,483,895	648,138	4.81	13,714,731	796,285	5.81
Investment securities						
Taxable	2,515,807	51,983	2.07	1,568,599	42,450	2.71
Tax-exempt (2)	247,643	8,332	3.36	208,090	7,983	3.84
Total investment securities	2,763,450	60,315	2.18	1,776,689	50,433	2.84
Federal funds sold and short-term investments	1,023,367	3,092	0.30	759,026	12,762	1.68
Other investments	77,908	1,371	1.76	70,127	2,274	3.24
Total interest-earning assets	17,348,620	712,916	4.11	16,320,573	861,754	5.28
Noninterest-earning assets:						
Cash and due from banks	203,413			115,268		
Premises and equipment	127,151			128,448		
Accrued interest and other assets	833,919			1,239,093		
Allowance for credit losses	(313,377)			(114,256)		
Total assets	$ 18,199,726			$ 17,689,126		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
Demand deposits	$ 8,101,392	$ 38,005	0.47%	$ 7,983,237	$ 117,462	1.47%
Savings deposits	305,031	763	0.25	253,170	1,066	0.42
Time deposits	2,425,071	36,647	1.51	2,960,921	69,550	2.35
Total interest-bearing deposits	10,831,494	75,415	0.70	11,197,328	188,078	1.68
Other borrowings	166,730	3,906	2.34	256,815	8,704	3.39
Subordinated debentures	222,545	12,879	5.79	180,371	12,121	6.72
Total interest-bearing liabilities	11,220,769	92,200	0.82	11,634,514	208,903	1.80
Noninterest-bearing liabilities:						
Demand deposits	4,598,544			3,431,300		
Accrued interest and other liabilities	208,587			249,456		
Total liabilities	16,027,900			15,315,270		
Shareholders' equity	2,171,826			2,373,856		
Total liabilities and shareholders' equity	$ 18,199,726			$ 17,689,126		
Net interest income/net interest spread		620,716	3.29%		652,851	3.48%
Net yield on earning assets/net interest margin			3.58%			4.00%
Taxable equivalent adjustment:						
Investment securities		(1,750)			(1,678)	
Net interest income		$ 618,966			$ 651,173	

(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 the Federal tax rate of 21% on our state, county, and municipal investment portfolios.
(3) Prior to the adoption of CECL on January 1, 2020, these loans were referred to as ACI loans.

Years Ended December 31, 2019 and 2018

Our FTE net interest income for 2019 and 2018 was $652.9 million and $390.3 million, respectively, an increase of $262.6 million. Our net interest margin for 2019 and 2018 was 4.00% and 3.61%, respectively, an increase of 39 basis points. The yield on our total loan portfolio increased 65 basis points to 5.81% for 2019 compared to 5.16% for 2018 due to an increase in the rate and volume.

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 FTE net interest income for 2019 and 2018:

	Net Interest Income		Increase	Changes Due To [1]	
(In thousands)	**2019**	**2018**	**(Decrease)**	**Rate**	**Volume**
Increase (decrease) in:					
Income from interest-earning assets:					
Interest and fees on loans:					
Originated loans	$ 542,543	$ 435,007	$ 107,536	$ 32,367	$ 75,169
ANCI portfolio	219,183	13,077	206,106	3,870	202,236
ACI portfolio	34,559	22,060	12,499	8,301	4,198
Interest on securities:					
Taxable	42,450	23,793	18,657	250	18,407
Tax-exempt [2]	7,983	12,077	(4,094)	(815)	(3,279)
Interest on fed funds and short-term investments	12,762	6,930	5,832	994	4,838
Interest on other investments	2,274	2,259	15	(551)	566
Total interest income	861,754	515,202	346,551	44,416	302,135
Expense from interest-bearing liabilities:					
Interest on demand deposits	117,462	57,795	59,667	18,408	41,259
Interest on savings deposits	1,066	560	506	241	265
Interest on time deposits	69,550	42,093	27,457	8,656	18,801
Interest on other borrowings	8,704	14,678	(5,974)	(98)	(5,876)
Interest on subordinated debentures	12,121	9,799	2,322	(734)	3,056
Total interest expense	208,903	124,925	83,978	26,473	57,505
Net interest income	$ 652,851	$ 390,277	$ 262,573	$ 17,943	$ 244,630

(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 an tax equivalent using Federal tax rates of 21% on our state, county and municipal investment portfolios.

Our total FTE interest income for 2019 totaled $861.8 million compared to $515.2 million in 2018. This increase is primarily the result of the loans acquired in the State Bank acquisition resulting in increased volume of interest income and accretion of purchase accounting discounts. Additionally, we experienced an increase in the average volume and yield of our originated loans as well, which reflects the impact of LIBOR and other index rates on our loan portfolio during the periods, partially mitigated by the effect of our February 2019 purchase of a $4.0 billion notional interest rate collar. The lower FTE yield on our tax-exempt securities reflects the decrease in average tax-exempt securities which began during the second quarter of 2018. This was offset by a higher volume of average investments in taxable securities.

The yield on our ACI portfolio fluctuates due to the volume and timing of cash flows received or expected to be received. The yield on our ACI portfolio for 2019 was 12.62% compared to 9.43% for 2018. During 2019, interest income on the ACI portfolio included $4.6 million in discount and recovery income compared to $2.2 million for 2018. These amounts were realized on certain individual loans that were settled before expected, or where we received amounts above our estimates. Excluding these recovery income amounts, the yield on our ACI loans would have been 10.93% for 2019 compared to 8.47% for 2018. Our total loan yield, excluding this recovery income, would have been 5.77% and 5.13% for 2019 and 2018, respectively.

Our interest expense for 2019 and 2018 was $208.9 million and $124.9 million, respectively, an increase of $84.0 million. This increase is primarily related to the increased volume in interest-bearing deposits assumed in the State Bank acquisition as well as organic growth in 2019. The increased expense also reflected the impact of higher index rates on our interest-bearing demand accounts and time deposits. Our cost of interest-bearing deposits increased to 1.68% for 2019 compared to 1.38% for 2018. Our cost of borrowings increased to 4.76% from 4.33% reflecting an increase in interest rates from the prior period but was more than offset by a net decrease of 22.7% in average borrowings. We were able to decrease average borrowings and brokered deposits through increased levels of average non-brokered deposits which included an increase of average demand deposits to 23.5% of total deposits compared to 22.7% in 2018.

The following table presents our average balance sheet and our average FTE yields on assets and average costs of liabilities for the years presented. Average FTE 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, except for ACI loans, which is a monthly average.

	For the Years Ended December 31,					
	2019			2018		
(Dollars in thousands)	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
ASSETS						
Interest-earning assets:						
Loans, net of unearned income (1)						
Originated loans	$ 10,053,507	$ 542,543	5.40 %	$ 8,632,284	$ 435,007	5.04 %
ANCI portfolio	3,387,367	219,183	6.47	250,522	13,077	5.22
ACI portfolio	273,857	34,559	12.62	233,796	22,060	9.43
Total loans	13,714,731	796,285	5.81	9,116,602	470,144	5.16
Investment securities						
Taxable	1,568,599	42,450	2.71	888,341	23,793	2.68
Tax-exempt (2)	208,090	7,983	3.84	292,282	12,077	4.13
Total investment securities	1,776,689	50,433	2.84	1,180,623	35,870	3.04
Federal funds sold and short-term investments	759,026	12,762	1.68	465,554	6,930	1.49
Other investments	70,127	2,274	3.24	54,538	2,259	4.14
Total interest-earning assets	16,320,573	861,754	5.28	10,817,317	515,203	4.76
Noninterest-earning assets:						
Cash and due from banks	115,268			79,560		
Premises and equipment	128,448			62,841		
Accrued interest and other assets	1,239,093			629,108		
Allowance for credit losses	(114,256)			(90,813)		
Total assets	$ 17,689,126			$ 11,498,013		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities:						
Demand deposits	$ 7,983,237	$ 117,462	1.47 %	$ 4,983,113	$ 57,795	1.16 %
Savings deposits	253,170	1,066	0.42	181,194	560	0.31
Time deposits	2,960,921	69,550	2.35	2,119,543	42,093	1.99
Total interest-bearing deposits	11,197,328	188,078	1.68	7,283,850	100,448	1.38
Other borrowings	256,815	8,704	3.39	430,159	14,678	3.41
Subordinated debentures	180,371	12,121	6.72	135,499	9,799	7.23
Total interest-bearing liabilities	11,634,514	208,903	1.80	7,849,508	124,925	1.59
Noninterest-bearing liabilities:						
Demand deposits	3,431,300			2,137,953		
Accrued interest and other liabilities	249,456			133,081		
Total liabilities	15,315,270			10,120,542		
Shareholders' equity	2,373,856			1,377,471		
Total liabilities and shareholders' equity	$ 17,689,126			$ 11,498,013		
Net interest income/net interest spread		652,851	3.48 %		390,278	3.17 %
Net yield on earning assets/net interest margin			4.00 %			3.61 %
Taxable equivalent adjustment:						
Investment securities		(1,678)			(2,537)	
Net interest income		$ 651,173			$ 387,741	

(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 an FTE basis using Federal tax rates of 21% on our state, county, and municipal investment portfolios.

Provision for Credit Losses

On January 1, 2020, we adopted the current expected credit loss ("CECL") accounting standard for estimating credit losses (see Note 1 to the consolidated financial statements). 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. Prior periods are not required to be restated and, therefore, total provision for credit losses for the year ended December 31, 2019 does not include the provision for unfunded commitments.

Under accounting standards for business combinations, acquired loans are recorded at fair value with no credit loss allowance on the date of acquisition. CECL eliminates existing guidance for acquired credit impaired ("ACI") loans and requires recognition of the nonaccretable difference as an increase to the ACL on financial assets purchased with more than insignificant credit deterioration since origination, which will be offset by an increase in the amortized cost of the related loans. After initial recognition, the accounting for a PCD asset will generally follow the credit loss model that applies to that type of asset. For ACI loans accounted for under ASC 310-30 prior to adoption, the guidance in this amendment for PCD assets will be prospectively applied.

The provision for credit losses totaled $278.0 million for 2020 compared to $111.0 million and $12.7 million for 2019 and 2018, respectively. The provision for the year ended December 31, 2020 reflects the forecasted effects of COVID-19 on the various loan segments due to higher unemployment, lower GDP, market value, energy prices, and real estate prices. Our ACL estimate used the baseline scenario provided by a nationally recognized service, as adjusted for certain qualitative and environmental factors (see "—Allowance for Credit Losses"). These adjustments consider, among other factors, risk attributes of each portfolio, relevant third-party research, energy prices, and previous recessions. Net charge-offs were $106.1 million or 0.79% of average loans for 2020 compared to $85.8 million or 0.63% for 2019. Total charge-offs included: $46.2 million related to General C&I credits ($31.9 million SNC), $32.5 million related to Restaurant credits, $16.7 million related to Energy credits (all SNC) and $14.5 million in CRE credits, including $2.9 million related to hospitality. Loan charge-offs recognized during 2020 are higher compared to 2019 due to credit migration that has occurred primarily in these classes which have been significantly impacted by the effects of COVID-19.

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

Table 6 – Provision for Credit Losses

	Year Ended December 31,		
(in thousands)	**2020**	**2019**	**2018**
Funded Loans			
Commercial and industrial	$ 157,580	$ 96,669	$ 15,708
Commercial real estate	117,792	7,556	(1,837)
Consumer	2,411	3,259	(900)
Small business(1)	—	3,543	(271)
Total provision for funded loans	277,783	111,027	12,700
Unfunded commitments	265	—	—
Total provision for credit losses	$ 278,048	$ 111,027	$ 12,700

(1) After the implementation of CECL, provision expense related to Small Business loans is included in Commercial and industrial and Commercial real estate. Prior period provision is presented as previously reported and may not be comparable by segment to the current period presentation.

Noninterest Income

Noninterest income is a component of our revenue and is comprised primarily of income generated from the services we provide our customers.

Year Ended December 31, 2020 Compared to December 31, 2019

Noninterest income totaled $307.4 million for 2020 compared to $130.9 million for 2019. This increase in revenue is primarily from the $169.2 million of accelerated hedge revenue from the interest rate collar we terminated in March 2020.

The following table compares noninterest income for 2020 and 2019:

Table 7 – Noninterest Income

	Year Ended December 31,		
(Dollars in thousands)	**2020**	**2019**	**% Change**
Hedge revenue	$ 169,248	$ —	NM
Investment advisory revenue	26,364	24,890	5.9%
Trust services revenue	18,349	18,066	1.6
Service charges on deposit accounts	23,143	20,503	12.9
Mortgage banking income	9,727	3,174	206.5
Credit related fees	19,352	21,265	(9.0)
Bankcard fees	7,194	8,486	(15.2)
Payroll processing revenue	5,074	5,149	(1.5)
SBA income	9,169	7,232	26.8
Other service fees	6,641	7,412	(10.4)
Securities gains, net	6,712	2,018	232.6
Other			
Insurance revenue	960	878	9.3
Income from bank owned life insurance policies	5,191	4,971	4.4
Other	231	6,881	(96.6)
Total other noninterest income	6,382	12,730	(49.9)
Total noninterest income	$ 307,355	$ 130,925	134.8%

NM—not meaningful.

Hedge Revenue. Our hedge revenue includes accelerated revenue of $169.2 million reclassified from OCI. This reclassification resulted from a partial accounting ineffectiveness determination that resulted from a decline of hedge-eligible loans due to the economic impact of COVID-19. The declines in eligible loans were driven by loans reaching their floors due to rate declines during the year, new loans being originated and loans renewing at rates already at a floor, and increased loan paydowns. Our forecast anticipated the partial shortfall of hedge-eligible loans to continue throughout the remaining term of the hedge. This results in an accounting designation of partial ineffectiveness. For additional information, please see "—Derivative Positions" and "Note 7—Derivatives" to our consolidated financial statements.

Investment Advisory Revenue. Our investment advisory revenue is comprised largely of investment management and financial planning revenues generated through our subsidiary, Linscomb & Williams ("L&W"). Investment advisory revenue grew $1.5 million or 5.9% during 2020 primarily due to an increase of 9.7% in assets under management as of December 31, 2020 compared to December 31, 2019.

Trust Services Revenue. We earn fees from our customers for trust services. Trust fees for 2020 were essentially unchanged from 2019. Assets under management ("AUM") increased by 13.2% as of December 31, 2020 compared to December 31, 2019. During 2020, most of the AUM growth occurred toward the end of the year and the growth occurred in accounts on the lower end of our fee structure. We utilize a sliding fee structure where larger balance accounts earn a lower fee percentage.

Service Charges on Deposit Accounts. We earn fees from our customers for deposit-related services. For 2020, service charges and fees increased by $2.6 million. This 12.9% increase was largely due to migration of commercial customers from the State Bank acquisition into our account analysis structure beginning in September 2019, as well as declines in the earnings credit rate on certain commercial accounts throughout 2020 resulting in increased fees.

Mortgage Banking Income. Our mortgage banking revenue is comprised primarily of mortgage loan sales and servicing income. For 2020, mortgage banking revenue experienced an increase of $6.6 million or 206.5% compared to 2019, primarily due to gains on sales of mortgage loans. Total mortgage loan activity increased by $142.4 million to $712.7 million in 2020. This includes an increase in mortgage loan refinancing of $114.0 million to $179.4 million, and purchase mortgages increased by $28.4 million to $533.3 million. The increased volume resulted from higher demand due to the decline in mortgage interest rates.

Credit-Related Fees. Our credit-related fees include fees related to credit advisory services, unfunded commitment fees, asset-based lending and letter of credit fees. For 2020, the decrease of 9.0% in credit-related fees is primarily 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. These decreases were partially mitigated by an increase of $1.0 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 of $7.2 million for 2020 decreased 15.2% compared to 2019 primarily due 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 2020 was essentially unchanged compared to the 2019.

SBA Income. Small Business Administration ("SBA") income consists of gains on sales of SBA loans, servicing fees, and other miscellaneous fees. SBA income was $9.2 million and $7.2 million for 2020 and 2019, respectively. The increase in SBA income for 2020 was primarily driven by an increase in gains of $1.0 million related to SBA loans sold. Additionally, there was an increase of $0.9 million in servicing income that resulted from updated valuation metrics as investors struggle to find quality collateral backed returns.

Securities Gains, net. During the first half of 2020, we sold and purchased investment securities through routine portfolio rebalancing for balance sheet management. For 2020, the increase of $4.7 million in securities gains compared to 2019 is due to the decline in market interest rates during 2020 which caused the fair value of our securities portfolio to increase.

Other Service Fees. Our other service fees include retail services fees. For 2020 and 2019, other service fees totaled $6.6 million and $7.4 million, respectively. The 2020 decrease resulted from a decrease of $1.1 million in foreign exchange fees and wire transfer related fees related to retail customers. This was slightly offset by an increase of $0.2 million in ancillary treasury fees.

Other Noninterest Income. Other noninterest income decreased by $6.3 million in 2020, primarily resulting from a decrease of $3.9 million in gains on sale of nonperforming loans, a $2.7 million decline in earnings on limited partnerships (including a write down of $1.9 million on one investment), a loss on sale of fixed assets of $0.6 million, and an impairment loss of $0.6 million on a branch building. These items were partially offset by a loss of $2.0 million in 2019 on revaluation of a receivable associated with the sale of our insurance company assets that did not recur in 2020.

Year Ended December 31, 2019 Compared to December 31, 2018

Noninterest income totaled $130.9 million for 2019 compared to $94.6 million for 2018. This increase in revenue is primarily attributable to the State Bank merger which provided additional markets for our products and services as well as two new revenue sources, SBA income and payroll processing revenue.

The following table compares noninterest income for 2019 and 2018:

	Year Ended December 31,		
(Dollars in thousands)	**2019**	**2018**	**% Change**
Investment advisory revenue	$ 24,890	$ 21,347	16.6%
Trust services revenue	18,066	17,760	1.7
Service charges on deposit accounts	20,503	15,432	32.9
Mortgage banking income	3,174	2,372	33.8
Credit related fees	21,265	16,124	31.9
Bankcard fees	8,486	5,951	42.6
Payroll processing revenue	5,149	—	NM
SBA income	7,232	—	NM
Other service fees	7,412	5,345	38.7
Securities gain (losses), net	2,018	(1,853)	(208.9)
Other			
Insurance revenue	878	2,677	(67.2)
Income from bank owned life insurance policies	4,971	3,450	44.1
Other	6,881	6,033	14.1
Total other noninterest income	12,730	12,160	4.7
Total noninterest income	$ 130,925	$ 94,638	38.3%

NM—not meaningful.

Investment Advisory Revenue. Our investment advisory revenue is comprised largely of investment management and financial planning revenues generated through our subsidiary L&W. Investment advisory revenue grew 16.6% for 2019 primarily due to an increase of 28.2% in assets under management supplemented by the July 2019 acquisition of a fee-based investments advisory firm based in Atlanta, Georgia.

Trust Services Revenue. We earn fees from our customers for trust services. Trust fees for 2019 were essentially unchanged from 2018.

Service Charges on Deposit Accounts. We earn fees from our customers for deposit-related services. For 2019, service charges and fees increased by $5.1 million. This 32.9% increase was largely due to the increased number of deposit accounts and customers resulting from the State Bank merger.

Credit-Related Fees. Our credit-related fees include fees related to credit advisory services, unfunded commitment fees, asset-based lending and letter of credit fees. For 2019, credit-related fees increased by 31.9% primarily from loan arrangement and other credit advisory fees due to increased volume, asset-based lending fees which is a new line of business resulting from the State Bank acquisition, and to the recognition of the purchase accounting mark related to unfunded commitments when those commitments expire without being drawn upon.

Bankcard Fees. Our bankcard fees are comprised of automated teller machine ("ATM") network fees and debit card revenue. Our bankcard fees of $8.5 million for 2019 increased 42.6% compared to 2018 primarily due to the State Bank acquisition. This increase was partially mitigated by the limit on interchange fees imposed by the Durbin Amendment which became effective for us in the third quarter of 2018.

Payroll Processing Revenue. Payroll processing revenue represents a new source of revenue for us which we acquired in the State Bank acquisition.

SBA Income. Small Business Administration ("SBA") income also represents a new source of revenue for us through the State Bank acquisition. This revenue consists of gains on sales of SBA loans, servicing fees, and other miscellaneous fees.

Other Service Fees. Our other service fees include retail services fees. For 2019 and 2018, other service fees totaled $7.4 million and $5.3 million, respectively. The 2019 increase resulted primarily from additional foreign exchange fees due to increased trading volume. Other fees increased across the board due to the State Bank acquisition.

Other Noninterest Income. Other noninterest income increased by $0.6 million in 2019 primarily as a result of increased volume resulting from the State Bank acquisition. We also experienced increases in income from bank-owned life insurance and gains on sales of commercial loans. These increases were partially offset by decreased insurance revenue from the sale of the insurance subsidiary assets in second quarter 2018 and the revaluation of the receivable related to that sale.

Noninterest Expenses

Year Ended December 31, 2020 Compared to December 31, 2019

Noninterest expense was $826.5 million for 2020 compared to $408.8 million for 2019. The increase of $417.7 million or 102.2% for 2020 was driven by a non-cash goodwill impairment charge of $443.7 million incurred during the first quarter of 2020. Excluding the goodwill impairment charge, noninterest expense for the year ended 2020 was $382.8 million, a decrease of $26.0 million or 6.4% from 2019 largely due to a decrease in merger related expenses.

The following table compares noninterest expense for 2020 and 2019:

Table 8 – Noninterest Expense

	Year Ended December 31,		
(Dollars in thousands)	**2020**	**2019**	**% Change**
Salaries and employee benefits	$ 207,532	$ 213,874	(3.0)%
Premises and equipment	43,194	44,637	(3.2)
Merger related expenses	3,386	28,497	(88.1)
Goodwill impairment	443,695	—	NM
Intangible asset amortization	21,528	23,862	(9.8)
Data processing expense	12,507	13,013	(3.9)
Software amortization	16,495	13,352	23.5
Consulting and professional fees	12,485	10,301	21.2
Loan related expenses	2,574	2,346	9.7
FDIC insurance	11,910	5,394	120.8
Communications	4,453	5,116	(13.0)
Advertising and public relations	4,057	5,017	(19.1)
Legal expenses	2,398	1,608	49.1
Other	40,250	41,753	(3.6)
Total noninterest expense	$ 826,464	$ 408,770	102.2%

Salaries and Employee Benefits. Excluding the goodwill impairment charge, salaries and employee benefit costs are the largest component of noninterest expense and include employee salaries and commissions, incentive compensation, health insurance, benefit plans, and payroll taxes. Salaries and employee benefits decreased $6.3 million or 3.0% for 2020 compared to 2019, primarily due to a reduction in incentive compensation due to lower earnings.

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)	Year Ended December 31, 2020	2019	% Change
Regular compensation	$ 135,487	$ 136,312	(0.6)%
Incentive compensation	41,678	45,174	(7.7)
Taxes and employee benefits	30,367	32,388	(6.2)
Total salaries and employee benefits	$ 207,532	$ 213,874	(3.0)%

Premises and Equipment. Rent expense, depreciation, and maintenance costs comprise most of this expense. The expense for 2020 decreased 3.2% primarily resulting from a decrease in minor equipment purchases and in software maintenance costs.

Merger Related Expenses. In 2020, merger related expenses decreased $25.1 million, or 88.1%, to $3.4 million . Merger related expenses were related to salaries and employee benefits, consulting and professional fees, and other expenses related to the acquisitions of State Bank and Wealth & Pension.

Goodwill Impairment Charge. Considering the recent economic conditions resulting from COVID-19, we conducted an interim goodwill impairment test as of March 31, 2020. The 2020 interim test indicated a goodwill impairment of $443.7 million within the Banking reporting unit, resulting in the Company recording an impairment charge of the same amount in the first quarter of 2020. The primary causes of the goodwill impairment in the Banking reporting unit were economic and industry conditions resulting from COVID-19 that caused volatility and reductions in our and our peer banks' market capitalizations, 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.

We have $43.1 million in goodwill remaining in our separate reporting units of Trust and Retail Brokerage and Investment Services businesses for which the Company's fourth quarter 2020 quantitative and qualitative assessments of the businesses did not indicate any impairment. The fair values of the reporting units are based upon the best estimates and assumptions, which management believes to be most appropriate in the circumstances.

Intangible Asset Amortization. We 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 totaled $12.5 million for 2020, a decrease of 3.9% from 2019. The decrease occurred as a result of new contracts executed at lower costs for treasury management and Internet banking. Additionally, we have integrated certain services in 2020 for which we were paying two vendors in the first half of 2019 after the State Bank merger.

Software Amortization. Our software amortization increased $3.1 million or 23.5% compared to 2019. The primary driver is the amortization of additional software licenses we acquired to administer increased technology used for automation and customer functionality.

Consulting and Professional Services. For 2020, our consulting and professional services increased by $2.2 million or 21.2% compared to 2019. The increase reflects additional expenses related to the adoption of CECL, the increase in nonperforming assets, our LIBOR transition project, and implementation of our new document storage application and additional infrastructure enhancements.

Loan Related Expenses. Our loan related expenses increased $0.2 million or 9.7% from 2019. The primary driver is expenses related to closing costs.

FDIC Insurance. The FDIC insurance expense increased $6.5 million or 120.8% compared to 2019. Our FDIC assessment will vary between reported periods as it is determined on various risk factors including earnings, credit, liquidity, composition of our balance sheet, loan concentration and regulatory ratings. The year-over-year increase resulted from the net loss recorded in the first quarter of 2020, growth in criticized assets, and growth in deposits. These items were mitigated by regulatory relief granted for the effects of the PPP loans. Additionally, in 2019, we recognized $3.5 million in credits on the assessments that we had previously paid when we had less than $10 billion in total assets and were assessed under the small bank pricing rules.

Communications. Communications expenses include all forms of communications such as telecommunications, as well as data communications. The expense decreased $0.7 million or 13.0% in 2020 compared to 2019 due to decreases in data communications costs and required notifications costs, as both of these were higher in 2019 due to the State Bank merger and integration.

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, incurred a decrease of $1.0 million or 19.1% for the year ended 2020. The decrease was primarily associated with decreased sponsorship costs for events impacted by the COVID-19 pandemic.

Legal Expenses. Our legal expenses include fees paid to outside counsel related to general legal matters as well as loan resolutions. Legal expenses increased 49.1% in 2020 compared to 2019. The primary driver of the increase was legal costs related to a shareholder suit that was dismissed in the Company's favor earlier in 2020.

Other Noninterest Expenses. These expenses include costs for insurance, supplies, travel, education and training, and other operational expenses. Other noninterest expenses decreased $1.5 million, or 3.6%, compared to 2019. The decrease is primarily due to a $3.7 million decrease in employee travel along with smaller decreases in other items. The decrease was offset by an increase of $1.5 million in OREO and repossessed assets related expenses.

Year Ended December 31, 2019 Compared to December 31, 2018

Noninterest expense was $408.8 million for 2019 compared to $258.3 million for 2018. The increase of $150.5 million or 58.3% for 2019 was driven by increases in salaries and benefits, merger related expenses, intangible asset amortizable, and other expenses related to organic growth of our business and growth from the State Bank merger.

The following table compares noninterest expense for 2019 and 2018:

	Year Ended December 31,		
(Dollars in thousands)	**2019**	**2018**	**% Change**
Salaries and employee benefits	$ 213,874	$ 154,905	38.1%
Premises and equipment	44,637	30,478	46.5
Merger expenses	28,497	2,983	NM
Intangible asset amortization	23,862	2,755	NM
Data processing expense	13,013	8,775	48.3
Software amortization	13,352	5,929	125.2
Consulting and professional fees	10,301	13,285	(22.5)
Loan related expenses	2,383	3,145	(24.2)
FDIC Insurance	5,394	4,645	16.1
Communications	5,116	2,773	84.5
Advertising and public relations	5,017	2,523	98.8
Legal expenses	1,608	3,732	(56.9)
Other	41,716	22,373	86.5
Total Noninterest Expense	$ 408,770	$ 258,301	58.3%

Salaries and Employee Benefits. Salaries and employee benefit costs are the largest component of noninterest expense and include employee payroll expense, incentive compensation, health insurance, benefit plans and payroll taxes. Salaries and employee benefits increased $59.0 million or 38.1% for 2019 compared to 2018, largely due to the acquisition of State Bank and the resulting 58% increase in full-time equivalent employees. This increase in salaries and benefits was partially offset by lower incentive compensation impacted by lower results from performance targets in 2019. The following table provides additional detail of our salaries and employee benefits expense for the periods presented:

	Year Ended December 31,		
(Dollars in thousands)	**2019**	**2018**	**% Change**
Salaries and employee benefits			
Regular compensation	$ 136,312	$ 85,084	60.2%
Incentive compensation	45,174	50,932	(11.3)
Taxes and employee benefits	32,388	18,889	71.5
Total salaries and employee benefits	$ 213,874	$ 154,905	38.1%

Premises and Equipment. Rent, depreciation and maintenance costs comprise most of the occupancy and equipment expenses. The 2019 increase of 46.5% resulted from additional facilities and equipment from the acquisition of State Bank.

Merger Related Expenses. In 2019, the Company incurred acquisition costs related to the acquisition of State Bank and the acquisition of W&P. Merger related expenses were related to salaries and employee benefits, consulting and professional fees, and other expenses.

Intangible Asset Amortization. In connection with the acquisition of State Bank, we recorded core deposit and other intangible assets of approximately $117.0 million which are being amortized over a ten-year period for the core deposit intangibles and a ten to twenty-year period for the other intangibles. The third quarter 2019 acquisition of W&P resulted in additional other intangible assets of $5.1 million.

Data Processing. Data processing expense for our operating systems totaled $13.0 million for 2019, an increase of 48.3%. The increase reflect growth in our business as well as implementations and enhancement of various technologies.

Consulting and Professional Services. For 2019, our consulting and professional services decreased $3.0 million or 22.5%, compared to 2018. In 2019, merger related expenses included consulting and professional fees of $4.8 million.

FDIC Insurance. The FDIC insurance expense increased 16.1% due to the acquisition of State Bank and resulting increase to our balance sheet and risk profile under the Large Bank Pricing Rule. During the third and fourth quarters of 2019 we received total credits of $3.5 million from the FDIC related to assessments paid prior to reaching $10 billion in total assets which partially mitigated this increase. The FDIC assessment will vary between reporting periods as it is determined on various risk factors including credit, liquidity, composition of balance sheet, loan concentration, and regulatory ratings.

Communications. Communications expenses include all forms of communications such as telecommunications, as well as data communications. The 84.5% increase in 2019 resulted primarily from increased data communications costs due to our expanded footprint and facilities from the State Bank acquisition.

Advertising and Public Relations. Advertising and public relations expenses include costs to create marketing campaigns, purchase the various media space or time, conduct market research, and various sponsorships in our expanded markets. The acquisition of State Bank expanded Cadence into several of the largest Georgia markets which resulted in the 2019 increase of 98.8%.

Legal Expenses. Our legal expenses include fees paid to outside counsel related to general legal matters as well as loan resolutions. Legal expenses decreased 56.9% due to 2018 fees of $2.2 million associated with litigation related to a pre-acquisition matter of a legacy acquired bank. This matter was fully resolved in the first quarter of 2018.

Other Noninterest Expenses. These expenses include costs for insurance, supplies, travel education and training, and other operational expenses. Other noninterest expenses increased 86.5% with the increase occurring across all categories due to the acquisition of State Bank and the resulting costs of managing a larger company in a larger footprint.

Income Tax Expense

Income tax expense for 2020 was $27.3 million compared to $60.3 million and $45.1 million for 2019 and 2018, respectively.

The effective tax rate was (15.3)% for 2020 compared to 23.0% and 21.3% for 2019 and 2018, respectively. The decrease in the effective tax rate for 2020 resulted from the pretax operating loss incurred during 2020 as well as a decrease in state tax expense, partially offset by the non-deductible goodwill impairment charge. The increase in the effective tax rate for 2019 compared to 2018 was due to an increase in state tax expense, a decrease in tax exempt interest, and a one-time bad debt deduction on a legacy loan portfolio that occurred in 2018 (see “Note 12 — Income Taxes” to the consolidated financial statements and “— Critical Accounting Policies and Estimates” for additional disclosures and discussion regarding income taxes).

Our effective tax rate is impacted by pre-tax income, and to a lesser extent, tax-exempt income, and the increase in the 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 December 31, 2020, we had a net deferred income tax asset of $63.7 million compared to a net deferred income tax liability of $25.0 million at December 31, 2019. The increase in the net deferred asset was primarily due to the adoption of CECL, (see “Note 1— Summary of Accounting Policies” and “Note 4— Loans and Allowance for Credit Losses” to the consolidated financial statements), impact of the goodwill impairment charge on tax deductible goodwill, the increase in the allowance for credit losses, and changes in market conditions that impacted the deferred tax on the fair value adjustments on securities available-for-sale and cash flow hedges including the termination of the interest rate collar (see “Note 7— Derivatives” to the consolidated financial statements).

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 December 31, 2020	As of December 31, 2019	As of December 31, 2018	Average Balances for the Year Ended December 31, 2020	Average Balances for the Year Ended December 31, 2019	Average Balances for the Year Ended December 31, 2018
Total assets	$ 18,712,567	$ 17,800,229	$ 12,730,285	$ 18,199,726	$ 17,689,126	$ 11,498,013
Total interest-earning assets	17,945,552	16,254,827	11,899,165	17,348,620	16,320,573	10,817,317
Total interest-bearing liabilities	11,391,166	11,281,263	8,726,443	11,220,769	11,634,514	7,849,508
Short-term and other investments	1,847,237	813,069	592,690	1,101,275	829,153	520,092
Securities available-for-sale	3,332,168	2,368,592	1,187,252	2,763,450	1,776,689	1,180,623
Loans, net of unearned income	12,719,129	12,983,655	10,053,923	13,483,895	13,714,731	9,116,602
Goodwill	43,061	485,336	307,083	151,935	484,003	311,494
Noninterest-bearing deposits	5,033,748	3,833,704	2,454,016	4,598,544	3,431,300	2,137,953
Interest-bearing deposits	11,018,497	10,909,090	8,254,673	10,831,494	11,197,328	7,283,850
Borrowings and subordinated debentures	372,669	372,173	471,770	389,275	437,186	565,658
Shareholders' equity	2,121,102	2,460,846	1,438,274	2,171,826	2,373,856	1,377,471

Investment Portfolio

Our securities available-for-sale portfolio increased by $1.0 billion or 40.7% during 2020. Approximately $289.2 million of securities available-for-sale were sold during 2020 and $843.2 million of securities matured, were called, or paid down in 2020. We purchased $2.0 billion in securities during 2020, with $702.4 million in the fourth quarter, as a result of increased balance sheet liquidity resulting from growth in deposits and lower loan originations. Securities acquired include government agency and government agency pass-through mortgage-backed securities as well as investment grade municipal bonds. At December 31, 2020, our securities portfolio was 18.6% of our total interest-earning assets and produced an average taxable equivalent yield of 2.18% for 2020 compared to 2.84% and 3.04% for 2019 and 2018, respectively.

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

Table 11 – Securities Available-for-Sale Portfolio

(Dollars in thousands)	As of December 31, 2020	As of December 31, 2019	As of December 31, 2018	Percent Change 2020 vs 2019	Percent Change 2019 vs 2018
Securities available-for-sale:					
U.S. Treasury Securities	$ —	$ —	$ 96,785	NM %	(100.0) %
Obligations of U.S. government agencies	288,729	69,106	61,007	317.8	13.3
Mortgage-backed securities ("MBS") issued or guaranteed by U.S. agencies:					
Residential pass-through:					
Guaranteed by GNMA	125,335	99,082	83,105	26.5	19.2
Issued by FNMA and FHLMC	1,916,889	1,435,497	585,201	33.5	145.3
Collateralized mortgage obligations	216,655	295,832	35,169	(26.8)	741.2
Commercial MBS	431,777	275,958	109,415	56.5	152.2
Total MBS	2,690,656	2,106,369	812,890	27.7	159.1
Obligations of states and municipal subdivisions	352,783	193,117	216,570	82.7	(10.8)
Total securities available-for-sale	$ 3,332,168	$ 2,368,592	$ 1,187,252	40.7 %	99.5 %

See "—Maturity Distribution of Investment Securities" for information regarding the contractual maturities of our investment securities portfolio.

The gross unrealized gains in our investment security portfolio totaled $88.2 million as of December 31, 2020. The following table summarizes the investment securities with unrealized losses at December 31, 2020 by aggregated major security type and length of time in a continuous unrealized loss position:

Table 12 – Investment Securities with Unrealized Losses

	Unrealized Loss Analysis			
	Losses < 12 Months		Losses > 12 Months	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
December 31, 2020				
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 December 31, 2020, 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. Additionally, none of the unrealized losses relate to the marketability of the securities or the issuer's ability to honor redemption of the obligations. As of December 31, 2020, 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% and 74% of the portfolio residing in these loan types as of December 31, 2020 and December 31, 2019, respectively. 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 $264.5 million or 2.0% from December 31, 2019. The increases in loan balances included $938.3 million in outstanding PPP loans (Table 17), partially offset by loan paydowns and payoffs. The declines were driven by corporate reductions of debt in the C&I segment, soft loan origination 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 . The December 31, 2020 presentation has been conformed to the December 31, 2019 portfolio segment and class of financing receivable to provide comparability to previous public filings with the exception of the Small Business Lending portfolio segment of which approximately $505 million was reclassified to C&I and $229 million was reclassified to CRE to reflect alignment with CECL categorizations.

Table 13 – Loan Portfolio

	Total Loans as of December 31,				
(In thousands)	**2020(1)**	**2019**	**2018**	**2017**	**2016**
Commercial and industrial					
General C&I	$ 4,422,542	$ 3,979,193	$ 3,275,362	$ 2,746,454	$ 2,416,665
Energy sector	1,310,612	1,427,832	1,285,775	935,371	939,369
Restaurant industry	971,662	993,397	1,096,366	1,035,538	864,085
Healthcare	550,422	472,307	539,839	416,423	445,103
Total commercial and industrial	7,255,238	6,872,729	6,197,342	5,133,786	4,665,222
Commercial real estate					
Income producing	2,689,157	2,517,707	1,266,791	1,082,929	1,001,703
Land and development	218,465	254,965	63,948	75,472	71,004
Total commercial real estate	2,907,622	2,772,672	1,330,739	1,158,401	1,072,707
Consumer					
Residential real estate	2,453,018	2,584,810	2,227,653	1,690,814	1,457,170
Other	103,251	93,175	67,100	74,922	68,689
Total consumer	2,556,269	2,677,985	2,294,753	1,765,736	1,525,859
Small business lending	—	734,237	266,283	221,855	193,641
Total	12,719,129	13,057,623	10,089,117	8,279,778	7,457,429
Unearned discount and fees	—	(73,968)	(35,194)	(26,351)	(24,718)
Total (net of unearned discount and fees)	$ 12,719,129	$ 12,983,655	$ 10,053,923	$ 8,253,427	$ 7,432,711

(1) Amounts represent total net loans. Under CECL, loan balances are stated at amortized cost, which is net of unearned income and are not directly comparable to prior periods.

Commercial and Industrial. Total C&I loans increased by $382.5 million or 5.6% since December 31, 2019 and represented 57.0% of the total loan portfolio at December 31, 2020, compared to 52.6% of total loans at December 31, 2019 . As noted above, a significant portion of this change resulted from $938.3 million in PPP loans as detailed in Table 17 below, offset by net paydowns, soft loan originations and strategic declines in certain portfolios.

General C&I. As of December 31, 2020, our general C&I category included loans to the following industries: finance and insurance, professional services, durable manufacturing, technology and insurance with investment firms, 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 $648.5 million in PPP loans outstanding in the General C&I portfolio as of December 31, 2020.

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 $32.3 million or 2.46% of the energy portfolio at December 31, 2020, compared to $12.7 million or 0.89% as of December 31, 2019 (see "—Provision for Credit Losses" and "—Allowance for Credit Losses"). As of December 31, 2020, we had $20.2 million of nonperforming energy credits compared to $9.8 million of nonperforming energy credits as of December 31, 2019 . In addition, 19.3% of the energy portfolio was criticized as of December 31, 2020 compared to 6.7% at December 31, 2019. The increases in nonperforming and criticized energy credits is due to stress in the sector that resulted from the significant decline in demand due to the COVID-19 pandemic. As of December 31, 2020, there were approximately $76.2 million in PPP loans outstanding in the Energy portfolio as follows: $51.7 million in Energy Services, $15.7 million in Midstream, and $8.8 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

	As of December 31,					As of December 31, 2020	
(Dollars in thousands)	**2020**	**2019**	**2018**	**2017**	**2016**	**Unfunded Commitments**	**Criticized**
Outstanding balance(1)							
E&P	$ 267,896	$ 358,552	$ 366,973	$ 278,171	$ 371,870	$ 50,069	$ 83,395
Midstream	853,846	886,748	738,535	557,800	472,053	507,364	117,735
Energy services	188,870	182,532	180,267	99,400	95,446	44,369	51,503
Total energy sector	$ 1,310,612	$ 1,427,832	$ 1,285,775	$ 935,371	$ 939,369	$ 601,802	$ 252,633
As a % of total loans	10.30%	10.93%	12.74%	11.30%	12.60%		
Allocated ACL							
E&P	$ 6,997	$ 3,728	$ 2,195	$ 12,892	$ 13,018		
Midstream	19,734	7,845	4,091	1,582	5,878		
Energy services	5,548	1,168	1,051	2,509	5,657		
Total allocated ACL	$ 32,279	$ 12,741	$ 7,337	$ 16,983	$ 24,553		
ACL as a % of outstanding balance							
E&P	2.61%	1.04%	0.60%	4.63%	3.50%		
Midstream	2.31	0.88	0.55	0.28	1.25		
Energy services	2.94	0.64	0.58	2.52	5.93		
Total energy sector	2.46%	0.89%	0.57%	1.82%	2.61%		

(1) Loan balances as of December 31, 2020 are stated at amortized cost, which is net of unearned discount and fees and are not directly comparable to the prior periods. Prior period loan balances are presented as previously reported, gross of unearned discount and fees.

E&P loans outstanding comprised approximately 20.4% of outstanding energy loans as of December 31, 2020, compared to 25.1% of outstanding energy loans as of December 31, 2019. 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 65.1% of outstanding energy loans as of December 31, 2020, compared to 62.1% of outstanding energy loans as of December 31, 2019. 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. The average debt-to-capital of this portfolio was at approximately 37% as of December 31, 2020. The average funded amount per borrower was approximately $10.0 million as of December 31, 2020.

Energy Services loans outstanding comprised 14.4% of outstanding energy as of December 31, 2020, compared to 12.8% of outstanding energy loans as of December 31, 2019. This increase resulted from the $51.7 million in PPP loans originated in the Energy Services category. 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

	Amounts Outstanding(1) as of December 31,					As of December 31, 2020
(In thousands)	2020	2019(2)	2018(2)	2017(2)	2016(2)	Unfunded Commitments
Restaurant	$ 971,662	$ 963,399	$ 1,096,366	$ 1,035,538	$ 864,085	$ 184,166
Healthcare	550,422	451,055	538,886	408,665	434,663	137,880
Technology	437,529	369,160	459,502	411,050	218,162	90,165
Total specialized lending	$ 1,959,613	$ 1,783,614	$ 2,094,754	$ 1,855,253	$ 1,516,910	$ 412,211

(1) Loan balances as of December 31, 2020 are stated at amortized cost, which is net of unearned discount and fees and are not directly comparable to prior periods. Prior period loan balances are presented as previously reported, gross of unearned discount and fees.
(2) Prior period balances are presented as previously reported (originated C&I loans only) and may not be comparable to the current period presentation which represents the entire C&I loan portfolio.

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 increased by $8.3 million or 0.9% compared to December 31, 2019 due to the origination of $134.5 million in PPP loans, offset 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. The Restaurant sector has experienced increases in nonperforming loans and charge-offs during 2020 and 2019 as certain customers have faced difficulties dealing with market pressures on employee compensation and increased competition, and more recently, the significant effects of COVID-19. 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 increased by $99.4 million or 22.0% with the majority of this increase due to $79.1 million in PPP loans, and comprised 28.1% of total specialized lending at December 31, 2020, compared to 25.3% at December 31, 2019. Our healthcare portfolio focuses on middle-market healthcare providers generally with a diversified payor mix.

Technology loans outstanding increased by $68.4 million or 18.5% due in part to $13.4 million in PPP loans, and comprised 22.3% of total specialized lending at December 31, 2020, compared to 20.7% at December 31, 2019. 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 $135.0 million or 4.9% since December 31, 2019. CRE loans represented 22.9% of the total loan portfolio as of December 31, 2020, compared to 21.2% of total loans as of December 31, 2019. As noted above, a significant portion of this change resulted from the reclassification of loans within the Small Business Lending segment to the CRE segment in connection with CECL classifications. Income Producing CRE includes non-owner occupied loans secured by commercial real estate, regardless of the phase of the loan (construction versus completed). Commercial construction loans are primarily included in Income Producing CRE. Additionally, all real estate investment trust and income producing loans are included in the Income Producing CRE segment. Land, lots, and homebuilder loans are included in the land and development segment. All owner occupied CRE loans reside in the various C&I segments in which the underlying risk exists. 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 $257 million at December 31, 2020, representing 59 relationships, or an average outstanding balance of $4.4 million. This portfolio has been significantly affected by COVID-19 with approximately $50 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 $121.7 million or 4.5% from December 31, 2019. Consumer loans represented 20.1% of total loans at December 31, 2020, compared to 20.5% of total loans at December 31, 2019. We originate residential real estate mortgages that are held for investment as well as held for sale in the secondary market. Approximately 14.8% of the consumer portfolio relates to acquired portfolios, compared to 19.1% as of December 31, 2019. Our originated consumer loan portfolio totaled $2.2 billion as of December 31, 2020, consistent with year-end 2019.

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, specialty chemical, 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

	December 31, 2020		December 31, 2019	
(Dollars in thousands)	**Amount Outstanding(1)**	**% of SNC Portfolio**	**Amount Outstanding(1)**	**% of SNC Portfolio**
Commercial and industrial				
General C&I	$ 866,287	37.3%	$ 997,021	38.2%
Energy sector	757,514	32.6	903,501	34.7
Restaurant industry	414,492	17.9	468,298	18.0
Healthcare	43,782	1.9	31,436	1.2
Total commercial and industrial	2,082,075	89.7	2,400,256	92.1
Commercial real estate				
Income producing	230,799	10.0	192,234	7.4
Land and development	7,385	0.3	14,294	0.5
Total commercial real estate	238,184	10.3	206,528	7.9
Total shared national credits	$ 2,320,259	100.0%	$ 2,606,784	100.0%
As a % of total loans	18.2%		20.0%	

(1) Loan balances as of December 31, 2020 are stated at amortized cost, which is net of unearned discount and fees and are not directly comparable to the prior period. Loan balances as of December 31, 2019 are presented as previously reported, gross of unearned discount and fees.

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 originated PPP loan outstanding was approximately $226 thousand at December 31, 2020.

In response to the COVID-19 pandemic, we have taken several actions to offer various forms of support to our customers, employees, and communities that have experienced impacts from this development. We are actively working with customers impacted by the economic downturn, including continuing to secure loans for our customers under the PPP.

The PPP loans have a 1% fixed interest rate and produced an annualized yield of 2.50% for 2020 due to the amortization of net deferred loan fees. At December 31, 2020, the remaining amount of unamortized net deferred loan fees on the PPP loans was $8.8 million.

The following table presents our PPP loans by portfolio segment and class of financing receivable as of December 31, 2020. The December 31, 2020 presentation has been conformed to the December 31, 2019 portfolio segment and class of financing receivable to provide comparability to the other loan disclosures in MD&A.

Table 17 – Paycheck Protection Program

(Dollars in thousands)	Amortized Cost	% of PPP Portfolio
Commercial and industrial		
General C&I	$ 648,458	69.1%
Energy sector		
E&P	8,814	0.9
Midstream	15,704	1.7
Energy services	51,710	5.5
Restaurant industry	134,454	14.4
Healthcare	79,120	8.4
Total commercial and industrial	938,260	100.0
Total PPP loans	$ 938,260	100.0%
As a % of total loans	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 relationships in an amount greater than $5.0 million. For loans in an amount greater 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. (See "Note 4— Loans Held for Sale, Loans and Allowance for Credit Losses" to the consolidated financial statements for additional disclosure regarding our credit risk management.)

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. The Company uses 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 the Company's risk grade of record. Loans with PD ratings of 1 through 8 are loans that the Company rates 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 exists. 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 review, 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

	As of December 31,				
(Dollars in thousands)	**2020(3)**	**2019**	**2018**	**2017**	**2016**
Nonperforming loans(1)					
Commercial and industrial	$ 109,000	$ 106,803	$ 71,353	$ 43,085	$ 122,416
Commercial real estate	14,969	1,127	—	225	2,186
Consumer	14,033	7,289	2,555	3,741	3,530
Small business(2)	—	4,337	333	642	805
Total nonperforming loans	138,002	119,556	74,241	47,693	128,937
Foreclosed OREO and other NPA	19,788	5,958	8,185	22,965	37,231
Total nonperforming assets	$ 157,790	$ 125,514	$ 82,426	$ 70,658	$ 166,168
NPL as a percentage of total loans	1.08%	0.92%	0.74%	0.58%	1.73%
NPA as a percentage of loans plus OREO/other	1.24%	0.97%	0.82%	0.85%	2.22%
NPA as a percentage of total assets	0.84%	0.71%	0.65%	0.65%	1.74%
Total accruing loans 90 days or more past due	$ 13,880	$ 23,364	$ 6,240	$ 17,815	$ 18,950

(1) Amounts are not comparable due to our adoption of CECL on January 1, 2020. Prior to this date, pools of individual ACI loans were excluded because they continued to earn interest income from the accretable yield at the pool level. With the adoption of CECL, the pools were discontinued, and performance is based on contractual terms for individual loans. Had CECL been in place at December 31, 2019, the amount of these PCD loans would have been approximately $43.0 million. Additionally, prior to January 1, 2020, we used recorded investment in this table. With the adoption of CECL, we now use amortized cost.
(2) As of December 31, 2020, formerly Small Business balances are included in Commercial and Industrial and Commercial Real Estate. Prior period balances are presented as previously reported and may not be comparable by segment to the current period presentation.
(3) Nonperforming loans do not include nonperforming loans held for sale of $176 thousand at December 31, 2020.

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 December 31, 2020, approximately 65.2% 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. Approximately $13.9 million, $16.3 million, and $8.5 million of contractual interest accrued on nonperforming loans was not recognized in earnings during 2020, 2019, and 2018, respectively. For the years ended December 31, 2020 and 2019, an immaterial amount of contractual interest paid was recognized on the cash basis compared to $1.7 million for the year ended December 31, 2018.

Our nonperforming loans have increased to 1.08% of our loan portfolio as of December 31, 2020, compared to 0.92% of our loan portfolio as of December 31, 2019 and reflects COVID-driven stress on the portfolio, particularly in energy, restaurant and CRE, including hospitality. As noted above, the adoption of CECL resulted in additional NPL in the PCD population that were previously considered performing when evaluated as a pool under prior accounting methodology versus individually under CECL. Had CECL been in place at December 31, 2019, the amount of these PCD loans would have been $43.0 million. Our NPL in the originated population were 0.78% as of December 31, 2020 compared to 0.82% as of December 31, 2019.

The following table includes our originated nonperforming assets for the periods presented.

Table 19 – Originated Nonperforming Assets

	As of December 31,				
(Dollars in thousands)	**2020**	**2019**	**2018**	**2017**	**2016**
Nonperforming loans(1)					
Commercial and industrial					
General C&I	$ 19,157	$ 43,630	$ 24,103	$ 263	$ 7,089
Energy sector					
E&P	—	5,206	14,485	36,896	95,453
Midstream	10,751	3,159	6,227	—	10,689
Energy services	9,490	1,417	—	5,926	7,242
Restaurant industry	46,079	45,032	22,042	—	—
Healthcare	391	3,770	4,496	—	—
Commercial real estate	7,777	—	—	—	—
Consumer	5,392	3,307	1,218	1,519	798
Small business(2)	—	1,395	104	199	132
Total nonperforming loans	99,037	106,916	72,675	44,803	121,403
E&P - net profits interests	3,282	4,330	5,779	15,833	19,425
Repossessed assets	14,778	—	—	—	—
Foreclosed OREO	—	—	22	140	—
Total nonperforming assets	$ 117,097	$ 111,246	$ 78,476	$ 60,776	$ 140,828
Originated NPL as a percentage of total loans	0.78%	0.82%	0.72%	0.54%	1.63%

(1) Amounts are not comparable due to our adoption of CECL on January 1, 2020. Prior to this date, we used recorded investment in this table. With the adoption of CECL we now use amortized cost.
(2) As of December 31, 2020, former Small Business balances are included in Commercial and Industrial and Commercial Real Estate. Prior period balances are presented as previously reported and may not be comparable by segment to the current period presentation.

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 December 31, 2020 and consisted of five properties compared to $1.6 million and eight properties as of December 31, 2019, with the majority related to foreclosures within our acquired loan portfolio. Included in loans are $1.6 million and $4.4 million of consumer loans secured by single family residential real estate that are in process of foreclosure at December 31, 2020 and December 31, 2019, respectively. 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 years ended December 31, 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 December 31, 2020 compared to $4.3 million as of December 31, 2019. In addition, during the first quarter of 2020, we received assets of $4.3 million in the form of limited partnerships 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.

The following table provides additional detail of our OREO and other nonperforming assets.

Table 20 – OREO and Other Nonperforming Assets

(In thousands)	As of December 31, 2020	2019	2018	2017	2016
Acquired through foreclosure					
Land	$ 330	$ 397	$ 36	$ 1,393	$ 10,183
Residential property	48	151	970	2,696	5,138
Commercial property	1,350	1,080	1,400	3,043	2,582
Total foreclosed OREO	1,728	1,628	2,406	7,132	17,903
Unutilized bank-owned property					
Land	—	—	—	473	756
Commercial property	—	—	—	—	216
Total unutilized bank-owned property	—	—	—	473	972
Total OREO	1,728	1,628	2,406	7,605	18,875
Other nonperforming assets	18,060	4,330	5,779	15,833	19,425
Total OREO and other nonperforming assets	$ 19,788	$ 5,958	$ 8,185	$ 23,438	$ 38,300

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. The bulk of the accruing 90 days or more past due loans at December 31, 2019 reside in the ACI portfolio prior to the adoption of CECL. As of December 31, 2020, approximately 28% of these loans are within the acquired residential portfolio. 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. As of December 31, 2020, there were no SNCs designated as TDRs compared to $7.7 million as of December 31, 2019.

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

Table 21 – Loans Modified into TDRs

	For the Year Ended December 31,									
	2020		2019(1)		2018(1)		2017(1)		2016(1)	
(Dollars in thousands)	Number of TDRs	Amortized Cost(2)	Number of TDRs	Recorded Investment	Number of TDRs	Recorded Investment	Number of TDRs	Recorded Investment	Number of TDRs	Recorded Investment
Commercial and industrial										
General C&I	4	$ 8,830	4	$ 9,692	—	$ —	2	$ 5,010	1	$ 5,496
Energy	1	7,799	1	5,442	1	14,486	—	—	5	38,113
Restaurant	2	20,655	4	20,934	2	11,262	1	11,017	—	—
Healthcare	—	—	—	—	1	4,496	—	—	—	—
Total C&I	7	37,284	9	36,068	4	30,244	3	16,027	6	43,609
Consumer										
Residential real estate	—	—	—	—	—	—	1	460	1	334
Other	—	—	—	—	—	—	1	279	1	200
Total consumer	—	—	—	—	—	—	2	739	2	534
Small business lending(3)	—	—	—	—	2	141	1	138	1	552
Total	7	$ 37,284	9	$ 36,068	6	$ 30,385	6	$ 16,904	9	$ 44,695

(1) There was one ACI loan modified into a TDR during the year ended December 31, 2019, with a recorded investment of $1.5 million that was sold prior to year-end. There were no ACI loans modified into a TDR during the years ended December 31, 2018 and 2017. During the year ended December 31, 2016, there was one ACI loan modified into a TDR with a recorded investment of $1.0 million in income producing commercial real estate.
(2) There was no net accrued interest receivable recorded on the loan balances above as of December 31, 2020.
(3) As of December 30, 2020, former Small Business balances are included in Commercial and Industrial and Commercial Real Estate. Prior period balances are presented as previously reported and may not be comparable by segment to the current period presentation.

For the three years ended December 31, 2020 , we had no TDRs for which there was a payment default within the 12 months following the restructure date. During the year ended December 31, 2020, approximately $26.6 million in charge-offs were taken related to two general C&I loans that were modified into a TDR during the same period. During the year ended December 31, 2019, approximately $49.7 million in charge-offs were taken related to commercial and industrial loans modified into TDRs during the same period. For the year ended December 31, 2018, there was one commercial specialized lending customer with a combined recorded investment of $11.8 million which experienced payment default in the year of modification. There were no TDRs modified during 2017 and 2016 that experienced payment default during the year of modification.

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 December 31, 2020, the Company had active payment deferrals totaling $179.3 million compared to $376.1 million at September 30, 2020. As of December 31, 2020, $54.3 million of restructured loans were exempt from the accounting guidance for TDRs, which includes $28.4 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 $35.3 million in credits as potential problem loans at December 31, 2020. Any potential problem loans would be assessed for loss exposure consistent with the methods described in Notes 1 and 4 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 4 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 December 31, 2020 was $367.2 million or 2.89% of total loans (net of unearned discounts and fees) of $12.7 billion. Excluding PPP loans, the ACL was 3.12% of total loans at December 31, 2020. This compares with $119.6 million on total loans of $13.0 billion or 0.92% of total loans at December 31, 2019. The adoption of the CECL accounting standard on January 1, 2020 increased the ACL by $75.9 million. The ACL was increased an additional $277.8 million in provision in 2020 which reflects the forecasted effects of COVID-19 on the various loan segments due to higher unemployment, lower GDP, market value, and real estate prices. 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, energy prices and previous recessions. Loan charge-offs recognized during 2020 are higher than 2019 as a result of credit migration that has occurred primarily in the Restaurant, Energy, General C&I and CRE (including hospitality) classes, with the most significant impact being COVID related (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 22 – Allocation of Allowance for Credit Losses

	Allowance for Credit Losses(1) As of December 31,					Percent of Loans in Each Category to Total Loans(1)(2) As of December 31,				
(Dollars in thousands)	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
Commercial and industrial	$ 187,365	$ 84,309	$ 66,316	$ 55,919	$ 54,688	57.01%	52.63%	61.43%	62.00%	62.56%
Commercial real estate	141,187	14,093	10,452	11,990	10,103	22.90%	21.23%	13.19%	13.99%	14.38%
Consumer	38,608	15,392	13,703	14,983	13,265	20.09%	20.51%	22.74%	21.33%	20.46%
Small business	—	5,849	3,907	4,684	4,212	0.00%	5.62%	2.64%	2.68%	2.60%
Total allowance for credit losses	$ 367,160	$ 119,643	$ 94,378	$ 87,576	$ 82,268	100.00%	100.00%	100.00%	100.00%	100.00%

(1) As of December 31, 2020, former Small Business balances are included in Commercial and Industrial and Commercial Real Estate. Prior period balances are presented as previously reported and may not be comparable by segment to the current period presentation.
(2) As of December 31, 2020, amounts presented are as a percent of amortized cost loan balances, which are net of unearned discount and fees and are not directly comparable to the prior periods. Prior to 2020, amounts presented are as a percent of loan balances as previously reported by segment, gross of unearned discount and fees.

As of December 31, 2020, $187.4 million or 51.0% of our ACL is attributable to our C&I loan segment compared to $84.3 million or 70.5% as of December 31, 2019. The ACL as a percentage of the C&I portfolio was 2.58% as of December 31, 2020 compared to 1.23% as of December 31, 2019. The Energy and Restaurant portfolios have experienced significant stress as a result of COVID-19. Approximately 45% 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, non-QSR continue to experience greater stress than the QSR segment.

As of December 31, 2020, $141.2 million or 38.5% of our ACL is attributable to the CRE loan segment, compared to $14.1 million or 11.8% as of December 31, 2019. The CRE ACL as a percentage of the CRE loan segment increased to 4.85% as of December 31, 2020 from 0.51% as of December 31, 2019. 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.

As of December 31, 2020, $38.6 million or 10.5% of our ACL is attributable to the Consumer loan segment compared to $15.4 million or 12.9% as of December 31, 2019. The Consumer ACL as a percentage of the Consumer portfolio increased to 1.51% as of December 31, 2020 from 0.57% as of December 31, 2019. This increase reflects the adoption of CECL and the effects of COVID-19.

As of December 31, 2020, $59.8 million or 16.3% of the total ACL was attributable to SNC loans compared to $32.0 million or 26.7% as of December 31, 2019. The ACL methodology is consistent whether or not a loan is a SNC.

During the year ended December 31, 2020, we recorded net charge-offs of $106.1 million, or 0.79% of average loans, compared to $85.8 million, or 0.63%, and $5.9 million, or 0.06%, for 2019 and 2018, respectively. The current total year-to-date charge-offs included: $46.2 million related to General C&I credits ($31.9 million SNC), $32.5 million related to Restaurant credits, $16.7 million related to Energy credits (all SNC) and $14.5 million in CRE credits, including $2.9 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 23 – Allowance for Credit Losses Rollforward

	For the Year Ended December 31,				
(Dollars in thousands)	**2020(1)**	**2019**	**2018**	**2017**	**2016**
ACL at beginning of period	$ 119,643	$ 94,378	$ 87,576	$ 82,268	$ 79,783
Cumulative effect of the adoption of CECL	75,850	—	—	—	—
ACL at beginning of period after CECL	195,493	94,378	87,576	82,268	79,783
Provision for loan losses	277,783	111,027	12,700	9,735	49,348
Charge-offs	(112,336)	(87,001)	(8,045)	(6,871)	(49,302)
Recoveries	6,220	1,239	2,147	2,444	2,439
ACL at end of period	$ 367,160	$ 119,643	$ 94,378	$ 87,576	$ 82,268
Loans at end of period, net of unearned income	$ 12,719,129	$ 12,983,655	$ 10,053,923	$ 8,253,427	$ 7,432,711
Average loans, net of unearned income	13,483,895	13,714,731	9,116,602	7,825,763	7,186,635
Ratio of ending allowance to ending loans	2.89%	0.92%	0.94%	1.06%	1.11%
Ratio of net charge-offs to average loans	0.79	0.63	0.06	0.06	0.65
Net charge-offs as a percentage of:					
Provision for credit losses	38.20	77.24	46.44	45.48	94.96
Allowance for credit losses	28.90	71.68	6.25	5.06	56.96
ACL as a percentage of NPL	266.05	100.07	127.12	183.62	63.80

(1) Asset Quality Ratios do not include nonperforming loans held for sale of $176 thousand at December 31, 2020.

Total criticized loans at December 31, 2020 were $871.7 million or 6.85% of total loans as compared to $605.1 million or 4.66% at December 31, 2019. The increase included net downgrades predominantly in Restaurant and Energy and CRE credits, partially mitigated by net reductions in General C&I credits. This migration reflects those sectors of the economy that have been most acutely affected by COVID-19 and the elevated risk in the current macroeconomic environment. The migration in the Restaurant segment is predominantly in the Non-QSR space, as on-premise, family and casual sectors have been much more severely impacted by the economic shutdown than the QSR segment. The majority of the migration in the Energy segment is due to lower commodity prices and COVID-19 driven stress, and the migration in the CRE segment is almost exclusively due to hospitality and senior assisted living, to a lesser extent. The level of criticized loans in the loan portfolio is presented in the following tables as of December 31, 2020 and December 31, 2019.

Table 24 – Criticized Loans

(Amortized cost in thousands)	As of December 31, 2020[1] Special Mention	Substandard	Doubtful	Total Criticized
Commercial and industrial				
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
Commercial real estate				
Industrial, retail, and other	35,992	26,540	—	62,532
Hospitality[2]	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
Consumer				
Residential	—	14,023	—	14,023
Other	—	4	—	4
Total consumer	—	14,027	—	14,027
Total	$ 306,914	$ 537,097	$ 27,685	$ 871,696

(1) As of December 31, 2020, former Small Business balances are included in Commercial and Industrial and Commercial Real Estate. Prior period balances are presented as previously reported and may not be comparable by segment to the current period presentation.
(2) Hospitality balances have historically been included in Industrial, retail, and other.

(Recorded investment in thousands)	As of December 31, 2019[1] Special Mention	Substandard	Doubtful	Total Criticized
Commercial and industrial				
General C&I	$ 70,058	$ 204,087	$ 8,191	$ 282,336
Energy	66,235	26,439	2,754	95,428
Restaurant	45,456	58,559	4,697	108,712
Healthcare	22,414	3,984	—	26,398
Total commercial and industrial	204,163	293,069	15,642	512,874
Commercial real estate				
Income producing	36,205	7,125	—	43,330
Land and development	8,997	2,350	—	11,347
Total commercial real estate	45,202	9,475	—	54,677
Consumer				
Residential real estate	152	11,603	—	11,755
Other	—	81	—	81
Total consumer	152	11,684	—	11,836
Small business lending	6,573	19,126	—	25,699
Total	$ 256,090	$ 333,354	$ 15,642	$ 605,086

(1) As of December 31, 2020, formerly Small Business balances are included in Commercial and Industrial and Commercial Real Estate. Prior period balances are presented as previously reported and may not be comparable by segment to the current period presentation.

Deposits. Deposits at December 31, 2020 totaled $16.1 billion as compared to $14.7 billion and $10.7 billion at December 31, 2019 and 2018, respectively. Our core deposits (total deposits less brokered deposits) have increased due to corporate customer increases in liquidity in the current economic environment and broader impacts of fiscal stimulus in 2020. The increase was offset by PPP funds being deployed by customers, balance movement between non-interest bearing and interest-bearing accounts, strategic lowering of certain higher cost deposit balances and net time deposit runoff. We have aggressively lowered our interest rates on deposits for the year ended December 31, 2020 resulting in the cost of total deposits of 0.49% compared to 1.29% for 2019.

Additionally, noninterest-bearing deposits as a percent of total deposits increased significantly to 31.4% at December 31, 2020 from 26.0% at December 31, 2019.

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

Table 25 – Deposits

	As of December 31,			Percent to Total			Percentage Change	
(Dollars in thousands)	2020	2019	2018	2020	2019	2018	2020 vs 2019	2019 vs 2018
Noninterest-bearing demand	$ 5,033,748	$ 3,833,704	$ 2,454,016	31.4 %	26.0 %	22.9 %	31.3 %	56.2 %
Interest-bearing demand	8,434,041	8,076,735	5,727,026	52.5	54.8	53.4	4.4	41.0
Savings	343,441	268,848	170,910	2.1	1.8	1.6	27.8	57.3
Time deposits less than $100,000	976,683	973,329	1,119,270	6.1	6.6	10.5	0.3	(13.0)
Time deposits greater than $100,000	1,264,332	1,590,178	1,237,467	7.9	10.8	11.6	(20.5)	28.5
Total deposits	$ 16,052,245	$ 14,742,794	$ 10,708,689	100.0 %	100.0 %	100.0 %	8.9 %	37.7 %
Total brokered deposits	$ 607,284	$ 195,194	$ 1,037,474	3.8 %	1.3 %	9.7 %	211.1 %	(81.2) %

Domestic time deposits of $250,000 and over were $486.3 million and $644.1 million at December 31, 2020 and 2019, respectively. These amounts represented 3.0% and 4.4% of total deposits at December 31, 2020 and 2019, respectively.

The following table sets forth our average deposits and the average rates expensed for the periods indicated:

Table 26 – Average Deposits/Rates

	For the Year Ended December 31,					
	2020		2019		2018	
(Dollars in thousands)	Average Amount Outstanding	Average Rate Paid	Average Amount Outstanding	Average Rate Paid	Average Amount Outstanding	Average Rate Paid
Noninterest-bearing demand	$ 4,598,544	— %	$ 3,431,300	— %	$ 2,137,953	— %
Interest-bearing deposits:						
Interest-bearing demand	8,101,392	0.47	7,983,237	1.47	4,983,113	1.16
Savings	305,031	0.25	253,170	0.42	181,194	0.31
Time deposits	2,425,071	1.51	2,960,921	2.35	2,119,543	1.99
Total interest-bearing deposits	10,831,494	0.70	11,197,328	1.68	7,283,850	1.38
Total average deposits	$ 15,430,038	0.49 %	$ 14,628,628	1.29 %	$ 9,421,803	1.07 %

Borrowings

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

Table 27 – Borrowings

(In thousands)	December 31, 2020	December 31, 2019
Advances from FHLB	$ 100,000	$ 100,000
Senior debt	49,986	49,938
Subordinated debt	183,344	182,712
Junior subordinated debentures	37,637	37,445
Notes payable	1,702	2,078
Total borrowings	$ 372,669	$ 372,173
Average total borrowings - YTD	$ 389,275	$ 437,186

At December 31, 2020, the outstanding advance from the FHLB was a long-term convertible advance.

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. These transactions enhanced our liquidity and the Bank's regulatory capital levels to support balance sheet growth. Details of the debt transactions are as follows (in thousands):

Table 28 – Senior and Subordinated Debt

(In thousands)	December 31, 2020	December 31, 2019
Cadence Bancorporation:		
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 (1)	40,000	40,000
4.750% subordinated notes, due June 30, 2029, callable in 2024	85,000	85,000
Total — Cadence Bancorporation	210,000	210,000
Cadence Bank:		
6.250% subordinated notes, due June 28, 2029, callable in 2024	25,000	25,000
Debt issue costs and unamortized premium	(1,670)	(2,350)
Total senior and subordinated debt	$ 233,330	$ 232,650

(1) On February 5, 2021, we provided formal notification that we intend to call these subordinated notes as of March 11, 2021. All necessary approvals have been received from our Board of Directors and the Federal Reserve.

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.

In conjunction with our acquisitions of Cadence and Encore, we assumed certain junior subordinated debentures, which were marked to their fair value as of the acquisition dates. The related mark is being amortized over the remaining terms. The following is a list of our junior subordinated debt as of the dates indicated:

Table 29 – Junior Subordinated Debentures

(In thousands)	December 31, 2020	December 31, 2019
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	(12,982)	(13,174)
Total junior subordinated debentures	$ 37,637	$ 37,445

Shareholders' Equity

As of December 31, 2020, our ratio of shareholders' equity to total assets was 11.34%, as compared to 13.82% and 11.30% as of December 31, 2019 and 2018, respectively, and we had tangible equity ratios of 10.7% and 10.9%, respectively. Shareholders' equity was $2.1 billion at December 31, 2020, a decrease of $339.7 million from December 31, 2019. The decrease resulted from the net loss for the year of $205.5 million combined with the cumulative effect of adopting CECL of $62.8 million, dividends of $44.2 million, and the purchase of $30.1 million of common shares under our common stock repurchase program.

In January 2021, our previously approved share repurchase program authorizing up to $100 million, which was paused earlier in 2020 due to the COVID-19 pandemic, was resumed later in 2020 but expired in January 2021. On January 21, 2021, our board of directors authorized an additional share repurchase program providing for an aggregate purchase price of up to $200 million, subject to regulatory approvals, which have been received.

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 (see Note 15 to the consolidated financial statements).

On March 27, 2020, the federal banking agencies issued an interim final rule (followed by a final rule issued on August 26, 2020) 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 recent strains on the U.S economy due to COVID-19, while also maintaining the quality of regulatory capital. Under the interim 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 December 31, 2020, our capital ratios exceeded the requirements discussed above. Our regulatory capital amounts and ratios at December 31, 2020 and 2019 are presented in the following tables:

Table 30 – Regulatory Capital Amounts and Ratios

	Consolidated Company		Bank	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2020				
Tier 1 leverage	$ 2,002,515	10.9%	$ 2,065,941	11.3%
Common equity tier 1 capital	2,002,515	14.0	2,015,941	14.1
Tier 1 risk-based capital	2,002,515	14.0	2,065,941	14.5
Total risk-based capital	2,386,610	16.7	2,270,138	15.9
Minimum requirement:				
Tier 1 leverage	731,604	4.0	731,953	4.0
Common equity tier 1 capital	643,478	4.5	642,948	4.5
Tier 1 risk-based capital	857,970	6.0	857,264	6.0
Total risk-based capital	1,143,960	8.0	1,143,018	8.0
Well capitalized requirement:				
Tier 1 leverage	N/A	N/A	914,941	5.0
Common equity tier 1 capital	N/A	N/A	928,702	6.5
Tier 1 risk-based capital	857,970	6.0	1,143,018	8.0
Total risk-based capital	1,429,951	10.0	1,428,773	10.0

	Consolidated Company		Bank	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2019				
Tier 1 leverage	$ 1,784,664	10.3%	$ 1,953,008	11.1%
Common equity tier 1 capital	1,784,664	11.5	1,903,008	12.3
Tier 1 risk-based capital	1,784,664	11.5	1,953,008	12.6
Total risk-based capital	2,120,571	13.7	2,099,146	13.6
Minimum requirement:				
Tier 1 leverage	690,213	4.0	689,881	4.0
Common equity tier 1 capital	697,089	4.5	696,755	4.5
Tier 1 risk-based capital	929,453	6.0	929,007	6.0
Total risk-based capital	1,239,270	8.0	1,238,676	8.0
Well capitalized requirement:				
Tier 1 leverage	N/A	N/A	862,351	5.0
Common equity tier 1 capital	N/A	N/A	1,006,425	6.5
Tier 1 risk-based capital	929,453	6.0	1,238,676	8.0
Total risk-based capital	1,549,088	10.0	1,548,345	10.0

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 $174.8 million in cash on hand as of December 31, 2020 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 December 31, 2020, 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 December 31, 2020, we had $1.1 billion 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. See "—Maturity Distribution of Investment Securities" and "—Selected Loan Maturity and Interest Rate Sensitivity."

As a result of the current economic environment with the increase in deposits and the decline in our core loans, we experienced elevated levels of liquidity in 2020. 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.

Maturity Distribution of Investment Securities

The following table shows the scheduled contractual maturities and average book yields (not tax-equivalent) of our investment securities held at December 31, 2020. Within our investment securities portfolio, expected maturities will differ from contractual maturities because issuers have the right to call or prepay obligations without call or prepayment penalties in certain instances. During the year ended December 31, 2020, we received cash proceeds from calls/maturities and paydowns on our investment securities portfolio totaling approximately $843.2 million.

Table 31 – Contractual Maturity of Investment Securities

	Contractual Maturity				
(Dollars in thousands)	Within One Year	After One but Within Five Years	After Five but Within Ten Years	After Ten Years	Total
Investment securities					
U.S. agency securities	$ 333	$ 1,119	$ 124,704	$ 163,409	$ 289,565
Mortgage-backed securities	—	11,105	291,824	2,322,396	2,625,325
State, county and municipal securities	—	—	1,114	333,063	334,177
Total amortized cost	$ 333	$ 12,224	$ 417,642	$ 2,818,868	$ 3,249,067
Yield on investment securities	2.44 %	3.03 %	1.95 %	1.89 %	1.90 %

Selected Loan Maturity

Loan repayments are a source of long-term liquidity for us. The following table sets forth our loans by category maturing within specified intervals as of December 31, 2020. The information presented is based on the contractual maturities of the individual loans, including loans that may be subject to renewal at their contractual maturity. Renewal of such loans is subject to review and credit approval, as well as modification of terms upon their maturity. Consequently, management believes this treatment presents fairly the maturity and re-pricing of the loan portfolio.

Table 32 – Contractual Maturity of Loans

					Rate Structure for Loans Maturing Over One Year	
(In thousands)	**One Year or Less**	**Over One Year through Five Years**	**Over Five Years**	**Total**	**Fixed Interest Rate**	**Floating or Adjustable Rate**
Commercial and Industrial						
General C&I	$ 658,837	$ 3,197,578	$ 566,127	$ 4,422,542	$ 1,310,062	$ 2,453,643
Energy sector	177,758	1,131,616	1,238	1,310,612	78,490	1,054,364
Restaurant industry	101,815	790,462	79,385	971,662	163,159	706,688
Healthcare	53,812	424,223	72,387	550,422	185,704	310,906
Total commercial and industrial	992,222	5,543,879	719,137	7,255,238	1,737,415	4,525,601
Commercial Real Estate						
Income producing	805,641	1,531,079	352,437	2,689,157	591,277	1,292,239
Land and development	132,884	67,871	17,710	218,465	49,301	36,280
Total commercial real estate	938,525	1,598,950	370,147	2,907,622	640,578	1,328,519
Consumer						
Residential real estate	23,421	62,526	2,367,071	2,453,018	1,807,790	621,807
Other	55,284	37,144	10,823	103,251	28,448	19,519
Total consumer	78,705	99,670	2,377,894	2,556,269	1,836,238	641,326
Total loans	$ 2,009,452	$ 7,242,499	$ 3,467,178	$ 12,719,129	$ 4,214,231	$ 6,495,446

Maturities of Time Deposits

The aggregate amount of time deposits in denominations of $100,000 or more as of December 31, 2020, 2019, and 2018 was $1.26 billion, $1.59 billion, and $1.24 billion, respectively.

At December 31, 2020, the scheduled maturities of time deposits greater than $100,000 were as follows:

Table 33 – Contractual Maturity of Time Deposits Greater than $100,000

	December 31, 2020	
(Dollars in thousands)	**Amount**	**Weighted Average Interest Rate**
Under 3 months	$ 326,210	1.11%
3 to 6 months	343,031	0.75
6 to 12 months	458,033	0.75
12 to 24 months	119,948	0.69
24 to 36 months	7,899	1.08
36 to 48 months	6,604	0.93
Over 48 months	2,607	0.48
Total	$ 1,264,332	0.84%

Cash Flow Analysis

Cash and cash equivalents

At December 31, 2020, we had $2.1 billion of cash and cash equivalents on hand, an increase of 107.7% over our cash and cash equivalents of $1.0 billion at December 31, 2019. At December 31, 2020, our cash and cash equivalents comprised 11.0% of total assets compared to 5.6% at December 31, 2019. 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.

Year Ended December 31, 2020 Compared to December 31, 2019

As shown in the Consolidated Statements of Cash Flows, operating activities provided $513.7 million for 2020 compared to $306.1 million for 2019. The increase in operating funds during 2020 was primarily from $368.6 million proceeds from the termination of the interest rate collar.

Investing activities during 2020 used $683.6 million of net funds, compared to net funds provided by investing activities of $265.4 million for 2019. The decrease is primarily driven by the increase of $840.3 million in purchases of securities available-for-sale and a decrease of $409.1 million in cash received in acquisitions. These decreases in funds were partially offset by an increase of $386.2 million in proceeds from maturities and sales of securities and a reduction of $115.5 million in net decrease in loans from the prior year.

Financing activities during 2020 provided net funds of $1.2 billion compared to the net funds used of $0.4 billion for 2019. The increase is due to a net increase of $1.3 billion in deposits. The increase in deposits was driven by customers maintaining higher levels of liquidity and broad impacts from the financial stimulus. Net financing activities in 2020 also included the use of funds to repurchase common stock of $30.1 million and pay cash dividends of $44.2 million.

Year Ended December 31, 2019 Compared to December 31, 2018

As shown in the Consolidated Statements of Cash Flows, operating activities provided $306.1 million for 2019 compared to $191.2 million for 2018. The increase in operating funds during 2019 was due primarily to an increase in net income, a decrease in origination of loans held for sale, and an increase in proceeds from sales of loans held for sale. The increases were offset by the purchase of the interest rate collar.

Investing activities during 2019 provided $265.4 million of net funds, compared to a net use of $1.8 billion for 2018. The 2019 activity resulted from cash received in acquisitions of $409.1 million, proceeds of $746.2 million from sales and maturities of securities, and a net decrease in loans of $287.6 million. These items were mitigated by purchases of securities of $1.2 billion.

Financing activities during 2019 used net funds of $362.0 million, due to a decrease of $150.0 million in short-term borrowings partially offset by a net increase of $48.6 million in long-term borrowings which included the pay-off of $134.9 million in senior debt and issuance of $83.5 million in subordinated debt. Net financing activities also included the repurchase of common stock of $79.1 million and cash dividends of $90.1 million. This compares to financing activities during 2018 providing net funds of $1.6 billion, resulting from an increase in deposits of $1.7 billion.

Contractual Cash Obligations and Commitments

We have entered certain contractual obligations and commercial commitments in the normal course of business that involve elements of credit risk, interest rate risk and liquidity risk.

The following tables summarize these relationships as of December 31, 2020 by contractual cash obligations and commercial commitments:

Table 34 – Contractual Cash Obligations

		Payments Due by Period			
(In thousands)	Total	Less than One Year	One to Three Years	More Than Three to Five Years	After Five Years
Contractual Cash Obligations					
FHLB advance	$ 100,000	$ —	$ —	$ —	$ 100,000
Senior debt	50,000	50,000	—	—	—
Subordinated debt	185,000	—	—	40,000	145,000
Junior subordinated debentures	50,619	—	—	—	50,619
Notes Payable	1,702	—	—	1,702	—
Operating leases(1)	67,315	8,225	12,818	9,552	36,720
Limited partnership investments(2)	40,639	34,831	5,323	170	315
Total contractual cash obligations	$ 495,275	$ 93,056	$ 18,141	$ 51,424	$ 332,654

(1) See Note 8 to our 2020 Consolidated Financial Statements. The above includes rent and other costs due under the lease such as property taxes.
(2) Includes remaining capital commitments to certain limited partnership investments.

The following table includes our commitments to extend credit including home equity lines and letters of credit as of December 31, 2020.

Table 35 – Commitments to Extend Credit

		Commitments by Period			
(In thousands)	Total	Less than One Year	One to Three Years	More Than Three to Five Years	After Five Years
Commitments to extend credit	$ 4,344,268	$ 869,990	$ 2,030,304	$ 1,068,035	$ 375,939
Commitments to grant loans	154,507	154,507	—	—	—
Standby letters of credit	216,741	110,859	86,746	18,783	353
Performance letters of credit	16,065	4,244	3,406	8,256	159
Commercial letters of credit	21,156	3,046	12,882	5,228	—
Total	$ 4,752,737	$ 1,142,646	$ 2,133,338	$ 1,100,302	$ 376,451

Such financial instruments are recorded when they are funded and not on the date of entry into the obligation to extend credit. Commitments to extend credit and letters of credit include some exposure to credit loss in the event of default by the customer and exposure to liquidity risk during economic downturns. See “Risk Factors—Risks Relating to Our Business.” The borrowing needs of our clients may increase, especially during a challenging economic environment, which could result in increased borrowing against our contractual obligations to extend credit. 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 Bank has entered certain contingent commitments to grant loans. 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 significant liquidity risk in a normal operating environment. No significant losses on commitments were incurred during the three years in the period ended December 31, 2020. We do not currently anticipate any significant future losses as a result of these transactions.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP. Application of these principles requires management to make complex and subjective estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under current circumstances.

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

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

Business Combinations

Assets and liabilities acquired in business combinations are accounted for under the acquisition method of accounting and, accordingly, are recorded at their estimated fair values on the acquisition date. The Company generally records provisional amounts at the time of acquisition based on the information available. These provisional estimates of fair values may be adjusted for a period of up to one year from the acquisition date if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. Adjustments recorded during this period are recognized in the current reporting period. The excess cost over fair value of net assets acquired is recorded as goodwill. On January 1, 2019, we completed our merger with State Bank Financial Corporation and on July 1, 2019, we completed our acquisition of Wealth and Pension Services Group, Inc. See Note 2 to our consolidated financial statements.

Goodwill and Other Intangible Assets

Goodwill is not amortized but is evaluated for impairment at least annually in the fourth quarter or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. As part of its testing, the Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the results of the qualitative assessment indicate that more likely than not a reporting unit's fair value is less than its carrying amount, the Company determines the fair value of the respective reporting unit (through the application of various quantitative valuation methodologies) relative to its carrying amount to determine whether quantitative indicators of potential impairment are present (i.e., Step 1). The Company may also elect to bypass the qualitative assessment and begin with Step 1. With the adoption of ASU No. 2017-04, *Intangibles–Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, effective January 1, 2020, if the results of Step 1 indicate that the fair value of the reporting unit is below its carrying amount, the Company will recognize an impairment loss for the amount that the reporting unit's carrying amount exceeds it's fair value (up to the amount of goodwill recorded). Refer to our *Recently Adopted Accounting Pronouncements* section in Note 1 to our consolidated financial statements for details of the adoption of ASU No. 2017-04.

A reporting unit is defined as an operating segment or a component of that operating segment. Reporting units may vary, depending on the level at which performance of the segment is reviewed.

Considering the economic conditions resulting from the COVID-19 pandemic, the Company conducted an interim goodwill impairment test in the first quarter of 2020. The interim test indicated a goodwill impairment of $443.7 million within the Banking reporting unit resulting in the Company recording an impairment charge of the same amount in the first quarter of 2020. The interim test indicated no impairment in our other two reporting units. No impairment charge was identified in any reporting unit during the regular annual goodwill impairment testing that was conducted in the fourth quarter of 2020. No impairment was identified in any reporting unit in 2019 or 2018. See Note 6 for more information.

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

Fair Value Measurement

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

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

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

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

For further information about fair value measurements, see Note 17 to our consolidated financial statements.

Loans and Allowances for Credit Losses ("ACL")

Our accounting policies have changed significantly with the adoption of the current expected credit loss accounting standard as of January 1, 2020, as described below. Prior to January 1, 2020, allowances were based on incurred credit losses in accordance with accounting policies disclosed in Note 1 of the consolidated financial statements included in our 2019 Form 10-K.

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments–Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments*. During 2018 and 2019, the FASB issued additional guidance providing clarifications and corrections, including: ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments–Credit Losses*; ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments–Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*; ASU 2019-05, *Financial Instruments–Credit Losses (Topic 326): Targeted Transition Relief*; ASU 2019-10, *Financial Instruments–Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*; ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments–Credit Losses* (collectively "ASC 326"). ASC 326, better known as Current Expected Credit Losses ("CECL"), among other things:

- 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.

- Eliminates existing guidance for acquired credit impaired (“ACI”) loans and requires recognition of the nonaccretable difference as an increase to the allowance for expected credit losses on financial assets purchased with more than insignificant credit deterioration since origination, referred to as purchase credit deteriorated (“PCD”) assets, which will be offset by an increase in the amortized cost of the related loans. For ACI loans accounted for under ASC 310-30 prior to adoption, the guidance in this amendment for PCD assets will be prospectively applied.
- Requires inclusion of expected recoveries, limited to the cumulative amount of prior write-offs, when estimating the allowance for credit losses for in-scope financial assets (including collateral dependent assets).
- Amends existing impairment guidance for available-for-sale securities to incorporate an allowance, which will allow for reversals of credit impairments if the credit of an issuer improves.
- Requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization’s portfolio.

The Company adopted ASC 326 and additional related guidance effective January 1, 2020, using the cumulative effect method. As a result of this adoption, the Company recognized an adjustment to retained earnings of $62.8 million, recorded a deferred tax asset of $19.5 million, and reclassed ACL of $6.1 million with respect to PCD loans, formerly ACI loans, as of January 1, 2020. Because the Company adopted ASC 326 with a cumulative effect adjustment as of January 1, 2020, the comparative results as of December 31, 2019, and for the years ended December 31, 2019 and December 31, 2018, have not been restated and continue to be reported under the incurred loss accounting model.

The Company has elected the transition provisions provided by the banking agencies and will phase in the regulatory capital effects of the “Day One” and subsequent provisions for loan losses resulting from adoption of CECL. See Note 15 in our consolidated financial statements for additional disclosure.

Other changes to the Company’s significant accounting policies pertaining to loans and the ACL, as incorporated under ASC 326, are as follows:

- In accordance with ASC 326, the Company uses amortized cost as a basis for determining the ACL; whereas, prior to adopting ASC 326, under the incurred loss accounting model, the Company used recorded investment. The components of amortized cost include unpaid principal balance (“UPB”), unamortized discounts and premiums, and unamortized deferred fees and costs. As permitted by ASC 326, the Company has elected to not include accrued interest receivable in the determination of amortized cost and measurement of expected credit losses and, instead, has an accounting policy to write off accrued interest deemed uncollectible in a timely manner.
- ASC 326 provides special initial recognition and measurement for the Day One accounting for PCD assets.
    - ASC 326 requires entities that purchase certain financial assets (or portfolios of financial assets) with the intention of holding them for investment to determine whether the assets have experienced more-than-insignificant deterioration in credit quality since origination.
    - More-than-insignificant deterioration will generally be determined by the asset’s delinquency status, risk rating changes, credit rating, accruing status or other indicators of credit deterioration since origination.
    - An entity initially measures the amortized cost of a PCD asset by adding the acquisition date estimate of expected credit losses to the asset’s purchase price. Because the initial estimate for expected credit losses is added to the purchase price to establish the Day One amortized cost, PCD accounting is commonly referred to as a “gross-up” approach. There is no credit loss expense recognized upon acquisition of a PCD asset; rather the “gross-up” is offset by establishment of the initial allowance.
    - After initial recognition, the accounting for a PCD asset will generally follow the credit loss model.
    - Interest income for a PCD asset is recognized using the effective interest rate (“EIR”) calculated at initial measurement. This EIR is determined by comparing the amortized cost basis of the instrument to its contractual cash flows, consistent with ASC 310-20. Accordingly, since the PCD gross-up is included in the amortized cost, the purchase discount related to estimated credit losses on acquisition is not accreted into interest income. Only the noncredit-related discount or premium is accreted or amortized, using the EIR that was calculated at the time the asset was acquired.
- Commercial 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. 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. Prior to the adoption of ASC 326, the majority of our current PCD loans were treated as accruing loans as the Company was able to reasonably predict future cash flows at the unit of account or pool level. After adoption, the accruing status of each individual loan is subject to the nonaccrual polices described above.

- The accrual of interest, as well as the amortization/accretion of any remaining unamortized net deferred fees or costs and discount or premium, is generally discontinued at the time the loan is placed on nonaccrual status. All accrued but uncollected interest for loans that are placed on nonaccrual status is reversed through interest income. Cash receipts received on nonaccrual loans are generally applied against principal until the loan has been collected in full, after which time any additional cash receipts are recognized as interest income (i.e., cost recovery method). However, interest may be accounted for under the cash-basis method as long as the remaining amortized costs in the loan is deemed fully collectible.

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

The following is a description of the Company's process for estimating the ACL for all loans in its portfolio, including PCD loans:

- The quantitative component of the Company's ACL model includes three segments: commercial ("C&I"), commercial real estate ("CRE"), and consumer.
  - The C&I loan segment consists of commercial and industrial loans, including general corporate loans, energy, business banking, and community banking loans. Additionally, this segment includes loans to clients in specialized industries, including restaurant, healthcare, and technology. The C&I segment uses loan level through-the-cycle probability-of-default ("PD") and loss-given-default ("LGD") ratings generated by Cadence's scorecards. These PD ratings are conditioned by industry to reflect the effect of certain forecasted macroeconomic variables, such as market value, interest rate spreads, and unemployment rate.
  - The 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 our markets in Texas and the southeast United States. The CRE loan segment uses a loss-rate model, where lifetime loss rates are correlated closely with characteristics such as origination LTV, vintage/origination quality, and loan age, as well as with macroeconomic factors, including GDP growth rate, unemployment rate, and CRE market price change.
  - The consumer loan segment primarily consists of one-to-four family residential real estate loans with terms ranging from 10 to 30 years; however, the portfolio is heavily weighted to the 30-year term. The Company offers both fixed and adjustable interest rates and does not originate subprime loans. These loans are typically closed-end first lien loans for purposes of purchasing property, or for refinancing existing loans with or without cash out. Our loans are primarily owner occupied, full documentation loans. This segment also offers consumer loans to our customers for personal, family and household purposes, auto, boat and personal installment loans; however, these loans are a small percentage of the consumer portfolio. The consumer loan segment uses a loss-rate model. Lifetime loss rates capture the effect of credit score, loan age, size, and other loan characteristics and include Cadence's own assumptions for LGD and the expected life of the loan. The loss rates are also affected by macroeconomic variables such as the unemployment rate, retails sales percent change year-over-year, household employment percent change year-over-year, Federal Housing Finance Agency ("FHFA") home price index, housing affordability index at origination, and median house price.
  - When foreclosure of collateral securing a loan is probable, ASC 326 requires that the expected credit loss on a loan be measured based on the fair value of the collateral. When management's measured value of the impaired loan is less than the amortized cost in the loan, the amount of the impairment is recorded as a specific reserve. These specific reserves are determined on an individual loan basis based on management's current evaluation of the loss exposure for each credit, given the payment status, the financial condition of the borrower and any guarantors and the value of any underlying collateral. Loans that are individually evaluated are excluded from the collective evaluations described above. Changes in specific reserves from period to period are the result of changes in the circumstances of individual loans, such as charge-offs, payments received, changes in collateral values or other factors.

   - For any collateral dependent loan where foreclosure is not probable, but repayment is expected to be provided primarily from the sale or operation of the collateral and the borrower is experiencing financial difficulty, a practical expedient for measuring the credit loss is allowed using the fair value of the collateral. The Company expects to elect this for qualifying credits particularly when there are unique risk characteristics which prohibit them from being collectively evaluated. When repayment will be from the operation of the collateral, generally fair value is estimated on the present value of expected cash flows from the operation of the collateral (an income approach). When repayment is expected from the sale of the collateral, the present value of the costs to sell will be deducted from the fair value of the collateral measured as of the measurement date.

- As described above, loans included in each segment are collectively or individually evaluated to determine an expected credit loss which is allocated to the individual loans. Due to the growth of the credit portfolio into new geographic areas and into new commercial markets and the lack of seasoning of the portfolio, the Company recognizes there is limited historical loss information to adequately estimate loss rates based primarily on the Company's historical loss data. Therefore, external loss data was acquired from the research arm of a nationally recognized risk rating agency to act as a proxy for loss rates within the ACL models until sufficient loss history can be accumulated from the Company's loss experience in these segments. These loss rates were developed specifically for the Company's customer risk profile and portfolio mix.

- ASC 326 acknowledges that, because historical experience may not fully reflect an institution's expectations about the future, the institution should adjust historical loss information, as necessary, to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information. The quantitative models use baseline macroeconomic scenario forecast data provided by a nationally recognized rating agency for a reasonable and supportable period in estimating the current expected credit losses. The Company has elected an input reversion approach whereby the selected economic forecast for the identified macroeconomic variables revert to their historical trends. As a rule, the forecasts revert to their long-term equilibrium within two to five years or one "business cycle" depending on the segment. The Company monitors actual loss experience for each loan segment for adjustments required to the loss rates utilized.

- Additionally, to adjust historical credit loss information for current conditions and reasonable and supportable forecasts, all significant factors relevant to determining the expected collectability of financial assets as of each reporting date should be considered. ASC 326 provides examples of factors an institution may consider. The bank regulatory agencies believe the qualitative or environmental factors identified in the *December 2006 Interagency Policy Statement on the Allowance for Loan and Lease Losses* should continue to be relevant under CECL and are covered by the examples of factors that may be considered under ASC 326. These factors require judgments that cannot be subjected to exact mathematical calculation. There are no formulas for translating them into a basis-point adjustment to be applied to historical losses. The adjustment must reflect management's overall estimate of the extent to which expected losses on a segment of loans will differ from historical loss experience. It would include management's opinion on the effects related to current conditions and reasonable and supportable forecasts, that are not already reflected in the quantitative loss estimate. These adjustments are highly subjective estimates that will be determined each quarter. To facilitate this process, management has developed certain analyses of selected internal and external data to assist management in determining the risk of imprecision. These primary adjustment factors include, but are not limited to the following:
   - Lending policies, procedures, practices or philosophy, including underwriting standards and collection, charge-off and recovery practices
   - Changes in national and service market economic and business conditions that could affect the level of default rates or the level of losses once a default has occurred within the Bank's existing loan portfolio
   - Changes in the nature or size of the portfolio
   - Changes in portfolio collateral values
   - Changes in the experience, ability, and depth of lending management, and other relevant staff
   - Volume and/or severity of past due and classified credits or trends in the volume of losses, non-accrual credits, impaired credits, and other credit modifications
   - Quality of the institution's credit review system and processes and the degree of oversight by bank management and the board of directors
   - Concentrations of credit such as industry and lines of business
   - Competition and legal and regulatory requirements or other external factors

- The reserve for unfunded loan commitments is determined by assessing three distinct components: unfunded commitment volatility in the portfolio (excluding commitments related to letters of credit and commitment letters), adversely rated letters of credit, and adversely rated lines of credit. Unfunded commitment volatility is calculated on a trailing nine quarter basis; the resulting expected funding amount is then reserved or based on the current combined reserve rate of the funded portfolio. Adversely rated letters and lines of credit are assessed individually based on funding and loss expectations as of the period end. The reserve for unfunded commitments is recorded in other liabilities and the provision for losses on unfunded commitments is included in the provision for credit losses. Prior to adoption, the provision for losses on unfunded commitments was recorded in other noninterest expense.

Deferred Tax Asset

ASC 740-30-25 provides accounting guidance for determining when a company is required to record a valuation allowance on its deferred tax assets. A valuation allowance is required for deferred tax assets if, based on available evidence, it is more likely than not that all or some portion of the asset may not be realized due to the inability to generate sufficient taxable income in the period and/or of the character necessary to utilize the benefit of the deferred tax asset. In making this assessment, all sources of future taxable income must be considered, including taxable income in prior carryback years, future reversals of existing taxable temporary differences, tax planning strategies, and future taxable income exclusive of reversing taxable temporary differences and carryforwards.

Management assesses the valuation allowance recorded against deferred tax assets at each reporting period. The determination of whether a valuation allowance for deferred tax assets is appropriate is subject to considerable judgment and requires an evaluation of all positive and negative evidence. Management concluded, based on the assessment of all of the positive and negative evidence, it was more likely than not that its deferred tax asset at December 31, 2020 and 2019 will be realized with the exception of a state net operating loss carryforward that will not be realized which resulted in a $515 thousand valuation allowance. This conclusion was based primarily on projections of future taxable income and the expected reversal of existing deferred tax liabilities. See Note 12 to our consolidated financial statements.

Management's estimate of future taxable income is based on internal projections, various internal assumptions, as well as certain external data all of which management believes to be reasonable although inherently subject to significant judgment. Projected future taxable income is expected to be generated through loan growth at the Bank, revenue growth due to cross selling initiatives, the development of new business, and the reduction of expenses through economies of scale, all in the context of a macro-economic environment that continues to trend favorably. If actual results differ significantly from the current estimates of future taxable income, even if caused by adverse macroeconomic conditions, a valuation allowance may need to be recorded for some or all our deferred tax asset. Such an increase to the deferred tax asset valuation allowance could have a material adverse effect on our financial condition and results of operations.

Recently Adopted and Pending Accounting Standards

See Note 1—Summary of Accounting Policies to the consolidated financial statements for information regarding recently adopted or pending accounting standards.

ITEM 7A. 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.*"

As part of our transition, we have identified approximately 35.2% of our assets and 1.3% of our liabilities and equity as being tied to LIBOR, with 28.2% of our assets and 1.3% 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 SOFR, and adopting ISDA protocols for derivative contracts.

At this time, we do not anticipate any changes with our outstanding cash flow hedges because 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 will be essentially complete by third quarter of 2021 in advance of LIBOR's potential termination

Interest Rate Exposures

Based upon the current interest rate environment as of December 31, 2020, our net interest income simulation model projects our sensitivity to an instantaneous increase or decrease in interest rates was as follows:

Table 36 – Interest Rate Sensitivity

	Increase (Decrease)			
(Dollars in millions)	**Net Interest Income**		**Economic Value of Equity**	
Change (in Basis Points) in Interest Rates (12-Month Projection)	**Amount**	**Percent**	**Amount**	**Percent**
+ 200 BP	$ 70.2	12.22 %	$ 678.3	21.57 %
+ 100 BP	33.3	5.80	406.4	12.92
- 25 BP	(3.8)	(0.67)	(122.7)	(3.90)

Based upon the current interest rate environment as of December 31, 2020, the following table reflects our sensitivity to a gradual increase or decrease in interest rates over a twelve-month period:

	Increase (Decrease)	
(Dollars in millions)	**Net Interest Income**	
Change (in Basis Points) in Interest Rates (12-Month Projection)	**Amount**	**Percent**
+ 200 BP	$ 54.3	9.46 %
+ 100 BP	25.3	4.41
- 25 BP	(3.3)	(0.58)

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

Derivative Positions

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

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

The following is a discussion of our primary derivative positions.

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.

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 February 2019, the Company executed a $4.0 billion notional interest rate collar with a five-year term on one-month LIBOR loans designed to protect earnings in a down-rate environment. In March 2020, the collar was terminated, resulting in a $261.2 million realized gain initially recorded in other comprehensive income (“OCI”) net of deferred income taxes. The value received in exchange for the termination assumed an average 1-month LIBOR rate of 0.5785% over the next four years. Under hedge accounting, the gain was forecast to reclass out of AOCI and amortize into interest income through February 29, 2024 based on a continuing expectation of an adequate number of hedge-eligible loans (one-month LIBOR loans that either have no interest rate floor or have not reached their floor rate). Due to the economic impacts of the COVID-19 pandemic, our forecast now anticipates a partial shortfall of hedge-eligible loans which began in the fourth quarter of 2020 and continuing throughout the remaining term of the original hedge. This results in an accounting designation of partial ineffectiveness. As a result, in the fourth quarter of 2020, we recognized accelerated hedge revenue of $169.2 million.

The revised forecast projections related to the remaining net gain of the terminated collar are still probable of occurring within the originally specified time period. As such, the remaining gain of $35.4 million included in AOCI at December 31, 2020, is expected to be reclassified into interest income by early 2022. Future changes to interest rates or the amount of outstanding hedged loans may significantly change the timing of amounts reclassified to income.

At December 31, 2020, the Company has outstanding the following interest rate swap agreements to manage overall cash flow changes related to interest rate risk exposure:

Table 37 – Interest Rate Swaps

Effective Date	Maturity Date	Notional Amount (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 December 31, 2020 and 2019:

Table 38 – Derivatives

(In thousands)	December 31, 2020 Notional Amount	December 31, 2020 Fair Value Other Assets	December 31, 2020 Fair Value Other Liabilities	December 31, 2019 Notional Amount	December 31, 2019 Fair Value Other Assets	December 31, 2019 Fair Value Other Liabilities
Derivatives designated as hedging instruments (cash flow hedges):						
Commercial loan interest rate swaps	$ 350,000	$ 22,560	$ —	$ 350,000	$ —	$ 643
Commercial loan interest rate collars	—	—	—	4,000,000	239,213	—
Total derivatives designated as hedging instruments	350,000	22,560	—	4,350,000	239,213	643
Derivatives not designated as hedging instruments:						
Commercial loan interest rate swaps	1,200,581	20,699	1,647	1,008,805	8,386	899
Commercial loan interest rate caps	162,479	4	4	167,185	18	18
Commercial loan interest rate floors	560,048	11,986	11,986	654,298	8,836	8,836
Commercial loan interest rate collars	66,665	305	305	75,555	257	257
Mortgage loan held-for-sale interest rate lock commitments	33,458	531	—	4,138	22	—
Mortgage loan forward sale commitments	11,081	112	—	4,109	26	—
Mortgage loan held-for-sale floating commitments	4,206	—	—	1,523	—	—
Foreign exchange contracts	89,707	780	1,058	74,322	379	558
Total derivatives not designated as hedging instruments	2,128,225	34,417	15,000	1,989,935	17,924	10,568
Total derivatives	$ 2,478,225	$ 56,977	$ 15,000	$ 6,339,935	$ 257,137	$ 11,211

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 be approved by our ALCO and all positions over and above the minimum transfer amounts are secured by marketable securities or cash.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements

Management Report On Internal Control Over Financial Reporting

To the Board of Directors of Cadence Bancorporation

The management of Cadence Bancorporation (the “Company”) is responsible for establishing and maintaining effective internal control over financial reporting. The Company’s internal control system was designed to provide reasonable assurance to the Company’s management and Board of Directors regarding the preparation and fair presentation of the Company’s financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

All internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements in the Company’s financial statements, including the possibility of circumvention or overriding of controls. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of a change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company’s management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2020. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 Framework). Based on its assessment, management believes that, as of December 31, 2020, the Company’s internal control over financial reporting is effective based on those criteria.

The Company’s independent registered public accounting firm has also issued an attestation report on the effectiveness of the Company’s internal control over financial reporting as of December 31, 2020.

/s/ Paul B. Murphy, Jr.	/s/ Valerie C. Toalson
Paul B. Murphy, Jr.	Valerie C. Toalson
Chairman and Chief Executive Officer	Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Cadence Bancorporation

Opinion on Internal Control Over Financial Reporting

We have audited Cadence Bancorporation and subsidiaries' internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Cadence Bancorporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Cadence Bancorporation and subsidiaries as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated March 1, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Birmingham, Alabama

March 1, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Cadence Bancorporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Cadence Bancorporation and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2021 expressed an unqualified opinion thereon.

Adoption of new accounting standard

As discussed in Note 1 to the consolidated financial statements, the Company changed its method for accounting for credit losses in 2020. As explained below, auditing the Company's allowance for credit losses, including adoption of the new accounting guidance related to the estimate of allowance for credit losses, was a critical audit matter.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

Allowance for Credit Losses

Description of the Matter

The Company's loan portfolio totaled $12.7 billion as of December 31, 2020, and the allowance for credit losses (ACL) was $367 million. As discussed in Note 1 and Note 4 to the consolidated financial statements, effective January 1, 2020 the Company adopted Accounting Standards Update (ASU) No. 2016-13*, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and the related amendments, resulting in an ACL increase of $75.9 million as of the date of adoption. The ACL represents management's estimate of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The ACL is comprised of three components: reserves on loans individually evaluated for impairment, a collective reserve for each loan segment, and adjustments for certain qualitative and environmental factors applicable to the collective reserve. Reserves on loans individually evaluated for impairment are based on the present value of expected future cash flows, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. For loans not individually evaluated, a collective reserve is applied to each loan segment based on external historical loss data incorporated into models. The collective reserve models also include selected forecasted macroeconomic variables and macroeconomic scenario forecasts provided by an external party. As outlined in Note 1 to the consolidated financial statements, examples of qualitative and environmental factors that may affect credit losses in the loan portfolio include changes in national and service market economic and business conditions, changes in the nature, size, or concentrations of the portfolio, changes in portfolio collateral values, and the volume and/or severity of past due and classified credits, among others.

Auditing the ACL was complex due to the subjectivity involved in management's estimate of reserves on individually evaluated loans as well as management's identification and estimate of qualitative and environmental factors applicable to the collective reserve component of the ACL. These estimates are highly judgmental and could have a significant effect on the ACL.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls over the ACL process. This included testing controls over management's review and approval of analyses supporting reserves on individually evaluated loans as well as testing controls over management's assessment of the ACL model, qualitative and environmental factors and management's review and approval of the ACL, including the data inputs and outputs of the analyses supporting the ACL and their consistent application to the estimates.

For reserves on individually evaluated loans, our audit procedures included inquiring of the responsible loan and credit officers to corroborate management judgments and considerations, testing the clerical accuracy of data and calculations used by management in the reserve estimate, agreeing key estimate inputs to supporting documents such as borrower financial statements or valuation reports, searching for and evaluating information that potentially corroborates or contradicts the Company's inputs or assumptions about the fair value of the collateral, and testing the completeness and accuracy of the Company's recognition of charge-offs.

For the qualitative and environmental factors applicable to the collective reserve component of the ACL, our audit procedures included, among others, evaluating the consistency in application of the Company's qualitative and environmental factor framework methodology. Additionally, we tested the clerical accuracy of the formulas utilized in the calculations and the completeness and accuracy of inputs used in estimating the qualitative and environmental factors. Our procedures included comparing the inputs to data from the Company's information systems or other reports subject to internal controls and macroeconomic and other information from third-party sources. We evaluated the quantitative model methodologies and hence the need to consider a qualitative or environmental adjustment to the ACL as well as management's evaluation of assumptions and uncertainty within the macroeconomic forecast scenarios. Regarding measurement of the qualitative and environmental factors, we evaluated internal data utilized by management to estimate the appropriate level of the

adjustment, as well as external macroeconomic forecasts independently obtained during the audit. We also evaluated changes in the qualitative and environmental adjustments relative to changes in the Company's loan portfolio, factors impacting the Company's business, and the credit environment.

We evaluated the overall ACL amount, including reserves for individually evaluated loans and qualitative and environmental factors applicable to the collective reserve, and whether the amount recorded appropriately reflects expected credit losses on the loan portfolio as of the consolidated balance sheet date. We reviewed historical loss statistics, alternative economic scenarios, peer bank information, and subsequent events and transactions and considered whether they corroborate or contradict the Company's measurement of the ACL as of December 31, 2020.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2016.

Birmingham, Alabama

March 1, 2021

CADENCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	December 31, 2020	December 31, 2019
ASSETS		
Cash and due from banks	$ 283,261	$ 252,447
Interest-bearing deposits with banks	1,768,847	725,343
Federal funds sold	1,838	10,974
Total cash and cash equivalents	2,053,946	988,764
Investment securities available-for-sale, amortized cost of $3,249,067 and allowance for credit losses of zero at December 31, 2020	3,332,168	2,368,592
FRB and FHLB stock	76,552	76,752
Loans held for sale	47,018	87,649
Loans, net of unearned income	12,719,129	12,983,655
Less: allowance for credit losses	(367,160)	(119,643)
Net loans	12,351,969	12,864,012
Premises and equipment, net	123,630	127,867
Cash surrender value of life insurance	187,626	183,400
Net deferred tax asset	63,699	—
Goodwill	43,061	485,336
Other intangible assets, net	83,780	105,613
Other assets	349,118	512,244
Total assets	$ 18,712,567	$ 17,800,229
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Noninterest-bearing deposits	$ 5,033,748	$ 3,833,704
Interest-bearing deposits	11,018,497	10,909,090
Total deposits	16,052,245	14,742,794
Federal Home Loan Bank advances	100,000	100,000
Senior debt	49,986	49,938
Subordinated debt	183,344	182,712
Junior subordinated debentures	37,637	37,445
Notes payable	1,702	2,078
Net deferred tax liability	—	24,982
Other liabilities	166,551	199,434
Total liabilities	16,591,465	15,339,383
Shareholders' equity:		
Common stock, $0.01 par value, authorized 300,000,000 shares; 133,214,844 shares issued and 125,978,561 shares outstanding at December 31, 2020 and 132,984,756 shares issued and 127,597,569 shares outstanding at December 31, 2019	1,332	1,330
Additional paid-in capital	1,880,930	1,873,063
Treasury stock, at cost; 7,236,283 shares and 5,387,187 shares, respectively	(130,889)	(100,752)
Retained earnings	259,643	572,503
Accumulated other comprehensive income	110,086	114,702
Total shareholders' equity	2,121,102	2,460,846
Total liabilities and shareholders' equity	$ 18,712,567	$ 17,800,229

See accompanying notes to the consolidated financial statements.

CADENCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)	Year Ended December 31, 2020	2019	2018
INTEREST INCOME			
Interest and fees on loans	$ 648,138	$ 796,285	$ 470,144
Interest and dividends on securities:			
Taxable	51,983	42,450	23,793
Tax-exempt	6,582	6,306	9,541
Other interest income	4,463	15,035	9,188
Total interest income	711,166	860,076	512,666
INTEREST EXPENSE			
Interest on time deposits	36,647	69,550	42,093
Interest on other deposits	38,768	118,528	58,354
Interest on borrowed funds	16,785	20,825	24,478
Total interest expense	92,200	208,903	124,925
Net interest income	618,966	651,173	387,741
Provision for credit losses	278,048	111,027	12,700
Net interest income after provision for credit losses	340,918	540,146	375,041
NONINTEREST INCOME			
Hedge revenue	169,248	—	—
Investment advisory revenue	26,364	24,890	21,347
Trust services revenue	18,349	18,066	17,760
Credit related fees	19,352	21,265	16,124
Service charges on deposit accounts	23,143	20,503	15,432
Mortgage banking income	9,727	3,174	2,372
Bankcard fees	7,194	8,486	5,951
Payroll processing revenue	5,074	5,149	—
SBA income	9,169	7,232	—
Other service fees	6,641	7,412	5,345
Securities gains (losses), net	6,712	2,018	(1,853)
Other income	6,382	12,730	12,160
Total noninterest income	307,355	130,925	94,638
NONINTEREST EXPENSE			
Salaries and employee benefits	207,532	213,874	154,905
Premises and equipment	43,194	44,637	30,478
Merger related expenses	3,386	28,497	2,983
Goodwill impairment	443,695	—	—
Intangible asset amortization	21,528	23,862	2,755
Other expense	107,129	97,900	67,180
Total noninterest expense	826,464	408,770	258,301
(Loss) income before income taxes	(178,191)	262,301	211,378
Income tax expense	27,336	60,343	45,117
Net (loss) income	$ (205,527)	$ 201,958	$ 166,261
Weighted average common shares outstanding (Basic)	126,120,534	128,913,962	83,562,109
Weighted average common shares outstanding (Diluted)	126,120,534	129,017,599	84,375,289
(Loss) earnings per common share (Basic)	$ (1.63)	$ 1.56	$ 1.99
(Loss) earnings per common share (Diluted)	$ (1.63)	$ 1.56	$ 1.97

See accompanying notes to the consolidated financial statements.

CADENCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
(In thousands)	**2020**	**2019**	**2018**
Net (loss) income	$ (205,527)	$ 201,958	$ 166,261
Other comprehensive (loss) income, net of tax:			
Unrealized gains (losses) on securities available-for-sale:			
Net unrealized gains (losses), net of income taxes of $15,868, $13,641, and $(7,067)	51,122	45,436	(23,544)
Less reclassification adjustments for gains (losses) realized in net income, net of income taxes of $1,579, $466, and $(428)	5,133	1,552	(1,425)
Net change in unrealized gains (losses) on securities available-for-sale, net of tax	45,989	43,884	(22,119)
Unrealized gains (losses) on derivative instruments designated as cash flow hedges:			
Net unrealized gains (losses), net of income taxes of $41,497, $35,192, and $(1,777)	128,353	117,219	(5,934)
Less reclassification adjustments for gains (losses) realized in net income, net of income taxes of $55,732, $1,446, and $(1,193)	178,958	3,817	(3,971)
Net change in unrealized gains (losses) on derivative instruments, net of tax	(50,605)	113,402	(1,963)
Change in pension liability:			
Actuarial (losses) gains, net of income taxes of $0, $(3), and $62	—	(133)	203
Less reclassification adjustments for losses realized in net income, net of income taxes of $0, $(210), and $0	—	(461)	—
Net unrealized gains on pension liability	—	328	203
Other comprehensive (loss) income, net of tax	(4,616)	157,614	(23,879)
Comprehensive (loss) income	$ (210,143)	$ 359,572	$ 142,382

See accompanying notes to the consolidated financial statements.

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

(In thousands, except per share data)	Class A Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated OCI	Total Shareholders' Equity
Balance at December 31, 2017	83,625	$ 836	$ 1,037,040	$ —	$ 340,213	$ (19,033)	$ 1,359,056
Net income	—	—	—	—	166,261	—	166,261
Equity-based compensation cost	—	—	3,960	—	—	—	3,960
Cash dividends declared ($0.55 per common share)	—	—	—	—	(45,995)	—	(45,995)
Dividend equivalents on restricted stock units	—	—	—	—	(119)	—	(119)
Cumulative effect of adoption of new accounting principles	—	—	—	—	1,000	—	1,000
Purchase of treasury stock	(1,128)	—	—	(22,010)	—	—	(22,010)
Other comprehensive loss	—	—	—	—	—	(23,879)	(23,879)
Balance at December 31, 2018	82,497	836	1,041,000	(22,010)	461,360	(42,912)	1,438,274
Net income	—	—	—	—	201,958	—	201,958
Equity-based compensation cost	—	—	7,086	—	—	—	7,086
Cash dividends declared ($0.70 per common share)	—	—	—	—	(90,095)	—	(90,095)
Dividend equivalents on restricted stock units	—	—	—	—	(720)	—	(720)
Purchase of treasury stock, at cost	(4,279)	—	—	(79,123)	—	—	(79,123)
Issuance of common shares for State Bank acquisition, net of issuance costs	49,232	492	825,621	—	—	—	826,113
Value of stock warrants assumed from State Bank	—	—	251	—	—	—	251
Common stock issuance costs	—	—	(580)	—	—	—	(580)
Issuance of common shares for restricted stock unit vesting	128	2	—	—	—	—	2
Issuance of treasury stock shares for exercise of stock warrants	20	—	(315)	381	—	—	66
Other comprehensive income	—	—	—	—	—	157,614	157,614
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	—	—	—	—	(205,527)	—	(205,527)
Equity-based compensation cost	—	—	7,868	—	—	—	7,868
Cash dividends declared ($0.35 per common share)	—	—	—	—	(44,184)	—	(44,184)
Dividend equivalents on restricted stock units	—	—	—	—	(370)	—	(370)
Purchase of treasury stock, at cost	(1,849)	—	—	(30,138)	—	—	(30,138)
Issuance of common shares for restricted stock unit vesting	230	2	—	—	—	—	2
Issuance of treasury stock shares for exercise of stock warrants	—	—	(1)	1	—	—	—
Other comprehensive loss	—	—	—	—	—	(4,616)	(4,616)
Balance at December 31, 2020	125,979	$ 1,332	$ 1,880,930	$ (130,889)	$ 259,643	$ 110,086	$ 2,121,102

See accompanying notes to the consolidated financial statements.

CADENCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended December 31, 2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	$ (205,527)	$ 201,958	$ 166,261
Adjustments to reconcile net income to net cash provided by operations:			
Net, depreciation and amortization (accretion)	(7,928)	2,163	20,366
Goodwill impairment charge	443,695	—	—
Termination (purchase) of interest rate collar	368,600	(127,800)	—
Hedge revenue	(225,803)	—	—
Deferred income tax (benefit) expense	(60,779)	11,840	4,464
Provision for credit losses	278,048	111,027	12,700
(Gain) loss on sale of securities, net	(6,712)	(2,018)	1,853
Gain on sale of insurance subsidiary assets	—	—	(4,871)
Gain on sale of loans, net	(6,889)	(4,633)	(1,422)
Proceeds from paydowns and sales of loans held for sale	708,315	355,524	290,733
Origination of loans held for sale	(710,995)	(221,442)	(271,680)
(Increase) decrease in interest receivable	(2,399)	1,626	(8,985)
Increase in other assets	(20,598)	(43,670)	(21,644)
(Decrease) increase in other liabilities	(41,406)	19,297	1,610
Other, net	4,038	2,259	1,784
Net cash provided by operating activities	513,660	306,131	191,169
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received in acquisitions, net	—	409,137	—
Purchase of securities available-for-sale	(2,045,844)	(1,205,553)	(342,500)
Proceeds from sales of securities available-for-sale	289,152	393,716	268,799
Proceeds from maturities, calls and paydowns of securities available-for-sale	843,241	352,452	111,801
Purchases of other securities, net	—	(26,000)	(743)
Proceeds from sales of loans transferred to held for sale	79,283	69,933	20,894
Decrease (increase) in loans, net	172,083	287,556	(1,848,463)
Proceeds from sale of insurance subsidiary assets	—	—	15,876
Purchase of premises and equipment	(15,009)	(12,960)	(10,698)
Proceeds from disposition of foreclosed property	3,287	6,365	7,947
Other, net	(9,802)	(9,246)	5,138
Net cash (used in) provided by investing activities	(683,609)	265,400	(1,771,949)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in deposits, net	1,309,451	(65,848)	1,697,174
Net change in short-term borrowings	—	(175,005)	80
Issuance of subordinated debentures	—	83,474	—
Proceeds from long term FHLB advances	—	100,000	—
Repayment of senior debt	—	(134,922)	—
Repurchase of common stock	(30,138)	(79,123)	(22,010)
Cash dividends paid on common stock	(44,184)	(90,095)	(45,995)
Other, net	2	(528)	—
Net cash provided by (used in) financing activities	1,235,131	(362,047)	1,629,249
Net increase in cash and cash equivalents	1,065,182	209,484	48,469
Cash and cash equivalents at beginning of period	988,764	779,280	730,811
Cash and cash equivalents at end of period	$ 2,053,946	$ 988,764	$ 779,280

See accompanying notes to the consolidated financial statements.

CADENCE BANCORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

	Years Ended December 31,		
	2020	2019	2018
SUPPLEMENTAL DISCLOSURES			
Cash paid during the period for:			
Interest	$ 284,827	$ 207,052	$ 120,823
Income taxes paid	100,783	51,729	40,754
Cash paid for amounts included in lease liabilities	11,158	11,276	—
Non-cash investing activities (at fair value):			
Acquisition of real estate and other assets in settlement of loans	15,681	2,769	3,207
Transfers of loans held for sale to loans	11,474	44,210	—
Transfers of loans to loans held for sale	40,557	123,815	36,627
Right-of-use assets (remeasured) obtained in exchange for operating lease liabilities	(2,211)	84,952	—

See accompanying notes to the consolidated financial statements.

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 Company and its subsidiaries follow accounting principles generally accepted (“GAAP”) in the United States of America, including, where applicable, general practices within the banking industry. The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. The assessment of whether or not the Company has a controlling interest (i.e., the primary beneficiary) in a variable-interest entity (“VIE”) is performed on an on-going basis. All equity investments in non-consolidated VIEs are included in “other assets” in the Company’s consolidated balance sheets (Note 18).

Certain amounts reported in prior years have been reclassified to conform to the 2020 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 24 to the consolidated financial statements.

Nature of Operations

The Company’s primary subsidiary is the Bank.

The Bank operates under a national bank charter and is subject to regulation by the Office of the Comptroller of the Currency (“OCC”). The Bank provides full banking services in six southern states: Alabama, Florida, Georgia, Mississippi, Tennessee, and Texas.

The Bank’s subsidiaries include:

- Linscomb & Williams, Inc. — financial advisory firm;
- Cadence Investment Services, Inc. — provides investment and insurance products; and
- Altera Payroll and Insurance, Inc. — provides payroll processing services and the sale of certain insurance products.

The Company and the Bank also have certain other non-operating and immaterial subsidiaries.

Use of Estimates

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

Business Combinations

Assets and liabilities acquired in business combinations are accounted for under the acquisition method of accounting and, accordingly, are recorded at their estimated fair values on the acquisition date. The Company generally records provisional amounts at the time of acquisition based on the information available. These provisional estimates of fair values may be adjusted for a period of up to one year from the acquisition date if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. Adjustments recorded during this period are recognized in the current reporting period. The excess cost over fair value of net assets acquired is recorded as goodwill. On January 1, 2019, we completed our merger with State Bank Financial Corporation and on July 1, 2019, we completed our acquisition of Wealth and Pension Services Group, Inc. (see Note 2).

Sale of Subsidiary

On May 31, 2018, the Company completed the sale of the assets of its subsidiary Cadence Capital, Inc. (formerly known as Town & Country Insurance Agency, Inc.) to an unrelated third party, selling $11.1 million in net assets, including $10.9 million in goodwill and intangibles. This transaction resulted in a pre-tax gain of $4.9 million recorded in noninterest income, offset by $1.1 million in sale related expenses recorded in noninterest expenses during the second quarter of 2018.

Securities

Securities Available-for-Sale

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

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

Securities Held-to-Maturity

Securities classified as held-to-maturity are those debt securities for which there is a positive intent and ability to hold to maturity. These securities are carried at cost, adjusted for amortization of premium and accretion of discount, computed by the effective interest method. The Company had no securities held-to-maturity at December 31, 2020 or 2019.

Trading Account Securities

Trading account securities are securities that are held for the purpose of selling them at a profit. The Company had no trading account securities as of December 31, 2020 or 2019.

FHLB and FRB Stock

The Company has ownership in Federal Home Loan Bank of Atlanta ("FHLB") and Federal Reserve Bank ("FRB") stock which do not have readily determinable fair values and no quoted market values, as ownership is restricted to member institutions, and all transactions take place at par value with the FHLB or FRB as the only purchaser. Therefore, the Company accounts for these investments as long-term assets and carries them at cost. Management's determination as to whether these investments are impaired is based on management's assessment of the ultimate recoverability of the par value (cost) rather than recognizing temporary declines in fair value. In order to become a member of the Federal Reserve System, regulations require that the Company hold a certain amount of FRB capital stock. Additionally, investment in FHLB stock is required for membership in the FHLB system and in relation to the level of FHLB advances.

Derivative Financial Instruments and Hedging Activities

Derivative instruments are accounted for under the requirements of ASC Topic 815, *Derivatives and Hedging*. ASC 815 requires companies to recognized as either assets or liabilities in the consolidated balance sheets at fair value.

The fair value of derivative positions outstanding is included in other assets and other liabilities in the accompanying consolidated balance sheets and in the net change in each of these financial statement line items in the accompanying consolidated statements of cash flows. The Company does not speculate using derivative instruments.

Interest Rate Lock Commitments

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

Forward Sales Commitments

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

Agreements Not Designated as Hedging Derivatives

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

Agreements Designated as 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, collars, and floors to manage overall cash flow changes related to interest rate risk exposure on benchmark interest rate loans. 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 Company assesses the effectiveness of hedging derivatives during the initial period with a quantitative test such as statistical regression on a prospective and retrospective basis. For subsequent periods, the effectiveness of hedging derivatives is assessed qualitatively by assuring the notional amounts of the respective derivative instruments are equal to or less than the current balance of the hedged items.

Foreign Currency Contracts

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

Counterparty Credit Risk

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

Refer to Note 7 for further discussion and details of derivative financial instruments and hedging activities.

Transfers of Financial Assets

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

Loans Held-for-Sale

Mortgage Loans Held-for-Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. The Company also transfers certain mortgage loans to held-for-sale when management has the intent to sell the loan or a portion of the loan in the near term. These held-for-sale loans are recorded at the lower of cost or estimated fair value. At the time of transfer, write-downs on the loans are recorded as charge-offs and a new cost basis is established. Generally, loans in this category are sold within thirty days. These loans are primarily sold with the mortgage servicing rights released. Fees on mortgage loans sold individually in the secondary market, including origination fees, service release premiums, processing and administrative fees, and application fees, are recognized as mortgage banking revenue in the period in which the loans are sold. These loans are underwritten to the standards of upstream correspondents and are held on the Company's consolidated balance sheets until the loans are sold. Buyers generally have recourse to return a purchased loan to the Company under limited circumstances. Recourse conditions may include early payment default, breach of representations or warranties, and documentation deficiencies. During 2020, 2019, and 2018, an insignificant number of loans were returned to the Company.

Commercial Loans Held-for-Sale

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

Loans and Allowances for Credit Losses ("ACL")

Our accounting policies have changed significantly with the adoption of the current expected credit loss accounting standard as of January 1, 2020, as described below. Prior to January 1, 2020, allowances were based on incurred credit losses in accordance with accounting policies disclosed in Note 1 of the Consolidated Financial Statements included in the Company's 2019 Form 10-K.

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments–Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments*. During 2018 and 2019, the FASB issued additional guidance providing clarifications and corrections, including: ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments–Credit Losses*; ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments–Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*; ASU 2019-05, *Financial Instruments–Credit Losses (Topic 326): Targeted Transition Relief*; ASU 2019-10, *Financial Instruments–Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*; ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments–Credit Losses* (collectively "ASC 326"). ASC 326, better known as Current Expected Credit Losses ("CECL"), among other things:

- 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.
- Eliminates existing guidance for acquired credit impaired ("ACI") loans and requires recognition of the nonaccretable difference as an increase to the allowance for expected credit losses on financial assets purchased with more than insignificant credit deterioration since origination, referred to as purchase credit deteriorated ("PCD") assets, which will be offset by an increase in the amortized cost of the related loans. For ACI loans accounted for under ASC 310-30 prior to adoption, the guidance in this amendment for PCD assets will be prospectively applied.
- Requires inclusion of expected recoveries, limited to the cumulative amount of prior write-offs, when estimating the allowance for credit losses for in-scope financial assets (including collateral dependent assets).
- Amends existing impairment guidance for available-for-sale securities to incorporate an allowance, which will allow for reversals of credit impairments if the credit of an issuer improves.
- Requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio.

The Company adopted ASC 326 and additional related guidance effective January 1, 2020, using the cumulative effect method. As a result of this adoption, the Company recognized an adjustment to retained earnings of $62.8 million, recorded a deferred tax asset of $19.5 million, and reclassed ACL of $6.1 million with respect to PCD loans, formerly ACI loans, as of January 1, 2020. Because the Company adopted ASC 326 with a cumulative effect adjustment as of January 1, 2020, the comparative results as of December 31, 2019, and for the years ended December 31, 2019 and December 31, 2018, have not been restated and continue to be reported under the incurred loss accounting model.

The Company has elected the transition provisions provided by the banking agencies and will phase in the regulatory capital effects of the “Day One” and subsequent provisions for loan losses resulting from adoption of CECL. See Note 15 for additional disclosure.

Other changes to the Company’s significant accounting policies pertaining to loans and the ACL, as incorporated under ASC 326, are as follows:

- In accordance with ASC 326, the Company uses amortized cost as a basis for determining the ACL; whereas, prior to adopting ASC 326, under the incurred loss accounting model the Company used recorded investment. The components of amortized cost include unpaid principal balance (“UPB”), unamortized discounts and premiums, and unamortized deferred fees and costs. As permitted by ASC 326, the Company has elected to not include accrued interest receivable in the determination of amortized cost and measurement of expected credit losses and, instead, has an accounting policy to write off accrued interest deemed uncollectible in a timely manner.
- ASC 326 provides special initial recognition and measurement for the Day One accounting for PCD assets.
    - ASC 326 requires entities that purchase certain financial assets (or portfolios of financial assets) with the intention of holding them for investment to determine whether the assets have experienced more-than-insignificant deterioration in credit quality since origination.
    - More-than-insignificant deterioration will generally be determined by the asset’s delinquency status, risk rating changes, credit rating, accruing status or other indicators of credit deterioration since origination.
    - An entity initially measures the amortized cost of a PCD asset by adding the acquisition date estimate of expected credit losses to the asset’s purchase price. Because the initial estimate for expected credit losses is added to the purchase price to establish the Day One amortized cost, PCD accounting is commonly referred to as a “gross-up” approach. There is no credit loss expense recognized upon acquisition of a PCD asset; rather the “gross-up” is offset by establishment of the initial allowance.
    - After initial recognition, the accounting for a PCD asset will generally follow the credit loss model.
    - Interest income for a PCD asset is recognized using the effective interest rate (“EIR”) calculated at initial measurement. This EIR is determined by comparing the amortized cost basis of the instrument to its contractual cash flows, consistent with ASC 310-20. Accordingly, since the PCD gross-up is included in the amortized cost, the purchase discount related to estimated credit losses on acquisition is not accreted into interest income. Only the noncredit-related discount or premium is accreted or amortized, using the EIR that was calculated at the time the asset was acquired.
- Commercial 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. 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. Prior to the adoption of ASC 326, the majority of our current PCD loans were treated as accruing loans as the Company was able to reasonably predict future cash flows at the unit of account or pool level. After adoption, the accruing status of each individual loan is subject to the nonaccrual polices described above.
- The accrual of interest, as well as the amortization/accretion of any remaining unamortized net deferred fees or costs and discount or premium, is generally discontinued at the time the loan is placed on nonaccrual status. All accrued but uncollected interest for loans that are placed on nonaccrual status is reversed through interest income. Cash receipts received on nonaccrual loans are generally applied against principal until the loan has been collected in full, after which time any additional cash receipts are recognized as interest income (i.e., cost recovery method). However, interest may be accounted for under the cash-basis method as long as the remaining amortized costs in the loan is deemed fully collectible.

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

The following is a description of the Company’s process for estimating the ACL for all loans in its portfolio, including PCD loans:

- The quantitative component of the Company’s ACL model includes three segments: commercial (“C&I”), commercial real estate (“CRE”), and consumer.

- The C&I loan segment consists of commercial and industrial loans including general corporate loans, energy, business banking, and community banking loans. Additionally, this segment includes loans to clients in specialized industries, including restaurant, healthcare, and technology. The C&I segment uses loan level through-the-cycle probability-of-default ("PD") and loss-given-default ("LGD") ratings generated by Cadence's scorecards. These PD ratings are conditioned by industry to reflect the effect of certain forecasted macroeconomic variables, such as market value, interest rate spreads, and unemployment rate.
- The 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 our markets in Texas and the southeast United States. The CRE loan segment uses a loss-rate model, where lifetime loss rates are correlated closely with characteristics such as origination LTV, vintage/origination quality, and loan age, as well as with macroeconomic factors, including GDP growth rate, unemployment rate, and CRE market price change.
- The consumer loan segment primarily consists of one-to-four family residential real estate loans with terms ranging from 10 to 30 years; however, the portfolio is heavily weighted to the 30-year term. The Company offers both fixed and adjustable interest rates and does not originate subprime loans. These loans are typically closed-end first lien loans for purposes of purchasing property, or for refinancing existing loans with or without cash out. Our loans are primarily owner occupied, full documentation loans. This segment also offers consumer loans to our customers for personal, family and household purposes, auto, boat and personal installment loans, however, these loans are a small percentage of the consumer portfolio. The consumer loan segment uses a loss-rate model. Life-time loss rates capture the effect of credit score, loan age, size, and other loan characteristics and include Cadence's own assumptions for LGD and the expected life of the loan. The loss rates are also affected by macroeconomic variables such as the unemployment rate, retails sales percent change year-over-year, household employment percent change year-over-year, Federal Housing Finance Agency ("FHFA") home price index, housing affordability index at origination, and median house price.
- When foreclosure of collateral securing a loan is probable, ASC 326 requires that the expected credit loss on a loan be measured based on the fair value of the collateral. When management's measured value of the impaired loan is less than the amortized cost in the loan, the amount of the impairment is recorded as a specific reserve. These specific reserves are determined on an individual loan basis based on management's current evaluation of the loss exposure for each credit, given the payment status, the financial condition of the borrower and any guarantors and the value of any underlying collateral. Loans that are individually evaluated are excluded from the collective evaluations described above. Changes in specific reserves from period to period are the result of changes in the circumstances of individual loans such as charge-offs, payments received, changes in collateral values or other factors.
- For any collateral dependent loan where foreclosure is not probable, but repayment is expected to be provided primarily from the sale or operation of the collateral and the borrower is experiencing financial difficulty, a practical expedient for measuring the credit loss is allowed using the fair value of the collateral. The Company expects to elect this for qualifying credits particularly when there are unique risk characteristics which prohibit them from being collectively evaluated. When repayment will be from the operation of the collateral, generally fair value is estimated on the present value of expected cash flows from the operation of the collateral (an income approach). When repayment is expected from the sale of the collateral, the present value of the costs to sell will be deducted from the fair value of the collateral measured as of the measurement date.

- As described above, loans included in each segment are collectively or individually evaluated to determine an expected credit loss which is allocated to the individual loans. Due to the growth of the credit portfolio into new geographic areas and into new commercial markets and the lack of seasoning of the portfolio, the Company recognizes there is limited historical loss information to adequately estimate loss rates based primarily on the Company's historical loss data. Therefore, external loss data was acquired from the research arm of a nationally recognized risk rating agency to act as a proxy for loss rates within the ACL models until sufficient loss history can be accumulated from the Company's loss experience in these segments. These loss rates were developed specifically for the Company's customer risk profile and portfolio mix.
- ASC 326 acknowledges that, because historical experience may not fully reflect an institution's expectations about the future, the institution should adjust historical loss information, as necessary, to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information. The quantitative models use baseline macroeconomic scenario forecast data provided by a nationally recognized rating agency for a reasonable and supportable period in estimating the current expected credit losses. The Company has elected an input reversion approach whereby the selected economic forecast for the identified macroeconomic variables revert to their historical trends. As a rule, the forecasts revert to their long-term equilibrium within two to five years or one "business cycle" depending on the segment. The Company monitors actual loss experience for each loan segment for adjustments required to the loss rates utilized.

- Additionally, to adjust historical credit loss information for current conditions and reasonable and supportable forecasts, all significant factors relevant to determining the expected collectability of financial assets as of each reporting date should be considered. ASC 326 provides examples of factors an institution may consider. The bank regulatory agencies believe the qualitative or environmental factors identified in the *December 2006 Interagency Policy Statement on the Allowance for Loan and Lease Losses* should continue to be relevant under CECL and are covered by the examples of factors that may be considered under ASC 326. These factors require judgments that cannot be subjected to exact mathematical calculation. There are no formulas for translating them into a basis-point adjustment to be applied to historical losses. The adjustment must reflect management's overall estimate of the extent to which expected losses on a segment of loans will differ from historical loss experience. It would include management's opinion on the effects related to current conditions and reasonable and supportable forecasts, that are not already reflected in the quantitative loss estimate. These adjustments are highly subjective estimates that will be determined each quarter. To facilitate this process, management has developed certain analyses of selected internal and external data to assist management in determining the risk of imprecision. These primary adjustment factors include, but are not limited to the following:
  - Lending policies, procedures, practices or philosophy, including underwriting standards and collection, charge-off and recovery practices
  - Changes in national and service market economic and business conditions that could affect the level of default rates or the level of losses once a default has occurred within the Bank's existing loan portfolio
  - Changes in the nature or size of the portfolio
  - Changes in portfolio collateral values
  - Changes in the experience, ability, and depth of lending management, and other relevant staff
  - Volume and/or severity of past due and classified credits or trends in the volume of losses, non-accrual credits, impaired credits, and other credit modifications
  - Quality of the institution's credit review system and processes and the degree of oversight by bank management and the board of directors
  - Concentrations of credit such as industry and lines of business
  - Competition and legal and regulatory requirements or other external factors
- The reserve for unfunded loan commitments is determined by assessing three distinct components: unfunded commitment volatility in the portfolio (excluding commitments related to letters of credit and commitment letters), adversely rated letters of credit, and adversely rated lines of credit. Unfunded commitment volatility is calculated on a trailing nine quarter basis; the resulting expected funding amount is then reserved or based on the current combined reserve rate of the funded portfolio. Adversely rated letters and lines of credit are assessed individually based on funding and loss expectations as of the period end. The reserve for unfunded commitments is recorded in other liabilities and the provision for losses on unfunded commitments is included in the provision for credit losses. Prior to adoption, the provision for losses on unfunded commitments was recorded in other noninterest expense.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are determined using the straight-line method at rates calculated to depreciate or amortize the cost of assets over their estimated useful lives.

Maintenance and repairs of property and equipment are charged to expense, and major improvements that extend the useful life of the asset are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any gains or losses are included in income.

Leases

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

The Bank has defined a separate accounting policy for real estate and non-real estate leases to account for non-lease components from a lessee perspective. For non-real estate leases, the Bank elected the practical expedient to not separate non-lease components from lease components and instead to account for both as a single lease component as it relates to this class type. The election was made to separate the non-lease components from the lease components in real estate leases due to the volume of real estate leases that are structured as triple net leases, where many of these expenses are already excluded from the lease. The Bank's lease agreements do not contain any residual value guarantees.

The Bank elected to apply the short-term lease exception to existing leases that meet the definition of a short-term lease (less than 12 months), considering the lease term from the commencement date, not the remaining term at the date of adoption. The Bank includes all renewal options in the lease term, unless we have determined we will not renew a particular lease, in determination of the capitalization period and lease liability and ROU asset.

Other Real Estate Owned and Repossessed Assets

Other real estate owned ("OREO") consists of properties acquired through foreclosure and unutilized bank-owned properties. Repossessed assets consists of non-real estate assets acquired in partial or full settlement of loans. OREO and repossessed assets totaled $6.5 million and $1.6 million as of December 31, 2020 and 2019, respectively. These assets, as held-for-sale assets, are recorded at fair value, less estimated costs to sell, on the date of foreclosure or repossession, establishing a new cost basis for the asset. Subsequent to the foreclosure or repossession date the asset is maintained at the lower of cost or fair value. Any write-down to fair value required at the time of foreclosure or repossession is charged to the ACL. Subsequent gains or losses resulting from the sale of the property or additional valuation allowances required due to further declines in fair value are reported in other noninterest expense.

Cash Surrender Value of Life Insurance

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

Goodwill and Other Intangible Assets

Goodwill is not amortized but is evaluated for impairment at least annually in the fourth quarter or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. As part of its testing, the Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the results of the qualitative assessment indicate that more likely than not a reporting unit's fair value is less than its carrying amount, the Company determines the fair value of the respective reporting unit (through the application of various quantitative valuation methodologies) relative to its carrying amount to determine whether quantitative indicators of potential impairment are present (i.e., Step 1). The Company may also elect to bypass the qualitative assessment and begin with Step 1. With the adoption of ASU No. 2017-04, *Intangibles–Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, effective January 1, 2020, if the results of Step 1 indicate that the fair value of the reporting unit is below its carrying amount, the Company will recognize an impairment loss for the amount that the reporting unit's carrying amount exceeds it's fair value (up to the amount of goodwill recorded). Refer to our *Recently Adopted Accounting Pronouncements* section below for details of the adoption of ASU No. 2017-04.

A reporting unit is defined as an operating segment or a component of that operating segment. Reporting units may vary, depending on the level at which performance of the segment is reviewed.

Considering the economic conditions resulting from the COVID-19 pandemic, the Company conducted an interim goodwill impairment test in the first quarter of 2020. The interim test indicated a goodwill impairment of $443.7 million within the Banking reporting unit resulting in the Company recording an impairment charge of the same amount in the first quarter of 2020. The interim test indicated no impairment in our other two reporting units. No impairment charge was identified in any reporting unit during the regular annual goodwill impairment testing that was conducted in the fourth quarter of 2020. No impairment was identified in any reporting unit in 2019 or 2018. See Note 6 for more information.

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

Variable Interest Entities and Other Investments

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

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

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

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

See Note 18 for more information about our equity investments.

Income Taxes

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

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

Treasury Stock and Share Repurchases

The Company purchases shares of its Class A common stock pursuant to share repurchase programs authorized by its Board of Directors. Purchases of the Company's common stock are recorded at cost. At the date of repurchase, shareholders' equity is reduced by the repurchase price. Upon retirement, or upon purchase for constructive retirement, treasury stock would be reduced by the cost of such stock with the excess of repurchase price over par or stated value recorded in additional paid-in capital. If the Company subsequently reissues treasury shares, treasury stock is reduced by the cost of such stock with differences recorded in additional paid-in capital or retained earnings, as applicable.

Revenue Recognition

Service Charges on Deposit Accounts

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

Assets Under Administration and Asset Management Fees

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

Credit Related Fees

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

Bankcard Fees

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

Payroll Processing Revenue

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

SBA Income

Small Business Administration (“SBA”) income also represents a source of revenue for us through the State Bank transaction. This revenue consists of gains on sales of SBA loans, servicing fees, changes in the fair value of servicing rights, and other miscellaneous fees. Servicing fee income is recorded for fees earned for servicing SBA loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned.

Basic and Diluted Earnings Per Share

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

Comprehensive Income

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

Employee Benefits

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

Employees of the legacy Cadence Bank hired prior to January 1, 2001 participate in a noncontributory defined benefit pension plan. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service and compensation. Contributions to the plan reflect benefits attributed to employees' services to date, as well as services expected to be provided in the future. The annual pension cost charged to expense is actuarially determined. The plan was amended effective January 1, 2001, to close participation in the plan, and employees hired subsequent to December 31, 2000, are not eligible to participate. The pension plan was terminated in 2019.

The Company has a supplemental retirement plan that originated from an acquired bank for certain directors and officers of that acquired bank. The annual cost charged to expense and the estimated present values of the projected payments are actuarially determined.

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

The Company provides a voluntary deferred compensation plan for certain of its executive and senior officers. Under this plan, the participants may defer up to 25% of their base compensation and 100% of certain incentive compensation. The Company may, but is not obligated to, contribute to the plan. Amounts contributed to this plan are credited to a separate account for each participant and are subject to a risk of loss in the event of the Company's insolvency. The Company made no contributions to this plan in 2020, 2019, or 2018.

Equity-Based Compensation and Equity Incentive Plan

The Company maintains an equity incentive plan that provides for the granting of various forms of incentive equity-based compensation. The Company values these units at the grant date fair value and recognizes expense over the requisite service period. The Company's equity-based compensation costs are recorded as a component of salaries and employee benefits in the consolidated statements of operations. See Note 20 for additional information.

Cash Based Long Term Incentive Plan

Prior to 2018, the Bank granted long-term incentive awards to certain employees that provide for cash compensation, half of which are based on the quoted market price of the Company's common stock, as determined on at least a quarterly basis. The awards are generally subject to a 36-month vesting period and the attainment of certain three-year profitability levels. The Company adjusts the accrual related to this plan on at least a quarterly basis, based on the phantom shares awarded, and the fair value of Cadence Bancorp, LLC's or the Company's stock. Periodically, the Company may also provide long term incentive awards that provide for cash compensation. In 2020, the Company provided a cash-based long term incentive award where the amount paid at vesting depends on certain performance factors.

Employee Stock Purchase Plan

The Company provides an employee stock purchase plan 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 common stock, defined as the closing price of the common stock on the stock exchange for the last day of the purchase period (as defined). The Company records an expense for the 15% discount which is included in salaries and employee benefits in the consolidated statements of operations. See Note 20 for additional information.

Cash Flows

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

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

Off-Balance Sheet Financial Instruments

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

Fair Value of Financial Instruments

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

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

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

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

For further information about fair value measurements, see Note 17.

Related Party Transactions

In the normal course of business, loans are made to directors and executive officers and to companies in which they have a significant ownership interest. In the opinion of management, these loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other parties, are consistent with sound banking practices, and are within applicable regulatory and lending limitations. The aggregate balances of related party loans and deposits are insignificant as of December 31, 2020 and 2019.

Recently Adopted Accounting Pronouncements

ASU No. 2017-04

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles–Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Therefore, any carrying amount which exceeds the reporting unit's fair value (up to the amount of goodwill recorded) will be recognized as an impairment loss. ASU 2017-04 became effective for the Company on January 1, 2020. See Note 6, Goodwill and Other Intangible Assets.

ASU No. 2018-13

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework–Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 amends the disclosure requirements of ASC 820 to remove disclosure of transfers between Level 1 and Level 2 of the fair value hierarchy and the valuation process for Level 3 fair value measurements, among other amendments, and to include disclosure of the range and weighted average used in Level 3 fair value measurements, among other amendments. Amendments should be applied retrospectively to all periods presented, except for certain amendments, which should be applied prospectively. ASU 2018-13 became effective for the Company on January 1, 2020. The adoption of ASU 2018-13 did not have a significant impact on the Company's fair value disclosures.

ASU No. 2018-15

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles–Goodwill and Other–Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)*. This standard aligns the requirements for capitalizing implementation costs in a hosting arrangement service contract with the existing guidance for capitalizing implementation costs incurred for an internal-use software license. This standard also requires capitalizing or expensing implementation costs based on the nature of the costs and the project stage during which they are incurred and establishes additional disclosure requirements. This standard became effective for Cadence on January 1, 2020. The adoption of this guidance had no material impact on the consolidated financial statements.

ASU No. 2018-17

In October 2018, the FASB issued ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*. This ASU amends ASC 810 guidance on how all reporting entities evaluate indirect interests held through related parties in common control arrangements when determining whether fees paid to decision makers and service providers are variable interests. ASU 2018-17 became effective for Cadence on January 1, 2020. The adoption of this guidance had no material impact on the consolidated financial statements.

ASU No. 2019-04

In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments–Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, that clarifies and improves areas of guidance related to the recently issued standards on credit losses, hedging activities, and recognition and measurement. The amendments clarify the scope of the credit losses standard and address issues related to accrued interest receivable balances, recoveries, variable interest rates, and prepayments, among other things. With respect to hedge accounting, the amendments address partial-term fair value hedges, fair value hedge basis adjustments, application by not-for-profit entities and private companies, and certain transition requirements, among other things. On recognizing and measuring financial instruments, they address the scope of the guidance, the requirement for remeasurement under ASC 820 when using the measurement alternative, certain disclosure requirements and which equity securities must be remeasured at historical exchange rates.

The credit losses and hedging amendments have the same effective dates as the respective standards, unless an entity has already adopted the standards. The adoption of the credit loss standard, or CECL, is discussed above. Since the Company early adopted the guidance in ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, in 2018, the amended hedge accounting guidance in ASU 2019-04 became effective as of the beginning of the first annual reporting period beginning after April 25, 2019. The Company adopted this guidance on January 1, 2020, with no material impact on the consolidated financial statements.

ASU No. 2020-02

In February 2020, the FASB issued ASU No. 2020-02, *Financial Instruments—Credit Losses (Topic 326) and Leases (Topic 842)—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842) (SEC Update)*. The ASU adds and amends SEC paragraphs in the Accounting Standards Codification to reflect the issuance of SEC Staff Accounting Bulletin No. 119 related to the new credit losses standard and comments by the SEC staff related to the revised effective date of the new leases standard. The guidance became effective upon issuance and did not have a material impact on the consolidated financial statements.

ASU No. 2020-03

In March 2020, the FASB issued ASU No. 2020-03, *Codification Improvements to Financial Instruments*. The ASU makes narrow-scope improvements to various financial instruments topics, including the new credit losses standard. Transition varies, with some of the amendments effective upon issuance for certain entities. The amendments related to ASU 2019-04 and ASU 2016-13 became effective for Cadence on January 1, 2020. Other amendments became effective upon issuance (March 9, 2020). The adoption of this guidance had no material impact on the consolidated financial statements.

ASU No. 2020-04

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides temporary optional expedients and exceptions to the US GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls reference rate reform, if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Entities can elect various optional expedients for hedging relationships affected by reference rate reform, if certain criteria are met. Entities can make a one-time election to sell and/or transfer to available-for-sale or trading any held-to-maturity debt securities that refer to an interest rate affected by reference rate reform and were classified as HTM before January 1, 2020. The guidance became effective upon issuance (March 12, 2020). As Cadence has no held-to-maturity debt securities, the adoption of the guidance had no impact.

Pending Accounting Pronouncements

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 guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted in interim or annual periods for which entities have not yet issued financial statements. Entities that elect to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, entities that elect early adoption must adopt all the amendments in the same period. Entities will apply the guidance prospectively, except for certain amendments. The Company is evaluating the impact this guidance may have on its 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 guidance clarifies that entities that apply the measurement alternative in ASC 321 should consider observable transactions that result in entities initially applying or discontinuing the use of the equity method of accounting under ASC 323. The guidance also says that certain forward contracts and purchased options on equity securities that are not deemed to be in-substance common stock under ASC 323 or accounted for as derivatives under ASC 815 are in the scope of ASC 321. The guidance is effective for public business entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The guidance should be applied prospectively. The Company is evaluating the impact this guidance may have on its consolidated financial statements.

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 accounting for convertible instruments by eliminating two of the three models in ASC 470-20 that require separate accounting for embedded conversion features. It also simplifies an issuer's application of the derivatives scope exception in ASC 815-40 for contracts in its own equity. The new guidance responds to concerns that the legacy requirements are unnecessarily complex and often result in conclusions based on form rather than substance. 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. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including 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.

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. For public business entities, the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early application is not permitted. All entities should apply the amendments on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities. These amendments do not change the effective dates for ASU 2017-08. As Cadence does not currently own any callable bonds at a premium, this guidance has 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). Many of the amendments arose because the FASB provided an option to give certain information either on the face of the financial statements or in the notes to financial statements and that option only was included in the Other Presentation Matters Section (Section 45) of the Codification. The option to disclose information in the notes to financial statements should have been codified in the Disclosure Section as well as the Other Presentation Matters Section (or other Section of the Codification in which the option to disclose in the notes to financial statements appears). The amendments in Sections B and C are effective for annual periods beginning after December 15, 2020, for public business entities. The amendments in this Update do not change GAAP and, therefore, are not expected to result in a significant change in practice.

Note 2—Business Combinations

State Bank

On January 1, 2019, the Company acquired all the outstanding stock of State Bank Financial Corporation ("State Bank"), of Atlanta, Georgia, the bank holding company for State Bank and Trust Company, in a stock transaction. State Bank shareholders received 1.271 shares of the Company's Class A common stock in exchange for each share of State Bank common stock resulting in the Company issuing 49.2 million shares of its Class A common stock. In total, the purchase price for State Bank was $826.4 million, including $826.1 million in the Company's common stock and $0.3 million representing the fair value of unexercised warrants. The Company's strategic rationale for the transaction was to expand our market presence into Georgia, create a more diverse business mix as well as an attractive funding base and leverage operating costs through economies of scale. The acquisition added $3.5 billion in loans and $4.1 billion in deposits as well as 32 branch locations across Georgia.

The State Bank transaction was accounted for using the acquisition method of accounting. Accordingly, the results of operations of the acquired company have been included in the Company's results of operations since the date of acquisition. Under this method of accounting, assets acquired, liabilities assumed, and consideration paid were recorded at their estimated fair values on the acquisition date. The fair values of securities, loans, OREO, premises and equipment, core deposit intangibles, other assets and deposits were determined with the assistance of appraisals, third-party valuations and advisors. The excess cost over fair value of net assets acquired is recorded as goodwill. As the consideration paid for State Bank exceeded the net assets acquired, goodwill of $175.7 million was recorded from the acquisition and allocated to the Banking segment. Goodwill recorded in the transaction, which reflects the new Georgia market and synergies expected from the combined operations, is not deductible for income tax purposes.

The following table provides the purchase price calculation as of the acquisition date and the identifiable assets acquired and the liabilities assumed at their fair values. These fair value measurements are based on internal and third-party valuations.

(In thousands, except shares and per share data)	**As Recorded by Cadence**
Assets	
Cash and cash equivalents	$ 414,342
Investment securities available-for-sale	667,865
Loans held for sale	148,469
Loans	3,317,897
Premises and equipment	65,646
Cash surrender value of life insurance	69,252
Intangible assets	117,038
Other assets	47,146
Total assets acquired	$ 4,847,655
Liabilities	
Deposits	$ 4,096,665
Short term borrowings	23,899
Other liabilities	76,368
Total liabilities assumed	4,196,932
Net identifiable assets acquired over liabilities assumed	650,723
Goodwill	175,657
Net assets acquired over liabilities assumed	$ 826,380
Consideration:	
Cadence Bancorporation common shares issued	49,232,008
Fair value per share of the Company's common stock	$ 16.78
Company common stock issued	826,113
Fair value of unexercised warrants	267
Fair value of total consideration transferred	$ 826,380

Measurement Period Adjustments. The Company estimated the fair value of loans by utilizing the discounted cash flow method applied to pools of loans aggregated by product categories and interest rate type. In addition, certain cash flows were estimated on an individual loan basis based on current performance and collateral value, if the loan is collateral dependent. Contractual principal and interest cash flows were projected based on the payment type (i.e., amortizing or interest only), interest rate type (i.e., fixed or adjustable), interest rate index, weighted average maturity, weighted average interest rate, weighted average spread, and weighted average interest rate floor of each loan pool. The expected cash flows for each category were determined by estimating future credit losses using probabilities of default (PD), loss given default (LGD) and the rate of prepayments. Projected monthly cash flows were then discounted to present value based on discount rates developed from various sources including an analysis of State Bank’s newly originated loans, a buildup approach and market data. There was no carryover of State Bank’s ACL associated with the loans acquired.

The initial valuation of the acquired loans was not final due to the complexity and time involved in valuing loans. An estimate was recorded during the first quarter of 2019 based on the results of a valuation exercise conducted as of December 31, 2018, and applied to the January 1, 2019, balance of loans acquired from State Bank. During the remainder of 2019, we continued to analyze the valuations assigned to the acquired assets and assumed liabilities and our third-party valuation firm provided updated valuation assumptions for loans. These updated assumptions impacted the January 1, 2019, valuation estimates for the acquired loans. In addition, adjustments were made to deferred taxes and accrued expense balances based on new information resulting in the revised fair values displayed below. We updated our estimated fair values of these items within our Consolidated Balance Sheet with a corresponding adjustment to goodwill. These changes are gross of taxes and reflected in the following table:

(In thousands) **Acquired Asset or Liability**	**Balance Sheet Line Item**	**Provisional Estimate**	**Revised Estimate**	**Increase (Decrease)**
Loans	Loans	$ 3,324,056	$ 3,317,897	$ (6,159)
Current and deferred taxes	Other assets	2,125	6,026	3,901
Other liabilities	Other liabilities	76,278	76,368	90

The impact on the income statement resulting from the changes to the estimated fair values was insignificant. We completed our analysis of the assumptions and related valuation results associated with the acquired loans, and accordingly, the valuation of the loans is final as of December 31, 2019.

On January 1, 2019, the estimated fair value of the acquired non-credit impaired ("ANCI") loans acquired in the State Bank transaction was $3.2 billion, which is net of a $83.8 million discount. The gross contractual amounts receivable of the ANCI loans at acquisition was $3.9 billion, of which $0.2 billion is the amount of contractual cash flows not expected to be collected.

Prior to the adoption of CECL on January 1, 2020 (see Note 1), the Company accounted for and evaluated acquired credit impaired ("ACI") loans in accordance with the provisions of ASC Topic 310-30. When ACI loans exhibit evidence of credit deterioration since origination and it is probable at the date of acquisition that the Company will not collect all principal and interest payments in accordance with the terms of the loan agreement, the expected shortfall in future cash flows, as compared to the contractual amount due, is recognized as a non-accretable discount. Any excess of expected cash flows over the acquisition date fair value is known as the accretable discount and is recognized as accretion income over the life of each pool or individual loan. Information about the ACI loans acquired in the State Bank merger as of the acquisition date is as follows:

(In thousands)	**Acquired Credit Impaired Loans**
Contractually required principal and interest at acquisition	$ 143,283
Contractual cash flows not expected to be collected (nonaccretable difference)	54,954
Expected cash flows at acquisition	88,329
Accretable difference	10,053
Basis in acquired loans at acquisition - estimated fair value	$ 78,276

Intangible assets consisted of the core deposit intangible and the customer relationship intangible of a subsidiary. The core deposit intangible asset recognized of $111.9 million is being amortized over its estimated useful life of ten years utilizing an accelerated method. The benefit of the deposit base is equal to the difference in cash flows between maintaining the existing deposits and obtaining alternative funds over the life of the deposit base. The difference was tax effected and discounted to present value at a risk-adjusted discount rate. The valuation of the core deposit base includes estimates of the attrition rates for each deposit type based on historical attrition data and market participant information, in addition to estimates of total costs including interest cost, net maintenance cost, cost of reserves, and cost of float. The customer relationship and trademark intangible recognized of $3.7 million and $1.4 million are being amortized over estimated useful lives of ten and twenty years, respectively, using an accelerated method.

Goodwill of $175.7 million was recorded as a result of the transaction and is not amortized for financial statement purposes. All the goodwill was assigned to the Banking segment. The goodwill recorded was not deductible for income tax purposes.

Certificates of deposit, including IRAs, were valued by projecting out the expected cash flows based on the contractual terms of the certificates of deposit. The fair values of savings and transaction deposit accounts were assumed to approximate the carrying value as these accounts have no stated maturity and are payable on demand. These cash flows were discounted using the interest rates on fixed maturity deposits offered by Cadence and State Bank as of January 1, 2019 resulting in a $3.4 million discount amortized over a twelve-month period.

Unfunded commitments are contractual obligations by a financial institution for future funding as it relates to closed end or revolving lines of credit. The Company valued these unfunded commitments at $26.8 million and recorded a liability using the “Netback” method. Because the borrower can draw upon their credit anytime until maturity, the lender must increase its capital on hand to meet funding requirements. Therefore, the undrawn portion is considered a liability (or asset if the loan is valued above par) and is netted back against the asset or the drawn portion. Generally, amortization for revolving lines occurs straight-line over the life of the loan and for closed end loans using the effective yield method over the remaining life of the loan when the loan funds.

The following table presents certain unaudited pro forma information for the results of operations for the years ended December 31, 2019 and 2018, as if State Bank had been acquired on January 1, 2018. The pro forma results combine the historical results of State Bank into the Company’s consolidated income statements including the impact of certain acquisition accounting adjustments including loan discount accretion, investment securities discount accretion, intangible assets amortization and deposit premium accretion. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of what would have occurred had the acquisition taken place on January 1, 2018. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, provision for credit losses, expense efficiencies or asset dispositions. Merger-related costs of $28.0 million recorded in 2019 and $3.0 million recorded by Cadence and $29.9 million recorded by State Bank in 2018 are not included in the pro forma statements below.

	For the Years Ended December 31,	
	2019	2018
(In thousands)	Pro Forma	Pro Forma
Total revenues (net interest income and noninterest income)	$ 760,318	$ 770,372
Net income	185,452	262,029

Revenues and earnings of the acquired company since the acquisition date have not been disclosed as it is not practicable as State Bank was merged into the Company and separate financial information is not available.

Merger-related expenses of $3.4 million, $28.0 million, and $3.0 million incurred during 2020, 2019, and 2018, respectively, are recorded in the consolidated statements of operations and include incremental costs related to the closing of the transaction, including legal, accounting and auditing, investment banker fees, certain employment related costs, travel, printing, supplies, and other costs. The data processing systems conversion occurred in February 2019.

Wealth & Pension

On July 1, 2019, the Company’s wholly owned subsidiary, Linscomb & Williams, Inc., acquired certain assets and assumed certain liabilities of Wealth and Pension Services Group, Inc. (“W&P”), a fee-based investment advisory firm with its principal office in Atlanta, Georgia. The Company completed the accounting for the acquisition and the measurement period was closed on June 30, 2020. The total purchase consideration paid of $8.0 million included an initial cash payment of $5.2 million and future cash payments totaling approximately $2.1 million to be paid in installments over a five-year period pursuant to the Asset Purchase Agreement. W&P is also eligible for future earn-out payments pursuant to the Asset Purchase Agreement based on achieving certain levels of earnings growth over a three- and five-year period. Intangible assets with an estimated fair value of $4.8 million were recorded and are comprised primarily of customer relationships and noncompete agreements. We also recognized goodwill of $2.9 million in connection with the acquisition.

Note 3—Investment Securities

A summary of amortized cost and estimated fair value of securities available-for-sale at December 31, 2020 and 2019 is as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2020				
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
Total securities available-for-sale	$ 3,249,067	$ 88,193	$ 5,092	$ 3,332,168

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2019				
Securities available-for-sale:				
Obligations of U.S. government agencies	$ 69,464	$ 57	$ 415	$ 69,106
Mortgage-backed securities issued or guaranteed by U.S. agencies (MBS)				
Residential pass-through:				
Guaranteed by GNMA	98,122	1,205	245	99,082
Issued by FNMA and FHLMC	1,423,771	13,128	1,402	1,435,497
Other residential mortgage-backed securities	292,019	4,197	384	295,832
Commercial mortgage-backed securities	276,533	2,448	3,023	275,958
Total MBS	2,090,445	20,978	5,054	2,106,369
Obligations of states and municipal subdivisions	185,882	7,235	—	193,117
Total securities available-for-sale	$ 2,345,791	$ 28,270	$ 5,469	$ 2,368,592

The scheduled contractual maturities of securities available-for-sale at December 31, 2020 were as follows:

(In thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 333	$ 335
Due after one year through five years	1,119	1,109
Due after five years through ten years	125,818	125,747
Due after ten years	496,472	514,321
Mortgage-backed securities	2,625,325	2,690,656
Total	$ 3,249,067	$ 3,332,168

Proceeds from sales, gross gains, and gross losses on sales of securities available-for-sale for the years ended December 31, 2020, 2019, and 2018 are presented below. There were no impairment charges related to credit issues included in gross realized losses for the years ended December 31, 2020, 2019, and 2018. The specific identification method is used to reclassify gains and losses out of other comprehensive income at the time of sale.

	For the Year Ended December 31,		
(In thousands)	2020	2019	2018
Gross realized gains	$ 6,712	$ 3,536	$ 816
Gross realized losses	—	1,518	2,669
Realized gains (losses), net	$ 6,712	$ 2,018	$ (1,853)
Proceeds from sales of securities available-for-sale	$ 289,152	$ 393,716	$ 268,799

Securities with a carrying value of $1.3 billion and $629.4 million at December 31, 2020 and 2019, respectively, were pledged to secure public deposits, FHLB borrowings, 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:

	Unrealized Loss Analysis			
	Losses < 12 Months		Losses > 12 Months	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
December 31, 2020				
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

	Unrealized Loss Analysis			
	Losses < 12 Months		Losses > 12 Months	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
December 31, 2019				
Obligations of U.S. government agencies	$ 33,053	$ 209	$ 13,703	$ 206
Mortgage-backed securities	708,991	4,466	61,506	588
Obligations of states and municipal subdivisions	—	—	—	—
Total	$ 742,044	$ 4,675	$ 75,209	$ 794

As of December 31, 2020 and 2019, approximately 17% and 35%, respectively, of the fair value of securities in the investment portfolio reflected an unrealized loss. As of December 31, 2020, there were 14 securities that had been in a loss position for more than twelve months, and 47 securities that had been in a loss position for less than twelve months. As of December 31, 2020, 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, net of applicable taxes. None of the unrealized losses relate to the marketability of the securities or the issuer's ability to honor redemption of the obligations. As of December 31, 2020, 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 4—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 December 31, 2020 and December 31, 2019.

(In thousands)	December 31, 2020	December 31, 2019
Commercial and industrial	$ 33,339	$ 34,767
Commercial real estate	780	49,894
Consumer	12,899	2,988
Total loans held for sale(1)	$ 47,018	$ 87,649

(1) $0.1 million and $0.4 million of net accrued interest receivable is excluded from the loan balances above as of December 31, 2020 and 2019, respectively.

Loans

The following table presents total loans outstanding by portfolio segment and class of financing receivable as of December 31, 2020 and December 31, 2019. Outstanding balances include originated loans, Acquired Noncredit Impaired ("ANCI") loans, and Purchase Credit Deteriorated ("PCD") loans, formerly referred to as Acquired Credit Impaired ("ACI") loans. See Note 1 for additional information regarding the adoption of the new CECL accounting standard.

(In thousands)	December 31, 2020	December 31, 2019(2)
Commercial and industrial		
General C&I	$ 4,421,286	$ 4,517,016
Energy	1,310,612	1,419,957
Restaurant	971,662	1,027,421
Healthcare	547,491	474,264
Total commercial and industrial	7,251,051	7,438,658
Commercial real estate		
Industrial, retail, and other	1,683,975	1,691,694
Multifamily	776,494	659,902
Office	452,639	535,676
Total commercial real estate	2,913,108	2,887,272
Consumer		
Residential	2,452,865	2,568,295
Other	102,105	89,430
Total consumer	2,554,970	2,657,725
Total(1)	$ 12,719,129	$ 12,983,655

(1) $47.0 million and $44.5 million of net accrued interest receivable is excluded from the total loan balances above as of December 31, 2020 and 2019, respectively.
(2) December 31, 2019 balances have been reclassified to conform to 2020 presentation for comparability purposes.

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.

In response to the COVID-19 pandemic, the Company has taken several actions to offer various forms of support to its customers, employees, and communities that have experienced impacts from this development. The Company is actively working with customers impacted by the economic downturn, including continuing to secure loans for our customers under the PPP.

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

(In thousands)	Amortized Cost	% of PPP Portfolio
Commercial and industrial		
General C&I	$ 648,458	69.1%
Energy	76,228	8.1
Restaurant	134,454	14.4
Healthcare	79,120	8.4
Total PPP loans	$ 938,260	100.0%
As a % of total loans	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 (“SCRMC”). The SCRMC is responsible for reviewing the Company’s credit portfolio management information, including asset quality trends, concentration reports, policy, financial and documentation exceptions, delinquencies, charge-offs, and nonperforming assets.

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.

Under the Company’s dual credit risk rating (“DCRR”) system, it is the Company’s policy to assign risk ratings to all commercial loan (C&I and CRE) exposures using the Company’s 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. The Company uses 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”). Each component is assessed using a multitude of both qualitative and quantitative scoring elements, which will generate a percentage for each component. The key elements assessed in the scorecard for PD are financial performance and trends as well as qualitative measures. The key elements for LGD are collateral quality and the structure of the loan. The PD percentage and LGD percentage are converted into PD and LGD risk ratings for each loan. The PD rating is used as the Company’s risk grade of record. Loans with PD ratings of 1 through 8 are loans that the Company rates 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 exists. 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. The following is a qualitative description of the Company’s loan classifications:

- Pass—For loans within this risk rating, 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—A special mention loan has identified 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. Special mention assets contain greater than acceptable risk to warrant increases in credit exposure and are thus considered non-pass rated credits.

- Substandard—A substandard loan is 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 classified as doubtful 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 classified loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this worthless loan even though partial recovery may be affected in the future. 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.

An important aspect of the Company's assessment of risk is the ongoing completion of periodic risk rating reviews. As part of these reviews, the Company seeks to review the risk ratings of each facility within a customer relationship and may recommend an upgrade or downgrade to the risk ratings. The Company's 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 shared national credits ("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 ratings 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 review, such as relationships where the Company's exposure is cash-secured.

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.

The approval of the Company's Senior Loan Committee is generally required for relationships in an amount greater than $5.0 million. For loans in an amount greater 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.

ACL Rollforward and Analysis. The following tables provide a summary of the activity in the ACL and the reserve for unfunded commitments for each of the three years in the period ended December 31, 2020 .

	For the Year Ended December 31, 2020					
(In thousands)	**Commercial and Industrial**	**Commercial Real Estate**	**Consumer**	**Total Allowance for Credit Losses**	**Reserve for Unfunded Commitments(1)**	**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	157,580	117,792	2,411	277,783	265	278,048
Charge-offs	(96,277)	(14,283)	(1,776)	(112,336)	—	(112,336)
Recoveries	3,315	1,760	1,145	6,220	—	6,220
As of December 31, 2020	$ 187,365	$ 141,187	$ 38,608	$ 367,160	$ 2,296	$ 369,456

Allocation of ending ACL				
Loans collectively evaluated	$ 159,513	$ 141,187	$ 38,608	$ 339,308
Loans individually evaluated	27,852	—	—	27,852
ACL as of December 31, 2020	$ 187,365	$ 141,187	$ 38,608	$ 367,160
Loans (amortized cost)				
Loans collectively evaluated	$ 7,150,581	$ 2,900,443	$ 2,553,169	$ 12,604,193
Loans individually evaluated	100,470	12,665	1,801	114,936
Loans as of December 31, 2020(2)	$ 7,251,051	$ 2,913,108	$ 2,554,970	$ 12,719,129

(1) The reserve for unfunded commitments is included in other liabilities on the consolidated balance sheets at December 31, 2020 and 2019.
(2) $47.0 million of net accrued interest receivable is excluded from the loan balances above as of December 31, 2020.

(In thousands)	For the Year Ended December 31, 2019 Commercial and Industrial	Commercial Real Estate	Consumer	Small Business	Total Allowance for Credit Losses
As of December 31, 2018	$ 66,316	$ 10,452	$ 13,703	$ 3,907	$ 94,378
Provision for credit losses	96,669	7,556	3,259	3,543	111,027
Charge-offs	(79,590)	(3,970)	(1,802)	(1,639)	(87,001)
Recoveries	914	55	232	38	1,239
As of December 31, 2019(1)	$ 84,309	$ 14,093	$ 15,392	$ 5,849	$ 119,643
Allocation of ending ACL					
Loans collectively evaluated for impairment	$ 69,953	$ 14,071	$ 15,311	$ 5,786	$ 105,121
Loans individually evaluated for impairment	14,356	22	81	63	14,522
ACL as of December 31, 2019(1)	$ 84,309	$ 14,093	$ 15,392	$ 5,849	$ 119,643
Loans					
Loans collectively evaluated for impairment	$ 6,743,296	$ 2,759,609	$ 2,674,846	$ 731,734	$ 12,909,485
Loans individually evaluated for impairment	129,433	13,063	3,139	2,503	148,138
Loans as of December 31, 2019(1)	$ 6,872,729	$ 2,772,672	$ 2,677,985	$ 734,237	$ 13,057,623

(1) Allowance for credit losses and loan balances as calculated and reported under the incurred loss accounting model and reported at December 31, 2019.

(In thousands)	For the Year Ended December 31, 2018 Commercial and Industrial	Commercial Real Estate	Consumer	Small Business	Total Allowance for Credit Losses
As of December 31, 2017	$ 55,919	$ 11,990	$ 14,983	$ 4,684	$ 87,576
Provision for credit losses	15,708	(1,837)	(900)	(271)	12,700
Charge-offs	(6,709)	(2)	(716)	(618)	(8,045)
Recoveries	1,398	301	336	112	2,147
As of December 31, 2018(1)	$ 66,316	$ 10,452	$ 13,703	$ 3,907	$ 94,378
Allocation of ending ACL					
Loans collectively evaluated for impairment	$ 59,016	$ 10,452	$ 13,471	$ 3,800	$ 86,739
Loans individually evaluated for impairment	7,300	—	232	107	7,639
ACL as of December 31, 2018(1)	$ 66,316	$ 10,452	$ 13,703	$ 3,907	$ 94,378
Loans					
Loans collectively evaluated for impairment	$ 6,116,751	$ 1,323,483	$ 2,292,637	$ 266,004	$ 9,998,875
Loans individually evaluated for impairment	80,591	7,256	2,116	279	90,242
Loans as of December 31, 2018(1)	$ 6,197,342	$ 1,330,739	$ 2,294,753	$ 266,283	$ 10,089,117

(1) Allowance for credit losses and loan balances as calculated and reported under the incurred loss accounting model and reported at December 31, 2018.

As described in Note 1, the Company adopted the new CECL accounting standard on January 1, 2020, which increased the ACL by $75.9 million. The ACL was increased an additional $277.8 million in provision in 2020 which reflects the forecasted effects of COVID-19 on the various loan segments due to higher unemployment, lower GDP, market values, and real estate prices. 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, energy prices, and previous recessions. Loan charge-offs recognized during 2020 are higher than 2019 as a result of credit migration that has occurred primarily in the Restaurant, Energy, General C&I and CRE (including hospitality) classes with the most significant impact being COVID related.

The Company's individually evaluated loans totaling $114.9 million at December 31, 2020 are considered collateral dependent loans and generally are considered impaired (Note 1). 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 December 31, 2020. 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 2020 vintage relate to credits in resolution.

	Amortized Cost Basis by Origination Year								
(In thousands)	**2020**	**2019**	**2018**	**2017**	**2016**	**2015 and Prior**	**Revolving Loans**	**Revolving Credits Converted to Term Loans**	**Total**
Commercial and industrial									
Pass	$ 1,614,921	$ 597,105	$ 831,795	$ 606,972	$ 327,607	$ 575,309	$ 2,047,533	$ 5,575	$ 6,606,817
Special mention	223	17,448	26,596	104	18,215	1,563	147,166	205	211,520
Substandard	29,368	15,707	82,014	24,187	18,741	88,084	124,178	22,750	405,029
Doubtful	—	—	13,380	119	2,337	6,027	5,822	—	27,685
Total commercial and industrial	1,644,512	630,260	953,785	631,382	366,900	670,983	2,324,699	28,530	7,251,051
Commercial real estate									
Pass	411,332	529,692	630,384	460,894	170,361	382,175	114,594	241	2,699,673
Special mention	762	23,956	31,159	32,228	4,796	2,301	192	—	95,394
Substandard	—	191	19,211	38,723	27,696	31,928	292	—	118,041
Doubtful	—	—	—	—	—	—	—	—	—
Total commercial real estate	412,094	553,839	680,754	531,845	202,853	416,404	115,078	241	2,913,108
Consumer									
Current	471,602	413,598	495,933	260,604	254,582	396,775	228,483	168	2,521,745
30-59 days past due	6	1,417	2,405	272	2,147	8,136	2,767	—	17,150
60-89 days past due	—	563	1,391	139	351	1,256	—	—	3,700
90+ days past due	—	806	6,044	901	631	3,993	—	—	12,375
Total consumer	471,608	416,384	505,773	261,916	257,711	410,160	231,250	168	2,554,970
Total(1)	$ 2,528,214	$ 1,600,483	$ 2,140,312	$ 1,425,143	$ 827,464	$ 1,497,547	$ 2,671,027	$ 28,939	$ 12,719,129

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

Past Due

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

	Age Analysis of Past-Due Loans as of December 31, 2020						
(In thousands)	**30-59 Days Past Due**	**60-89 Days Past Due**	**90+ Days Past Due**	**Total**	**Current**	**Total(1)**	**90+ Days Past Due and Accruing**
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.

(In thousands)	Age Analysis of Past-Due Loans as of December 31, 2019 30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total	Current	Total(1)	90+ Days Past Due and Accruing
Commercial and industrial							
General C&I	$ 23,143	$ 1,117	$ 15,183	$ 39,443	$ 4,477,573	$ 4,517,016	$ 85
Energy	—	—	8,166	8,166	1,411,791	1,419,957	—
Restaurant	1,219	1,284	8,021	10,524	1,016,897	1,027,421	108
Healthcare	497	41	4,143	4,681	469,583	474,264	—
Total commercial and industrial	24,859	2,442	35,513	62,814	7,375,844	7,438,658	193
Commercial real estate							
Industrial, retail, and other	3,354	133	2,255	5,742	1,685,952	1,691,694	—
Multifamily	—	—	—	—	659,902	659,902	—
Office	253	—	1,219	1,472	534,204	535,676	—
Total commercial real estate	3,607	133	3,474	7,214	2,880,058	2,887,272	—
Consumer							
Residential	8,967	6,101	7,292	22,360	2,545,935	2,568,295	887
Other	192	37	54	283	89,147	89,430	40
Total consumer	9,159	6,138	7,346	22,643	2,635,082	2,657,725	927
Total	$ 37,625	$ 8,713	$ 46,333	$ 92,671	$ 12,890,984	$ 12,983,655	$ 1,120

(1) $44.5 million of net accrued interest receivable is excluded from the loan balances above as of December 31, 2019.

Nonaccrual Status

The following table provides information about nonaccruing loans by portfolio segment and class of financing receivable as of and for the year ended December 31, 2020.

(In thousands)	Nonaccrual Loans - Amortized Cost Beginning of the Period(1)	End of the Period	No Allowance Recorded	90+ Days Past Due and Accruing(2)	Interest Income Recognized Three Months Ended December 31, 2020	Year Ended December 31, 2020
Commercial and industrial						
General C&I	$ 66,589	$ 34,363	$ 4,444	$ 9,130	$ 453	$ 475
Energy	9,568	20,241	1,692	—	10	20
Restaurant	53,483	53,856	19,289	—	7	58
Healthcare	4,833	951	—	—	52	52
Total commercial and industrial	134,473	109,411	25,425	9,130	522	605
Commercial real estate						
Industrial, retail, and other	5,935	7,301	4,816	125	73	156
Multifamily	—	—	—	—	—	—
Office	1,245	7,258	7,176	—	13	13
Total commercial real estate	7,180	14,559	11,992	125	86	169
Consumer						
Residential	15,101	14,028	1,101	4,625	503	616
Other	24	4	—	—	3	12
Total consumer	15,125	14,032	1,101	4,625	506	628
Total	$ 156,778	$ 138,002	$ 38,518	$ 13,880	$ 1,114	$ 1,402

(1) Amounts are not comparable to prior period public filings due to our adoption of CECL on January 1, 2020. Prior to this date, pools of individual ACI loans were excluded because they continued to earn interest income from the accretable yield at the pool level. With the adoption of CECL, the pools were discontinued, and performance is based on contractual terms for individual loans. Additionally, prior to January 1, 2020, nonaccrual balances were presented using recorded investment. Upon adoption of CECL, approximately $43.0 million of ACI loans were reclassed to nonaccrual loans.
(2) $0.2 million of net accrued interest receivable is excluded from the loan balances above as of December 31, 2020.

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.

	For the Year Ended December 31,					
	2020		2019		2018	
(Dollars in thousands)	**Number of TDRs**	**Amortized Cost(1)**	**Number of TDRs**	**Recorded Investment**	**Number of TDRs**	**Recorded Investment**
Commercial and industrial						
General C&I	4	$ 8,830	4	$ 9,692	—	$ —
Energy	1	7,799	1	5,442	1	14,486
Restaurant	2	20,655	4	20,934	2	11,262
Healthcare	—	—	—	—	2	4,587
Commercial real estate						
Industrial, retail, and other	—	—	1	—	1	50
Total	7	$ 37,284	10	$ 36,068	6	$ 30,385

(1) There was no net accrued interest receivable recorded on the loan balances above as of December 31, 2020.

For the three years ended December 31, 2020 , the Company had no TDRs for which there was a payment default within the 12 months following the restructure date. During the year ended December 31, 2020, approximately $26.6 million in charge-offs were taken related to two general C&I loans that were modified into a TDR during the same period. During the year ended December 31, 2019, approximately $49.7 million in charge-offs were taken related to commercial and industrial loans modified into TDRs during the same period. For the year ended December 31, 2018, there was one commercial specialized lending customer with a combined recorded investment of $11.8 million which experienced payment default in the year of modification.

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

	For the Year Ended December 31,					
	2020		2019		2018	
	Number of Loans Modified by:					
	Rate Concession	Modified Terms and/or Other Concessions	Rate Concession	Modified Terms and/or Other Concessions	Rate Concession	Modified Terms and/or Other Concessions
Commercial and industrial						
General C&I	—	4	—	4	—	—
Energy	1	—	—	1	—	1
Restaurant	—	2	—	4	—	2
Healthcare	—	—	—	—	1	1
Commercial real estate						
Industrial, retail, and other	—	—	—	1	1	—
Total	1	6	—	10	2	4

Residential Mortgage Loans in Process of Foreclosure

Included in loans are $1.6 million and $4.4 million of consumer loans secured by single family residential real estate that are in process of foreclosure at December 31, 2020 and December 31, 2019, respectively. 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 and $151 thousand of foreclosed single-family residential properties in other real estate owned as of December 31, 2020 and December 31, 2019, respectively.

Note 5—Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization, as follows:

(In thousands)	Estimated Useful Life in Years	December 31, 2020	December 31, 2019
Premises:			
Land	—	$ 38,186	$ 38,402
Buildings, construction and improvements [1]	2-40	98,369	94,886
Total premises		136,555	133,288
Equipment	3-10	47,056	53,517
Total premises and equipment		183,611	186,805
Less: Accumulated depreciation and amortization		(59,981)	(58,938)
Total premises and equipment, net		$ 123,630	$ 127,867

(1) Leasehold improvements are depreciated over the lesser of the estimated useful life or the lease term.

Depreciation expense was $11.2 million, $11.7 million and $7.6 million for 2020, 2019, and 2018, respectively.

Included in other assets is net software cost totaling $7.2 million and $6.5 million as of December 31, 2020 and 2019, respectively. Software amortization expense was $4.0 million, $3.4 million, and $1.7 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Note 6—Goodwill and Other Intangible Assets

The following table summarizes the Company's goodwill and other intangible assets at December 31, 2020 and 2019:

(In thousands)	December 31, 2020	December 31, 2019
Goodwill	$ 43,061	$ 485,336
Core deposit intangible, net of accumulated amortization of $79,836 and $60,836, respectively	71,788	90,788
Customer lists, net of accumulated amortization of $24,155 and $21,908, respectively	9,696	11,993
Noncompete agreements, net of accumulated amortization of $343 and $137, respectively	1,012	1,473
Trademarks, net of accumulated amortization of $150 and $75, respectively	1,284	1,359
Total goodwill and intangible assets, net	$ 126,841	$ 590,949

In accordance with US GAAP, the Company performs annual tests to identify potential impairment of goodwill. The tests are required to be performed annually and more frequently if events or circumstances indicate a potential impairment may exist. The Company compares the fair value of each reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Considering the economic conditions resulting from the COVID-19 pandemic, the Company conducted an interim goodwill impairment test in the first quarter of 2020. The interim test indicated a goodwill impairment of $443.7 million within the Banking reporting unit resulting in the Company recording an impairment charge of the same amount in the first quarter of 2020. The primary causes of the goodwill impairment in the Banking reporting unit were economic and industry conditions resulting from the COVID-19 pandemic that caused volatility and reductions in the market capitalization of the Company and its 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. The fair value of the reporting unit was determined using an income approach under the framework established for measuring fair value under ASC 820.

The Company has $43.1 million in goodwill remaining in its separate reporting units of Trust, Retail Brokerage and Investment Service businesses for which the Company's fourth quarter 2020 quantitative and qualitative assessments of the businesses did not indicate any impairment. The fair values of the reporting units are based upon management's estimates and assumptions. Although management has used the estimates and assumptions it believes to be most appropriate in the circumstances, it should be noted that even relatively minor changes in certain assumptions used in management's calculations could result in significant differences in the results of the impairment tests.

The following table represents changes to the carrying amount of goodwill by segment for the period reported.

(In thousands)	Banking	Financial Services	Corporate	Consolidated
Balance as of December 31, 2019	$ 442,579	$ 42,757	$ —	$ 485,336
Additions:				
Wealth & Pension acquisition	—	304	—	304
Other	1,116	—	—	1,116
Losses:				
Impairment	(443,695)	—	—	(443,695)
Balance as of December 31, 2020	$ —	$ 43,061	$ —	$ 43,061

During the first quarter of 2020, goodwill assigned to banking increased by $1.1 million related to the State Bank acquisition. There was an increase year-to-date of $0.3 million in goodwill related to the acquisition from Wealth & Pension Services Group, Inc. on July 1, 2019 by the Bank's subsidiary, Linscomb & Williams, Inc. (see Note 2).

The estimated aggregate amortization expense for core deposit intangibles, customer relationships, and other intangible assets is estimated as follows:

(In thousands)	
2021	$ 19,042
2022	16,572
2023	14,102
2024	11,631
2025 and thereafter	22,408

Note 7—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 in the accompanying consolidated balance sheets and in the net change in each of these financial statement line items in the accompanying consolidated statements of cash flows. For derivatives not designated as hedging instruments or determined to be an ineffective hedge under the accounting guidance, gains and losses due to changes in fair value are included in noninterest income and the operating section of the consolidated statement of cash flows. For derivatives designated as hedging instruments, the entire change in the fair value related to the derivative instrument is recognized as a component of other comprehensive income and subsequently reclassified into interest income when the forecasted transaction affects income. The notional amounts and estimated fair values as of December 31, 2020 and 2019 were as follows:

	December 31, 2020			December 31, 2019		
		Fair Value			Fair Value	
(In thousands)	**Notional Amount**	**Other Assets**	**Other Liabilities**	**Notional Amount**	**Other Assets**	**Other Liabilities**
Derivatives designated as hedging instruments (cash flow hedges):						
Commercial loan interest rate swaps	$ 350,000	$ 22,560	$ —	$ 350,000	$ —	$ 643
Commercial loan interest rate collars	—	—	—	4,000,000	239,213	—
Total derivatives designated as hedging instruments	350,000	22,560	—	4,350,000	239,213	643
Derivatives not designated as hedging instruments:						
Commercial loan interest rate swaps	1,200,581	20,699	1,647	1,008,805	8,386	899
Commercial loan interest rate caps	162,479	4	4	167,185	18	18
Commercial loan interest rate floors	560,048	11,986	11,986	654,298	8,836	8,836
Commercial loan interest rate collars	66,665	305	305	75,555	257	257
Mortgage loan held-for-sale interest rate lock commitments	33,458	531	—	4,138	22	—
Mortgage loan forward sale commitments	11,081	112	—	4,109	26	—
Mortgage loan held-for-sale floating commitments	4,206	—	—	1,523	—	—
Foreign exchange contracts	89,707	780	1,058	74,322	379	558
Total derivatives not designated as hedging instruments	2,128,225	34,417	15,000	1,989,935	17,924	10,568
Total derivatives	$ 2,478,225	$ 56,977	$ 15,000	$ 6,339,935	$ 257,137	$ 11,211

The Company is party to collateral support agreements with certain derivative counterparties. Such agreements require that the Company maintain collateral based on the fair values of derivative transactions. In the event of default by the Company, the counterparty would be entitled to the collateral. At December 31, 2020 and 2019, the Company was required to post $11.4 million and $10.6 million, respectively, in cash or securities as collateral for its derivative transactions, which are included in "interest-bearing deposits in banks" on the Company's consolidated balance sheets. In addition, the Company had recorded the obligation to return cash collateral provided by counterparties of $19.1 million as of December 31, 2020 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 (losses) for derivatives not designated as hedging instruments in noninterest income on the consolidated statements of operations. For the years ended December 31, 2020, 2019, and 2018, the gains (losses) for mortgage loans held for sale interest rate lock commitments totaled $509 thousand, $(49) thousand, and $22 thousand, respectively. Foreign exchange contract gains totaled $3.0 million, $3.8 million, and $2.2 million for the years ended December 31, 2020, 2019, and 2018.

The pre-tax gains (losses) included in the consolidated statements of operations related to derivatives designated as hedging instruments are presented below for each of the three years ended December 31:

	2020			2019			2018		
(In thousands)	OCI	Reclassified from AOCI to interest income	Reclassified from AOCI to noninterest income	OCI	Reclassified from AOCI to interest income	Reclassified from AOCI to noninterest income	OCI	Reclassified from AOCI to interest income	Reclassified from AOCI to noninterest income
Derivatives in cash flow hedges:									
Commercial loan interest rate swaps	$ 26,652	$ 3,448	$ —	$ 18,654	$ (4,670)	$ —	$ (7,711)	$ (5,164)	$ —
Commercial loan interest rate collars	151,514	61,994	169,248	133,758	9,633	—	—	—	—

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 to manage overall cash flow changes related to interest rate risk exposure on benchmark interest rate loans (1-Month LIBOR).

In February 2019, the Company executed a $4.0 billion notional interest rate collar with a five-year term on one-month LIBOR loans designed to protect earnings in a down-rate environment. In March 2020, the collar was terminated, resulting in a $261.2 million realized gain initially recorded in other comprehensive income ("OCI") net of deferred income taxes. The value received in exchange for the termination assumed an average 1-month LIBOR rate of 0.5785% over the next four years. Under hedge accounting, 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 (one-month LIBOR loans that either have no interest rate floor or have not reached their floor rate). Due to the economic impacts of the COVID-19 pandemic, our forecast now anticipates a partial shortfall of hedge-eligible loans which began in the fourth quarter of 2020 and continuing throughout the remaining term of the original hedge. This results in an accounting designation of partial ineffectiveness. As a result, in the fourth quarter of 2020, we recognized accelerated hedge revenue of $169.2 million.

The revised forecast projections related to the remaining net gain of the terminated collar are still probable of occurring within the originally specified time period. As such, the remaining gain of $35.4 million included in OCI at December 31, 2020, is expected to be reclassified into interest income in future periods in which the forecasted transactions are expected to occur.

At December 31, 2020, the Company has outstanding the following interest rate swap agreements to manage overall cash flow changes related to interest rate risk exposure on benchmark interest rate loans.

Effective Date	Maturity Date	Notional Amount (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

Based on our current interest rate forecast, $38.7 million of deferred net gain on derivatives in OCI at December 31, 2020 is estimated to be reclassified into net interest income during the next twelve months due to the receipt of interest. Significant changes to future interest rates or the amount of outstanding hedged loans could accelerate the timing of the gain's reclassification to income. There were no reclassifications into income during 2019 and 2018, as a result of any discontinuance of cash flow hedges because the forecasted transaction was 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 5.17 years as of December 31, 2020.

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 agreement with a loan customer while at the same time entering into an offsetting interest rate agreement with another financial institution. In connection with each swap transaction, the Company agrees to pay interest to the customer on a notional amount at a variable interest rate and receive interest from the customer on a similar notional amount at a fixed interest rate. At the same time, the Company agrees to pay another financial institution the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. The interest rate swap transaction allows the Company's customer to effectively convert a variable rate loan to a fixed rate. The interest rate cap transaction allows the Company's customer to minimize interest rate risk exposure to rising interest rates. Because the Company acts as an intermediary for its customer, changes in the fair value of the underlying derivative contracts for the most part offset each other and do not significantly impact the Company's consolidated statements of income. The Company is exposed to credit loss in the event of nonperformance by the parties to the interest rate agreements. However, the Company does not anticipate nonperformance by the counterparties. The estimated fair value has been recorded as an asset and a corresponding liability in the accompanying consolidated balance sheets as of December 31, 2020 and 2019.

Note 8—Leases

On January 1, 2019, the Company adopted ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize right-of-use ("ROU") assets and related lease liabilities on their consolidated balance sheets for all arrangements with terms longer than 12 months. Operating ROU assets represent a right to use an underlying asset for the contractual lease term. Operating lease liabilities represent an obligation to make lease payments arising from the lease. ROU assets and related liabilities are recognized at commencement date based upon the present value of lease payments over the lease term.

The Company's operating ROU assets represent both real estate and non-real estate leases. The Company leases various premises and equipment under operating leases. The leases have varying terms, with most containing renewal or first-right-of-refusal options for multi-year periods and annual increases in base rates.

The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2020:

(In thousands)	Property	Equipment	Total
2021	$ 13,069	$ 10	$ 13,079
2022	10,573	18	10,591
2023	9,148	12	9,160
2024	4,840	—	4,840
2025	3,520	—	3,520
Thereafter	19,225	—	19,225
Total minimum lease payments	$ 60,375	$ 40	$ 60,415

Rental expense for premises and equipment, net of rental income, for the years ended December 31, 2020, 2019, and 2018, was $17.0 million, $17.4 million, and $12.1 million, respectively. The major portion of equipment rental expense is related to office equipment and is paid on a month-to-month basis. For the years ended December 31, 2020 and 2019, rental expense for premises includes approximately $6.2 million and $6.4 million, respectively, of cash rent related to the non-lease components of cash paid for items such as operating expenses and utilities. In accordance with ASC 842, we only capitalize the portion of the rent which pertains to leasing the physical space of the premises or other items such as reserved parking spaces not paid for in addition to rent. The components of lease cost were as follows:

(In thousands)	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating lease cost	$ 10,080	$ 10,201
Short-term lease cost	—	97
Sublease income	(1,306)	(1,659)
Total lease cost	$ 8,774	$ 8,639

The Company elected to exempt the short-term lease from the recognition requirements as permitted under ASU No. 2016-02. The lease cost was recognized on a straight-line basis. As of December 31, 2020, a right-of-use asset of $56.9 million and an operating lease liability of $67.3 million were included as part of other assets and other liabilities, respectively, on the consolidated balance sheets, compared to $66.1 million and $77.4 million, respectively, as of December 31, 2019. Supplemental balance sheet information related to operating leases was as follows:

(Dollars in thousands)	As of December 31, 2020	As of December 31, 2019
Weighted average remaining lease term (in years)	11.9	12.3
Weighted average discount rate	4.7%	4.7%

The following table presents a maturity analysis of the Company's operating lease liabilities as of December 31, 2020:

(In thousands)		
2021	$	11,075
2022		9,225
2023		8,419
2024		6,902
2025		6,520
Thereafter		46,988
Total lease payments		89,129
Less: interest		(21,814)
Operating lease liability	$	67,315

Note 9—Deposits

Domestic time deposits $250,000 and over were $486.3 million and $644.1 million at December 31, 2020 and 2019, respectively. There were no foreign time deposits at either December 31, 2020 or 2019.

At December 31, 2020, the scheduled maturities of time deposits included in interest-bearing deposits were as follows:

(In thousands)		
2021	$	1,915,545
2022		246,702
2023		59,159
2024		10,925
2025 and thereafter		8,683
Total	$	2,241,014

Note 10—Borrowed Funds

Senior and Subordinated Debt

In June 2019, the Company 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 were used to redeem our 4.875% senior notes due June 28, 2019. The fixed rate will remain at 4.75% until June 30, 2024, at which point the note will convert to a floating rate. In June 2014, the Company and the Bank completed an unregistered $245 million multi-tranche debt transaction and in March 2015, the Company completed an unregistered $50 million debt transaction. The subordinated note due June 28, 2029 will convert to a floating rate on June 28, 2024. The subordinated note due March 11, 2025 converted to a floating rate on March 11, 2020. The Bank's subordinated note will convert from a fixed rate to a floating rate on June 28, 2024. These transactions enhanced our liquidity and regulatory capital levels to support balance sheet growth. Details of the debt transactions are as follows:

(In thousands)	December 31, 2020	December 31, 2019
Cadence Bancorporation:		
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 (1)	40,000	40,000
4.750% subordinated notes, due June 30, 2029, callable in 2024	85,000	85,000
Total — Cadence Bancorporation	210,000	210,000
Cadence Bank:		
6.250% subordinated notes, due June 28, 2029, callable in 2024	25,000	25,000
Debt issue costs and unamortized premium	(1,670)	(2,350)
Total senior and subordinated debt	$ 233,330	$ 232,650

(1) On February 5, 2021, we provided formal notification that we intend to call these subordinated notes as of March 11, 2021. All necessary approvals have been received from our Board of Directors and the Federal Reserve.

The senior notes were structured with a seven year maturity to provide holding company liquidity and to stagger the Company's 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.

The Company's outstanding senior note is unsecured, unsubordinated obligations and is equal in right of payment to all the Company's other unsecured debt. The Company's subordinated notes are unsecured obligations and will be subordinated in right of payment to all the Company's senior indebtedness and general creditors and to depositors at the Bank. The Company's senior notes 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

In conjunction with the Company's acquisition of Cadence Financial Corporation and Encore Bank, N.A., the junior subordinated debentures were marked to fair value as of their respective acquisition dates. The related mark is being amortized over the remaining term of the junior subordinated debentures. The following is a list of junior subordinated debt:

(In thousands)	December 31, 2020	December 31, 2019
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	(12,982)	(13,174)
Total junior subordinated debentures	$ 37,637	$ 37,445

Advances from FHLB and Borrowings from FRB

Outstanding FHLB advances were $100 million at December 31, 2020 and 2019. At December 31, 2020, the outstanding advance was a long-term convertible advance. Advances and letters of credit outstanding are collateralized by $3.8 billion of commercial and residential real estate loans pledged under a blanket lien arrangement as of December 31, 2020. At December 31, 2020, there remained $1.1 billion of borrowing availability.

As of December 31, 2020, and 2019, the FHLB has issued for the benefit of the Bank irrevocable letters of credit with an outstanding balance of $1.3 billion and $391 million, respectively. Included in the FHLB letters of credit are $712 million variable letters of credit in favor of municipal customers to secure certain deposits expiring March 1, 2021. Additionally, there were short-term letters of credit totaling $605 million issued to a certain municipal customer that matured on January 4, 2021 and approximately $4 million in letters of credit are used to secure municipal deposits which expired on January 22, 2021.

There were no borrowings from the FRB discount window as of December 31, 2020 and 2019. Any borrowings from the FRB will be collateralized by $1.6 billion in commercial loans and small business loans under the Paycheck Protection Program pledged under a borrower-in-custody arrangement.

Notes Payable

On July 1, 2019, the Company's wholly owned subsidiary, Linscomb & Williams, Inc., acquired certain assets and assumed certain liabilities of Wealth and Pension Services Group, Inc. ("W&P"). At December 31, 2020, a note payable of $1.7 million was outstanding in connection with this acquisition (see Note 2).

Note 11—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:

	Year Ended December 31,		
(In thousands)	**2020**	**2019**	**2018**
Other noninterest income			
Insurance revenue	$ 960	$ 878	$ 2,677
Income from bank owned life insurance policies	5,191	4,971	3,450
Other	231	6,881	6,033
Total other noninterest income	$ 6,382	$ 12,730	$ 12,160

	Year Ended December 31,		
(In thousands)	**2020**	**2019**	**2018**
Other noninterest expenses			
Data processing expense	$ 12,507	$ 13,013	$ 8,775
Software amortization	16,495	13,352	5,929
Consulting and professional fees	12,485	10,301	13,285
Loan related expenses	2,574	2,346	3,145
FDIC insurance	11,910	5,394	4,645
Communications	4,453	5,116	2,773
Advertising and public relations	4,057	5,017	2,523
Legal expenses	2,398	1,608	3,732
Other	40,250	41,753	22,373
Total other noninterest expenses	$ 107,129	$ 97,900	$ 67,180

Note 12—Income Taxes

The components of the consolidated income tax expense are as follows:

(In thousands)	For the Years Ended December 31, 2020	2019	2018
Current:			
Federal	$ 81,736	$ 41,863	$ 36,862
State	6,380	6,640	3,791
Total current expense	88,116	48,503	40,653
Deferred:			
Federal	(55,292)	11,012	3,791
State	(5,488)	828	673
Total deferred (benefit) expense	(60,780)	11,840	4,464
Total income tax expense	$ 27,336	$ 60,343	$ 45,117

Income tax expense as shown in the consolidated statements of operations differs from the amounts computed by applying the U.S. federal income tax statutory rate of 21% to income before income taxes. A reconciliation of the differences is presented below:

(In thousands)	For the Years Ended December 31, 2020	2019	2018
Computed income tax (benefit) expense at statutory rate	$ (37,420)	$ 55,083	$ 44,389
Effects of tax reform	—	—	(284)
Tax exempt interest, net	(1,256)	(952)	(1,609)
Income on bank owned life insurance	(1,086)	(1,036)	(717)
State tax expense	704	5,900	3,527
Goodwill impairment charge	65,807	—	—
Goodwill write-off on sale of subsidiary assets	—	—	2,254
One-time bad debt deduction on legacy loan portfolio	—	—	(5,565)
Other, net	587	1,348	3,122
Total income tax expense	$ 27,336	$ 60,343	$ 45,117

The significant components of the Company's deferred tax assets and liabilities as of December 31, 2020 and 2019 are as follows:

(In thousands)	As of December 31, 2020	As of December 31, 2019
Deferred income tax assets:		
Allowance for credit losses	$ 79,866	$ 25,950
Lease liability	15,740	18,235
Deferred compensation	4,769	4,562
Accrued compensation	1,714	3,355
Net operating loss carryforwards	10,282	11,524
Alternative minimum tax credit carryover	—	489
Other	4,068	2,847
Tax basis difference in acquired assets		
Loans	5,921	8,756
Investment securities	594	1,344
Other	629	2,183
Total deferred income tax assets	123,583	79,245
Valuation allowance	(515)	—
Total deferred income tax assets	123,068	79,245
Deferred income tax liabilities:		
Tax basis difference in acquired assets		
Intangible assets	4,665	37,647
Other	3,286	3,379
Right of use assets	13,306	15,550
Premises and equipment	4,593	4,941
Unrealized gain on securities, net	19,554	5,265
Unrealized gain on derivative instruments	5,347	28,550
Other	8,618	8,895
Total deferred income tax liabilities	59,369	104,227
Net deferred income tax asset (liability)	$ 63,699	$ (24,982)

At December 31, 2020, we had a net deferred income tax asset of $63.7 million compared to a net deferred income tax liability of $25.0 million at December 31, 2019. The increase in the net deferred asset was primarily due to the adoption of CECL, impact of the goodwill impairment charge on tax deductible goodwill, the increase in the allowance for credit losses, and changes in market conditions that impacted the mark to market deferred tax adjustments on securities available-for-sale and on cash flow hedges including the termination of the interest rate collar (see Note 7).

Deferred tax assets are reduced if it is more likely than not that some portion or all the deferred tax asset will not be realized. Management's determination of the realizability of deferred tax assets is based on its evaluation of all available evidence both positive and negative, and its expectation regarding various future events, including the reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. Positive evidence supporting the realization of the Company's deferred tax assets at December 31, 2020, includes generation of taxable income since 2012, the Company's strong capital position, as well as sufficient amounts of projected future taxable income, of the appropriate character, to support the realization of the $123.6 million deferred tax assets at December 31, 2020. Based on the assessment of all positive and negative evidence at December 31, 2020 and 2019, management has concluded that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets with the exception of a state net operating loss carryforward that will not be realized which resulted in the $515 thousand valuation allowance.

Management's estimate of future taxable income is based on internal projections and certain external data all of which management believes to be reasonable although inherently subject to significant judgment. Projected future taxable income is primarily expected to be generated through loan growth at the Bank, investment strategies and revenue from successful cross initiatives and the control of expenses through operating effectiveness, all in the context of a macro-economic environment that continues to trend favorably. If actual results differ significantly from the current estimates of future taxable income, a valuation allowance may need to be recorded for some portion or all the net deferred tax asset. Such an increase to the deferred tax asset valuation allowance could have a material adverse effect on the Company's consolidated balance sheets and consolidated statements of income.

The acquisitions of Cadence Financial Corporation, Encore Bancshares, Inc., and State Bank resulted in an "ownership change" as defined for U.S. federal income tax purposes under Section 382 of the Internal Revenue Code. The acquisition of Superior Bank was an asset acquisition and is not subject to the limitations of Section 382. As a result of the operation of Section 382, the Company is not able to fully utilize a portion of our U.S. federal and state tax net operating losses and certain built-in losses that have not been recognized for tax purposes. An ownership change under Section 382 generally occurs when a change in the aggregate percentage ownership of the stock of the corporation held by 5% stockholders increases by more than 50% over a rolling three-year period. A corporation experiencing an ownership change generally is subject to an annual limitation on its utilization of pre-change losses and certain post-change recognized built-in losses equal to the value of the stock of the corporation immediately before the ownership change, multiplied by the long-term tax-exempt rate (subject to certain adjustments). The annual limitation is increased each year to the extent that there is an unused limitation in a prior year. Since the Company's U.S. federal net operating loss carryforwards may be carried forward for up to 20 years, the annual limitation also effectively provides a cap on the cumulative amount of pre-change losses and certain post-change recognized built-in losses that may be utilized. Pre-change losses and certain post-change recognized built-in losses in excess of the cap are effectively unable to be used to reduce future taxable income. The Company has estimated the amount of pre-change losses and certain post-change losses that are not expected to be utilized and has reduced the deferred tax asset at the acquisition date to reflect this limitation.

As of December 31, 2020, the Company has federal net operating loss carryforwards of $44.1 million, which will begin to expire in 2031. The Company has state net operating loss carryforwards of $12.4 million, which will begin to expire in 2024. The Company believes it is more likely than not the benefit from certain state net operating loss carryforwards will not be realized, and accordingly, has established a pre-tax valuation allowance of $11.9 million, $515 thousand after-tax, associated with those net operating losses at December 31, 2020.

The Company and its subsidiaries are subject to U.S. federal income tax and various state and local income taxes. With certain limited exceptions, the Company has concluded all U.S. federal and state income tax matters for years through 2016. The Company applies the guidance in ASC 740-10, *Accounting for Uncertainty in Income Taxes*. ASC 740-10 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. ASC 740-10 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more likely than not" to be sustained by the applicable tax authority based on technical merits of the position. Tax benefits from tax positions not deemed to meet the "more likely than not" threshold should not be recognized in the year of determination.

A reconciliation of the beginning and ending amount of unrecognized income tax benefits is as follows (unrecognized state income tax benefits are not adjusted for the federal income tax impact):

	For the Years Ended December 31,		
(In thousands)	**2020**	**2019**	**2018**
Unrecognized income tax benefits, January 1	$ 1,288	$ 1,272	$ 894
Increases for tax positions related to:			
Prior years	7	—	—
Current year	48	54	479
Decreases for tax positions related to:			
Prior years	(48)	(38)	(101)
Unrecognized income tax benefits, December 31	$ 1,295	$ 1,288	$ 1,272

As of December 31, 2020 and 2019, the balance of unrecognized tax benefits, if recognized, that would reduce the effective tax rate is $1.0 million. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next 12 months.

The Company classifies interest and penalties on uncertain tax positions as a component of noninterest expense. During the years ended December 31, 2020 and 2019, the Company recognized approximately $134,000 and $123,000, respectively, in interest and penalties. The Company's accrued interest and penalties on unrecognized tax benefits was $393,000 and $259,000 as of December 31, 2020 and 2019, respectively. Accrued interest and penalties are included in other liabilities.

Note 13—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 each of the years in the period ended December 31, 2020.

(In thousands, except share and per share data)	Year Ended December 31, 2020	2019	2018
Net (loss) income per consolidated statements of operations	$ (205,527)	$ 201,958	$ 166,261
Net income allocated to participating securities	—	(683)	(197)
Net (loss) income allocated to common stock	$ (205,527)	$ 201,275	$ 166,064
.			
Weighted average common shares outstanding (Basic)	126,120,534	128,913,962	83,562,109
Weighted average dilutive restricted stock units and warrants	—	103,637	813,180
Weighted average common shares outstanding (Diluted)	126,120,534	129,017,599	84,375,289
.			
(Loss) Earnings per common share (Basic)	$ (1.63)	$ 1.56	$ 1.99
(Loss) Earnings per common share (Diluted)	$ (1.63)	$ 1.56	$ 1.97

The effect from the assumed exercise of 2,606,632 stock options and restricted stock units for the year ended December 31, 2020 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. There were 1,393,783 antidilutive stock options and restricted stock units for the year ended December 31, 2019. There were 67,384 antidilutive restricted stock units for the year ended December 31, 2018.

Note 14—Employee Benefits

Defined Benefit Pension Plan

The accounting guidance for defined benefit pension plans requires companies to recognize the funded status of a defined benefit plan (measured as the difference between the fair value of plan assets and the projected benefit obligation) on the balance sheets and to recognize in other comprehensive income any gains or losses and prior service costs or benefits not included as components of periodic benefit cost.

Participation in the defined benefit pension plan was frozen effective April 30, 2011. In 2019, the Company terminated its defined benefit pension plan. Lump sum payments of accrued benefits were offered to plan participants. For those participants who did not elect the lump sum payment, an annuity contract was purchased.

The following tables sets forth the defined benefit pension plan's funded status as of December 31, 2019 (the final year of the plan), the amounts recognized in the Company's consolidated financial statements for the years ended December 31, 2019 and 2018, and the assumptions used to determine benefit obligations and net periodic pension costs:

(In thousands)	2019
Change in benefit obligation:	
Benefit obligation at beginning of period	$ 5,116
Service cost	71
Interest cost	126
Actuarial loss	269
Administrative expenses paid	(147)
Benefits paid	(47)
Settlements	(5,388)
Benefit obligation at end of year	—
Change in plan assets:	
Fair value of plan assets at beginning of period	5,656
Return on plan assets	278
Employer contributions	—
Administrative expenses paid	(147)
Benefits paid	(47)
Settlements	(5,459)
Fair value of plan assets at end of year	$ 281
Funded status	$ —

(In thousands)	2019	2018
Components of net periodic benefit cost:		
Service cost	$ 71	$ 100
Interest cost	126	165
Expected return on plan assets	(198)	(319)
Net loss amortization	11	—
Cost of settlements	1,225	—
Net periodic benefit cost	$ 1,235	$ (54)
Amount recognized in accumulated other comprehensive income:		
Amortization of net actuarial loss	$ 11	$ —
Net actuarial (loss) gain	(147)	265
Adjustments for settlement	461	—
Gains on pension liability	325	265
Tax effect	3	(62)
Net unrealized gains on pension liability	$ 328	$ 203

	2018
Weighted average assumptions used to determine benefit obligations and net periodic pension cost at December 31:	
Discount rate	3.92%
Compensation increase rate	N/A
Census date	1/1/2019
Expected return on plan assets	5.50%

Due to the termination of the defined benefit pension plan in 2019, there are no future retiree benefit payments.

In determining the expected return on plan assets, the Company considers the relative weighting of plan assets, the historical performance of total plan assets, individual asset classes, and economic and other indicators of future performance. In addition, the Company may consult with and consider the opinions of financial and other professionals in developing appropriate return benchmarks.

Other Plans

Contributions to the Company’s 401(k) plan totaled $7.1 million, $7.4 million and $3.8 million in 2020, 2019 and 2018, respectively.

The Company has certain nonqualified postretirement benefit plans assumed from legacy banks. The accrued liabilities for these plans totaled $7.4 million and $5.7 million at December 31, 2020 and 2019, respectively. The Company recognized expense for these plans totaling $3.8 million, $2.0 million, and $(0.3) million for the years ended December 31, 2020, 2019, and 2018, respectively.

Projected benefit payments under these plans are anticipated to be paid as follows:

Year	Amount (In thousands)
2021	$ 428
2022	586
2023	608
2024	710
2025	853
2026-2030	4,052
Total	$ 7,237

Note 15—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 an interim final rule and 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 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 amounts and ratios for the Company and the Bank as of December 31, 2020 and 2019 are presented in the following tables and as shown, are above the thresholds necessary to be considered "well-capitalized." Management believes that no events or changes have occurred after December 31, 2020 that would change this designation.

	Consolidated Company		Bank	
(In thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2020				
Tier 1 leverage	$ 2,002,515	10.9%	$ 2,065,941	11.3%
Common equity tier 1 capital	2,002,515	14.0	2,015,941	14.1
Tier 1 risk-based capital	2,002,515	14.0	2,065,941	14.5
Total risk-based capital	2,386,610	16.7	2,270,138	15.9
Minimum requirement:				
Tier 1 leverage	731,604	4.0	731,953	4.0
Common equity tier 1 capital	643,478	4.5	642,948	4.5
Tier 1 risk-based capital	857,970	6.0	857,264	6.0
Total risk-based capital	1,143,960	8.0	1,143,018	8.0
Well capitalized requirement:				
Tier 1 leverage	N/A	N/A	914,941	5.0
Common equity tier 1 capital	N/A	N/A	928,702	6.5
Tier 1 risk-based capital	857,970	6.0	1,143,018	8.0
Total risk-based capital	1,429,951	10.0	1,428,773	10.0

	Consolidated Company		Bank	
(In thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2019				
Tier 1 leverage	$ 1,784,664	10.3%	$ 1,953,008	11.1%
Common equity tier 1 capital	1,784,664	11.5	1,903,008	12.3
Tier 1 risk-based capital	1,784,664	11.5	1,953,008	12.6
Total risk-based capital	2,120,571	13.7	2,099,146	13.6
Minimum requirement:				
Tier 1 leverage	690,213	4.0	689,881	4.0
Common equity tier 1 capital	697,089	4.5	696,755	4.5
Tier 1 risk-based capital	929,453	6.0	929,007	6.0
Total risk-based capital	1,239,270	8.0	1,238,676	8.0
Well capitalized requirement:				
Tier 1 leverage	N/A	N/A	862,351	5.0
Common equity tier 1 capital	N/A	N/A	1,006,425	6.5
Tier 1 risk-based capital	929,453	6.0	1,238,676	8.0
Total risk-based capital	1,549,088	10.0	1,548,345	10.0

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 effect of the recognition of the non-cash goodwill impairment charge in the first quarter of 2020 to the Bank's retained profits, the Bank is currently required to seek prior approval of the OCC to pay a dividend. 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. While the holding company had $174.8 million in cash on hand as of December 31, 2020, the Company does not generate income on a stand-alone basis, and it does not have the ongoing ability to pay common stock dividends without receiving dividends from the Bank.

The Bank is required to maintain average reserve balances in the form of cash or deposits with the Federal Reserve Bank. The reserve balance varies depending upon the types and amounts of deposits. Effective March 26, 2020, the Federal Reserve Board reduced reserve requirement ratios to zero percent in response to the COVID-19 pandemic in order to help support lending. This action eliminated the reserve requirements for many depository institutions, such as Cadence. At December 31, 2019, the required reserve balance was approximately $246.0 million.

Note 16—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)	December 31, 2020	December 31, 2019
Commitments to extend credit	$ 4,344,268	$ 4,667,360
Commitments to grant loans	154,507	292,199
Standby letters of credit	216,741	213,548
Performance letters of credit	16,065	27,985
Commercial letters of credit	21,156	15,587

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 years ended December 31, 2020 and 2019.

The Company makes investments in limited partnerships, including certain low-income housing partnerships for which tax credits are received. As of December 31, 2020 and 2019, unfunded capital commitments totaled $40.6 million and $44.9 million, respectively (Note 18).

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 17—Disclosure About Fair Values of Financial Instruments

The Company groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. This hierarchy requires the Company to maximize the use of observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Each fair value measurement is placed into the proper level based on the lowest level of significant input. These levels are:

- ***Level 1***—Valuation is based upon quoted prices for identical instruments traded in active markets.
- ***Level 2***—Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- ***Level 3***—Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect management's estimates of assumptions that market participants would

use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models, and similar techniques.

Transfers between fair value levels are recognized at the end of the fiscal quarter in which the associated change in inputs occurs.

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 and liability at December 31, 2020 and 2019:

(In thousands)	Carrying Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2020				
Assets				
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	$ 3,427,903	$ —	$ 3,389,145	$ 38,758
Liabilities				
Derivative liabilities	$ 15,000	$ —	$ 15,000	$ —
Total recurring basis measured liabilities	$ 15,000	$ —	$ 15,000	$ —

(In thousands)	Carrying Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2019				
Assets				
Investment securities available-for-sale	$ 2,368,592	$ —	$ 2,368,592	$ —
Equity securities with readily determinable fair values not held for trading	1,862	1,862	—	—
Derivative assets	257,137	—	257,137	—
Other assets	26,882	—	—	26,882
Total recurring basis measured assets	$ 2,654,473	$ 1,862	$ 2,625,729	$ 26,882
Liabilities				
Derivative liabilities	$ 11,211	$ —	$ 11,211	$ —
Total recurring basis measured liabilities	$ 11,211	$ —	$ 11,211	$ —

Changes in Level 3 Fair Value Measurements Recorded on a Recurring Basis

The table below includes a roll-forward of the consolidated balance sheet amounts for each of the years in the period ended December 31, 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 income statements) 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

	For the Year Ended December 31,					
	2020	2019	2020	2019	2020	2019
(In thousands)	Net Profits Interests		Investments in Limited Partnerships		SBA Servicing Assets	
Beginning Balance	$ 4,330	$ 5,779	$ 18,742	$ 11,191	$ 3,810	$ —
State Bank acquisition	—	—	—	—	—	6,213
Originations	—	—	—	—	1,510	1,412
Net (losses) gains included in earnings	(760)	(874)	2,577	2,841	(746)	(3,815)
Reclassifications	—	—	1,727	140	—	—
Acquired in settlement of loans	—	—	4,257	—	—	—
Contributions paid	—	—	6,234	5,970	—	—
Distributions received	(288)	(575)	(2,635)	(1,400)	—	—
Ending Balance	$ 3,282	$ 4,330	$ 30,902	$ 18,742	$ 4,574	$ 3,810
Net (losses) unrealized gains included in earnings relating to assets held at the end of the period	$ (760)	$ (874)	$ 2,577	$ 2,841	$ (746)	$ (3,815)
Net unrealized gains (losses) recognized in other comprehensive income relating to assets held at the end of the period	$ —	$ —	$ —	$ —	$ —	$ —

The fair value of the net profit interests in oil and gas reserves was estimated using discounted cash flow analyses applied to the expected cash flows from producing developed wells. Expected cash flows are derived from reports prepared by consulting engineers under established professional standards for the industry. These expected cash flow projections contain significant unobservable inputs regarding the net recoverable oil and gas reserves and forward-looking commodity prices discounted at a rate of 10%. Therefore, the fair value is subject to change based on these commodity markets. An increase of 5% in the discount rate will not produce a material change in the fair value of the net profits interest.

The fair value of certain investments in limited partnerships was estimated using the practical expedient of net asset value. For other investments in limited partnerships that do not qualify for the practical expedient, we use a measurement alternative which measures these investments at cost, less any impairment, plus or minus any changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

The fair value of the SBA servicing assets was estimated using the gross coupon less an assumed contractual servicing cost (CSC) of 40 basis points for Section 7a loans and 12.5 basis points for USDA loans.

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 December 31, 2020 and 2019, 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)
December 31, 2020				
Loans held for sale	$ 47,018	$ —	$ 47,018	$ —
Individually evaluated loans, net of allocated allowance for credit losses (1)	87,084	—	—	87,084
Other real estate and repossessed assets	6,517		—	6,517
Total assets measured on a nonrecurring basis	$ 140,619	$ —	$ 47,018	$ 93,601

(In thousands)	Carrying Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2019				
Loans held for sale	$ 87,649	$ —	$ 87,649	$ —
Individually evaluated loans, net of allocated allowance for credit losses (1)	101,561	—	—	101,561
Other real estate	1,628	—	—	1,628
Total assets measured on a nonrecurring basis	$ 190,838	$ —	$ 87,649	$ 103,189

(1) Prior to the adoption of CECL on January 1, 2020, these loans were known as Impaired loans, net of specific allowance.

The fair value of collateral-dependent impaired loans, repossessed assets, and OREO and the related fair value adjustments are generally based on unadjusted third-party appraisals. Appraisals that are not based on observable inputs or that require significant adjustments or fair value measurements that are not based on third-party appraisals are considered to be based on significant unobservable inputs.

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

	Quantitative Information about Level 3 Fair Value Measurements				
(In thousands)	Carrying Value	Valuation Methods	Unobservable Inputs	Range	Weighted Average (2)
December 31, 2020					
Individually evaluated loans, net of allowance for credit losses (3)	$ 87,084	Appraised value, as adjusted	Discount to fair value	0% - 72%	32%
		Discounted cash flow	Discount rate	3.75% - 3.91%	3.9%
		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%

(In thousands)	Carrying Value	Valuation Methods	Unobservable Inputs	Range
	Quantitative Information about Level 3 Fair Value Measurements			
December 31, 2019				
Individually evaluated loans, net of allowance for credit losses [3]	$ 101,561	Appraised value, as adjusted	Discount to fair value	0% - 50%
		Appraised value, as adjusted	Minimum guaranteed proceeds per Settlement Agreement	0%[1]
		Discounted cash flow	Discount rate 5.8%	0%[1]
		Enterprise value	Exit and earnings multiples, discounted cash flows, and market comparables	0% - 46%[1]
Other real estate	1,628	Appraised value, as adjusted	Discount to fair value	0% - 20%
			Estimated closing costs	10%

(1) Represents difference of remaining balance to fair value.
(2) Weighted averages were calculated using the input attribute and the outstanding balance of the loan.
(3) Prior to the adoption of CECL on January 1, 2020, these loans were known as Impaired loans, net of specific allowance.

Determination of Fair Values

Fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following describes the assumptions and methodologies used to estimate the fair value of financial instruments recorded at fair value in the consolidated balance sheets and for estimating the fair value of financial instruments for which fair value is disclosed.

Investment Securities. When quoted prices are available in an active market, securities are classified as Level 1. For securities reported at fair value utilizing Level 2 inputs, the Company obtains fair value measurements from an independent pricing service. These fair value measurements consider observable market data that may include benchmark yield curves, reported trades, broker/dealer quotes, issuer spreads and credit information, among other inputs.

Loans Held for Sale. Loans held for sale are recorded at the lower of aggregate cost or fair value. Fair value is generally based on quoted market prices of similar loans and is considered to be Level 2.

Net Loans. Loans are valued on an individual basis, with consideration given to the loans' underlying characteristics, including account types, remaining terms, annual interest rates or coupons, interest types, accrual basis, timing of principal and interest payments, current market rates, and remaining balances. A discounted cash flow model is used to estimate the fair value of the loans using assumptions for prepayments speeds, projected default probabilities by risk grade, and estimates of prevailing discount rates. The discounted cash flow approach models the projected cash flows, applying various assumptions regarding interest and payment risks for the loans based on the loan types, payment types and fixed or variable interest rate classifications. Estimated fair values are disclosed through the application of the exit price notion. The assumptions used to estimate fair value are intended to approximate those that a market participant would use in an orderly transaction on the measurement date.

Derivative Financial Instruments. Derivative financial instruments are measured at fair value based on modeling that utilizes observable market inputs for various interest rates published by leading third-party financial news and data providers. This is observable data that represents the rates used by market participants for instruments entered into at that date; however, they are not based on actual transactions, so they are classified as Level 2.

Deposits. The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). Fair values for time deposits are estimated using a discounted cash flow calculation that uses recent issuance rates over the prior three months and a market rate analysis of recent offering rates for retail products. For wholesale products, brokered pricing offering rates were used.

FHLB Advances. The fair value of the FHLB advance approximates its book value.

Senior Debt. The fair value of senior debt was estimated using a discounted cash flow calculation that uses recent issuance rates for similar debt offerings for similar sized issuers.

Subordinated Debt. The fair value of subordinated debentures was estimated using a discounted cash flow calculation that uses recent issuance rates for similar debt offerings for similar sized issuers.

Junior Subordinated Debentures. The fair value of junior subordinated debentures was estimated using a discounted cash flow calculation that uses recent issuance rates for similar debt offerings for similar sized issuers.

Notes Payable. The carrying amount of notes payable approximates the fair value.

Limitations. The following fair value estimates are determined as of a specific point in time utilizing various assumptions and estimates. The use of assumptions and various valuation techniques, as well as the absence of secondary markets for certain financial instruments, will likely reduce the comparability of fair value disclosures between financial institutions. The fair values for loans involve the use of various assumptions due to market-illiquidity as of December 31, 2020 and 2019. These assumptions are considered to reflect inputs that market participants would use in transactions involving these instruments as of the measurement date. This table only includes financial instruments of the Company, and, accordingly, the total of the fair value amounts does not represent, and should not be construed to represent, the underlying value of the Company.

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

	December 31, 2020				
(In thousands)	**Carrying Amount**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets:					
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
Financial Liabilities:					
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	—

(In thousands)	December 31, 2019 Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets:					
Cash and due from banks	$ 252,447	$ 252,447	$ 252,447	$ —	$ —
Interest-bearing deposits in other banks	725,343	725,343	725,343	—	—
Federal funds sold	10,974	10,974	10,974	—	—
Investment securities available-for-sale	2,368,592	2,368,592	—	2,368,592	—
Equity securities with readily determinable fair values not held for trading	1,862	1,862	1,862	—	—
Loans held for sale	87,649	87,649	—	87,649	—
Net loans	12,864,012	12,755,360	—	—	12,755,360
Derivative assets	257,137	257,137	—	257,137	—
Other assets	72,719	72,719	—	—	72,719
Financial Liabilities:					
Deposits	14,742,794	14,753,192	—	14,753,192	—
Advances from FHLB	100,000	100,000	—	100,000	—
Senior debt	49,938	51,202	—	51,202	—
Subordinated debt	182,712	189,386	—	189,386	—
Junior subordinated debentures	37,445	48,012	—	48,012	—
Notes payable	2,078	2,078	—	2,078	—
Derivative liabilities	11,211	11,211	—	11,211	—

Note 18—Variable Interest Entities and Other Investments

Under ASC 810-10-65, the Company is deemed to be the primary beneficiary and required to consolidate a variable interest entity ("VIE") if it has a variable interest in the VIE that provides it with a controlling financial interest. For such purposes, the determination of whether a controlling financial interest exists is based on whether a single party has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb the losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. ASC 810-10-65, as amended, requires continual reconsideration of conclusions reached regarding which interest holder is a VIE's primary beneficiary.

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 VIE's under ASC 810, but that consolidation is not required, as the Bank is not the primary beneficiary. At December 31, 2020 and 2019, 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 December 31, 2020 and 2019, the Company had recorded investments in other assets on its consolidated balance sheets of approximately $31.5 million and $28.2 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 ("NAV") totaling $30.9 million and $18.7 million as of December 31, 2020 and 2019, respectively. The Company recognized gains of $2.6 million and $2.8 million for the years ended December 31, 2020 and 2019, respectively, related to these assets recorded at fair value through net income. Other limited partnerships without readily determinable fair values that do not qualify for the practical expedient are accounted for at their cost minus impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. These investments totaled $7.1 million and $8.7 million as of December 31, 2020 and 2019, respectively. Other limited partnerships are accounted for under the equity method totaled $14.6 million and $9.0 million as of December 31, 2020 and 2019, respectively.

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

(In thousands)		December 31, 2020		December 31, 2019
Affordable housing projects (amortized cost)	$	31,541	$	28,205
Limited partnerships accounted for under the fair value practical expedient of NAV		30,902		18,742
Limited partnerships without readily determinable fair values that do not qualify for the practical expedient of NAV accounted for under the cost method		7,105		8,681
Limited partnerships required to be accounted for under the equity method		14,646		8,951
Total investments in limited partnerships	$	84,194	$	64,579

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. During 2020 and 2019, there were no downward and upward adjustments to these investments for impairments or price changes from observable transactions; however, due to the current economic environment, one investment was determined to be fully impaired, and a $1.9 million charge was recognized during the second quarter of 2020. The carrying amount of equity investments measured under the measurement alternative are as follows:

	For the Years Ended December 31,			
(In thousands)		2020		2019
Carrying value, Beginning of Year	$	8,681	$	8,714
Reclassifications		(1,677)		(140)
Distributions		(770)		(1,758)
Contributions		871		1,865
Carrying value, End of Period	$	7,105	$	8,681

Cadence's investment in certain marketable equity securities are carried at fair value and are reported in other assets in the consolidated balance sheets. The Company sold the marketable equity securities totaling $1.3 million during the third quarter of 2020. Total marketable equity securities were $1.9 million at December 31, 2019.

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 VIE's under Topic ASC 810, but that consolidation is not required as the Bank is not the primary beneficiary. The net profits interests are financial instruments and recorded at estimated fair value, which was $3.3 million and $4.3 million at December 31, 2020 and 2019, respectively, 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 $4.0 million and $3.7 million at December 31, 2020 and 2019, respectively.

Note 19—Segment Reporting

The Company determines reportable segments based on the services offered, the significance of the services offered, the significance of those services to the Company's financial condition and operating results and management's regular review of the operating results of those services. The Company operates through three operating segments: Banking, Financial Services and Corporate.

The Banking Segment includes the Commercial Banking, Retail Banking and Private Banking lines of business. The Commercial Banking line of business includes a general business services component primarily focusing on commercial & industrial (C&I), community banking, business banking and commercial real estate lending to clients in the geographic footprint in Texas and the southeast United States. In addition, the Commercial Banking line of business includes within C&I a separate component that focuses on select industries (which is referred to as the "specialized industries") in which the Company believes it has specialized experience and service capabilities, including energy, healthcare, restaurant industry, and technology. The Company serves clients in these specialized industries both within the geographic footprint and throughout the United States as a result of the national orientation of many of these businesses. The Retail Banking line of business offers a broad range of retail banking services including mortgage services through the branch network to serve the needs of consumer and small businesses in the geographic footprint. The

Private Banking line of business offers banking services and loan products tailored to the needs of the high-net worth clients in the geographic footprint.

The Financial Services Segment includes the Trust, Retail Brokerage, and Investment Services lines of business. These businesses offer products independently to their own customers as well as to Banking Segment clients. Investment Services operates through the "Linscomb & Williams" name. The products offered by the businesses in the Financial Services Segment primarily generate non-banking service fee income. The Corporate Segment reflects parent-only activities and intercompany eliminations.

Business segment results are determined based upon the management reporting system, which assigns balance sheet and income statement items to each of the business segments. The process is designed around the organizational and management structure and, accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions or in accordance with generally accepted accounting principles.

The Company evaluates performance and allocates resources based on profit or loss from operations. There are no material inter-segment sales or transfers. In the first quarter of 2020, the Company recognized a $443.7 million non-cash goodwill impairment charge representing all the goodwill allocated to the Banking segment (Note 6). The accounting policies used by each reportable segment are the same as those discussed in Note 1. 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 years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31, 2020			
(In thousands)	**Banking**	**Financial Services**	**Corporate**	**Consolidated**
Net interest income (expense)	$ 633,489	$ (511)	$ (14,012)	$ 618,966
Provision for credit losses	278,048	—	—	278,048
Noninterest income	261,884	45,104	367	307,355
Noninterest expense	787,058	34,940	4,466	826,464
Income tax expense (benefit)	29,530	1,140	(3,334)	27,336
Net (loss) income	$ (199,263)	$ 8,513	$ (14,777)	$ (205,527)
Total assets	$ 18,608,749	$ 92,303	$ 11,515	$ 18,712,567

	Year Ended December 31, 2019			
(In thousands)	**Banking**	**Financial Services**	**Corporate**	**Consolidated**
Net interest income (expense)	$ 669,878	$ (2,156)	$ (16,549)	$ 651,173
Provision for credit losses	111,027	—	—	111,027
Noninterest income	88,098	41,580	1,247	130,925
Noninterest expense	361,874	34,281	12,615	408,770
Income tax expense (benefit)	66,090	714	(6,461)	60,343
Net income (loss)	$ 218,985	$ 4,429	$ (21,456)	$ 201,958
Total assets	$ 17,685,272	$ 107,772	$ 7,185	$ 17,800,229

	Year Ended December 31, 2018			
(In thousands)	**Banking**	**Financial Services**	**Corporate**	**Consolidated**
Net interest income (expense)	$ 407,674	$ (2,307)	$ (17,626)	$ 387,741
Provision for credit losses	12,700	—	—	12,700
Noninterest income	47,316	46,805	517	94,638
Noninterest expense	215,574	35,679	7,048	258,301
Income tax expense (benefit)	52,464	3,979	(11,326)	45,117
Net income (loss)	$ 174,252	$ 4,840	$ (12,831)	$ 166,261
Total assets	$ 12,622,287	$ 94,618	$ 13,380	$ 12,730,285

Note 20—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 3.5 million at December 31, 2020.

Restricted Stock Units

During each of the three years in the period ended December 31, 2020, the Company granted 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 RSU awards:

	For the Year Ended December 31,					
	2020		2019		2018	
	Number of Shares	Weighted Average Fair Value per Unit at Award Date	Number of Shares	Weighted Average Fair Value per Unit at Award Date	Number of Shares	Weighted Average Fair Value per Unit at Award Date
Non-vested at beginning of period	1,229,863	$ 19.97	275,744	$ 26.49	672,750	$ 5.14
Granted during the period	793,581	7.82	1,173,860	18.52	276,451	26.49
Vested during the period	(272,935)	19.30	(153,756)	20.30	—	—
Forfeited during the period	(132,564)	17.22	(65,985)	20.50	(707)	26.50
Expired during the period	—	—	—	—	(672,750)	5.14
Non-vested at end of period	1,617,945	$ 14.35	1,229,863	$ 19.97	275,744	$ 26.49

The RSU granted include both time and performance-based awards. For the time-based RSU granted that remain unvested at December 31, 2020, the following table summarizes the vesting schedule.

Quarter Ending	Annual Vesting	Quarterly Vesting	Cliff Vesting
March 31, 2021	41,305		
June 30, 2021		2,000	
September 30, 2021	1,058		
March 31, 2022	48,562	173,314	21,653
March 31, 2023	150,595		
June 30, 2023	5,252		
September 30, 2023	7,426		
March 31, 2024	740,167		
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 $7.0 million of equity-based compensation expense for the outstanding restricted stock units for the year ended December 31, 2020, compared to $6.4 million and $3.7 million for 2019 and 2018, respectively. The remaining expense related to unvested restricted stock units is $13.8 million as of December 31, 2020 and will be recognized over service periods ranging from 3 months to 45 months.

Stock Options

During the year ended December 31, 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 year ended December 31, 2020, 534,283 of the stock options vested. The Company recorded $1.2 million of equity-based compensation expense for the outstanding stock options for both 2020 and 2019. The remaining expense related to unvested stock options is $1.3 million at December 31, 2020 and will be recognized over the next 13 months.

The Company uses the Black-Scholes option pricing model to estimate the fair value of the stock options. The following weighted-average assumptions were used for stock options awarded during 2019:

Expected dividends		3.1%
Expected volatility		25.2%
Risk-free interest rate		2.5%
Expected term (in years)		4.5
Weighted-average grant date fair value	$	2.32

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 163,052 shares of Class A common stock purchased in the open market by the ESPP during the year ended December 31, 2020, compared to 109,020 shares and 58,871 shares in 2019 and 2018, respectively, which resulted in compensation expense of $152 thousand, $301 thousand, and $205 thousand in 2020, 2019, and 2018, respectively.

Note 21—Condensed Financial Information of Cadence Bancorporation (Parent Only)

Condensed Balance Sheets

(In thousands)	December 31, 2020	December 31, 2019
ASSETS		
Cash and due from banks	$ 1	$ 1
Interest-bearing deposits with banks	174,767	51,536
Investment in bank subsidiary	2,184,216	2,628,739
Investment in nonbank subsidiary	1,170	15,042
Other assets	13,301	17,841
Total assets	$ 2,373,455	$ 2,713,159
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Interest payable	$ 121	$ 816
Senior debt	49,986	49,938
Subordinated debt	158,509	157,916
Junior subordinated debentures	37,637	37,445
Other liabilities	6,100	6,198
Total liabilities	252,353	252,313
Shareholders' equity:		
Common stock	1,332	1,330
Additional paid-in capital	1,880,930	1,873,063
Treasury stock	(130,889)	(100,752)
Retained earnings	259,643	572,503
Accumulated other comprehensive income	110,086	114,702
Total shareholders' equity	2,121,102	2,460,846
Total liabilities and shareholders' equity	$ 2,373,455	$ 2,713,159

Condensed Statements of Operations

(In thousands)	For the Years Ended December 31, 2020	2019	2018
INCOME			
Dividends from bank subsidiary	$ 191,804	$ 130,909	$ 59,494
Dividends from nonbank subsidiary	13,736	—	—
Interest income	51	23	73
Other income	366	1,248	516
Total income	205,957	132,180	60,083
EXPENSES			
Interest expense	14,012	16,538	17,626
Other expenses	4,466	12,615	7,048
Total expenses	18,478	29,153	24,674
Income before income taxes and equity in undistributed income of subsidiaries	187,479	103,027	35,409
Equity in undistributed (loss) income of subsidiaries	(398,853)	92,288	125,727
Net (loss) income before income taxes	(211,374)	195,315	161,136
Income tax benefit	(5,847)	(6,643)	(5,125)
Net (loss) income	$ (205,527)	$ 201,958	$ 166,261

Condensed Statements of Cash Flows

(In thousands)	For the Years Ended December 31, 2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	$ (205,527)	$ 201,958	$ 166,261
Adjustments to reconcile net income to net cash provided in operations:			
Deferred income tax expense	101	1,572	358
Equity in undistributed loss (income) of subsidiaries	398,853	(92,288)	(125,727)
Decrease (increase) in other assets	3,250	5,836	(10,143)
Loss on sale of securities	—	15	—
(Decrease) increase in other liabilities	(1,163)	(13,860)	2,156
Other, net	838	99	—
Net cash provided by operating activities	196,352	103,332	32,905
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received in business combination	—	47,233	—
Decrease (increase) in limited partnership investments	1,199	603	(125)
Proceeds from sale of securities	—	5,707	—
Net cash provided by (used in) investing activities	1,199	53,543	(125)
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of senior debt	—	(134,922)	—
Issuance of subordinated debentures	—	83,474	—
Proceeds from issuance of common stock	—	68	—
Cash dividends paid on common stock	(44,184)	(90,095)	(45,995)
Repurchase of common stock	(30,138)	(79,123)	(22,010)
Other, net	2	(596)	—
Net cash used in financing activities	(74,320)	(221,194)	(68,005)
Net increase (decrease) in cash and cash equivalents	123,231	(64,319)	(35,225)
Cash and cash equivalents at beginning of year	51,537	115,856	151,081
Cash and cash equivalents at end of year	$ 174,768	$ 51,537	$ 115,856

Note 22—Accumulated Other Comprehensive Income (Loss)

Activity within the balances in accumulated other comprehensive income (loss) is shown in the following tables for each of the years in the period ended December 31, 2020.

(In thousands)	Unrealized gains (losses) on securities available-for-sale	Unrealized gains (losses) on derivative instruments designated as cash flow hedges	Unrealized gains (losses) on defined benefit pension plans	Accumulated other comprehensive income (loss)
Balance at December 31, 2017	$ (2,160)	$ (16,342)	$ (531)	$ (19,033)
Net change	(22,119)	(1,963)	203	(23,879)
Balance at December 31, 2018	(24,279)	(18,305)	(328)	(42,912)
Net change	43,884	113,402	328	157,614
Balance at December 31, 2019	19,605	95,097	—	114,702
Net change	45,989	(50,605)	—	(4,616)
Balance at December 31, 2020	$ 65,594	$ 44,492	$ —	$ 110,086

Note 23—Quarterly Results of Operations (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2020 and 2019:

	Three Months Ended			
(In thousands, except per share data)	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Interest income	$ 170,739	$ 170,497	$ 177,175	$ 192,754
Interest expense	13,998	16,455	22,461	39,286
Net interest income	156,741	154,042	154,714	153,468
Provision for credit losses	2,835	32,973	158,811	83,429
Noninterest income (1)	209,745	32,591	29,950	35,069
Noninterest expense	105,331	94,859	88,620	537,653
Income (loss) before income taxes	258,320	58,801	(62,767)	(432,545)
Income tax expense (benefit)	57,737	9,486	(6,653)	(33,234)
Net income (loss)	$ 200,583	$ 49,315	$ (56,114)	$ (399,311)
Earnings (loss) per common share (Basic)	$ 1.58	$ 0.39	$ (0.45)	$ (3.15)
Earnings (loss) per common share (Diluted)	1.57	0.39	(0.45)	(3.15)

	Three Months Ended			
(In thousands, except per share data)	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
Interest income	$ 207,618	$ 213,149	$ 217,124	$ 222,185
Interest expense	46,709	52,962	56,337	52,896
Net interest income	160,909	160,187	160,787	169,289
Provision for credit losses	27,126	43,764	28,927	11,210
Noninterest income (2)	33,898	34,642	31,722	30,664
Noninterest expense	100,518	94,283	100,529	113,440
Income before income taxes	67,163	56,782	63,053	75,303
Income tax expense	15,738	12,796	14,707	17,102
Net income	$ 51,425	$ 43,986	$ 48,346	$ 58,201
Earnings per common share (Basic)	$ 0.40	$ 0.34	$ 0.37	$ 0.44
Earnings per common share (Diluted)	0.40	0.34	0.37	0.44

(1) Includes net securities gains of $1.4 million, $0.1 million, $2.3 million, and $3.0 million during the fourth, third, second, and first quarters of 2020, respectively, and hedge revenue of $169.2 million in the fourth quarter.

(2) Includes net securities gains (losses) of $317 thousand, $775 thousand, $938 thousand, and $(12) thousand during the fourth, third, second, and first quarters of 2019, respectively.

Note 24—Subsequent Events

On January 21, 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 February 12, 2021 to holders of record of Cadence's Class A common stock on February 5, 2021.

On January 21, 2021, the Board of Directors of Cadence Bancorporation authorized a new share repurchase program providing for the purchase of shares of the Company's Class A common stock for an aggregate purchase price of up to $200 million, subject to regulatory approvals, which have been received. The previously approved share repurchase program authorizing up to $100 million in repurchases expired in January 2021. In January and February 2021, the Company repurchased approximately 1.6 million shares of common stock at a cost of $30.0 million.

On February 5, 2021, we provided formal notification that we intend to call our $40 million subordinated notes as of March 11, 2021. All necessary approvals have been received from our Board of Directors and the Federal Reserve.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this Annual Report on Form 10-K, our management, including the Chief Executive Officer and Chief Financial Officer, have evaluated our 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")). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us 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 by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting. The Report of Management on Internal Control Over Financial Reporting and the attestation report on our internal control over financial reporting issued by Ernst & Young LLP, the independent registered public accounting firm that audited our consolidated financial statements, are included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting. No change in our internal control over financial reporting occurred during the fourth fiscal quarter ended December 31, 2020 covered by this Annual Report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference to the information under the captions “Directors and Executive Officers” and “Board of Directors, Committees and Governance” in our Proxy Statement for the Annual Meeting of Shareholders to be held on May 6, 2021 (the “2021 Proxy Statement”), to be filed with the Commission pursuant to Regulation 14A under the Exchange Act within 120 days of our fiscal year end.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the information under the caption “Executive and Director Compensation” in the 2021 Proxy Statement.

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

The information required by this Item (with the Exception of the “Securities Authorized for Issuance under Equity Compensation Plans,” which is reported in Item 5 of this report and is incorporated herein by reference) is incorporated herein by reference to the information under the caption “Security Ownership of Certain Beneficial Owners, Directors and Management” in the 2021 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to the information under the captions “Board of Directors, Committees and Governance – Director Independence” and “Certain Related Party Transactions” in the 2021 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the information under the caption “Principal Accountant Fees” in the 2021 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Schedules.

(l) The consolidated financial statements of the Company and its subsidiaries filed as a part of this Annual Report on Form 10-K are listed in Item 8 of this Annual Report on Form 10-K, which is hereby incorporated by reference herein.

(2) All schedules to the consolidated financial statements of the Company and its subsidiaries have been omitted because they are not required under the related instructions or are inapplicable, or because the required information has been provided in the consolidated financial statements or the notes thereto.

(b) Exhibits.

The following exhibits are filed as part of this Form 10-K, and this list includes the Exhibit Index.

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

NUMBER	DESCRIPTION
2.1	Agreement and Plan of Merger, dated as of May 11, 2018, by and between Cadence Bancorporation and State Bank Financial Corporation (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 May 14, 2018).
3.1	Third Amended and Restated Certificate of Incorporation of Cadence Bancorporation (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of Cadence Bancorporation, filed with the Securities and Exchange Commission on May 11, 2020).
3.2	Second Amended and Restated By-laws of Cadence Bancorporation (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K of Cadence Bancorporation, filed with the Securities and Exchange Commission on May 11, 2020).
4.1	Form of common stock certificate of Cadence Bancorporation (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1 of Cadence Bancorporation (Registration No. 333-216809), filed with the Securities and Exchange Commission on March 17, 2017).
4.2	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934 (Class A Common Stock).
4.3	Certain instruments defining the rights of holders of long-term debt securities of the Company and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The Company hereby agrees to furnish copies of these instruments to the SEC upon request.
10.1	Credit Agreement, dated as of March 29, 2019, by and between Cadence Bancorporation and U.S. Bank National Association (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Cadence Bancorporation, filed with the Securities and Exchange Commission on April 2, 2019).
10.2†	Employment Agreement, dated February 1, 2015, by and between Cadence Bancorporation and Paul B. Murphy, Jr (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-1 of Cadence Bancorporation (Registration No. 333-216809), filed with the Securities and Exchange Commission on March 17, 2017).
10.3†	Amended and Restated Employment Agreement, dated June 1, 2020, by and between Cadence Bancorporation and Samuel M. Tortorici (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Cadence Bancorporation, filed with the Securities and Exchange Commission on August 10, 2020).
10.4†	Amended and Restated Employment Agreement, dated June 1, 2020, by and between Cadence Bancorporation and R.H. "Hank" Holmes, IV (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of Cadence Bancorporation, filed with the Securities and Exchange Commission on August 10, 2020).
10.5†	Amended and Restated Employment Agreement, dated June 1, 2020, by and between Cadence Bancorporation and Valerie C. Toalson (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Cadence Bancorporation, filed with the Securities and Exchange Commission on August 10, 2020).
10.6†	Amended and Restated Employment Agreement, dated June 1, 2020, by and between Cadence Bancorporation and Jack R. Schultz.
10.7†	Cadence Bank 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-1 of Cadence Bancorporation (Registration No. 333-216809), filed with the Securities and Exchange Commission on March 17, 2017).
10.8†	Form of Cadence Bank Long-Term Incentive Award Agreement under the Cadence Bank 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-1 of Cadence Bancorporation (Registration No. 333-216809), filed with the Securities and Exchange Commission on March 17, 2017).
10.9†	Amended and Restated Cadence Bancorporation 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-8 of Cadence Bancorporation (Registration No. 333-217316), filed with the Securities and Exchange Commission on April 14, 2017).
10.10†	Form of Performance-Based Restricted Stock Unit Agreement under the Amended and Restated Cadence Bancorporation 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.11 to the Registration Statement on Form S-1 of Cadence Bancorporation (Registration No. 333-216809), filed with the Securities and Exchange Commission on March 17, 2017).

NUMBER	DESCRIPTION
10.11†	Cadence Bancorporation Executive Bonus Plan (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-1 of Cadence Bancorporation (Registration No. 333-216809), filed with the Securities and Exchange Commission on March 17, 2017).
10.12†	Cadence Bancorporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.13 to the Registration Statement on Form S-1 of Cadence Bancorporation (Registration No. 333-216809), filed with the Securities and Exchange Commission on March 17, 2017).
10.13†	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-1 of Cadence Bancorporation (Registration No. 333-216809), filed with the Securities and Exchange Commission on March 17, 2017).
10.14†	Cadence Bancorporation 2018 Employee Stock Purchase Plan (incorporated by reference to Exhibit A to the Revised Definitive Proxy Statement of Cadence Bancorporation for its 2018 Annual Meeting of Stockholders, filed with the Securities and Exchange Commission on March 30, 2018).
10.15†	Services and Covenant Agreement, dated as of June 11, 2018, by and between Cadence Bancorporation and Joseph W. Evans (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of Cadence Bancorporation, filed with the Securities and Exchange Commission on January 2, 2019).
10.16†	Services and Covenant Agreement, dated as of June 11, 2018, by and between Cadence Bancorporation and J. Thomas Wiley, Jr. (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K of Cadence Bancorporation, filed with the Securities and Exchange Commission on January 2, 2019).
10.17†	Change of Control Agreement, dated as of March 1, 2013, by and between Cadence Bank, N.A. and Edward H. Braddock.
10.18†	Change of Control Agreement, dated as of March 1, 2014, by and between Cadence Bank, N.A. and Jerry W. Powell.
21.1	Subsidiaries of Cadence Bancorporation.
23.1	Consent of Ernst & Young LLP.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page for the Company's Annual Report on Form 10-K for the year ended December 31, 2020, has been formatted in Inline XBRL.

† Indicates a management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized in Houston, Texas on the 1st day of March 2021.

CADENCE BANCORPORATION

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

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
By: /s/ Paul B. Murphy, Jr. Paul B. Murphy, Jr.	Chairman and Chief Executive Officer (Principal Executive Officer)	March 1, 2021
By: /s/ Valerie C. Toalson Valerie C. Toalson	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 1, 2021
By: /s/ William B. Harrison, Jr. William B. Harrison, Jr.	Lead Director	March 1, 2021
By: /s/ Joseph W. Evans Joseph W. Evans	Vice Chairman	March 1, 2021
By: /s/ J. Richard Fredericks J. Richard Fredericks	Director	March 1, 2021
By: /s/ Virginia A. Hepner Virginia A. Hepner	Director	March 1, 2021
By: /s/ Precious Williams Owodunni Precious Williams Owodunni	Director	March 1, 2021
By: /s/ Marc J. Shapiro Marc J. Shapiro	Director	March 1, 2021
By: /s/ Kathy N. Waller Kathy N. Waller	Director	March 1, 2021
By: /s/ J. Thomas Wiley, Jr. J. Thomas Wiley, Jr.	Director	March 1, 2021

Exhibit 4.2

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED UNDER SECTION 12
OF THE SECURITIES EXCHANGE ACT OF 1934
(CLASS A COMMON STOCK)**

Cadence Bancorporation (the "Company," "we," "our" and "us") has one class of securities registered with the Securities and Exchange Commission (the "SEC") under Section 12 of the Securities Exchange Act of 1934, as amended: our Class A common stock, par value $0.01 per share. The following is a summary of our capital stock, including our Class A common stock, and certain terms of our third amended and restated certificate of incorporation (our "Certificate of Incorporation") and our second amended and restated bylaws (our "Bylaws"). This discussion summarizes some of the important rights of our stockholders but does not purport to be a complete description of these rights and may not contain all of the information regarding our capital stock that is important to you. These rights can only be determined in full, and the descriptions herein are qualified in their entirety, by reference to federal and state banking laws and regulations, the Delaware General Corporation Law (the "DGCL"), and our Certificate of Incorporation and our Bylaws, copies of which are filed with the SEC as exhibits to our most recent Annual Report on Form 10-K and are incorporated herein by reference.

General

Our Certificate of Incorporation authorizes us to issue up to 300,000,000 shares of Class A common stock, $0.01 par value per share, 300,000,000 shares of Class B non-voting common stock, $0.01 par value per share, and 50,000,000 shares of preferred stock, $0.01 par value per share.

No shares of our Class B non-voting common stock or our preferred stock are issued or outstanding.

Our Class A common stock is listed on the New York Stock Exchange under the symbol "CADE." The transfer agent and registrar for our Class A common stock is Continental Stock Transfer & Trust Company.

Summary of Material Terms of Capital Stock

The following description summarizes the material terms of our capital stock. Because it is only a summary, it may not contain all the information that is important to investors.

Class A Common Stock and Class B Non-Voting Common Stock

All issued and outstanding shares of our common stock are duly authorized, validly issued, fully paid and non-assessable. All authorized but unissued shares of our common stock are available for issuance by our board of directors without any further stockholder action. Our Certificate of Incorporation provides that, except with respect to voting rights and conversion rights, our Class A common stock and Class B non-voting common stock are treated equally and identically.

Voting Rights. Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock, the holders of Class A common stock possess all voting power for the election of our directors and all other matters requiring stockholder action, except with respect to amendments to our Certificate of Incorporation that alter or change the powers, preferences, rights or other terms of any outstanding preferred stock if the holders of such affected series of preferred stock are entitled to vote on such an amendment. Holders of Class A common stock are entitled to one vote per share on matters to be voted on by stockholders. Holders of Class B non-voting common stock have no voting power, and have no right to participate in any meeting of stockholders or to have notice thereof, except as required by applicable law and except that any action that would significantly and adversely affect the rights of the Class B non-voting common stock with respect to the modification of the terms of the securities or dissolution will require the approval of the Class B non-voting common stock voting separately as a class.

Except as otherwise provided by law, our Certificate of Incorporation or our Bylaws, or in respect of the election of directors, all matters to be voted on by our stockholders are required to be approved by a majority of the shares present in person or by proxy at the meeting and entitled to vote on the subject matter. In the case of an election of directors, where a quorum is present a plurality of the votes cast is sufficient to elect each director.

Conversion of Class B Non-Voting Common Stock. Each share of Class B non-voting common stock will be convertible into a share of Class A common stock at the option of the holder; provided, however, that each share of Class B non-voting common stock will not be convertible in the hands of the initial holder and will only be convertible at the time it is transferred to a third party unaffiliated with such initial holder, subject to the transfer restrictions described in the next sentence, if and only to the extent such conversion would not, after giving effect to such conversion, cause the transferee (together with such transferee's related persons and any persons with which such transferee is acting in concert) to own, control or have the power to vote shares of Class A common stock in excess of the ownership limit described below. Shares of Class B non-voting common stock may only be transferred through one or more of the following alternatives: (1) to an affiliate of a holder or to the Company, (2) in a widely dispersed public offering, (3) in a private sale in which no purchaser would acquire Class A common stock and/or Class B non-voting common stock in an amount that, after the conversion of such Class B non-voting common stock into Class A common stock, is (or represents) 2% or more of a class of our voting securities or (4) to a purchaser acquiring majority control of the Company notwithstanding such transfer.

Dividend Rights. Holders of Class A common stock and Class B non-voting common stock are equally entitled to ratably receive dividends if, as and when declared from time to time by our board of directors at its own discretion out of funds legally available for that purpose, after payment of dividends required to be paid on outstanding preferred stock, if any. Under Delaware law, we can only pay dividends either out of "surplus" or out of the current or the immediately preceding year's net profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a corporation's net assets can be measured in a number of ways and may not necessarily equal their book value.

Liquidation Rights. Upon liquidation, dissolution or winding up, the holders of Class A common stock and Class B non-voting common stock will be equally entitled to receive ratably the assets available for distribution to the stockholders after payment of all liabilities and accrued but unpaid dividends and liquidation preferences on any outstanding preferred stock.

Other. Neither the Class A common stock nor the Class B non-voting common stock has any preemptive or conversion rights pursuant to the terms of our Certificate of Incorporation and Bylaws (other than the right of holders of shares of Class B non-voting common stock to convert such shares into shares of Class A common stock). There are no redemption or sinking fund provisions applicable to our common stock. The rights, powers, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that the Company may designate and issue in the future.

Preferred Stock

Pursuant to our Certificate of Incorporation, shares of preferred stock are issuable from time to time, in one or more series, with the designations of the series, the voting rights of the shares of the series (if any), the powers, preferences and relative, participation, optional or other special rights (if any), and any qualifications, limitations or restrictions thereof as our board of directors from time to time may adopt by resolution (and without further stockholder approval), subject to certain limitations. Each series will consist of that number of shares as will be stated and expressed in the certificate of designations providing for the issuance of the stock of the series.

Anti-Takeover Effects of Certain Provisions of Delaware Law, Our Certificate of Incorporation and Bylaws

Certain provisions of Delaware law and certain provisions that are included in our Certificate of Incorporation and Bylaws summarized below may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price for the shares held by stockholders.

Preferred Stock

Our Certificate of Incorporation includes provisions that permit our board of directors to issue, without any further vote or action by the stockholders, shares of preferred stock in one or more series and, with respect to each such series, to fix the number of shares constituting the series and the designation of the series, the voting rights (if any) of the shares of the series, and the powers, preferences and relative, participation, optional and other special rights, if any, and any qualifications, limitations or restrictions, of the shares of such series.

Classified Board

Our Certificate of Incorporation provides that our board of directors shall be divided into three classes, designated Class I, Class II and Class III, until our annual meeting of our stockholders to be held in 2023. Class I directors shall be elected at the annual meeting of our stockholders to be held in 2021 for a one-year term, and they and any successors shall stand for re-election at the annual meeting of our stockholders to be held in 2022; Class II directors shall serve out their current three-year terms, and they and any successors shall stand for re-election to a one-year term at the annual meeting of our stockholders in 2022; and Class III directors shall serve out their current three-year terms, and they and any successors shall stand for re-election to a one-year term at the annual meeting of our stockholders in 2023. At each annual meeting of our stockholders commencing with the annual meeting of stockholders to be held in 2023, each director shall be elected for a one-year term, and, from that point forward, each director shall have a one-year term and shall hold office until his or her term expires at the next annual meeting of stockholders and until his or her successor shall have been duly elected and qualified, subject to his or her earlier death, resignation or removal. So long as our board of directors is classified, if the number of directors is changed, any increase or decrease shall be apportioned among the classes in such a manner as the board of directors shall determine so as to maintain the number of directors in each class as nearly equal as possible.

Removal of Directors

Any director who, prior to the 2020 annual meeting of our stockholders, was elected to a three-year term that continues beyond the date of the 2020 annual meeting of stockholders (a "Classified Director") may be removed from office during such term only for cause, and only by the affirmative vote of the shares then entitled to vote at an election of directors. Any director who is not a Classified Director may be removed from office by our stockholders with or without cause by the affirmative vote of the holders of a majority of the shares then entitled to vote at an election of directors.

Director Vacancies and Newly Created Directorships

Vacancies and newly created directorships on our board of directors may be filled only by the affirmative vote of a majority of the remaining directors, though less than a quorum of the board, and any director so chosen shall hold office for a term expiring at the next annual meeting of stockholders at which his or her term expires and until such director's successor shall have been duly elected and qualified.

No Cumulative Voting

Our Certificate of Incorporation provides that stockholders do not have the right to cumulative votes in the election of directors.

Special Meetings of Stockholders

Our Certificate of Incorporation and Bylaws provide that, except as otherwise required by law, special meetings of the stockholders may be called only by any officer at the request of a majority of our board of directors, by the chairperson of the board of directors or by our Chief Executive Officer.

Advance Notice Procedures for Director Nominations

Our Bylaws provide that stockholders seeking to nominate candidates for election as directors at an annual or special meeting of stockholders must provide timely notice thereof in writing. With respect to an annual meeting of stockholders, to be timely, a stockholder's notice generally (subject to certain exceptions) must be delivered to the Secretary of the Company at our principal executive offices not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting of stockholders. With respect to a special meeting of stockholders, to be timely, a stockholder's notice shall be delivered to the Secretary at our principal executive offices not earlier than the close of business on the 120th day prior to the date of such special meeting and not later than the close of business on the later of the 90th day prior to the date of such special meeting or, if the first public announcement of the date of such special meeting is less than 100 days prior to the date of such special meeting, the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by our board to be elected at such meeting. Although the Bylaws do not give the board of directors the power to approve or disapprove stockholder nominations of candidates to be elected at an annual meeting, the Bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the Company.

Action by Written Consent

Our Certificate of Incorporation and Bylaws provide that any action to be taken by the stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by written consent.

Amending our Certificate of Incorporation and Bylaws

Our Certificate of Incorporation may be amended or altered in any manner provided by the DGCL. Additionally, our Certificate of Incorporation provides that our Bylaws may be amended, altered or repealed by the board of directors by a majority vote.

Authorized but Unissued Shares

Our authorized but unissued shares of Class A common stock, Class B non-voting common stock and preferred stock are available for future issuances without stockholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Exclusive Jurisdiction

Our Certificate of Incorporation provides that the Delaware Court of Chancery shall be the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of fiduciary duty, and any action asserting a claim pursuant to the DGCL, our Certificate of Incorporation, our Bylaws or under the internal affairs doctrine.

Business Combinations with Interested Stockholders

We do not elect in our charter not to be subject to Section 203 of the DGCL. Subject to certain exceptions, Section 203 of the DGCL prohibits a public Delaware corporation from engaging in a business combination (as defined in such section) with an "interested stockholder" (defined generally as any person who beneficially owns 15% or more of the outstanding voting stock of such corporation or any person affiliated with such person) for a period of three years following the time that such stockholder became an interested stockholder, unless (i) prior to such time the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced (excluding for purposes of determining the voting stock of such corporation outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (A) by persons who are directors and also officers of such corporation and (B) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer); or (iii) on or subsequent to such time the business combination is approved by the board of directors of such corporation and authorized at a meeting of stockholders (and not by written consent) by the affirmative vote of at least 66 2/3% of the outstanding voting stock of such corporation not owned by the interested stockholder.

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of June 1, 2020 (the "Restatement Date"), by and among Cadence Bancorporation, a Delaware corporation (the "Company"), Cadence Bank, N.A., a national banking association organized under the laws of the United States (the "Bank" and, together with the Company, "Cadence"), and Jack R. Schultz (the "Executive").

WHEREAS, Cadence and the Executive are parties to an Amended and Restated Employment Agreement, dated as of March 14, 2017 (which agreement was originally dated as of February 1, 2015 and amended as of November 30, 2016) (the "Prior Agreement");

WHEREAS, Cadence wishes to continue to employ the Executive in an executive capacity on the terms and conditions and for the consideration hereinafter set forth, and the Executive wishes to continue to be employed by Cadence on such terms and conditions and for such consideration; and

WHEREAS, Cadence and the Executive desire to amend and restate the Prior Agreement in its entirety as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, and for other good and valuable consideration, it is hereby covenanted and agreed by the Executive and Cadence as follows:

1. Effective Date. This Agreement shall be effective as of February 1, 2015 (the "Effective Date").

2. Employment Period. Unless terminated earlier pursuant to Section 5 of this Agreement, the term of this Agreement will commence on the Effective Date and end on the first anniversary of the Effective Date (the "Employment Period"); provided, however, that commencing on the first anniversary of the Effective Date, and on each subsequent anniversary of such date (such first anniversary and each annual anniversary thereafter, a "Renewal Date"), the Employment Period shall be automatically extended so as to terminate on the first anniversary of the applicable Renewal Date, unless at least 90 days prior to such Renewal Date, Cadence shall give notice to the Executive that the Employment Period shall not be so extended following such Renewal Date (a "Notice of Nonrenewal"), in which case the Employment Period shall terminate on the first anniversary of such Renewal Date.

3. Position and Duties. During the Employment Period, the Executive shall (a) serve as Executive Vice President of the Company and EVP, Executive Officer of Specialized Industries of the Bank, with such authority, power, duties, and responsibilities as are commensurate with such positions and as are customarily exercised by a person holding such position in a company of the size and nature of the Company, (b) report to the President and Chief Operating Officer of the Company, and (c) perform the Executive's duties at Cadence's primary office location in the Atlanta, Georgia metropolitan area, subject to the Executive's performance of duties at and travel to such other offices of the Company and its subsidiaries and

controlled affiliates (the "Affiliated Entities") and/or other locations as shall be necessary to fulfill the Executive's duties.

4. Compensation. Subject to the terms of this Agreement, while the Executive is employed by Cadence during the Employment Period, Cadence shall compensate the Executive for the Executive's services as follows:

(a) Base Salary. The Executive shall receive an annual base salary ("Annual Base Salary") of no less than $275,000. The Executive's Annual Base Salary shall be reviewed annually by the Compensation Committee (the "Compensation Committee") of the Board of Directors of the Company (the "Company Board") pursuant to its normal performance review policies for senior executives and may be increased but not decreased in the sole and absolute discretion of the Compensation Committee or the Company Board. The term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as in effect from time to time. Such Annual Base Salary shall be payable in accordance with Cadence's payroll policies.

(b) Annual Incentive Payment. With respect to each fiscal year or portion of a fiscal year of Cadence ending during the Employment Period, the Executive shall be eligible to receive an annual incentive payment (the "Incentive Payment"), with the actual amount of any such Incentive Payment to be determined by the Compensation Committee. The Executive's target Incentive Payment opportunity for each fiscal year ending during the Employment Period shall be 100% of the Annual Base Salary (the "Target Incentive Payment"). Any earned Incentive Payment in respect of a fiscal year shall be paid to the Executive no later than the 15th calendar day of the third month following the close of such fiscal year, unless Cadence or the Executive shall elect to defer the receipt of such Incentive Payment pursuant to an arrangement that meets the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(c) Equity Compensation. During the Employment Period, the Executive shall be eligible to participate in any equity and/or other long-term compensation programs established by Cadence from time to time for senior executive officers at the discretion of the Compensation Committee.

(d) Employee Benefits, Fringe Benefits, and Perquisites. During the Employment Period, the Executive shall be provided with employee benefits (including vacation), fringe benefits, and perquisites in accordance with Cadence's established policies.

(e) Expense Reimbursement. Subject to the requirements of Section 8(a)(ii) of this Agreement (relating to in-kind benefits and reimbursements), during the Employment Period, Cadence shall reimburse the Executive for all reasonable and substantiated expenses incurred by the Executive in the performance of the Executive's duties in accordance with Cadence's policies applicable to senior executives.

(f) Indemnification/Insurance. The Company and the Bank shall defend, indemnify, and hold the Executive harmless to the full extent permitted by the general laws of the State of Delaware and the Company's and the Bank's organizational documents, and shall promptly advance all expenses, including attorneys' fees, under procedures provided by, and to the full extent permitted by, such laws and the Company's and the Bank's organizational documents. The Company also shall procure and maintain directors and officers liability insurance, which shall apply during all periods of the Executive's employment and thereafter during the period in which the Executive may be subject to liability for acts and omissions to act in connection with such employment.

5. Termination of Employment. The Executive's employment may be terminated under the following circumstances:

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If Cadence determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may provide the Executive with written notice in accordance with Section 12(g) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with Cadence shall terminate effective on the 30th calendar day after receipt of such notice by the Executive (the "Disability Effective Date"); provided that, within the 30 calendar days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the inability of the Executive to perform the Executive's duties with Cadence on a full-time basis as a result of the Executive's incapacity due to mental or physical illness, which incapacity prevents the Executive from substantially performing the Executive's duties to Cadence for a period of 120 consecutive calendar days or 150 out of 180 consecutive calendar days, as determined by a physician selected by Cadence or its insurers and reasonably acceptable to the Executive or the Executive's legal representative.

(b) By Cadence with or without Cause. Cadence may terminate the Executive's employment during the Employment Period either with or without Cause. For purposes of this Agreement, "Cause" shall mean the Executive's:

(i) intentional misconduct;

(ii) fraud, embezzlement, or intentional theft from Cadence;

(iii) intentional , material, and wrongful damage to Cadence's property;

(iv) intentional wrongful disclosure of material confidential information, trade secrets, or confidential business processes of Cadence;

(v) act leading to a conviction of (A) a felony or (B) a misdemeanor involving moral turpitude;

(vi) willful engagement in illegal conduct or gross misconduct, either of which is demonstrably and not insubstantially injurious to Cadence; or

(vii) continued refusal to follow lawful directions of the Executive's supervisor (other than any such refusal resulting from incapacity due to physical or mental illness) after a written demand to follow such directions is delivered to the

Executive by Cadence that specifically identifies the manner in which Cadence believes the Executive has refused to follow such directions.

For purposes of this provision, no act or failure to act on the part of the Executive shall be considered "intentional" or "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of Cadence. Any act or failure to act based upon authority given pursuant to a resolution duly adopted by the Company Board or the Bank Board or upon the advice of counsel for Cadence shall be conclusively presumed to be done or omitted to be done by the Executive in good faith and in the best interests of Cadence.

(c) By the Executive with or without Good Reason. The Executive's employment may be terminated by the Executive during the Employment Period either with or without Good Reason. For purposes of this Agreement, "Good Reason" shall mean, in the absence of the written consent of the Executive:

(i) a material and adverse change in the Executive's position or a failure of Cadence to provide the Executive with the authorities, responsibilities, and reporting relationships consistent with the Executive's position set forth in Section 3 of this Agreement;

(ii) a material failure of Cadence to provide any compensation and benefits when due pursuant to the terms of this Agreement;

(iii) a purported termination of the Executive by Cadence other than as provided under the terms and conditions of this Agreement;

(iv) a relocation of Cadence's offices at which the Executive is principally employed to a location more than 50 miles from such location; provided, however, that any business travel required of the Executive in connection with the performance of the Executive's duties to Cadence shall not constitute a relocation of Cadence's offices at which the Executive is principally employed;

(v) a failure of Cadence to require a successor to assume this Agreement; or

(vi) Cadence providing a Notice of Nonrenewal to the Executive pursuant to Section 2.

In order to invoke a termination with Good Reason, the Executive shall provide written notice to Cadence of the existence of one or more of the events, conditions, or circumstances described in clauses (i) through (v) within 30 calendar days following the Executive's knowledge of the initial existence of such events, conditions, or circumstances, specifying in reasonable detail the events, conditions, or circumstances constituting Good Reason, and Cadence shall have 30 calendar days following receipt of such written notice (the "Cure Period") during which it may remedy the condition if such condition is reasonably subject to cure. In the event that Cadence fails to remedy the events, conditions, or circumstances constituting Good Reason during the applicable Cure Period, the Executive's "separation from service" (within the meaning of Section 409A of the Code) must occur, if at all, within 30 calendar days following the end of such Cure Period in order for such termination as a result of such events, conditions, or circumstances to constitute a termination with Good Reason within the meaning of this Agreement.

(d) Notice of Termination. Any termination by Cadence with or without Cause or by the Executive with or without Good Reason shall be communicated by a Notice of Termination to the other party hereto given in accordance with Section 12(g) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice that: (i) indicates the specific termination provision in this Agreement relied upon; (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be 30 calendar days after the giving of such notice or 30 calendar days after the end of the Cure Period, if applicable, in the case of a termination by the Executive without or with Good Reason, respectively). The failure by the Executive or Cadence to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or Cadence, respectively, hereunder or preclude the Executive or Cadence, respectively, from asserting such fact or circumstance in enforcing the Executive's or Cadence's rights hereunder.

(e) Date of Termination. "Date of Termination" means: (i) if the Executive's employment is terminated by Cadence other than for Cause or Disability, the date of receipt of the Notice of Termination or any later date specified therein within 30 calendar days of such notice, as the case may be; (ii) if the Executive's employment is terminated by the Executive for Good Reason, a date that is no later than 30 calendar days after the Cure Period, if applicable; (iii) if the Executive's employment is terminated by the Executive without Good Reason, the earlier of the date that is 30 calendar days following such notice or a date chosen by Cadence following its receipt of such notice to Cadence; (iv) if the Executive's employment is terminated by Cadence for Cause, the date on which Cadence, after providing the Executive's Cure Period, if applicable, notifies the Executive of such termination; or (v) if the Executive's employment is terminated by reason of death or Disability, the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of Cadence upon Termination.

(a) Good Reason; Other Than for Cause, Death, or Disability. If, during the Employment Period, Cadence terminates the Executive's employment without Cause and other than by reason of the Executive's death or Disability, or the Executive resigns the Executive's employment with Good Reason, Cadence shall, except as otherwise required by law or provided below, pay or provide to the Executive the following:

(i) (A) as soon as reasonably practicable following the Date of Termination, a lump sum cash payment consisting of any accrued Annual Base Salary and unused vacation accrued through the Date of Termination, to the extent such Annual Base Salary and vacation has not already been paid to the Executive (the "Accrued Obligations"); (B) as soon as reasonably practicable following the Date of Termination, a lump sum cash payment consisting of any annual Incentive Payment earned by the

Executive and awarded by the Company Board or the Bank Board for a completed fiscal year but not then paid to the Executive, provided that (other than any portion of such annual Incentive Payment that was previously deferred, which portion shall instead be paid in accordance with the applicable deferral arrangement and any election thereunder) such payment shall be made no later than the 15th calendar day of the third month following the close of the fiscal year with respect to which such Incentive Payment is earned; (C) if such termination or resignation occurs other than as provided in clause (D) below, in the form of a cash payment payable in 24 equal monthly installments beginning on the date specified in Section 6(f) of this Agreement, the product of (I) two multiplied by (II) the sum of (x) the Annual Base Salary as in effect immediately prior to the Date of Termination (disregarding any reduction, if any, constituting Good Reason) plus (y) the Target Incentive Payment for the year in which the Date of Termination occurs; and (D) if such termination or resignation occurs on or within 24 months following a Change in Control (as defined in the Amended and Restated Cadence Bancorporation 2015 Omnibus Incentive Plan as in effect on the date hereof), a lump sum cash payment in an amount equal to the product of (I) two multiplied by (II) the sum of (x) the Executive's Annual Base Salary plus (y) the Target Incentive Payment for the year in which the termination occurs;

(ii) to the extent not theretofore paid or provided, Cadence shall, as soon as reasonably practicable following the Date of Termination, pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy, practice, contract, or agreement of Cadence and the Affiliated Entities through the Date of Termination, and shall pay such unreimbursed expenses incurred through the Date of Termination as are subject to reimbursement pursuant to Section 4(e) of this Agreement (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits and Expenses");

(iii) for a 12-month period following the Date of Termination, a payment each month equal to the monthly cost of continued coverage for the Executive and, where applicable, the Executive's spouse and dependents, under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") paid by the Executive under the Company's group health plan pursuant to Section 4980B of the Code, less the amount that the Executive would be required to contribute for such health coverage if the Executive were an active employee of the Company; provided that the Executive is eligible for and timely elects COBRA continuation coverage; and

(iv) for a 12-month period following the Date of Termination, Cadence shall purchase a term life insurance policy that provides the Executive with substantially the same life insurance benefit that the Executive would have received had the Executive remained employed by the Company during such 12-month period; provided that such policy can be purchased at standard rates.

(b) Death or Disability. If the Executive's employment is terminated by reason of the Executive's death or Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than the obligation to pay or provide:

(i) a lump sum cash payment in an amount equal to the sum of the Accrued Obligations and the Other Benefits and Expenses to the Executive or the Executive's estate or beneficiary, as the case may be, as soon as reasonably practicable following the Date of Termination;

(ii) a prorated Target Incentive Payment for the fiscal year in which the Date of Termination occurs based upon the period of time during the fiscal year during which the Executive was employed by Cadence pursuant to this Agreement; provided that (other than any portion of such annual Incentive Payment that was previously deferred, which portion shall instead be paid in accordance with the applicable deferral arrangement and any election thereunder) such payment shall be made no later than the 15th calendar day of the third month following the close of the fiscal year with respect to which such Incentive Payment is earned;

(iii) in the case of the Executive's Disability, for a 12-month period following the Date of Termination, a payment each month equal to the monthly cost of continued coverage for the Executive and, where applicable, the Executive's spouse and dependents, under COBRA paid by the Executive under the Company's group health plan pursuant to Section 4980B of the Code, less the amount that the Executive would be required to contribute for such health coverage if the Executive were an active employee of the Company; provided that the Executive is eligible for and timely elects COBRA continuation coverage; and

(iv) in the case of the Executive's Disability, for a 12-month period following the Date of Termination, Cadence shall purchase a term life insurance policy that provides the Executive with substantially the same life insurance benefit that the Executive would have received had the Executive remained employed by the Company during such 12-month period; provided that such policy can be purchased at standard rates.

The term "Other Benefits and Expenses" as utilized in this Section 6(b) shall also include death or disability benefits under Company provided plans as in effect on the date of the Executive's death with respect to senior executives of Cadence and their beneficiaries generally.

(c) Cause; Without Good Reason; Nonrenewal. If the Executive's employment shall be terminated by Cadence with Cause or by the Executive without Good Reason during the Employment Period, or if the Employment Period expires as a result of the delivery of a Notice of Nonrenewal by Cadence, this Agreement shall terminate without further obligations to the Executive, other than, if such termination occurs during the Employment Period, the obligation to pay or provide (i) the Accrued Obligations (paid as set forth in Section 6(a) of this Agreement) and (ii) the timely payment or provision of the Other Benefits and Expenses (paid as set forth in Section 6(a) of this Agreement).

(d) Effect of Termination on Equity Compensation. Upon a termination of the Executive's employment with the Company for any reason, any payments, benefits, or other rights of the Executive pursuant to applicable equity or other long-term incentive programs of Cadence shall be governed by the terms and conditions of the applicable program documents.

(e) Effect of Termination on Other Positions. If, on the Date of Termination, the Executive is a member of the Company Board, the Bank Board, or the board of directors of any of Cadence's subsidiaries or holds any other position with Cadence or its subsidiaries, the Executive shall be deemed to have resigned from all such positions as of the date of the Executive's termination of employment with Cadence. The Executive agrees to execute such documents and take such other actions as Cadence may request to reflect such resignation.

(f) Amounts Subject to Release of Claims and Compliance with Restrictive Covenants. The payments and benefits provided under this Section 6 (other than the Accrued Obligations and the Other Benefits and Expenses) are subject to the Executive's: (i) execution, delivery to Cadence, and non-revocation within 60 calendar days of the Date of Termination of a release of claims in favor of Cadence, its Affiliated Entities, and any officers, directors, and members of Cadence and/or its Affiliated Entities substantially in the form used by Cadence in connection with executive employment terminations (and not imposing any post-employment restrictive covenant other than to reaffirm any such restrictive covenant applicable under this Agreement) (the "General Release"); and (ii) compliance with the provisions of Sections 10(b), 10(c), 10(d), and 10(e) of this Agreement during the Employment Period and after the Date of Termination. In the event the Executive breaches the terms of Section 10(b), 10(c), 10(d), or 10(e) of this Agreement, all payments and benefits provided under this Section 6 (other than the Accrued Obligations and the Other Benefits and Expenses) shall, to the extent paid, be subject to a right of reclamation by Cadence or, to the extent unpaid, forfeiture by the Executive. The Executive shall deliver a properly executed copy of the General Release within the particular time period specified therein, and the payments and benefits provided under this Section 6 (other than the Accrued Obligations and the Other Benefits and Expenses) shall begin on the 60th calendar day following the Date of Termination or such later date as is provided under this Agreement, provided that the Executive has executed and submitted such General Release and the statutory period during which the Executive is entitled to revoke such release of claims has expired on or before such 60th calendar day.

(g) Full Settlement. The payments and benefits provided under this Section 6 of this Agreement (including, without limitation, the Other Benefits and Expenses) shall be in full satisfaction of Cadence's obligations to the Executive upon the Executive's termination of employment, notwithstanding the remaining length of the Employment Period, and in no event shall the Executive be entitled to severance benefits (or other damages in respect of a termination of employment or claim for breach of this Agreement) beyond those specified in this Section 6.

7. No Mitigation; No Offset. Cadence's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right, or action that Cadence may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced regardless of whether the Executive obtains other employment.

8. Section 409A; FDIC; Forfeiture.

(a) Section 409A.

(i) General. It is intended that this Agreement shall comply with the provisions of Section 409A of the Code and the Treasury Regulations relating thereto, or an exemption to Section 409A of the Code. Without limiting the generality of the foregoing, provisions herein with respect to the timing of payments shall be construed and interpreted in a manner consistent with such intent, and notwithstanding anything herein to the contrary, any amount due under Section 6(a)(i)(D) in respect of a Change in Control that is not an event described in Section 409A(a)(2)(A)(v) of the Code and the regulations thereunder (and that is not in excess of the amount of severance provided for in Section 6(a)(i)(C)) shall, to the extent necessary to comply with Section 409A of the Code, not be paid in a lump sum and shall instead be paid on the schedule contemplated by Section 6(a)(i)(C). Any payments that qualify for the "short-term deferral" exception or another exception under Section 409A of the Code shall be paid under the applicable exception. For purposes of the limitations on nonqualified deferred compensation under Section 409A of the Code, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of applying the Section 409A of the Code deferral election rules and the exclusion under Section 409A of the Code for certain short-term deferral amounts. All payments to be made upon a termination of employment under this Agreement may only be made upon a "separation from service" under Section 409A of the Code. In no event may the Executive, directly or indirectly, designate the calendar year of any payment under this Agreement. Within the time period permitted by the applicable Treasury Regulations (or such later time as may be permitted under Section 409A of the Code or any Internal Revenue Service or Department of Treasury rules or other guidance issued thereunder), Cadence may, in consultation with the Executive, modify the Agreement in order to cause the provisions of the Agreement to comply with the requirements of Section 409A of the Code, so as to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code (to the extent economically more advantageous to the Executive than the imposition of any taxes and penalties).

(ii) In-Kind Benefits and Reimbursements. Notwithstanding anything to the contrary in this Agreement, all (A) reimbursements and (B) in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A of the Code, including, where applicable, the requirement that (w) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement); (x) the amount of expenses eligible for reimbursement, or in kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in kind benefits to be provided, in any other calendar year; (y) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the year in which the expense is incurred; and (z) the right to reimbursement or in kind benefits is not subject to liquidation or exchange for another benefit.

(iii) Delay of Payments. Notwithstanding any other provision of this Agreement to the contrary, if the Executive is considered a "specified employee" for purposes of Section 409A of the Code (as determined in accordance with the methodology established by Cadence as in effect on the date of termination), any payment that constitutes nonqualified deferred compensation within the meaning of Section 409A of the Code that is otherwise due to the Executive under this Agreement during the six-month period following the Executive's separation from service (as determined in accordance with Section 409A of the Code) on account of the Executive's separation from service shall be accumulated and paid to the Executive on the first business day of the seventh month following the Executive's separation from service (the "Delayed Payment Date"). The Executive shall be entitled to interest on any delayed cash payments from the date of termination to the Delayed Payment Date at a rate equal to the applicable federal short-term rate in effect under Section 1274(d) of the Code for the month in which the Executive's separation from service occurs. If the Executive dies during the postponement period, the amounts and entitlements delayed on account of Section 409A of the Code shall be paid to the personal representative of the Executive's estate on the first to occur of the Delayed Payment Date or 30 calendar days after the date of the Executive's death.

(b) FDIC. Cadence and the Executive mutually acknowledge that the terms of this Agreement shall be subject to and limited by any requirements or limitations that may apply under any applicable law, including any rules or regulations promulgated by the FDIC ("FDIC Guidance"). Accordingly, the Executive hereby (A) acknowledges and understands that any compensation payable to him under any benefit plan of Cadence or the Affiliated Entities, including without limitation under this Agreement, may be subject to and limited by such FDIC Guidance, (B) consents to any future modifications and limitations with respect to and under such benefit plans to the extent necessary to ensure compliance with FDIC Guidance, (C) agrees that any plan, program, policy, agreement, or arrangement of Cadence and the Affiliated Entities and this Agreement shall be treated as a benefit plan for purposes of such limitations, (D) voluntarily waives any claim against Cadence for any changes to the Executive's compensation or benefits that are required to comply with the FDIC Guidance as in effect from time to time, (E) agrees that such waiver and consent shall constitute a part of and be integrated with this Agreement, (F) agrees to execute, acknowledge, and deliver such documents or instruments and take such other actions as may be reasonably necessary to effectuate the foregoing, and (G) agrees that in no event shall the Executive have the right to claim a breach of this Agreement or the terms of any benefit plan, if such claim is due to or arises from Cadence's compliance or alleged failure to comply with applicable law, including without limitation FDIC Guidance.

(c) Forfeiture. Notwithstanding any other provisions of this Agreement and in addition to and not in contravention of the clawback provision applicable to the Executive under applicable law:

(i) If, as a result of the Executive's misconduct, Cadence is required to prepare an accounting restatement due to material noncompliance of Cadence with any financial reporting requirement under the federal securities laws, the Executive shall reimburse Cadence for (A) all amounts received under any incentive compensation plans from Cadence that are in excess of the amounts the Executive would have been entitled to had the initial such financial document been issued or filed consistent with such accounting restatement, and (B) any gains realized from the sale of securities of Cadence during the 12-month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurs) of the financial document embodying such financial reporting requirement, unless the application of this provision has been exempted by the Securities and Exchange Commission; and

(ii) If the Executive is found guilty of misconduct by any judicial or administrative authority in connection with any (A) formal investigation by the Securities and Exchange Commission or (B) other federal or state regulatory investigation, the Compensation Committee may require the repayment of any gain realized in respect of an award under any equity compensation plan without regard to the timing of the determination of misconduct in relation to the timing of the exercise of the award.

9. Limitation on Payments under Certain Circumstances.

(a) Limitation on Payments. Anything in this Agreement to the contrary notwithstanding, in the event that the Accounting Firm (as defined below) shall determine that receipt of all Payments (as defined below) would subject Executive to tax under Section 4999 of the Code, the Accounting Firm shall determine whether some amount of Agreement Payments (as defined below) meets the definition of Reduced Amount (as defined below). If the Accounting Firm determines that there is a Reduced Amount, then the aggregate Agreement Payments shall be reduced to such Reduced Amount.

(b) Determination of Reduced Amount. If the Accounting Firm determines that the aggregate Agreement Payments should be reduced to the Reduced Amount, Cadence shall promptly give the Executive notice to that effect and a copy of the detailed calculation thereof, and the Executive may then elect, in the Executive's sole discretion, which and how much of the Agreement Payments shall be eliminated or reduced (as long as after such election the Parachute Value (as defined below) of the aggregate Agreement Payments equals the Reduced Amount); provided that Cadence shall reduce the Agreement Payments in the following order: (i) by reducing benefits payable pursuant to Section 6(a)(i)(C) or Section 6(a)(i)(D) of this Agreement, as applicable, then (ii) by reducing amounts payable pursuant to Section 6(a)(iii) of this Agreement, and then (iii) by reducing amounts payable pursuant to Section 6(a)(ii) of this Agreement. All determinations made by the Accounting Firm under this Section 9 shall be binding upon Cadence and the Executive and shall be made no later than five days prior to the occurrence of the applicable change in control. In connection with making determinations under this Section 9, the Accounting Firm shall take into account the value of any reasonable compensation for services to be rendered by the Executive before or after the applicable change in control, including any noncompetition provisions that may apply to the Executive, and Cadence shall cooperate in the valuation of any such services, including any noncompetition provisions.

(c) Overpayments; Underpayments. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by Cadence to or for the benefit of the Executive pursuant to this Agreement that should not have been so paid or distributed (each, an "Overpayment") or that additional amounts that will have not been paid or distributed by Cadence to or for the benefit of the Executive pursuant to this Agreement could have been so paid or distributed (each, an "Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either Cadence or the Executive that the Accounting Firm believes has a high probability of success determines that an Overpayment has been made, any such Overpayment paid or distributed by Cadence to or for the benefit of the Executive shall be repaid by the Executive to Cadence together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no such repayment shall be required if and to the extent such deemed repayment would not either reduce the amount on which the Executive is subject to tax under Sections 1 and 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by Cadence to or for the benefit of the Executive together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code. All fees and expenses of the Accounting Firm in implementing the provisions of this Section 9 shall be borne by Cadence.

(d) Certain Definitions. The following terms shall have the following meanings for purposes of this Section 9:

(i) "Accounting Firm" shall mean Cadence's independent auditor as of immediately prior to the applicable change in control;

(ii) "Agreement Payment" shall mean a Payment paid or payable pursuant to this Agreement (disregarding this Section 9);

(iii) "Net After-Tax Receipt" shall mean the Parachute Value of a Payment, net of all taxes imposed on the Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws that applied to the Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as the Executive shall certify, in the Executive's sole discretion, as likely to apply to the Executive in the relevant tax year(s);

(iv) "Parachute Value" of a Payment shall mean the present value as of the date of the change of control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Accounting Firm for purposes of determining whether and to what extent the excise tax under Section 4999 of the Code will apply to such Payment;

(v) A "Payment" shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise; and

(vi) "Reduced Amount" shall mean the amount of Agreement Payments that (A) has a Parachute Value that is less than the Parachute Value of all Agreement Payments and (B) results in aggregate Net After-Tax Receipts for all Payments that are greater than the Net After-Tax Receipts for all Payments that would result if the aggregate Parachute Value of Agreement Payments were any other amount that is less than the Parachute Value of all Agreement Payments.

10. Restrictive Covenants.

(a) Return of Company Property. Upon the Executive's termination of employment for any reason, the Executive shall promptly return to Cadence any keys, credit cards, passes, confidential documents or material, or other property belonging to Cadence, and the Executive shall also return all writings, files, records, correspondence, notebooks, notes, electronic contact lists, and other documents and things (including any copies thereof) containing confidential information or relating to the business or proposed business of Cadence or the Affiliated Entities or containing any trade secrets relating to Cadence or the Affiliated Entities, except any personal diaries, calendars, rolodexes, or personal notes or correspondence. For purposes of the preceding sentence, the term "trade secrets" shall have the meaning ascribed to it under the Uniform Trade Secrets Act. The Executive agrees to represent in writing to Cadence upon termination of employment that he has complied with the foregoing provisions of this Section 10(a).

(b) Mutual Nondisparagement. The Executive, the Company, and the Bank each agree that, following the Executive's termination of employment for any reason, none of the Executive, the Company, or the Bank shall, directly or indirectly, make any public statements that materially disparages (i) Cadence or the Affiliated Entities or any of their respective directors, officers, or employees, in the case of the Executive, or (ii) the Executive, in the case of the Company or the Bank. Neither the Company nor the Bank shall be liable for any breach of its obligations under this Section 10(b) if it informs its directors and executive officers, as such term is defined in Rule 3b-7 promulgated under the Securities Exchange Act of 1934, as amended, of the content of its covenant under this Section 10(b) and takes reasonable measures to ensure that such individuals honor the Company's or the Bank's, as applicable, agreement under this Section 10(b). Notwithstanding the foregoing, nothing in this Section 10(b) shall prohibit the Executive from making truthful statements when required by order of a court or other governmental or regulatory body having jurisdiction or to enforce any legal right including, without limitation, the terms of this Agreement.

(c) Confidential Information. The Executive agrees that, during the Executive's employment with Cadence and at all times thereafter, the Executive shall hold for the benefit of Cadence all secret or confidential information, knowledge, or data relating to Cadence or any of the Affiliated Entities, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by Cadence or during the Executive's consultation with Cadence after the Executive's termination of employment, and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). Except in the good-faith performance of the Executive's duties for Cadence, the Executive shall not, without the prior written consent of Cadence or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge, or data to anyone other than Cadence and those designated by it. In addition, notwithstanding anything in this Agreement to the contrary, nothing in this Agreement shall impair the Executive's rights under the whistleblower provisions of any applicable federal law or regulation or, for the avoidance of doubt, limit Executive's right to receive an award for information provided to any government authority under such law or regulation.

(d) Nonsolicitation. The Executive agrees that, while the Executive is employed by Cadence and during the 12-month period following the Executive's termination of employment with Cadence for any reason, the Executive shall not directly or indirectly, (i) solicit any individual who is, on the Date of Termination (or was, during the six month period prior to the Date of Termination), employed by Cadence or the Affiliated Entities to terminate or refrain from renewing or extending such employment or to become employed by or become a consultant to any other individual or entity other than Cadence or the Affiliated Entities, (ii) initiate discussion with any such employee or former employee for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity on behalf of the Executive's employer, or (iii) induce or attempt to induce any current customer, investor, supplier, licensee, or other business relation of Cadence or any of the Affiliated Entities to cease doing business with Cadence or such Affiliated Entity, or in any way interfere with the relationship between any such customer, investor, supplier, licensee, or business relation, on the one hand, and Cadence or any Affiliated Entity, on the other hand.

(e) Noncompetition. The Executive acknowledges and recognizes that: (i) the nature of Cadence's business is highly competitive and Cadence will be actively engaged in such business throughout the United States; (ii) the services to be performed for Cadence by the Executive are extraordinary and unique, and (iii) the Executive's compensation and benefits hereunder reflect the extraordinary and unique value to Cadence of the Executive's services. Accordingly, as a material inducement to Cadence to enter into this Agreement and to pay the Executive the compensation and benefits hereunder, the Executive agrees that, while the Executive is employed by Cadence and during the 12-month period following the Executive's termination of employment with Cadence for any reason (other than a termination by Cadence with Cause or a resignation by the Executive without Good Reason), the Executive shall not engage in Competition (as defined below). The Executive shall be deemed to be engaging in "Competition" if the Executive, directly or indirectly, anywhere in the continental United States where Cadence or any of the Affiliated Entities engages in commercial banking business or any other financial services immediately prior to the Date of Termination, owns, manages, operates, controls, or participates in the ownership, management, operation, or control of or is connected as an officer, employee, partner, director, consultant, or otherwise with, or has any financial interest in, any business (whether through a corporation or other entity) engaged in the commercial banking business or in any other financial services business that is competitive with any portion of the business conducted by Cadence or any of the Affiliated Entities. This Section 10(e) shall cease to apply upon an expiration of the Employment Period as a result of the delivery of a Notice of Nonrenewal by Cadence.

(f) Equitable Remedies. The Executive acknowledges that Cadence would be irreparably injured by a violation of Section 10(b), 10(c), 10(d), or 10(e) of this Agreement, and the Executive agrees that Cadence, in addition to any other remedies available to it for such breach or threatened breach, on meeting the standards required by law, shall be entitled to a preliminary injunction, temporary restraining order, or other equivalent relief, restraining the Executive from any actual or threatened breach of Section 10(b), 10(c), 10(d), or 10(e) of this Agreement. If a bond is required to be posted in order for Cadence to secure an injunction or other equitable remedy, the parties agree that said bond need not be more than a nominal sum.

(g) Severability; Blue Pencil. The Executive acknowledges and agrees that the Executive has had the opportunity to seek advice of counsel in connection with the Agreement and the restrictive covenants contained herein are reasonable in geographical scope, temporal duration, and in all other respects. If it is determined that any provision of this Section 10 is invalid or unenforceable, the remainder of the provisions of this Section 10 shall not thereby be affected and shall be given full effect, without regard to the invalid portions. If any court or other decision-maker of competent jurisdiction determines that any of the covenants in this Section 10 is unenforceable because of the duration or geographic scope of such provision, then after such determination becomes final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable, and in its reduced form, such provision shall be enforced.

11. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of Cadence shall not be assignable by the Executive. This Agreement and any rights and benefits hereunder shall inure to the benefit of and be enforceable by the Executive's legal representatives, heirs, or legatees. This Agreement and any rights and benefits hereunder shall inure to the benefit of and be binding upon Cadence and its successors and assigns.

(b) Cadence will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of Cadence to assume expressly and agree to satisfy all of the obligations under this Agreement in the same manner and to the same extent that Cadence would be required to satisfy such obligations if no such succession had taken place. As used in this Agreement, "Cadence" shall mean Cadence as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

12. Miscellaneous.

(a) Amendment. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) Withholding. Cadence may withhold from any amounts payable under this Agreement such federal, state, local, or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(c) Applicable Law. The provisions of this Agreement shall be construed in accordance with the internal laws of the State of Texas, without regard to the conflict of law provisions of any state.

(d) Dispute Resolution. Any controversy or claim arising out of or relating to this Agreement or the breach of this Agreement that is not resolved by the Executive and Cadence shall be submitted to arbitration in Texas in accordance with Texas law and the procedures of the American Arbitration Association. The determination of the arbitrator shall be conclusive and binding on Cadence and the Executive and judgment may be entered on the arbitrator's awards in any court having competent jurisdiction. In the event any controversy or claim under this Agreement arises, to the full extent permitted by law, Cadence shall pay all reasonable and documented attorneys' fees and other reasonable and documented litigation/arbitration costs and expenses incurred by the Executive in connection with such claim or controversy; provided that the Executive prevails on at least one material issue in such proceeding; and provided, further, that in no event shall Cadence be obligated to pay more than $100,000 in the aggregate for all such fees, costs, and expenses.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and this Agreement will be construed as if such invalid or unenforceable provision were omitted (but only to the extent that such provision cannot be appropriately reformed or modified).

(f) Waiver of Breach. No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, shall operate or be construed as a waiver of any subsequent breach by such other party of any similar or dissimilar provisions and conditions at the same or any prior or subsequent time. The failure of any party hereto to take any action by reason of such breach shall not deprive such party of the right to take action at any time while such breach continues.

(g) Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or prepaid overnight courier to the parties at the addresses set forth below (or such other addresses as shall be specified by the parties by like notice):

to Cadence:

Cadence Bancorporation
2800 Post Oak Boulevard, Suite 3800
Houston, Texas 77056
Attention: Director of Human Resources

or to the Executive:

At the address last on the records of Cadence.

Such notices, demands, claims, and other communications shall be deemed given in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery or, in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail; provided, however, that in no event shall any such communications be deemed to be given later than the date they are actually received.

(h) Survivorship. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

(i) Entire Agreement. From and after the date hereof, this Agreement shall supersede any other agreement or understanding between the parties with respect to the subject matter hereof (including, without limitation, the Prior Agreement). The obligations under this Agreement are enforceable solely against Cadence and its Affiliated Entities, and in no event shall this Agreement be enforceable against any shareholder of, or investor in, Cadence.

(j) Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed to be an original but all of which taken together constitute one and the same agreement.

(k) Representations by the Executive. The Executive hereby warrants that the Executive has the full authority to execute and enter into this Agreement and that the Executive's execution of this Agreement and commencement of employment with Cadence shall not contravene any obligations the Executive may have to any prior employer. The Executive represents and warrants that the Executive has disclosed to Cadence all provisions in any agreements with the Executive's current employer that purport to restrict the Executive's activities following employment with such employer and that the Executive is subject to no agreement or restriction that would limit the Executive's ability to execute and deliver this Agreement or serve in the capacities and fully perform the services contemplated herein.

[*Signature Page Follows*]

IN WITNESS THEREOF, the Executive has hereunto set his hand, and each of the Company and the Bank has caused these presents to be executed in its name and on its behalf, all as of the day and year first above written.

CADENCE BANCORPORATION

By: /s/ Jerry W. Powell______________________
Name: Jerry W. Powell
Title: EVP, General Counsel & Corporate Secretary

CADENCE BANK, N.A.

By: /s/ Jerry W. Powell______________________
Name: Jerry W. Powell
Title: EVP, General Counsel & Corporate Secretary

EXECUTIVE

/s/ Jack R. Schultz__________________________
Jack R. Schultz

[*Signature Page to Schultz Amended and Restated Employment Agreement*]

CHANGE OF CONTROL EMPLOYMENT AGREEMENT

This CHANGE OF CONTROL EMPLOYMENT AGREEMENT, dated as of March 1, 2013 (this "Agreement"), is entered into by and between Cadence Bank, N.A. (the "Company"), and Edward H. Braddock (the "Executive").

WHEREAS, the Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its members to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined herein). The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control that ensure that the compensation and benefits expectations of the Executive will be satisfied and that provide the Executive with compensation and benefits arrangements that are competitive with those of other companies. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

Certain Definitions

.

(a) "Affiliated Company" means any company controlled by, controlling or under common control with the Company.

(b) "Change of Control" means:

(1) a "Sale of the Company" (as defined in the Community Bancorp LLC 2010 Class C Incentive Unit Award Plan);

(2) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person"), becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (A) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); *provided*, *however*, that, for purposes of this Section 1(b)(2), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliated Company or (iv) any acquisition pursuant to a transaction that complies with Sections 1(b)(4)(A), 1(b)(4)(B) and 1(b)(4)(C);

(3) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; *provided*, *however*, that any individual becoming a director subsequent to the date hereof

whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(4) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or securities of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(5) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(c) "Change of Control Period" means the period commencing on the date hereof and ending on the second anniversary of the date hereof; *provided*, *however*, that, commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof, the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate two years from such

Renewal Date, unless, at least 60 days prior to the Renewal Date, the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

(d) "Effective Date" means the first date during the Change of Control Period (as defined herein) on which a Change of Control occurs. Notwithstanding anything in this Agreement to the contrary, if (A) the Executive's employment with the Company is terminated by the Company other than for "Cause" (as defined in Section 4(b) of this Agreement) or by the Executive for "Good Reason" (as defined in Section 4(c) of this Agreement), (B) the Date of Termination is prior to the date on which a Change of Control occurs, (C) it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, and (D) a Change of Control occurs during the Change of Control Period, then for all purposes of this Agreement, the "Effective Date" means the date immediately prior to such Date of Termination.

Employment Period

. The Company hereby agrees to continue the Executive in its employ, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of the Effective Date (the "Employment Period"). The Employment Period shall terminate upon the Executive's termination of employment for any reason.

Terms of Employment

.

(a) Position and Duties.

(1) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date, (B) the Executive's services shall be performed at the office where the Executive was employed immediately preceding the Effective Date or at any other location less than 35 miles from such office, and (C) the Executive shall not be required to travel on Company business to a substantially greater extent than required during the 120-day period immediately prior to the Effective Date.

(2) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period, it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that, to the extent that any such activities have been

conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(1) Base Salary. During the Employment Period, the Executive shall receive an annual base salary (the "Annual Base Salary") at the highest annualized rate of base salary paid or payable, including any base salary that has been earned but deferred, to the Executive by the Company and the Affiliated Companies in respect of the one-year period immediately preceding the month in which the Effective Date occurs. The Annual Base Salary shall be paid at such intervals as the Company pays executive salaries generally. During the Employment Period, the Annual Base Salary shall be reviewed at least annually, beginning no later than 12 months after the last salary increase awarded to the Executive prior to the Effective Date. Any increase in the Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. The Annual Base Salary shall not be reduced after any such increase and the term "Annual Base Salary" shall refer to the Annual Base Salary as so increased.

(2) Annual Bonus. In addition to the Annual Base Salary, the Executive shall be eligible to earn, for each fiscal year of the Company beginning during the Employment Period, an annual bonus (the "Annual Bonus") in cash with a target at least equal to the Executive's target bonus under the Company's Incentive Plan(s), or any comparable bonus under any predecessor or successor plan, for the fiscal year in which the Effective Date occurs (or, if no target bonus was established for such fiscal year, the target bonus for the immediately preceding fiscal year) (the "Target Annual Bonus"). Each such Annual Bonus shall, subject to the Executive's continued employment through the date of payment of such Annual Bonus (except as provided otherwise in Section 5(a)), be paid no later than three months after the end of the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus pursuant to an arrangement that meets the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(3) Long-Term Cash and Equity Incentives. During the Employment Period, the Executive shall be entitled to participate in all long-term cash incentive and equity incentive plans, practices, policies, and programs applicable generally to other peer executives of the Company and the Affiliated Companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable) less favorable, in the aggregate, than the most favorable of those provided by the Company and the Affiliated Companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date.

(4) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in

and shall receive all benefits under welfare benefit, fringe benefit, vacation and paid time off and expense reimbursement plans, practices, policies and programs provided by the Company and the Affiliated Companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and the Affiliated Companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits that are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for similarly situated peer executives of the Company and the Affiliated Companies at the applicable time.

Termination of Employment

.

(a) Death or Disability. The Executive's employment shall terminate automatically if the Executive dies during the Employment Period. If the Company determines in good faith that the Disability (as defined herein) of the Executive has occurred during the Employment Period (pursuant to the definition of "Disability"), it may give to the Executive written notice in accordance with Section 11(b) of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), *provided* that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. "Disability" means the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness that is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be unreasonably withheld).

(b) Cause. The Company may terminate the Executive's employment during the Employment Period with or without Cause. "Cause" means the Executive's:

(1) Intentional misconduct or material violation of the Company's Code of Conduct (including a material breach of the Executive's duty of loyalty to the Company),

(2) fraud, embezzlement, or intentional theft from the Company,

(3) intentional wrongful damage to the Company's property,

(4) intentional wrongful disclosure of material confidential information, trade secrets, or confidential business processes of the Company,

(5) act leading to a lawful arrest for (x) a felony or (y) a misdemeanor involving moral turpitude,

(6) willful engaging in illegal conduct or gross misconduct, either of which is demonstrably and not insubstantially injurious to the Company, or

(7) continued refusal to follow lawful directions of the Board (other than any such refusal resulting from incapacity due to physical or mental illness) after a written demand to follow such directions is delivered to the Executive by the Board that specifically identifies the manner in which the Board believes the Executive has refused to follow such directions.

For purposes of this Section 4(b), no act, or failure to act, on the part of the Executive shall be considered "intentional" or "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon (A) authority given pursuant to a resolution duly adopted by the Board, or if the Company is not the ultimate parent corporation of the Affiliated Companies and is not publicly traded, the board of directors (or similar governing body) of the ultimate parent of the Company (the "Applicable Board"), or (B) the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Applicable Board (excluding the Executive, if the Executive is a member of the Applicable Board) at a meeting of the Applicable Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel for the Executive, to be heard before the Applicable Board), finding that, in the good-faith opinion of the Applicable Board, the Executive is guilty of the conduct described in any of Sections 4(b)(1) through 4(b)(7), and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated during the Employment Period by the Executive for Good Reason or by the Executive voluntarily without Good Reason. "Good Reason" means:

(1) a material and adverse change in the Executive's position, or a failure of the Company to provide the Executive with the authorities, responsibilities, and reporting relationships consistent with the Executive's position, in either case immediately prior to the Effective Date,

(2) a material failure of the Company to provide any compensation and benefits when due pursuant to the terms of this Agreement,

(3) a purported termination of the Executive by the Company other than as provided under the terms and conditions of this Agreement,

(4) a relocation of the Company's offices at which the Executive is principally employed to a location more than fifty (50) miles from such location; *provided*, *however*, that any business travel required of the Executive in connection with the performance of the Executive's duties to the Company shall not constitute a relocation of the Company's offices at which the Executive is principally employed, or

(5) a failure of the Company to require a successor to assume this Agreement.

In order to invoke a termination for Good Reason, the Executive shall provide written notice to the Company of the existence of one or more of the events, conditions or circumstances described in clauses (1) through (5) within 60 days following the Executive's knowledge of the initial existence of such events, conditions or circumstances, specifying in reasonable detail the events, conditions or circumstances constituting Good Reason, and the Company shall have 30 days following receipt of such written notice (the "Cure Period") during which it may remedy the event, condition or circumstance if such condition is reasonably subject to cure. In the event that the Company fails to remedy the events, conditions or circumstances constituting Good Reason during the Cure Period (if applicable), the Executive's Date of Termination must occur, if at all, within 30 days following the end of such Cure Period in order for such termination as a result of such events, conditions or circumstances to constitute a termination for Good Reason within the meaning of this Agreement. For the avoidance of doubt, the Executive's mental or physical incapacity following the occurrence of an event described above in clauses (1) through (5) shall not affect the Executive's ability to terminate employment for Good Reason and the Executive's death following delivery of a Notice of Termination for Good Reason shall not affect the Executive's estate's entitlement to severance payments benefits provided hereunder upon a termination of employment for Good Reason.

(d) Notice of Termination. Any termination of employment by the Company for or without Cause, or by the Executive for or without Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 11(b). For purposes of this Agreement, a "Notice of Termination" means a written notice that (1) states the specific termination provision in this Agreement relied upon, (2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (3) if the Date of Termination (as defined herein) is other than the date of receipt of such notice, specifies the Date of Termination (which Date of Termination shall be not more than 30 days after the giving of such notice or, in the case of a termination by the Executive for Good Reason, not more than 30 days after the end of the Cure Period, if applicable). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's respective rights hereunder.

(e) Date of Termination. "Date of Termination" means (1) if the Executive's employment is terminated by the Company for Cause, the date of receipt of the Notice of Termination or such later date specified in the Notice of Termination, (2) if the Executive's employment is terminated by the Company other than for Cause or Disability, the date of the Executive's receipt of the Notice of Termination or any later date specified therein within 30 days after the giving of such Notice of Termination, (3) if the Executive resigns without Good Reason, the date specified in the Notice of Termination, which shall be no less than 14 and no more than 30 days after the giving of the Notice of Termination, (4) if the Executive's employment is terminated by the Executive for Good Reason, a date specified in the Notice of Termination, which shall be no later than 30 days after the end of the Cure Period, if applicable, and (5) if the Executive's employment is terminated by reason of death or Disability, the date of death of the Executive or the Disability Effective Date, as the case may be.

Obligations of the Company upon Termination

.

(a) By the Executive for Good Reason; By the Company Other Than for Cause or Disability. If, during the Employment Period, the Company terminates the Executive's employment other than for Cause or Disability or the Executive terminates employment for Good Reason:

(1) the Company shall pay to the Executive the aggregate of the following amounts:

(A) in a lump sum in cash within 30 days after the Date of Termination, the sum of (i) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (ii) the Executive's business expenses that are reimbursable pursuant to Section 3(b)(4) but have not been reimbursed by the Company as of the Date of Termination, and (iii) any accrued vacation pay to the extent not theretofore paid (the sum of the amounts described in sub-clauses (i), (ii) and (iii), the "Accrued Obligations");

(B) in a lump sum in cash within 60 days after the Date of Termination, and subject to the Executive's signing, delivering to the Company and not revoking the "Release" (as defined in Section 5(e)) according to the terms and conditions set forth in Section 5(e), an amount equal to the sum of (1) the product of (w) the Target Annual Bonus and (x) a fraction, the numerator of which is the number of days in the fiscal year in which the Date of Termination occurs through the Date of Termination and the denominator of which is 365 (the "Pro Rata Bonus"), and (2) the sum of (y) the Executive's Annual Base Salary and (z) the "Average Annual Bonus" (as defined below);

(C) to the extent unpaid as of the Date of Termination, in a lump sum in cash not later than the later of (1) 90 days after the end of the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs and (2) 60 days after the Date of Termination, subject to the Executive's signing, delivering to the Company and not revoking the Release according to the terms and conditions set forth in Section 5(e), the Annual Bonus for the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs (the "Earned Prior Year Bonus"); and

(2) except as otherwise set forth in the last sentence of Section 6, to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any Other Benefits (as defined in Section 6) in accordance with the terms of the underlying plans or agreements.

For purposes of Section 5(a)(1)(B)(2)(z), the "Average Annual Bonus" shall mean the average of the annual bonuses earned by the Executive (whether or not paid) under the Company's Incentive Plan(s) or any comparable bonus under any predecessor or successor plan for the two full fiscal years ending immediately preceding the Effective Date (or, if Executive has not had the opportunity to earn annual bonuses for the two full fiscal years ending immediately preceding the Effective Date, "Average Annual Bonus" shall mean Executive's Target Annual Bonus for the fiscal year in which the Date of Termination occurs.

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, the Company shall provide the Executive's estate or beneficiaries with (1) the Accrued Obligations, (2) timely payment or delivery of the Other Benefits, and (3) to the extent unpaid as of the Date of Termination, in a lump sum in cash not later than the later of (1) 90 days after the end of the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs and (2) 60 days after the Date of Termination, subject to the Executive's estate's or beneficiary's, as applicable, signing, delivering to the Company and not revoking the Release according to the terms and conditions set forth in Section 5(e), the Earned Prior Year Bonus, and shall have no other severance obligations under this Agreement. The Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days after the Date of Termination. With respect to the provision of the Other Benefits, the term "Other Benefits" as utilized in this Section 5(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and the Affiliated Companies to the estates and beneficiaries of peer executives of the Company and the Affiliated Companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and the Affiliated Companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, the Company shall provide the Executive with (1) the Accrued Obligations, (2) timely payment or delivery of the Other Benefits in accordance with the terms of the underlying plans or agreements, and (3) to the extent unpaid as of the Date of Termination, in a lump sum in cash not later than the later of (1) 90 days after the end of the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs and (2) 60 days after the Date of Termination, subject to the Executive's or the Executive's beneficiary's, as applicable, signing, delivering to the Company and not revoking the Release according to the terms and conditions set forth in Section 5(e), the Earned Prior Year Bonus, and shall have no other severance obligations under this Agreement. The Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days after the Date of Termination. With respect to the provision of the Other Benefits, the term "Other Benefits" as utilized in this Section 5(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and the Affiliated Companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and the Affiliated Companies and their families.

(d) Cause; Other Than for Good Reason. If the Executive's employment is terminated for Cause during the Employment Period, the Company shall provide the Executive with the Executive's Annual Base Salary through the Date of Termination, and the timely payment or delivery of the Other Benefits, and shall have no other severance obligations under this Agreement. If the Executive voluntarily terminates employment during the Employment Period other than for Good Reason, the Company shall provide to the Executive the Accrued Obligations and the timely payment or delivery of the Other Benefits and shall have no other severance obligations under this Agreement. In such case, the Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days after the Date of Termination.

(e) Amounts Subject to Release of Claims. The payments provided under Section 5 (other than the Accrued Obligations and the Other Benefits) are subject to the Executive's or the Executive's estate's or beneficiary's, as applicable, execution, delivery to the Company, and non-revocation, within 55 days after the Date of Termination, of a release of claims against the Company, the Affiliated Companies, and any officers, directors, and members of the Company and/or the Affiliated Companies substantially in the form typically used by the Company in connection with executive employment terminations (it being understood that such release shall not impose any post-employment restrictive covenant other than to reaffirm any restrictive covenant applicable under Section 9 of this Agreement and, in the case of a termination by reason of the Executive's death or Disability, such release shall only require the Executive's estate or beneficiary, as applicable, to release any claims to any payments or benefits under this Agreement in exchange for the payments provided under Sections 5(b) or 5(c), as applicable) (the "Release"). The Executive acknowledges and agrees that if the Executive or the Executive's estate or beneficiary, as applicable, does not timely sign and deliver to the Company the Release, or if the Executive or the Executive's estate or beneficiary, as applicable, timely revokes such Release, the Executive shall forfeit any and all rights to the payments provided under this Section 5 (other than the Accrued Obligations and the Other Benefits).

Non-exclusivity of Rights

. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or the Affiliated Companies and for which the Executive may qualify, nor, subject to Section 11(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement with the Company or the Affiliated Companies. Amounts that are vested benefits or that the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any other contract or agreement with the Company or the Affiliated Companies at or subsequent to the Date of Termination ("Other Benefits") shall be payable in accordance with such plan, policy, practice or program or contract or agreement, except as explicitly modified by this Agreement. Without limiting the generality of the foregoing, the Executive's resignation under this Agreement with or without Good Reason, shall in no way affect the Executive's ability to terminate employment by reason of the Executive's "retirement" under, or to be eligible to receive benefits under, any compensation and benefits plans, programs or arrangements of the Company or the Affiliated Companies, including without limitation any retirement or pension plans or arrangements or substitute plans adopted by the Company, the Affiliated Companies or their respective successors, and any termination which otherwise qualifies as Good Reason shall be treated as such even if it is also a "retirement" for purposes of any such plan. Notwithstanding the foregoing, if the Executive receives payments and benefits pursuant to Section 5(a) of this Agreement, the Executive shall not be entitled to any severance pay or benefits under any severance plan, program or policy of the Company and the Affiliated Companies, unless otherwise specifically provided therein with a specific reference to this Agreement.

Full Settlement

. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right or action that the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not the Executive obtains other employment.

Section 280G

.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that the Accounting Firm shall determine that receipt of all Payments would subject the Executive to tax under Section 4999 of the Code, the Accounting Firm shall determine whether some amount of Agreement Payments meets the definition of "Reduced Amount." If the Accounting Firm determines that there is a Reduced Amount, then the aggregate Agreement Payments shall be reduced to such Reduced Amount.

(b) If the Accounting Firm determines that the aggregate Agreement Payments should be reduced to the Reduced Amount, the Company shall promptly give the Executive notice to that effect and a copy of the detailed calculation thereof, and the Executive may then elect, in his or her sole discretion, which and how much of the Agreement Payments shall be eliminated or reduced (as long as after such election the Present Value of the aggregate Agreement Payments equals the Reduced Amount); *provided*, that the Executive shall not be permitted to elect to reduce any Agreement Payment that constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code, and shall advise the Company in writing of his or her election within ten days after his or her receipt of notice. If no such election is made by the Executive within such ten-day period, the Company shall reduce the Agreement Payments by reducing benefits payable pursuant to Section 5(a)(1)(B) of the Agreement. All determinations made by the Accounting Firm under this Section 8 shall be binding upon the Company and the Executive and shall be made within 60 days after the Executive's Date of Termination. In connection with making determinations under this Section 8, the Accounting Firm shall take into account the value of any reasonable compensation for services to be rendered by the Executive before or after the Change of Control, including any non-competition provisions that may apply to the Executive and the Company shall cooperate in the valuation of any such services, including any non-competition provisions.

(c) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to or for the benefit of the Executive pursuant to this Agreement which should not have been so paid or distributed (each, an "Overpayment") or that additional amounts which will have not been paid or distributed by the Company to or for the benefit of the Executive pursuant to this Agreement could have been so paid or distributed (each, an "Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or the Executive which the Accounting Firm believes has a high probability of success determines that an Overpayment has been made, any such Overpayment paid or distributed by the Company to or for the benefit of the Executive shall be repaid by the Executive to the Company together with interest at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code ("Interest"); *provided*, however, that no such repayment shall be required if and to the extent such deemed repayment would not either reduce the amount with respect to which the Executive is subject to tax under Sections 1 and 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive together with Interest.

(d) All fees and expenses of the Accounting Firm in implementing the provisions of this Section 8 shall be borne by the Company.

(e) Definitions. The following terms shall have the following meanings for purposes of this Section 8.

(1) A "Payment" shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise;

(2) "Agreement Payment" shall mean a Payment paid or payable pursuant to this Agreement (disregarding this Section);

(3) "Net After-Tax Receipt" shall mean the Present Value of a Payment net of all taxes imposed on the Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to the Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as the Executive shall certify, in the Executive's sole discretion, as likely to apply to the Executive in the relevant tax year(s);

(4) "Accounting Firm" shall mean a nationally recognized certified public accounting firm designated by the Company prior to a Change of Control;

(5) "Parachute Value" of a Payment shall mean the present value as of the date of the change of control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2), as determined by the Accounting Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment; and

(6) "Reduced Amount" shall mean the amount of Agreement Payments that (x) has a Present Value that is less than the Present Value of all Agreement Payments and (y) results in aggregate Net After-Tax Receipts for all Payments that are greater than the Net After-Tax Receipts for all Payments that would result if the aggregate Present Value of Agreement Payments were any other amount that is less than the Present Value of all Agreement Payments.

Confidential Information / Restrictive Covenants

.

(a) Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or the Affiliated Companies, and their respective businesses, which information, knowledge or data shall have been obtained by the Executive during the Executive's employment by the Company or the Affiliated Companies and which information, knowledge or data shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After the Date of Termination, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those persons designated by the Company. In no event shall an asserted violation of the provisions of this Section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

(b) Nonsolicitation. The Executive agrees that, while the Executive is employed by the Company and during the six (6)-month period following the Executive's termination of employment with the Company for any reason during the Employment Period (the "Restricted Period"), the Executive shall not directly or indirectly, (i) solicit any individual who is, on the Date of Termination (or was, during the six (6)-month period prior to the Date of Termination), employed by the Company or the Affiliated Companies to terminate or refrain from renewing or extending such employment or to become employed by or become a consultant to any other individual or entity other than the Company or the Affiliated Companies, (ii) initiate discussion with any such employee or former employee for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity on behalf of the Executive's employer, or (iii) induce or attempt to induce any current customer, investor, supplier, licensee or other business relation of the Company or any of the Affiliated Companies with whom or which the Executive had contact during the two (2)-year period prior to the Date of Termination to cease doing business with the Company or such Affiliated Company, or in any way interfere with the relationship between any such customer, investor, supplier, licensee or business relation, on the one hand, and the Company or any Affiliated Company, on the other hand.

(c) Mutual Nondisparagement. The Executive and the Company each agree that, following the Executive's termination of employment for any reason, neither the Executive nor the Company will make any public statements that materially disparage the other party. The Company shall not be liable for any breach of its obligations under this paragraph if it informs its directors and executive officers, as such term is defined in Rule 3b-7 promulgated under the Exchange Act, of the content of its covenant hereunder and takes reasonable measures to ensure that such individuals honor such covenant. Notwithstanding the foregoing, nothing in this

Section 9(c) shall prohibit any person from making truthful statements when required by order of a court or other governmental or regulatory body having jurisdiction or to enforce any legal right including, without limitation, the terms of this Agreement.

(d) Equitable Remedies. The Executive acknowledges that the Company would be irreparably injured by a violation of Sections 9(a), 9(b) or 9(c), and the Executive agrees that the Company, in addition to any other remedies available to it for such breach or threatened breach, on meeting the standards required by law, shall be entitled to a preliminary injunction, temporary restraining order, or other equivalent relief, restraining the Executive from any actual or threatened breach of Section 9(a), 9(b) or 9(c). If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that said bond need not be more than a nominal sum.

(e) Severability; Blue Pencil. The Executive acknowledges and agrees that he has had the opportunity to seek advice of counsel in connection with the Agreement and the restrictive covenants contained herein are reasonable in geographical scope, temporal duration, and in all other respects. If it is determined that any provision of this Section 9 is invalid or unenforceable, the remainder of the provisions of this Section 9 shall not thereby be affected and shall be given full effect, without regard to the invalid portions. If any court or other decision-maker of competent jurisdiction determines that any of the covenants in this Section 9 are unenforceable because of the duration or geographic scope of such provision, then after such determination becomes final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable, and in its reduced for, such provision shall be enforced.

Successors

.

(a) This Agreement is personal to the Executive, and, without the prior written consent of the Company, shall not be assignable by the Executive other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive’s legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. Except as provided in Section 10(c), without the prior written consent of the Executive this Agreement shall not be assignable by the Company.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. “Company” means the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law or otherwise.

Miscellaneous

.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws. The captions of this

Agreement are not part of the provisions hereof and shall have no force or effect. Subject to the last sentence of Section 11(g), this Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

if to the Executive:

At the most recent address on file at the Company.

if to the Company:

Cadence Bank, N.A.
2100 3rd Avenue North, Suite 1100
Birmingham, AL 35203

Attention: Director of Human Resources

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such United States federal, state or local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(d), the Executive's employment may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date, except as specifically provided herein, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof in effect immediately prior to the execution of this Agreement.

(g) The Agreement is intended to comply with the requirements of Section 409A of the Code or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A of the Code, shall in all respects be administered in accordance with Section 409A of the Code so as to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code. Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may the Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. Notwithstanding the foregoing provisions of Section 5, in the event that the Executive is a “specified employee” within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the Date of Termination) (a “Specified Employee”), amounts that constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code that would otherwise be payable and benefits that would otherwise be provided under Section 5(a), 5(c) and 5(d) during the six-month period immediately following the Date of Termination shall, to the extent necessary to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code, instead be paid, with Interest determined as of the Date of Termination, or provided on the first business day after the date that is six months following the Executive’s Date of Termination (the “Delayed Payment Date”). If the Executive dies following the Date of Termination and prior to the payment of the any amounts delayed pursuant to the preceding sentence, such amounts shall be paid to the personal representative of the Executive’s estate within 30 days after the date of the Executive’s death. All reimbursements and in-kind benefits provided under this Agreement that constitute deferred compensation within the meaning of Section 409A of the Code shall be made or provided in accordance with the requirements of Section 409A of the Code so as to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code, including, without limitation, that (i) in no event shall reimbursements by the Company under this Agreement be made later than the end of the calendar year next following the calendar year in which the applicable fees and expenses were incurred, provided, that the Executive shall have submitted an invoice for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred; (ii) the amount of in-kind benefits that the Company is obligated to pay or provide in any given calendar year (other than medical reimbursements described in Treas. Reg. § 1.409A-3(i)(1)(iv)(B)) shall not affect the in-kind benefits that the Company is obligated to pay or provide in any other calendar year; (iii) the Executive’s right to have the Company pay or provide such reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit; and (iv) in no event shall the Company’s obligations to make such reimbursements or to provide such in-kind benefits apply later than the Executive’s remaining lifetime (or if longer, through the 20th anniversary of the Effective Date). Prior to the Change of Control but within the time period permitted by the applicable Treasury Regulations (or such later time as may be permitted under Section 409A or any IRS or Department of Treasury rules or other guidance issued thereunder), the Company may, in consultation with the Executive, modify the Agreement, in the least restrictive manner necessary and without any diminution in the value of the payments to the Executive, in order to cause the provisions of the Agreement to comply with the requirements of Section 409A of the Code so as to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code.

<u>Dispute Resolution</u>

. Any controversy or claim arising out of or relating to this Agreement or the breach of this Agreement that is not resolved by the Executive and the

Company shall be submitted to arbitration in Texas in accordance with Texas law and the procedures of the American Arbitration Association. The determination of the arbitrator shall be conclusive and binding on the Company and the Executive and judgment may be entered on the arbitrator's awards in any court having competent jurisdiction. In the event of any contest by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), the Company hereby agrees to reimburse the Executive (within 10 days following the Company's receipt of an invoice from the Executive), to the full extent permitted by law, for all documented legal fees and expenses that the Executive reasonably incurs as a result of such contest; *provided* that the Executive prevails on at least one material issue in such contest; and *further provided* that in no event shall the Company be obligated to pay more than $75,000 in the aggregate for all such fees and expenses.

<u>Survivorship</u>

. Upon the expiration or other termination of this Agreement or the Executive's employment, the respective rights and obligations of the parties hereto shall survive to the extent necessary to carry out the intentions of the parties under this Agreement.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive’s hand and, pursuant to the authorization from the Board, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

CADENCE BANK, N.A.

/s/ Lisa Narrell Mead
By: Lisa Narrell Mead
Its: Executive Vice President

/s/ Edward H. Braddock

Edward H. Braddock

Exhibit 10.18

CHANGE OF CONTROL EMPLOYMENT AGREEMENT

This CHANGE OF CONTROL EMPLOYMENT AGREEMENT, dated as of March 1, 2014 (this "Agreement"), is entered into by and between Cadence Bank, N.A. (the "Company"), and Jerry W. Powell (the "Executive").

WHEREAS, the Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its members to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined herein). The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control that ensure that the compensation and benefits expectations of the Executive will be satisfied and that provide the Executive with compensation and benefits arrangements that are competitive with those of other companies. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

<u>Certain Definitions</u>

.

(a) "Affiliated Company" means any company controlled by, controlling or under common control with the Company.

(b) "Change of Control" means:

(1) a "Sale of the Company" (as defined in the Community Bancorp LLC 2010 Class C Incentive Unit Award Plan);

(2) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person"), becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (A) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); *provided*, *however*, that, for purposes of this Section 1(b)(2), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliated Company or (iv) any acquisition pursuant to a transaction that complies with Sections 1(b)(4)(A), 1(b)(4)(B) and 1(b)(4)(C);

(3) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; *provided*, *however*, that any individual becoming a director subsequent to the date hereof

whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(4) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or securities of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(5) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(c) "Change of Control Period" means the period commencing on the date hereof and ending on the second anniversary of the date hereof; *provided*, *however*, that, commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof, the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate two years from such

Renewal Date, unless, at least 60 days prior to the Renewal Date, the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

(d) "Effective Date" means the first date during the Change of Control Period (as defined herein) on which a Change of Control occurs. Notwithstanding anything in this Agreement to the contrary, if (A) the Executive's employment with the Company is terminated by the Company other than for "Cause" (as defined in Section 4(b) of this Agreement) or by the Executive for "Good Reason" (as defined in Section 4(c) of this Agreement), (B) the Date of Termination is prior to the date on which a Change of Control occurs, (C) it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, and (D) a Change of Control occurs during the Change of Control Period, then for all purposes of this Agreement, the "Effective Date" means the date immediately prior to such Date of Termination.

Employment Period

. The Company hereby agrees to continue the Executive in its employ, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the second anniversary of the Effective Date (the "Employment Period"). The Employment Period shall terminate upon the Executive's termination of employment for any reason.

Terms of Employment

.

(a) Position and Duties.

(1) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date, (B) the Executive's services shall be performed at the office where the Executive was employed immediately preceding the Effective Date or at any other location less than 35 miles from such office, and (C) the Executive shall not be required to travel on Company business to a substantially greater extent than required during the 120-day period immediately prior to the Effective Date.

(2) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period, it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that, to the extent that any such activities have been

conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(1) Base Salary. During the Employment Period, the Executive shall receive an annual base salary (the "Annual Base Salary") at the highest annualized rate of base salary paid or payable, including any base salary that has been earned but deferred, to the Executive by the Company and the Affiliated Companies in respect of the one-year period immediately preceding the month in which the Effective Date occurs. The Annual Base Salary shall be paid at such intervals as the Company pays executive salaries generally. During the Employment Period, the Annual Base Salary shall be reviewed at least annually, beginning no later than 12 months after the last salary increase awarded to the Executive prior to the Effective Date. Any increase in the Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. The Annual Base Salary shall not be reduced after any such increase and the term "Annual Base Salary" shall refer to the Annual Base Salary as so increased.

(2) Annual Bonus. In addition to the Annual Base Salary, the Executive shall be eligible to earn, for each fiscal year of the Company beginning during the Employment Period, an annual bonus (the "Annual Bonus") in cash with a target at least equal to the Executive's target bonus under the Company's Incentive Plan(s), or any comparable bonus under any predecessor or successor plan, for the fiscal year in which the Effective Date occurs (or, if no target bonus was established for such fiscal year, the target bonus for the immediately preceding fiscal year) (the "Target Annual Bonus"). Each such Annual Bonus shall, subject to the Executive's continued employment through the date of payment of such Annual Bonus (except as provided otherwise in Section 5(a)), be paid no later than three months after the end of the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus pursuant to an arrangement that meets the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(3) Long-Term Cash and Equity Incentives. During the Employment Period, the Executive shall be entitled to participate in all long-term cash incentive and equity incentive plans, practices, policies, and programs applicable generally to other peer executives of the Company and the Affiliated Companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable) less favorable, in the aggregate, than the most favorable of those provided by the Company and the Affiliated Companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date.

(4) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in

and shall receive all benefits under welfare benefit, fringe benefit, vacation and paid time off and expense reimbursement plans, practices, policies and programs provided by the Company and the Affiliated Companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and the Affiliated Companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits that are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for similarly situated peer executives of the Company and the Affiliated Companies at the applicable time.

Termination of Employment

.

(a) Death or Disability. The Executive's employment shall terminate automatically if the Executive dies during the Employment Period. If the Company determines in good faith that the Disability (as defined herein) of the Executive has occurred during the Employment Period (pursuant to the definition of "Disability"), it may give to the Executive written notice in accordance with Section 11(b) of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), *provided* that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. "Disability" means the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness that is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be unreasonably withheld).

(b) Cause. The Company may terminate the Executive's employment during the Employment Period with or without Cause. "Cause" means the Executive's:

(1) Intentional misconduct or material violation of the Company's Code of Conduct (including a material breach of the Executive's duty of loyalty to the Company),

(2) fraud, embezzlement, or intentional theft from the Company,

(3) intentional wrongful damage to the Company's property,

(4) intentional wrongful disclosure of material confidential information, trade secrets, or confidential business processes of the Company,

(5) act leading to a lawful arrest for (x) a felony or (y) a misdemeanor involving moral turpitude,

(6) willful engaging in illegal conduct or gross misconduct, either of which is demonstrably and not insubstantially injurious to the Company, or

(7) continued refusal to follow lawful directions of the Board (other than any such refusal resulting from incapacity due to physical or mental illness) after a written demand to follow such directions is delivered to the Executive by the Board that specifically identifies the manner in which the Board believes the Executive has refused to follow such directions.

For purposes of this Section 4(b), no act, or failure to act, on the part of the Executive shall be considered “intentional” or “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive’s action or omission was in the best interests of the Company. Any act, or failure to act, based upon (A) authority given pursuant to a resolution duly adopted by the Board, or if the Company is not the ultimate parent corporation of the Affiliated Companies and is not publicly traded, the board of directors (or similar governing body) of the ultimate parent of the Company (the “Applicable Board”), or (B) the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Applicable Board (excluding the Executive, if the Executive is a member of the Applicable Board) at a meeting of the Applicable Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel for the Executive, to be heard before the Applicable Board), finding that, in the good-faith opinion of the Applicable Board, the Executive is guilty of the conduct described in any of Sections 4(b)(1) through 4(b)(7), and specifying the particulars thereof in detail.

(c) Good Reason. The Executive’s employment may be terminated during the Employment Period by the Executive for Good Reason or by the Executive voluntarily without Good Reason. “Good Reason” means:

(1) a material and adverse change in the Executive’s position, or a failure of the Company to provide the Executive with the authorities, responsibilities, and reporting relationships consistent with the Executive’s position, in either case immediately prior to the Effective Date,

(2) a material failure of the Company to provide any compensation and benefits when due pursuant to the terms of this Agreement,

(3) a purported termination of the Executive by the Company other than as provided under the terms and conditions of this Agreement,

(4) a relocation of the Company’s offices at which the Executive is principally employed to a location more than fifty (50) miles from such location; *provided*, *however*, that any business travel required of the Executive in connection with the performance of the Executive’s duties to the Company shall not constitute a relocation of the Company’s offices at which the Executive is principally employed, or

(5) a failure of the Company to require a successor to assume this Agreement.

In order to invoke a termination for Good Reason, the Executive shall provide written notice to the Company of the existence of one or more of the events, conditions or circumstances described in clauses (1) through (5) within 60 days following the Executive's knowledge of the initial existence of such events, conditions or circumstances, specifying in reasonable detail the events, conditions or circumstances constituting Good Reason, and the Company shall have 30 days following receipt of such written notice (the "Cure Period") during which it may remedy the event, condition or circumstance if such condition is reasonably subject to cure. In the event that the Company fails to remedy the events, conditions or circumstances constituting Good Reason during the Cure Period (if applicable), the Executive's Date of Termination must occur, if at all, within 30 days following the end of such Cure Period in order for such termination as a result of such events, conditions or circumstances to constitute a termination for Good Reason within the meaning of this Agreement. For the avoidance of doubt, the Executive's mental or physical incapacity following the occurrence of an event described above in clauses (1) through (5) shall not affect the Executive's ability to terminate employment for Good Reason and the Executive's death following delivery of a Notice of Termination for Good Reason shall not affect the Executive's estate's entitlement to severance payments benefits provided hereunder upon a termination of employment for Good Reason.

(d) Notice of Termination. Any termination of employment by the Company for or without Cause, or by the Executive for or without Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 11(b). For purposes of this Agreement, a "Notice of Termination" means a written notice that (1) states the specific termination provision in this Agreement relied upon, (2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (3) if the Date of Termination (as defined herein) is other than the date of receipt of such notice, specifies the Date of Termination (which Date of Termination shall be not more than 30 days after the giving of such notice or, in the case of a termination by the Executive for Good Reason, not more than 30 days after the end of the Cure Period, if applicable). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's respective rights hereunder.

(e) Date of Termination. "Date of Termination" means (1) if the Executive's employment is terminated by the Company for Cause, the date of receipt of the Notice of Termination or such later date specified in the Notice of Termination, (2) if the Executive's employment is terminated by the Company other than for Cause or Disability, the date of the Executive's receipt of the Notice of Termination or any later date specified therein within 30 days after the giving of such Notice of Termination, (3) if the Executive resigns without Good Reason, the date specified in the Notice of Termination, which shall be no less than 14 and no more than 30 days after the giving of the Notice of Termination, (4) if the Executive's employment is terminated by the Executive for Good Reason, a date specified in the Notice of Termination, which shall be no later than 30 days after the end of the Cure Period, if applicable, and (5) if the Executive's employment is terminated by reason of death or Disability, the date of death of the Executive or the Disability Effective Date, as the case may be.

Obligations of the Company upon Termination

.

(a) By the Executive for Good Reason; By the Company Other Than for Cause or Disability. If, during the Employment Period, the Company terminates the Executive's employment other than for Cause or Disability or the Executive terminates employment for Good Reason:

(1) the Company shall pay to the Executive the aggregate of the following amounts:

(A) in a lump sum in cash within 30 days after the Date of Termination, the sum of (i) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (ii) the Executive's business expenses that are reimbursable pursuant to Section 3(b)(4) but have not been reimbursed by the Company as of the Date of Termination, and (iii) any accrued vacation pay to the extent not theretofore paid (the sum of the amounts described in sub-clauses (i), (ii) and (iii), the "Accrued Obligations");

(B) in a lump sum in cash within 60 days after the Date of Termination, and subject to the Executive's signing, delivering to the Company and not revoking the "Release" (as defined in Section 5(e)) according to the terms and conditions set forth in Section 5(e), an amount equal to the sum of (1) the product of (w) the Target Annual Bonus and (x) a fraction, the numerator of which is the number of days in the fiscal year in which the Date of Termination occurs through the Date of Termination and the denominator of which is 365 (the "Pro Rata Bonus"), and (2) the sum of (y) the Executive's Annual Base Salary and (z) the "Average Annual Bonus" (as defined below);

(C) to the extent unpaid as of the Date of Termination, in a lump sum in cash not later than the later of (1) 90 days after the end of the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs and (2) 60 days after the Date of Termination, subject to the Executive's signing, delivering to the Company and not revoking the Release according to the terms and conditions set forth in Section 5(e), the Annual Bonus for the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs (the "Earned Prior Year Bonus"); and

(2) except as otherwise set forth in the last sentence of Section 6, to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any Other Benefits (as defined in Section 6) in accordance with the terms of the underlying plans or agreements.

For purposes of Section 5(a)(1)(B)(2)(z), the "Average Annual Bonus" shall mean the average of the annual bonuses earned by the Executive (whether or not paid) under the Company's Incentive Plan(s) or any comparable bonus under any predecessor or successor plan for the two full fiscal years ending immediately preceding the Effective Date (or, if Executive has not had the opportunity to earn annual bonuses for the two full fiscal years ending immediately preceding the Effective Date, "Average Annual Bonus" shall mean Executive's Target Annual Bonus for the fiscal year in which the Date of Termination occurs.

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, the Company shall provide the Executive's estate or beneficiaries with (1) the Accrued Obligations, (2) timely payment or delivery of the Other Benefits, and (3) to the extent unpaid as of the Date of Termination, in a lump sum in cash not later than the later of (1) 90 days after the end of the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs and (2) 60 days after the Date of Termination, subject to the Executive's estate's or beneficiary's, as applicable, signing, delivering to the Company and not revoking the Release according to the terms and conditions set forth in Section 5(e), the Earned Prior Year Bonus, and shall have no other severance obligations under this Agreement. The Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days after the Date of Termination. With respect to the provision of the Other Benefits, the term "Other Benefits" as utilized in this Section 5(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and the Affiliated Companies to the estates and beneficiaries of peer executives of the Company and the Affiliated Companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and the Affiliated Companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, the Company shall provide the Executive with (1) the Accrued Obligations, (2) timely payment or delivery of the Other Benefits in accordance with the terms of the underlying plans or agreements, and (3) to the extent unpaid as of the Date of Termination, in a lump sum in cash not later than the later of (1) 90 days after the end of the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs and (2) 60 days after the Date of Termination, subject to the Executive's or the Executive's beneficiary's, as applicable, signing, delivering to the Company and not revoking the Release according to the terms and conditions set forth in Section 5(e), the Earned Prior Year Bonus, and shall have no other severance obligations under this Agreement. The Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days after the Date of Termination. With respect to the provision of the Other Benefits, the term "Other Benefits" as utilized in this Section 5(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and the Affiliated Companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and the Affiliated Companies and their families.

(d) Cause; Other Than for Good Reason. If the Executive's employment is terminated for Cause during the Employment Period, the Company shall provide the Executive with the Executive's Annual Base Salary through the Date of Termination, and the timely payment or delivery of the Other Benefits, and shall have no other severance obligations under this Agreement. If the Executive voluntarily terminates employment during the Employment Period other than for Good Reason, the Company shall provide to the Executive the Accrued Obligations and the timely payment or delivery of the Other Benefits and shall have no other severance obligations under this Agreement. In such case, the Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days after the Date of Termination.

(e) Amounts Subject to Release of Claims. The payments provided under Section 5 (other than the Accrued Obligations and the Other Benefits) are subject to the Executive's or the Executive's estate's or beneficiary's, as applicable, execution, delivery to the Company, and non-revocation, within 55 days after the Date of Termination, of a release of claims against the Company, the Affiliated Companies, and any officers, directors, and members of the Company and/or the Affiliated Companies substantially in the form typically used by the Company in connection with executive employment terminations (it being understood that such release shall not impose any post-employment restrictive covenant other than to reaffirm any restrictive covenant applicable under Section 9 of this Agreement and, in the case of a termination by reason of the Executive's death or Disability, such release shall only require the Executive's estate or beneficiary, as applicable, to release any claims to any payments or benefits under this Agreement in exchange for the payments provided under Sections 5(b) or 5(c), as applicable) (the "Release"). The Executive acknowledges and agrees that if the Executive or the Executive's estate or beneficiary, as applicable, does not timely sign and deliver to the Company the Release, or if the Executive or the Executive's estate or beneficiary, as applicable, timely revokes such Release, the Executive shall forfeit any and all rights to the payments provided under this Section 5 (other than the Accrued Obligations and the Other Benefits).

Non-exclusivity of Rights

. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or the Affiliated Companies and for which the Executive may qualify, nor, subject to Section 11(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement with the Company or the Affiliated Companies. Amounts that are vested benefits or that the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any other contract or agreement with the Company or the Affiliated Companies at or subsequent to the Date of Termination ("Other Benefits") shall be payable in accordance with such plan, policy, practice or program or contract or agreement, except as explicitly modified by this Agreement. Without limiting the generality of the foregoing, the Executive's resignation under this Agreement with or without Good Reason, shall in no way affect the Executive's ability to terminate employment by reason of the Executive's "retirement" under, or to be eligible to receive benefits under, any compensation and benefits plans, programs or arrangements of the Company or the Affiliated Companies, including without limitation any retirement or pension plans or arrangements or substitute plans adopted by the Company, the Affiliated Companies or their respective successors, and any termination which otherwise qualifies as Good Reason shall be treated as such even if it is also a "retirement" for purposes of any such plan. Notwithstanding the foregoing, if the Executive receives payments and benefits pursuant to Section 5(a) of this Agreement, the Executive shall not be entitled to any severance pay or benefits under any severance plan, program or policy of the Company and the Affiliated Companies, unless otherwise specifically provided therein with a specific reference to this Agreement.

Full Settlement

. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right or action that the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced whether or not the Executive obtains other employment.

Section 280G

.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that the Accounting Firm shall determine that receipt of all Payments would subject the Executive to tax under Section 4999 of the Code, the Accounting Firm shall determine whether some amount of Agreement Payments meets the definition of "Reduced Amount." If the Accounting Firm determines that there is a Reduced Amount, then the aggregate Agreement Payments shall be reduced to such Reduced Amount.

(b) If the Accounting Firm determines that the aggregate Agreement Payments should be reduced to the Reduced Amount, the Company shall promptly give the Executive notice to that effect and a copy of the detailed calculation thereof, and the Executive may then elect, in his or her sole discretion, which and how much of the Agreement Payments shall be eliminated or reduced (as long as after such election the Present Value of the aggregate Agreement Payments equals the Reduced Amount); *provided*, that the Executive shall not be permitted to elect to reduce any Agreement Payment that constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code, and shall advise the Company in writing of his or her election within ten days after his or her receipt of notice. If no such election is made by the Executive within such ten-day period, the Company shall reduce the Agreement Payments by reducing benefits payable pursuant to Section 5(a)(1)(B) of the Agreement. All determinations made by the Accounting Firm under this Section 8 shall be binding upon the Company and the Executive and shall be made within 60 days after the Executive's Date of Termination. In connection with making determinations under this Section 8, the Accounting Firm shall take into account the value of any reasonable compensation for services to be rendered by the Executive before or after the Change of Control, including any non-competition provisions that may apply to the Executive and the Company shall cooperate in the valuation of any such services, including any non-competition provisions.

(c) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company to or for the benefit of the Executive pursuant to this Agreement which should not have been so paid or distributed (each, an "Overpayment") or that additional amounts which will have not been paid or distributed by the Company to or for the benefit of the Executive pursuant to this Agreement could have been so paid or distributed (each, an “Underpayment”), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or the Executive which the Accounting Firm believes has a high probability of success determines that an Overpayment has been made, any such Overpayment paid or distributed by the Company to or for the benefit of the Executive shall be repaid by the Executive to the Company together with interest at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code (“Interest”); *provided*, however, that no such repayment shall be required if and to the extent such deemed repayment would not either reduce the amount with respect to which the Executive is subject to tax under Sections 1 and 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive together with Interest.

(d) All fees and expenses of the Accounting Firm in implementing the provisions of this Section 8 shall be borne by the Company.

(e) Definitions. The following terms shall have the following meanings for purposes of this Section 8.

(1) A “Payment” shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise;

(2) “Agreement Payment” shall mean a Payment paid or payable pursuant to this Agreement (disregarding this Section);

(3) “Net After-Tax Receipt” shall mean the Present Value of a Payment net of all taxes imposed on the Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to the Executive’s taxable income for the immediately preceding taxable year, or such other rate(s) as the Executive shall certify, in the Executive’s sole discretion, as likely to apply to the Executive in the relevant tax year(s);

(4) “Accounting Firm” shall mean a nationally recognized certified public accounting firm designated by the Company prior to a Change of Control;

(5) “Parachute Value” of a Payment shall mean the present value as of the date of the change of control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a “parachute payment” under Section 280G(b)(2), as determined by the Accounting Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment; and

(6) "Reduced Amount" shall mean the amount of Agreement Payments that (x) has a Present Value that is less than the Present Value of all Agreement Payments and (y) results in aggregate Net After-Tax Receipts for all Payments that are greater than the Net After-Tax Receipts for all Payments that would result if the aggregate Present Value of Agreement Payments were any other amount that is less than the Present Value of all Agreement Payments.

Confidential Information / Restrictive Covenants

.

(a) Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or the Affiliated Companies, and their respective businesses, which information, knowledge or data shall have been obtained by the Executive during the Executive's employment by the Company or the Affiliated Companies and which information, knowledge or data shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After the Date of Termination, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those persons designated by the Company. In no event shall an asserted violation of the provisions of this Section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

(b) Nonsolicitation. The Executive agrees that, while the Executive is employed by the Company and during the six (6)-month period following the Executive's termination of employment with the Company for any reason during the Employment Period (the "Restricted Period"), the Executive shall not directly or indirectly, (i) solicit any individual who is, on the Date of Termination (or was, during the six (6)-month period prior to the Date of Termination), employed by the Company or the Affiliated Companies to terminate or refrain from renewing or extending such employment or to become employed by or become a consultant to any other individual or entity other than the Company or the Affiliated Companies, (ii) initiate discussion with any such employee or former employee for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity on behalf of the Executive's employer, or (iii) induce or attempt to induce any current customer, investor, supplier, licensee or other business relation of the Company or any of the Affiliated Companies with whom or which the Executive had contact during the two (2)-year period prior to the Date of Termination to cease doing business with the Company or such Affiliated Company, or in any way interfere with the relationship between any such customer, investor, supplier, licensee or business relation, on the one hand, and the Company or any Affiliated Company, on the other hand.

(c) Mutual Nondisparagement. The Executive and the Company each agree that, following the Executive's termination of employment for any reason, neither the Executive nor the Company will make any public statements that materially disparage the other party. The Company shall not be liable for any breach of its obligations under this paragraph if it informs its directors and executive officers, as such term is defined in Rule 3b-7 promulgated under the Exchange Act, of the content of its covenant hereunder and takes reasonable measures to ensure that such individuals honor such covenant. Notwithstanding the foregoing, nothing in this

Section 9(c) shall prohibit any person from making truthful statements when required by order of a court or other governmental or regulatory body having jurisdiction or to enforce any legal right including, without limitation, the terms of this Agreement.

(d) Equitable Remedies. The Executive acknowledges that the Company would be irreparably injured by a violation of Sections 9(a), 9(b) or 9(c), and the Executive agrees that the Company, in addition to any other remedies available to it for such breach or threatened breach, on meeting the standards required by law, shall be entitled to a preliminary injunction, temporary restraining order, or other equivalent relief, restraining the Executive from any actual or threatened breach of Section 9(a), 9(b) or 9(c). If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that said bond need not be more than a nominal sum.

(e) Severability; Blue Pencil. The Executive acknowledges and agrees that he has had the opportunity to seek advice of counsel in connection with the Agreement and the restrictive covenants contained herein are reasonable in geographical scope, temporal duration, and in all other respects. If it is determined that any provision of this Section 9 is invalid or unenforceable, the remainder of the provisions of this Section 9 shall not thereby be affected and shall be given full effect, without regard to the invalid portions. If any court or other decision-maker of competent jurisdiction determines that any of the covenants in this Section 9 are unenforceable because of the duration or geographic scope of such provision, then after such determination becomes final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable, and in its reduced for, such provision shall be enforced.

Successors

.

(a) This Agreement is personal to the Executive, and, without the prior written consent of the Company, shall not be assignable by the Executive other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive’s legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. Except as provided in Section 10(c), without the prior written consent of the Executive this Agreement shall not be assignable by the Company.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. “Company” means the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law or otherwise.

Miscellaneous

.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Alabama, without reference to principles of conflict of laws. The captions of this

Agreement are not part of the provisions hereof and shall have no force or effect. Subject to the last sentence of Section 11(g), this Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

if to the Executive:

At the most recent address on file at the Company.

if to the Company:

Cadence Bank, N.A.
2100 3rd Avenue North, Suite 1100
Birmingham, AL 35203

Attention: Director of Human Resources

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such United States federal, state or local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(d), the Executive's employment may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date, except as specifically provided herein, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof in effect immediately prior to the execution of this Agreement.

(g) The Agreement is intended to comply with the requirements of Section 409A of the Code or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A of the Code, shall in all respects be administered in accordance with Section 409A of the Code so as to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code. Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may the Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. Notwithstanding the foregoing provisions of Section 5, in the event that the Executive is a "specified employee" within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the Date of Termination) (a "Specified Employee"), amounts that constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code that would otherwise be payable and benefits that would otherwise be provided under Section 5(a), 5(c) and 5(d) during the six-month period immediately following the Date of Termination shall, to the extent necessary to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code, instead be paid, with Interest determined as of the Date of Termination, or provided on the first business day after the date that is six months following the Executive's Date of Termination (the "Delayed Payment Date"). If the Executive dies following the Date of Termination and prior to the payment of the any amounts delayed pursuant to the preceding sentence, such amounts shall be paid to the personal representative of the Executive's estate within 30 days after the date of the Executive's death. All reimbursements and in-kind benefits provided under this Agreement that constitute deferred compensation within the meaning of Section 409A of the Code shall be made or provided in accordance with the requirements of Section 409A of the Code so as to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code, including, without limitation, that (i) in no event shall reimbursements by the Company under this Agreement be made later than the end of the calendar year next following the calendar year in which the applicable fees and expenses were incurred, provided, that the Executive shall have submitted an invoice for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred; (ii) the amount of in-kind benefits that the Company is obligated to pay or provide in any given calendar year (other than medical reimbursements described in Treas. Reg. § 1.409A-3(i)(1)(iv)(B)) shall not affect the in-kind benefits that the Company is obligated to pay or provide in any other calendar year; (iii) the Executive's right to have the Company pay or provide such reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit; and (iv) in no event shall the Company's obligations to make such reimbursements or to provide such in-kind benefits apply later than the Executive's remaining lifetime (or if longer, through the 20th anniversary of the Effective Date). Prior to the Change of Control but within the time period permitted by the applicable Treasury Regulations (or such later time as may be permitted under Section 409A or any IRS or Department of Treasury rules or other guidance issued thereunder), the Company may, in consultation with the Executive, modify the Agreement, in the least restrictive manner necessary and without any diminution in the value of the payments to the Executive, in order to cause the provisions of the Agreement to comply with the requirements of Section 409A of the Code so as to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code.

Dispute Resolution

. Any controversy or claim arising out of or relating to this Agreement or the breach of this Agreement that is not resolved by the Executive and the

Company shall be submitted to arbitration in Alabama in accordance with Alabama law and the procedures of the American Arbitration Association. The determination of the arbitrator shall be conclusive and binding on the Company and the Executive and judgment may be entered on the arbitrator's awards in any court having competent jurisdiction. In the event of any contest by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), the Company hereby agrees to reimburse the Executive (within 10 days following the Company's receipt of an invoice from the Executive), to the full extent permitted by law, for all documented legal fees and expenses that the Executive reasonably incurs as a result of such contest; *provided* that the Executive prevails on at least one material issue in such contest; and *further provided* that in no event shall the Company be obligated to pay more than $75,000 in the aggregate for all such fees and expenses.

Survivorship

. Upon the expiration or other termination of this Agreement or the Executive's employment, the respective rights and obligations of the parties hereto shall survive to the extent necessary to carry out the intentions of the parties under this Agreement.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from the Board, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

CADENCE BANK, N.A.

/s/ Phillip D. Sprayberry
By: Phillip D. Sprayberry
Its: Executive Vice President

/s/ Jerry W. Powell
Jerry W. Powell

Exhibit 21.1

Subsidiaries of Cadence Bancorporation
(as of December 31, 2020)

Subsidiary	Jurisdiction of Organization
Cadence Bank, N.A.	United Sates
Altera Payroll and Insurance, Inc.	Delaware
Linscomb & Williams, Inc.	Texas
Cadence Investment Services, Inc.	Alabama
SFS, LLC	Alabama
Trico and Company LLC	Alabama
Cadence Holdings, LLC	Alabama
Cadence Capital, Inc.	Texas
Encore Statutory Trust II	Connecticut
Encore Capital Trust III	Delaware
NBC Capital Corporation (MS) Statutory Trust I	Connecticut

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-225075) of Cadence Bancorporation and in the related Prospectus and in the Registration Statement (Form S-8 No. 333-217316) pertaining to the Amended and Restated Cadence Bancorporation 2015 Omnibus Incentive Plan dated April 14, 2017 and in the Registration Statement (Form S-8 No. 333-238791) pertaining to the Cadence Bancorporation 2018 Employee Stock Purchase Plan dated May 29, 2020, of our reports dated March 1, 2021, with respect to the consolidated financial statements of Cadence Bancorporation and the effectiveness of internal control over financial reporting of Cadence Bancorporation included in this Annual Report (Form 10-K filed on March 1, 2021) for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Birmingham, Alabama
March 1, 2021

Exhibit 31.1

CERTIFICATIONS

I, Paul B. Murphy, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 1, 2021

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

Exhibit 31.2

CERTIFICATIONS

I, Valerie C. Toalson, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 1, 2021

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

Exhibit 32.1

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

In connection with the annual report of Cadence Bancorporation (the "Company") on Form 10-K for the period ended December 31, 2020, 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 operation of the Company.

Date: March 1, 2021

/s/ Paul B. Murphy
Paul B. Murphy
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.

Exhibit 32.2

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

In connection with the annual report of Cadence Bancorporation (the "Company") on Form 10-K for the period ended December 31, 2020, 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 operation of the Company.

Date: March 1, 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.