



To Our Shareholders:

We are pleased to report that third quarter results were solid, and included the purchase and simultaneous integration of MidSouth Bancorp, headquartered in Lafayette, Louisiana. Earnings, excluding merger-related costs associated with the acquisition of MidSouth, were in line with our guidance and expectations for the quarter. We reported positive operating leverage despite a declining interest rate environment, strengthened our capital position and announced an increased stock repurchase authorization. During the quarter we also continued our focus on achieving our Corporate Strategic Objectives (CSOs) in light of the current operating environment.

Reported EPS for the third quarter was \$0.77 per share. The late quarter closing and simultaneous integration of MidSouth added almost \$29 million, or \$0.26 per share, of merger-related costs to our results during the quarter, however such costs are expected to be eliminated by the beginning of 2020. Earnings for the third quarter, excluding the merger-related expenses associated with the MidSouth acquisition, were \$1.03, up \$0.02 from the second quarter.

Our acquisition of MidSouth Bancorp closed September 20, 2019, effective September 21, 2019. During that same weekend, we converted MidSouth clients to our technology systems, closed and/or consolidated 20 branches and welcomed MidSouth employees as new Hancock Whitney associates. I want to take this opportunity to congratulate the teams on both sides of the transaction for an on-time, under-budget integration with exceptional quality and attention to client experience. The merger also provides us with additional opportunities for growth in new markets in North Louisiana and the Dallas metropolitan area. We believe this acquisition is a good example of our overall M&A strategy.

Operating leverage increased by almost \$6 million, with revenue up \$7 million linked-quarter and operating expense up marginally by \$1.2 million. We reported a decline in nonperforming loans, outperformed in fee income, and controlled our expenses, all leading to us beating Street's consensus estimates for top line growth. Since there were only 10 days of MidSouth included in our results, the quarter reflected no significant operating earnings impact from that transaction.

While our NIM narrowed 4 basis points in the third quarter, our recovery of a prior loss on a support services energy credit and a proactive stance to reduce deposit costs helped offset a Federal Reserve reduction in interest rates. Credit results were a bit mixed with higher charge-offs related to a single energy credit and an increase in criticized loans due to both the acquisition of MidSouth and the impact of a recent regulatory exam. MidSouth added \$82 million of energy-related loans to our portfolio. While this added to our overall energy exposure, our organic reductions in energy exposure resulted in our total energy portfolio remaining below 5% of total loans. We expect to see continued reductions in our energy exposure over the next several quarters.

Our capital ratios remained strong with TCE up 7 basis points from June 30, 2019 ending the quarter at 8.82%. TCE declined 15 basis points from the MidSouth acquisition, however, net retained earnings were strong enough to help offset that and still build capital.

In September we issued just over 5 million shares to former MidSouth shareholders, and we welcome those new shareholders to Hancock Whitney. Late in the third quarter, with a solid stream of earnings and strong capital, our board announced its authorization of an increased stock buyback plan of up to 5.5 million shares. On October 21, 2019, we announced a repurchase of shares of common stock through an accelerated share repurchase agreement with Morgan Stanley. This repurchase of shares will help offset the impact to EPS going forward from the issuance of shares to former MidSouth shareholders.

As 2019 comes to an end, we at Hancock Whitney do truly appreciate our clients, investors and team members. Hancock Whitney was founded more than 120 years ago to help people achieve their financial goals and dreams. During this special time of gratitude and giving, we thank you for your investment in our organization. Whether you have been a shareholder for generations or are a new shareholder from MidSouth, we are grateful for and honored by your investment. On behalf of our Hancock Whitney associates, our board of directors, and our executive team, I wish you and yours a Merry Christmas, Happy Holidays, and a bright, peaceful, and prosperous 2020!


John M. Hairston
President & CEO