

**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, 2013.

OR

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

Commission file number 0-13089

Hancock Holding Company

(Exact name of registrant as specified in its charter)

Mississippi

(State or other jurisdiction of incorporation or organization)

64-0693170

(I.R.S. Employer Identification Number)

One Hancock Plaza, Gulfport, Mississippi

(Address of principal executive offices)

39501

(Zip Code)

(228) 868-4727

Registrant's telephone number, including area code

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

(Title of Class)

COMMON STOCK, \$3.33 PAR VALUE

(Name of Exchange on Which Registered)

The NASDAQ Stock Market, LLC

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 20, 2014 was \$2.4 billion based upon the closing market price on NASDAQ on June 30, 2013. For purposes of this calculation only, shares held by nonaffiliates are deemed to consist of (a) shares held by all shareholders other than directors and executive officers of the registrant plus (b) shares held by directors and officers as to which beneficial ownership has been disclaimed.

On January 31, 2014, the registrant had outstanding 82,279,194 shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for our annual meeting of shareholders to be filed with the Securities and Exchange Commission are incorporated by reference into Part III of this report.

Hancock Holding Company
Form 10-K
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PART I

ITEM 1. BUSINESS

ORGANIZATION AND RECENT DEVELOPMENTS

Hancock Holding Company (“Hancock” or the “Company”) was organized in 1984 as a bank holding company registered under the Bank Holding Company Act of 1956, as amended. In 2002, the Company qualified as a financial holding company giving it broader powers. The corporate headquarters of the Company is in Gulfport, Mississippi.

Prior to 1985, our growth was primarily internal through branch expansions into areas of population growth that were not served by a dominant financial institution. After 1985, we made several small acquisitions to further our expansion. Within the past five years we have acquired two sizeable institutions which have significantly expanded the geographic scope of the overall organization.

On December 18, 2009, the Company acquired the assets and assumed the liabilities of Panama City, Florida based Peoples First Community Bank (Peoples First) in an FDIC-assisted transaction. This acquisition added approximately \$2 billion in assets.

On June 4, 2011, Hancock acquired all of the outstanding common stock of Whitney Holding Corporation (Whitney), a bank holding company based in New Orleans, Louisiana, in a stock and cash transaction. Whitney’s bank subsidiary, Whitney National Bank, was merged into Hancock Bank of Louisiana and renamed Whitney Bank. The acquisition added \$11.7 billion in assets, \$6.5 billion in loans, and \$9.2 billion in deposits.

With \$19.0 billion in assets, Hancock is the parent company of two wholly-owned bank subsidiaries, Hancock Bank, headquartered in Gulfport, Mississippi and Whitney Bank, headquartered in New Orleans, Louisiana. Hancock Bank operates all branches in Mississippi, Alabama and Florida and Whitney Bank operates all branches in Louisiana and Texas.

The Company announced in November 2013 that its holding company’s board of directors approved a plan to consolidate the legal charters of its two subsidiary banks (Hancock Bank and Whitney Bank) in the first quarter of 2014, pending receipt of required regulatory approvals. The consolidation, which supports the previously announced expense and efficiency initiative, will reduce the cost and complexity of maintaining two separate bank charters in this current regulatory environment. The change is not expected to have a noticeable impact on our customers, as the Company will continue to do business under its two well-known brands, Whitney Bank in Louisiana and Texas, and Hancock Bank in Mississippi, Alabama, and Florida.

NATURE OF BUSINESS AND MARKETS

Hancock Bank and Whitney Bank (referred to collectively as the “Banks”) operate across a Gulf south corridor comprising southern Mississippi; southern and central Alabama; southern Louisiana; the northern, central, and panhandle regions of Florida; and Houston, Texas. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Segment Reporting” and Note 19 to the consolidated financial statements for information regarding Hancock’s reportable operating segments.

We also offer other services through several non-bank subsidiaries. Hancock Investment Services, Inc. provides discount investment brokerage services. Hancock Insurance Agency and Whitney Insurance Agency provide general insurance agency services. Harrison Finance Company provides consumer financing services. We also have several special purpose subsidiaries that operate and sell certain foreclosed assets. Total revenue from non-bank subsidiaries accounted for less than ten percent of our consolidated revenue in 2013.

Our operating strategy is to provide customers with the financial sophistication and range of products of a regional bank, while successfully retaining the commercial appeal and level of service of a community bank. The Banks offer a broad range of community banking services to commercial, small business and retail customers,

providing a variety of transaction and savings deposit products, treasury management services, investment brokerage services, secured and unsecured loan products, including revolving credit facilities, and letters of credit and similar financial guarantees. The Banks also provide trust and investment management services to retirement plans, corporations and individuals. Through their subsidiaries, the Banks also offer personal and business lines of insurance and annuity products to their customers.

The main industries along the Gulf Coast are energy and related service industries, military and government-related facilities, educational and medical complexes, petrochemical industries, port facility activities and transportation and related industries, tourism and related service industries, and the gaming industry.

Having completed the integration of Whitney and Hancock, we will evaluate future acquisition opportunities that have the potential to increase shareholder value. In-market expansion is our first priority. However, we would also consider strategic opportunities in new markets such as Texas locations outside the Houston area and northern Alabama.

Recent acquisitions and continued internal growth have diversified our sources of revenue and enhanced core deposit funding. Hancock's size and scale enables us to attract and retain high quality associates. We remain focused on maintaining two hallmarks of our past culture: a strong balance sheet and a commitment to excellent credit quality.

At December 31, 2013, the Company had total assets of \$19.0 billion and 3,978 employees on a full-time equivalent basis.

Additional information is available at www.hancockbank.com and www.whitneybank.com.

Loan Production and Credit Review

The Banks' primary lending focus is to provide commercial, consumer and real estate loans to consumers, to small and middle market businesses, and to corporate clients in their respective markets. We seek to provide quality loan products that are attractive to the borrower and profitable to Hancock. We look to build strong, profitable client relationships over time and maintain a strong presence and position of influence in the communities we serve. Through this relationship-based approach we have developed a deep knowledge of our customers and the markets in which they operate. The Company continually works to improve the consistency of its lending processes across all of our banking divisions, to strengthen the underwriting criteria we employ to evaluate new loans and loan renewals, and to diversify our loan portfolio in terms of type, industry and geographical concentration. We believe that these measures will better position Hancock to meet the credit needs of businesses and consumers in the markets it serves while pursuing a balanced strategy of loan profitability, loan growth and loan quality.

The following discussion describes the underwriting procedures of the lending function and presents our principal categories of loans. The results of our lending activities and the relative risk of the loan portfolio are discussed in "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Report.

Hancock Bank and Whitney Bank share an integrated set of loan policies, underwriting standards and key underwriting functions designed to achieve a consistent approach by both banks. These underwriting standards address:

- collateral requirements;
- guarantor requirements (including policies on financial statement, tax return, and guarantees);

- requirements regarding appraisals and their review;
- loan approval hierarchy;
- standard consumer and small business credit scoring underwriting criteria (including credit score thresholds, maximum maturity and amortization, loan-to-value limits, global debt service coverage, and debt to income limits);
- commercial real estate and commercial and industrial underwriting guidelines (including minimum debt service coverage ratio, maximum amortization, minimum equity requirements, maximum loan-to-value ratios);
- lending limits;
- and credit approval authorities.

Additionally, we continue to enhance our loan concentration policy to limit and manage our exposure within specified concentration tolerances. This policy calls for portfolio risk management and reporting, the imposition of large borrower concentration limits and systematic monitoring of large commercial loans and monitoring of our portfolio mix. The Company currently has no significant concentrations of loans to particular borrowers or to any foreign entities, although it continues to have a meaningful concentration in commercial real estate and energy-related loans. The Company defines concentration as the total of funded and unfunded commitments (excluding loans acquired in the People's First transaction covered under loss-sharing agreements with the FDIC) as a percentage of total capital (as defined for risk-based capital ratios). The Company had the following industry concentrations as of December 31, 2013:

- Commercial Real Estate — 153%
- Mining, Oil and Gas — 122%
- Manufacturing — 55%
- Construction — 38%
- Retail Trade — 42%
- Healthcare — 37%
- Wholesale Trade — 43%
- Transportation and Warehousing — 28%

Our underwriting process is structured to require oversight that is proportional to the size and complexity of the lending relationship. We delegate designated relationship managers and credit officers loan authority that can be utilized to approve credit commitments for a single borrowing relationship. The limit of delegated authority is based upon the experience, skill, and training of the relationship manager or credit officer. Certain types of loans must be approved by either one of the Banks' centralized underwriting units or the Banks' executive loan committee.

Loans are underwritten in accordance with the credit underwriting standards and loan policies of the Banks. Loans are underwritten primarily on the basis of the borrower's ability to make debt service and secondarily on collateral value. Generally, real estate secured loans and mortgage loans are made when the borrower produces evidence of the ability to make debt service along with appropriate equity in the property. Appropriate and regulatory compliant third party valuations are required at the time of origination for real estate secured loans.

Loan portfolio data is presented as either originated, acquired, or covered loans because these segments use different accounting and allowance methodologies. Originated loans include legacy Hancock loans and loans

originated from the acquired Banks' locations since their acquisitions. Acquired loans are those purchased in the Whitney acquisition on June 4, 2011. Covered loans are those purchased in the December 2009 acquisition of Peoples First, which are covered by loss share agreements between the FDIC and the Company that afford significant loss protection. Within these categories, we have commercial, residential mortgage and consumer loans.

Commercial

The Banks offer a variety of commercial loan services to a diversified customer base over a range of industries, including energy, wholesale and retail trade in various durable and nondurable products, manufacturing of such products, marine transportation and maritime construction, financial and professional services, and agricultural production. Commercial loans are categorized as commercial and industrial, construction and land development, and commercial real estate loans.

Commercial and industrial loans, both secured and unsecured, are made available to businesses for working capital (including financing of inventory and receivables), business expansion (including acquisition and development of real estate and improvements), and the purchase of equipment and machinery. These loans are primarily made based on the identified cash flows of the borrower and, if secured, on the underlying collateral. Most commercial and industrial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal or corporate guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

The Banks make construction and land development loans to builders and real estate developers for the acquisition, development and construction of business and residential-purpose properties. Acquisition and development loans are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analysis of real estate absorption and lease rates, and financial analysis of the developers and property owners. Construction loans are generally based upon cost estimates and the projected value of the complete project. The Banks monitor the construction process to mitigate or identify risks as they arise. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of construction loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Banks until permanent financing is obtained. These loans are typically closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing to take out the construction loan.

Commercial real estate loans consist of commercial mortgages on both income-producing and owner-occupied properties. We have executed a strategy to increase the proportion of loans secured by owner-occupied properties in recent years and reduce the number of speculative real estate projects. Loans secured by income-producing properties are viewed primarily as cash flow loans and undergo the analysis and underwriting process of a commercial and industrial loan, as well as that of a real estate loan. Repayment of non-owner occupied loans is generally dependent on the successful operation of the income-producing property securing the loan. Commercial real estate loans may be adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Banks' commercial real estate portfolios are diverse in terms of type and geographic location. We monitor and evaluate commercial real estate loans based on collateral, geography and risk grade criteria. Many of the markets within the footprint have shown signs of improvement in values over the past 12 months. However, commercial real estate lending can represent an area of elevated risk, so we actively monitor this segment of the portfolio.

Residential Mortgage

A portion of the Banks' lending activities consists of the origination of both fixed-rate and adjustable-rate home loans, although we re-sell most longer-term fixed-rate loans that we originate in the secondary mortgage market on a best-efforts basis. The sale of mortgage loans allows the Banks to manage the interest rate risks related to such lending operations.

Consumer

Consumer loans include second mortgage home loans, home equity lines of credit and non-residential consumer purpose loans. Non-residential consumer loans include direct and indirect loans made to finance automobiles, recreation vehicles, boats, and other personal (secured and unsecured) and deposit account secured loans. Consumer loans are attractive because they typically have a shorter term, provide granularity of size for the overall portfolio, and produce a higher overall yield. The Banks also have a small portfolio of credit card receivables issued on the basis of applications received through referrals from the Banks' branches and other marketing efforts. The Banks approve consumer loans based on employment and financial information submitted by prospective borrowers as well as credit reports collected from various credit agencies. Financial stability and credit history of the borrower are the primary factors the Banks consider in granting such loans. The availability of collateral is also a factor considered in making such loans. The geographic area of the borrower is another consideration, with preference given to borrowers in the Banks' primary market areas.

A small consumer finance portfolio is maintained by Harrison Finance Company. The portfolio has a higher risk profile than the Banks' consumer portfolio, but carries a higher yield.

Securities Portfolio

Our investment portfolio includes, among other asset classes, U.S. agency debt securities, U.S. agency mortgage-related securities and obligations of states and municipalities classified as available for sale and held to maturity. As such, the Company considers the available for sale portfolio as one of many sources of liquidity used to fund our operations. Investments are made in accordance with the investment policy and also tested under multiple stressed interest rate scenarios, the results of which are used to manage our interest rate risk position. The rate scenarios include regulatory and management agreed upon instantaneous and ramped rate movements that may be up to plus 500 bps. The combined portfolio has a target effective duration of two to five.

We also utilize a significant portion of the securities portfolio to secure certain deposits and other liabilities requiring collateralization. To retain a source of liquidity, we limit the percentage of securities that can be pledged in order to keep a portion of securities available for sale. The securities portfolio can also be pledged to increase our line of credit availability at the Federal Home Loan Bank of Dallas, although we have not had to do so.

The investments subcommittee of the asset/liability committee (ALCO) is responsible for evaluating issues related to the management of the investment portfolio. The investments subcommittee is also responsible for the development of investment strategies for the consideration and approval of the ALCO. Final authority and responsibility for all aspects of the conduct of investment activities rests with the board risk committee, all in accordance with the overall guidance and limitations of the investment policy.

Deposits

The Banks have several programs designed to attract depository accounts from consumers and small and middle market businesses at interest rates generally consistent with market conditions. Deposits are the most significant funding source for the Company's interest earning assets. Deposits are attracted principally from clients within our retail branch network through the offering of a broad array of deposit products to individuals and businesses,

including noninterest-bearing demand deposit accounts, interest-bearing transaction accounts, savings accounts, money market deposit accounts, and time deposit accounts. Terms vary among deposit products with respect to commitment periods, minimum balances, and applicable fees. Interest paid on deposits represents the largest component of our interest expense. Interest rates offered on interest-bearing deposits are determined based on a number of factors, including, but not limited to, (1) interest rates offered in local markets by competitors, (2) current and expected economic conditions, (3) anticipated future interest rates, (4) the expected amount and timing of funding needs, and (5) the availability and cost of alternative funding sources. Deposit flows are controlled by the Banks primarily through pricing, and to a lesser extent, through promotional activities. Management believes that the rates that it offers, which are posted weekly on deposit accounts, are generally competitive with other financial institutions in the Banks' respective market areas. Client deposits are attractive sources of funding because of their stability and low relative cost. Deposits are regarded as an important part of the overall client relationship and provide opportunities to cross-sell other bank services.

The Banks also hold public funds as deposits. The Banks' appetite for public funds, as with any type of deposit, is determined by ALCO's Funding and Liquidity Sub-Committee while pricing decisions are determined by ALCO's deposit pricing sub-committee. Typically many public fund deposits are allocated based upon the rate of interest offered and the ability of the bank to provide collateralization. The Banks can influence the level of its public fund deposits through pricing decisions. Public deposits typically require the pledging of collateral, most commonly marketable securities. This is taken into account when determining the level of interest to be paid on public deposits. The pledging of collateral, monitoring and management reporting represents additional operational requirements for the Banks. Public fund deposits are more volatile because they tend to have high balances. Public funds have not historically presented any special risks to the Banks. Public funds are only one of many possible sources of liquidity that the Banks have available to draw upon as part of its liquidity funding strategy as set by ALCO.

The Banks accepted brokered deposits in 2013 as part of their contingency funding plan ("CFP"); however, the brokered deposits are not used as a long-term funding source. Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), only "well-capitalized" and "adequately-capitalized" institutions may accept brokered deposits. The Company issued three-month brokered CDs through third-party intermediaries as test issuances under the CFP.

Trust Services

The Banks, through their respective trust departments, offer a full range of trust services on a fee basis. In their trust capacities, the Banks provide investment management services on an agency basis and act as trustee for pension plans, profit sharing plans, corporate and municipal bond issues, living trusts, life insurance trusts and various other types of trusts created by or for individuals, businesses, charitable and religious organizations. As of December 31, 2013, the trust departments of the Banks had approximately \$14.1 billion of assets under administration compared to \$13.6 billion as of December 31, 2012. As of December 31, 2013, \$4.1 billion of administered assets were corporate trust accounts and the remaining balances were personal, employee benefit, estate and other trust accounts.

COMPETITION

The deregulation of the financial services industry, the elimination of many previous distinctions between commercial banks and other financial institutions as well as legislation enacted in Mississippi, Louisiana and other states allowing state-wide branching, multi-bank holding companies and regional interstate banking have all served to foster a highly competitive environment for commercial banking in our market area. The principal competitive factors in the markets for deposits and loans are interest rates and fee structures associated with the various products offered. We also compete through the efficiency, quality, and range of services and products we provide, as well as the convenience provided by an extensive network of customer access channels including local branch offices, ATMs, online banking, and telebanking centers. In attracting deposits and in our lending

activities, we generally compete with other commercial banks, savings associations, credit unions, mortgage banking firms, consumer finance companies, securities brokerage firms, mutual funds and insurance companies, and other financial institutions.

AVAILABLE INFORMATION

We make available free of charge, on or through our website www.hancockbank.com, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and amendments to such filings, as soon as reasonably practicable after each is electronically filed with, or furnished to, the SEC. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. The SEC maintains a website that contains the Company's reports, proxy and information statements, and the Company's other SEC filings. The address of the SEC's website is www.sec.gov. Information appearing on the Company's website is not part of any report that it files with the SEC.

SUPERVISION AND REGULATION

Bank Holding Company Regulation

General

The Company is subject to extensive regulation by the Board of Governors of the Federal Reserve System (the Federal Reserve) pursuant to the Bank Holding Company Act of 1956, as amended (the Bank Holding Company Act). On January 26, 2002 the Company qualified as a financial holding company, giving it broader powers as discussed below. The Company is also required to file certain reports with, and otherwise comply with the rules and regulations of, the Securities and Exchange Commission (the Commission) under federal securities laws.

Federal Regulation

The Bank Holding Company Act generally prohibits a corporation that owns a bank from engaging in activities other than banking, managing or controlling banks or other permissible subsidiaries. Acquiring or obtaining control of more than 5% of the voting shares of any company that engages in activities other than those activities determined by the Federal Reserve to be so closely related to banking, managing or controlling banks as to be proper incident thereto is also prohibited. In determining whether a particular activity is permissible, the Federal Reserve considers whether the performance of the activity can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. For example: making, acquiring or servicing loans; leasing personal property; providing certain investment or financial advice; performing certain data processing services; acting as agent or broker in selling credit life insurance, and performing certain insurance underwriting activities have all been determined by the Federal Reserve to be permissible activities. The Bank Holding Company Act does not place territorial limits on permissible bank-related activities of bank holding companies. Even with respect to permissible activities, however, the Federal Reserve has the power to order a holding company or its subsidiaries to terminate any activity or its control of any subsidiary when it has reasonable cause to believe that continuation of such activity or control of such subsidiary constitutes a serious risk to the financial safety, soundness or stability of any bank subsidiary of that holding company.

The Bank Holding Company Act requires every bank holding company to obtain the prior approval of the Federal Reserve: (1) before it acquires ownership or control of any voting shares of any bank if, after such acquisition, such bank holding company will own or control more than 5% of the voting shares of such bank, (2) before it or any of its subsidiaries other than a bank acquires all of the assets of a bank, (3) before it merges with any other bank holding company, or (4) before it engages in permissible non-banking activities. In reviewing a proposed covered acquisition, the Federal Reserve considers its financial, managerial and competitive aspects. The future prospects of the companies and banks concerned and the convenience and needs

of the community to be served are also considered. The Federal Reserve also reviews the indebtedness to be incurred by a bank holding company in connection with the proposed acquisition to ensure that the holding company can service such indebtedness without adversely affecting its ability to meet the regulatory capital requirements imposed on the holding company or its subsidiaries. The Bank Holding Company Act further requires that consummation of approved bank holding company or bank acquisitions or mergers must be delayed for a period of not less than 15 or more than 30 days following the date of approval. During such 15 to 30-day period, complaining parties may obtain a review of the Federal Reserve's order granting its approval by filing a petition in the appropriate United States Court of Appeals petitioning that the order be set aside.

The Gramm-Leach-Bliley Act of 1999 (the "Financial Services Modernization Act") repealed the two affiliation provisions of the Glass-Steagall Act: Section 20, which restricted the affiliation of Federal Reserve Member Banks with firms "engaged principally" in specified securities activities; and Section 32, which restricted officer, director, or employee interlocks between a member bank and any company or person "primarily engaged" in specified securities activities. The Financial Services Modernization Act also preempted any state law restricting the establishment of financial affiliations, primarily related to insurance. Generally, the Act establishes a comprehensive framework that permits affiliations among qualified bank holding companies, commercial banks, insurance companies, securities firms, and other financial service providers by revising and expanding the Bank Holding Company Act framework to permit a holding company to engage in a full range of financial activities through a new entity known as a Financial Holding Company.

The Financial Services Modernization Act requires that each bank subsidiary of a financial holding company be well capitalized and well managed as determined by the subsidiary bank's principal regulator. To be considered well managed, the bank must have received at least a satisfactory composite rating and a satisfactory management rating at its most recent examination. To be well capitalized, the bank must have a leverage capital ratio of 5%, a Tier 1 risk-based capital ratio of 6% and a total risk-based capital ratio of 10%. These ratios are discussed further below. A financial holding company that becomes aware that a subsidiary bank has ceased to be well capitalized or well managed must notify the Federal Reserve and enter into an agreement to cure such condition. The consequences of a failure to cure such condition are that the Federal Reserve Board may order the financial holding company to divest the bank. Alternatively, a financial holding company may cease to engage in the financial holding company activities that are unrelated to banking or otherwise impermissible for a bank holding company.

The Federal Reserve has adopted capital adequacy guidelines for use in its examination and regulation of bank holding companies and financial holding companies. The regulatory capital of a bank holding company or financial holding company under applicable federal capital adequacy guidelines is particularly important in the Federal Reserve's evaluation of a holding company and any applications made by the bank holding company to the Federal Reserve. If regulatory capital falls below minimum guideline levels, a financial holding company may lose its status as a financial holding company and a bank holding company or bank may be denied approval to acquire or establish additional banks or non-bank businesses or to open additional facilities. There are two measures of regulatory capital presently applicable to bank holding companies: (1) risk-based capital and (2) leverage capital ratios.

The Federal Reserve rates bank holding companies through a confidential component and composite 1-5 rating system, with a composite rating of 1 being the highest rating and 5 being the lowest. This system is designed to help identify institutions requiring special attention. Financial institutions are assigned ratings based on evaluation and rating of their financial condition and operations. Components reviewed include capital adequacy, asset quality, management capability, the quality and level of earnings, the adequacy of liquidity and sensitivity to interest rate fluctuations.

The leverage ratios adopted by the Federal Reserve require all but the most highly rated bank holding companies to maintain Tier 1 Capital at 4% of total assets. Certain bank holding companies having a composite 1 rating and not experiencing or anticipating significant growth may satisfy the Federal Reserve guidelines by maintaining

Tier 1 Capital of at least 3% of total assets reduced by deductions from Tier 1 capital discussed below. Tier 1 Capital for bank holding companies generally includes: common equity, retained earnings, non-controlling interest in equity accounts of consolidated subsidiaries and a limited amount of qualifying perpetual preferred stock. In calculating Tier 1 Capital, goodwill and other disallowed intangibles and disallowed deferred tax assets and certain other assets are excluded. The Company's Tier 1 capital leverage ratio at December 31, 2013 was 9.34%.

The risk-based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. Under the risk-based capital guidelines, assets are assigned to one of four risk categories: 0%, 20%, 50% and 100%. For example, U.S. Treasury securities are assigned to the 0% risk category while most categories of loans are assigned to the 100% risk category. A two-step process determines the risk weight of off-balance sheet items such as standby letters of credit. First, the amount of the off-balance sheet item is multiplied by a credit conversion factor of either 0%, 20%, 50% or 100%. The result is then assigned to one of the four risk categories.

The primary component of risk-based capital is Tier 1 Capital, which was described above. Tier 2 Capital is a secondary component of risk-based capital, consisting primarily of perpetual preferred stock not qualifying as Tier 1 Capital, mandatory convertible securities, certain types of subordinated debt and a limited amount of the allowances for loan losses. The risk-weighted asset base is equal to the sum of the aggregate dollar values of assets and off-balance sheet items in each risk category, multiplied by the weight assigned to that category. A ratio of Tier 1 Capital to risk-weighted assets of at least 4% and a ratio of Total Capital (Tier 1 and Tier 2) to risk-weighted assets of at least 8% must be maintained by bank holding companies. At December 31, 2013, the Company's Tier 1 and Total Capital risk based ratios were 11.76% and 13.11%, respectively.

As described above, the prior approval of the Federal Reserve must be obtained before the Company may acquire substantially all the assets of any bank, or ownership or control of any voting shares of any bank, if, after such acquisition, it would own or control, directly or indirectly, more than 5% of the voting shares of such bank. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Riegle-Neal Act) permits adequately capitalized and managed bank holding companies to acquire control of banks in any state, subject to federal regulatory approval, without regard to whether such a transaction is prohibited by the laws of any state. Federal banking regulators may approve merger transactions involving banks located in different states, without regard to laws of any state prohibiting such transactions; except that mergers may not be approved with respect to banks located in states that, before June 1, 1997, opted out of the Riegle-Neal Act by enacting legislation prohibiting mergers by banks located in such state with out-of-state institutions. Louisiana and Mississippi opted into the interstate branching provision of the Riegle-Neal Act.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) authorizes national and state banks to establish *de novo* branches in other states to the same extent as a bank chartered by that state would be so permitted. Previously, banks could only establish branches in other states if the host state expressly permitted out-of-state banks to establish branches in that state. Accordingly, banks will be able to enter new markets more freely.

The Riegle-Neal Act further provides that a bank holding company may not, following an interstate acquisition, control more than 10% of nationwide insured deposits or 30% of deposits in any state where the acquiring bank operates. States have the right to adopt legislation to lower the 30% limit, although no states within the Company's current market area have done so. Additional provisions require that interstate activities conform to the Community Reinvestment Act.

The Company is required to give the Federal Reserve prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or

more of the Company's consolidated net worth. The Federal Reserve may disapprove such a transaction if it determines that the proposal constitutes an unsafe or unsound practice, would violate any law, regulation, Federal Reserve order or directive or any condition imposed by, or written agreement with, the Federal Reserve.

In November 1985, the Federal Reserve adopted its Policy Statement on Cash Dividends Not Fully Covered by Earnings (the Policy Statement). The Policy Statement sets forth various guidelines that the Federal Reserve believes that a bank holding company should follow in establishing its dividend policy. In general, the Federal Reserve stated that bank holding companies should pay dividends only out of current earnings. The Company has always paid dividends in conformity with this policy. It also stated that dividends should not be paid unless the prospective rate of earnings retention by the holding company appears consistent with its capital needs, asset quality and overall financial condition.

The Company is a legal entity separate and distinct from the Banks. There are various restrictions that limit the ability of the Banks to finance, pay dividends or otherwise supply funds to the Company or other affiliates. In addition, subsidiary banks of holding companies are subject to certain restrictions on any extension of credit to the bank holding company or any of its subsidiaries, on investments in the stock or other securities thereof and on the taking of such stock or securities as collateral for loans to any borrower. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with extensions of credit, or leases or sales of property or furnishing of services.

Bank Regulation

The operations of the Banks are subject to state and federal statutes applicable to state banks and the regulations of the Federal Reserve and the FDIC. The operation of the Banks may also be subject to applicable OCC regulation, to the extent state banks are granted parity with national banks. Such statutes and regulations relate to, among other things, required reserves, investments, loans, mergers and consolidations, issuance of securities, payment of dividends, establishment of branches and other aspects of the Banks' operations.

Hancock Bank is subject to regulation and periodic examinations by the FDIC and the State of Mississippi Department of Banking and Consumer Finance ("MDBCFC"). Whitney Bank is subject to regulation and periodic examinations by the FDIC and the Office of Financial Institutions, State of Louisiana. The Company has recently announced that it intends to consolidate the Bank charters under the Hancock Bank charter which will continue to be subject to examination by the MDBCFC. These regulatory authorities examine such areas as reserves, loan and investment quality, management policies, procedures and practices and other aspects of operations. These examinations are designed to protect the Banks' depositors, rather than their stockholders. In addition to these regular examinations, the Company and the Banks must furnish periodic reports to their respective regulatory authorities containing a full and accurate statement of their affairs.

The Company is required to file annual reports with the Federal Reserve Board, and such additional information as the Federal Reserve Board may require pursuant to the Bank Holding Company Act. The Federal Reserve Board may examine a bank holding company or any of its subsidiaries, and charge the company for the cost of such examination.

The Dodd-Frank Act has removed many limitations on the Federal Reserve Board's authority to make examinations of banks that are subsidiaries of bank holding companies. Under the Dodd-Frank Act, the Federal Reserve Board is generally permitted to examine bank holding companies and their subsidiaries, provided that the Federal Reserve Board must rely on reports submitted directly by the institution and examination reports of the appropriate regulators (such as the FDIC and the Banking Department) to the fullest extent possible; must provide reasonable notice to, and consult with, the appropriate regulators before commencing an examination of a bank holding company subsidiary; and, to the fullest extent possible, must avoid duplication of examination activities, reporting requirements, and requests for information.

As a result of the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), a financial institution insured by the FDIC can be held liable for any losses incurred by, or reasonably expected to be incurred by, the FDIC in connection with (1) the default of a commonly controlled FDIC-insured financial institution or (2) any assistance provided by the FDIC to a commonly controlled financial institution in danger of default. Thus, Hancock Bank and Whitney Bank have potential exposure for any losses incurred by the FDIC with respect to the activities of each other. This exposure will be eliminated when the charters of Hancock Bank and Whitney Bank are combined.

The Banks are members of the FDIC, and their deposits are insured as provided by law by the Deposit Insurance Fund the (DIF). The deposits of the Banks are insured up to applicable limits and the Banks are subject to deposit insurance assessments to maintain the DIF. The FDIC utilizes a risk-based assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank's capital level and supervisory rating.

Effective January 1, 2007, the FDIC began imposing deposit assessment rates based on the risk category of the bank, with Risk Category I being the lowest risk category and Risk Category IV being the highest risk category. The Dodd-Frank Act changed the method of calculation for FDIC insurance assessments. Under the previous system, the assessment base was domestic deposits minus a few allowable exclusions, such as pass-through reserve balances. Under the Dodd-Frank Act, assessments are calculated based on the depository institution's average consolidated total assets, less its average amount of tangible equity. In addition to providing for the required change in assessment base, the FDIC's final deposit insurance regulations implementing the Dodd-Frank provisions eliminated the assessment adjustments based on unsecured debt, secured liabilities, and brokered deposits; added a new adjustment for holding unsecured debt issued by another insured depository institution; and lowered the initial base assessment rate schedule in order to collect approximately the same amount of revenue under the new base as under the old base, among other changes.

The base assessment rates ranges from 5 to 35 basis points, with the initial assessment rates subject to adjustments which could increase or decrease the total base assessment rates. The adjustments include (1) a decrease for long-term unsecured debt, including most senior and subordinated debt and, for small institutions, a portion of Tier 1 capital; and (2) for Non-Risk Category I institutions, an increase for brokered deposits above a threshold amount. The basic limit on federal deposit insurance coverage is \$250,000 per depositor.

Since the first quarter of 2000, all institutions with deposits insured by the FDIC have been required to pay assessments to fund interest payments on bonds issued by the Financing Corporation (FICO), a mixed-ownership government corporation established to recapitalize a predecessor to the Deposit Insurance Fund. The FICO assessment rate is adjusted quarterly to reflect changes in the assessment bases of the fund based on quarterly Call Report and Thrift Financial Report submissions. The current annualized assessment rate is 0.620 basis points, or approximately 0.155 basis points per quarter. These assessments will continue until the FICO bonds mature in 2017 through 2019.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) subjects banks and bank holding companies to increased regulation and supervision, including a new regulatory emphasis linking supervision to bank capital levels. Also, federal banking regulators are required to take prompt regulatory action with respect to depository institutions that fall below specified capital levels and to draft non-capital regulatory measures to assure bank safety.

FDICIA contains a "prompt corrective action" section intended to address problem institutions at the least possible long-term cost to the deposit insurance funds. Pursuant to this section, the federal banking agencies are required to prescribe a leverage limit and a risk-based capital requirement indicating levels at which institutions will be deemed to be "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." In the case of a depository institution that is "critically undercapitalized" (a term defined to include institutions which still have positive net worth); the federal banking regulators are generally required to appoint a conservator or receiver.

FDICIA further requires regulators to perform annual on-site bank examinations, places limits on real estate lending and tightens audit requirements. The legislation attempted to eliminate the “too big to fail” doctrine, which protects uninsured deposits of large banks, and restricts the ability of undercapitalized banks to obtain extended loans from the Federal Reserve Board discount window. FDICIA also imposes disclosure requirements relating to fees charged and interest paid on checking and deposit accounts.

In addition to regulating capital, the FDIC has broad authority to prevent the development or continuance of unsafe or unsound banking practices. Pursuant to this authority, the FDIC has adopted regulations that restrict preferential loans and loan amounts to “affiliates” and “insiders” of banks, require banks to keep information on loans to major stockholders and executive officers and bar certain director and officer interlocks between financial institutions. The FDIC is also authorized to approve mergers, consolidations and assumption of deposit liability transactions between insured banks and between insured banks and uninsured banks or institutions to prevent capital or surplus diminution in such transactions where the resulting, continuing or assumed bank is an insured nonmember state bank, like Hancock Bank and Whitney Bank.

Although Hancock Bank and Whitney Bank are not members of the Federal Reserve System, they are subject to Federal Reserve regulations that require the Banks to maintain reserves against transaction accounts (primarily checking accounts). The Federal Reserve regulations currently require that reserves be maintained against net transaction accounts. On January 23, 2014, the Federal Reserve regulations were revised to require that reserves be maintained against net transaction accounts in the amount of 3% of the aggregate of such accounts up to \$89 million, and, if the aggregate of such accounts exceeds \$89 million, 10% of the total in excess of \$89 million. This regulation will be subject to an exemption from reserve requirements on \$13.3 million of an institution’s transaction accounts.

The Financial Services Modernization Act also permits national banks, and through state parity statutes, state banks, to engage in expanded activities through the formation of financial subsidiaries. A state bank may have a subsidiary engaged in any activity authorized for state banks directly or any financial activity, except for insurance underwriting, insurance investments, real estate investment or development, or merchant banking, each of which activity may only be conducted through a subsidiary of a Financial Holding Company. Financial activities include all activities permitted under new sections of the Bank Holding Company Act or permitted by regulation.

A state bank seeking to have a financial subsidiary, and each of its depository institution affiliates, must be “well-capitalized” and “well-managed.” The total assets of all financial subsidiaries may not exceed the lesser of 45% of a bank’s total assets, or \$50 billion. A state bank must exclude from its assets and equity all equity investments, including retained earnings, in a financial subsidiary. The assets of the subsidiary may not be consolidated with the bank’s assets. The bank must also have policies and procedures to assess financial subsidiary risk and protect the bank from such risks and potential liabilities.

The Financial Services Modernization Act also added a new section of the Federal Deposit Insurance Act governing subsidiaries of state banks that engage in “activities as principal that would only be permissible” for a national bank to conduct in a financial subsidiary. It expressly preserves the ability of a state bank to retain all existing subsidiaries. Because Mississippi and Louisiana permit commercial banks chartered by the state to engage in any activity permissible for national banks, the Banks will be permitted to form subsidiaries to engage in the activities authorized by the Financial Services Modernization Act. In order to form a financial subsidiary, a state bank must be well-capitalized, and the state bank would be subject to the same capital deduction, risk management and affiliate transaction rules as applicable to national banks.

In 2001, the USA Patriot Act was signed into law. The USA Patriot Act broadened the application of anti-money laundering regulations to apply to additional types of financial institutions, such as broker-dealers, and strengthened the ability of the U.S. Government to detect and prosecute international money laundering and the financing of terrorism. The principal provisions of Title III of the USA Patriot Act require that regulated financial

institutions, including state member banks: (i) establish an anti-money laundering program that includes training and audit components; (ii) comply with regulations regarding the verification of the identity of any person seeking to open an account; (iii) take additional required precautions with non-U.S. owned accounts; and (iv) perform certain verification and certification of money laundering risk for their foreign correspondent banking relationships. The USA Patriot Act also expanded the conditions under which funds in a U.S. interbank account may be subject to forfeiture and increased the penalties for violation of anti-money laundering regulations. Failure of a financial institution to comply with the USA Patriot Act's requirements could have serious legal and reputational consequences for the institution. The Banks have adopted policies, procedures and controls to address compliance with the requirements of the USA Patriot Act under the existing regulations and will continue to revise and update its policies, procedures and controls to reflect changes required by the USA Patriot Act and implementing regulations.

In October 2008, the Emergency Economic Stabilization Act of 2008 (EESA) was enacted. EESA authorized the Treasury Department to purchase from financial institutions and their holding companies up to \$700 billion in mortgage loans, mortgage-related securities and certain other financial instruments, including debt and equity securities issued by financial institutions and their holding companies in a troubled asset relief program (TARP).

Recent Developments

The enactment of the Dodd-Frank Act has resulted in increased regulation of the financial services industry. In addition to those provisions already discussed, the following provisions may have an effect on the activities of the Company and the Banks:

- *Establishment of the Consumer Financial Protection Bureau (CFPB).* The CFPB is funded by the Federal Reserve and, in consultation with the Federal banking agencies, makes rules relating to consumer protection. The CFPB has the authority, should it wish to do so, to rewrite virtually all of the consumer protection regulations governing banks, including those implementing the Truth in Lending Act, the Real Estate Settlement Procedures Act (or RESPA), the Truth in Savings Act, the Electronic Funds Transfer Act, the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act, the S.A.F.E. Mortgage Licensing Act, the Fair Credit Reporting Act (except Sections 615(e) and 628), the Fair Debt Collection Practices Act, and the Gramm-Leach-Bliley Act (sections 502 through 509 relating to privacy), among others. Hancock is subject to direct supervision and examination by the CFPB in respect of the foregoing consumer protection acts and regulations.
- *Risk-retention rule.* Under current proposed rules, banks originating loans for sale on the secondary market or securitization would be required to retain 5% of any loan they sell or securitize, except for mortgages that meet low-risk standards to be developed by regulators.
- *Limitation on federal preemption.* Limitations have been imposed on the ability of national bank regulators to preempt state law. Formerly, the national bank and federal thrift regulators possessed preemption powers with regard to transactions, operating subsidiaries and attorney general civil enforcement authority. These preemption requirements have been limited by the Dodd-Frank Act, which will likely impact state banks by affecting activities previously permitted through parity with national banks.
- *Changes to regulation of bank holding companies.* Under the Dodd-Frank Act, bank holding companies must be well-capitalized and well-managed to engage in interstate transactions. In the past, only the subsidiary banks were required to meet those standards. The Federal Reserve Board's "source of strength doctrine" has now been codified, mandating that bank holding companies such as the Company serve as a source of strength for their subsidiary banks, such that the bank holding company must be able to provide financial assistance in the event the subsidiary bank experiences financial distress.
- *Executive compensation limitations.* The Dodd-Frank Act codified executive compensation limitations similar to those previously imposed on TARP recipients.

The information provided herein regarding the effect of the Dodd-Frank Act is intended merely for illustration and is not exhaustive, as the full impact of the legislation on banks and bank holding companies cannot be fully assessed until rulemaking is complete.

Mortgage Rules. During 2013, the CFPB finalized a series of rules related to the extension of residential mortgage loans made by banks. Among these rules, are requirements that a bank make a good faith determination that a borrower has the ability to repay a mortgage loan prior to extending such credit, a requirement that certain mortgage loans contain escrow payments, new appraisal requirements and specific rules regarding how loan originators may be compensated. The implementation of these new rules began in January 2014.

Volcker Rule. In December 2013, the Federal Reserve, the FDIC, the OCC, the SEC, and the CFTC issued the “Prohibitions And Restrictions On Proprietary Trading And Certain Interests In, And Relationships With, Hedge Funds And Private Equity Funds,” commonly referred to as the Volcker Rule, which regulates and restricts investments which may be made by banks. The Volcker Rule was adopted to implement a portion of the Dodd-Frank Act and new Section 13 of the Bank Holding Company which prohibits any banking entity from engaging in proprietary trading or from acquiring or retaining an ownership interest in, sponsoring, or having certain relationships with a hedge fund or private equity fund (“covered funds”), subject to certain exemptions.

Basel III. On July 2, 2013, the Company’s primary federal regulators—the Federal Reserve Board and the Federal Deposit Insurance Corporation – adopted final rules implementing the Basel III framework which substantially revised the risk-based capital requirements applicable to bank holding companies and depository institutions. These final rules are based on the international capital accords of the Basel Committee on Banking Supervision (Basel Committee).

The new rules address both the components of capital and other issues affecting the numerator in banking institutions’ regulatory capital ratios, as well as address risk weights and other issues affecting the denominator, replacing the existing Basel I-derived risk weighting approach with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee’s 2004 “Basel II” capital accords. Such instruments issued prior to May 19, 2010, currently included in Tier 1 capital are grandfathered in, so long as they are limited to 25 percent of the institution’s Tier 1 capital elements. The final rules impose several new minimum capital ratios, including a common equity to risk-weighted assets minimum ratio of 4.5%, a Tier 1 capital to risk-weighted assets minimum ratio of 8%, and a capital conservation buffer of 2.5% added to the common equity Tier 1 capital, the Tier 1 capital and the total capital ratios. Each of the minimum capital ratios take effect in 2015, with the capital conservation buffer set to be phased in the beginning of 2016 and implemented in full by 2019.

Under the final rules, the treatment of residential mortgage exposures remains unchanged from current practice. First-lien, one-to-four family residential mortgage exposures that are not past due, non-accrual, or restructured will generally receive a 50 percent risk weight. All other residential mortgages receive a 100 percent risk weight. Under the final rules however, some banks are given a one-time “opt out” in which they may elect to filter certain volatile accumulated other comprehensive income (AOCI) components from inclusion in regulatory capital. The AOCI opt-out election must be made on the institution’s first Call Report, FR Y-9C or FR Y-9SP, as applicable, filed after January 1, 2015. Lastly, under the final rules, banks with less than \$15 billion in total consolidated assets as of December 31, 2009, or organized in mutual form as of May 19, 2010, are exempt from the requirement that they phase out TruPS and cumulative perpetual preferred stock from Tier 1 capital.

Regulation E

Regulation E prohibits banks from charging an overdraft fee for non-recurring debit card transactions (specifically, point-of-sale and ATM transactions) that overdraw a consumer’s account unless the consumer affirmatively consents, or “opts-in,” to the bank’s payment of overdrafts for those transactions. The Banks do not pay such transactions unless the consumer affirmatively elects, or “opts-in,” to have the Banks do so.

Debit Interchange Fees

Interchange fees, or “swipe” fees, are fees that merchants pay to credit card companies and card-issuing banks like Whitney for processing electronic payment transactions on their behalf. The maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction, subject to an upward adjustment of 1 cent if an issuer certifies that it has implemented policies and procedures reasonably designed to achieve the fraud-prevention standards set forth by the Federal Reserve.

In addition, the legislation prohibits card issuers and networks from entering into exclusive arrangements requiring that debit card transactions be processed on a single network or only two affiliated networks, and allows merchants to determine transaction routing. The Federal Reserve rule limiting debit interchange fees has significantly reduced our debit card interchange revenues.

Summary

The foregoing is a brief summary of certain statutes, rules and regulations affecting the Company and the Banks. It is not intended to be an exhaustive discussion of all the statutes and regulations having an impact on the operations of such entities.

It is not known whether the above acts and regulations will have any material effect on the Company’s operations. However, increased regulation will generally result in increased legal and compliance expense.

Finally, additional bills may be introduced in the future in the United States Congress and state legislatures to alter the structure, regulation and competitive relationships of financial institutions. It cannot be predicted whether and what form any of these proposals will be adopted or the extent to which the business of the Company and the Banks may be affected thereby.

Effect of Governmental Monetary and Fiscal Policies

The difference between the interest rate paid on deposits and other borrowings and the interest rate received on loans and securities comprise most of a bank’s earnings. In order to mitigate the interest rate risk inherent in the industry, the banking business is becoming increasingly dependent on the generation of fee and service charge revenue.

The earnings and growth of a bank will be affected by both general economic conditions and the monetary and fiscal policy of the United States Government and its agencies, particularly the Federal Reserve. The Federal Reserve sets national monetary policy such as seeking to curb inflation and combat recession. This is accomplished by its open-market operations in United States government securities, adjustments in the amount of reserves that financial institutions are required to maintain and adjustments to the discount rates on borrowings and target rates for federal funds transactions. The actions of the Federal Reserve in these areas influence the growth of bank loans, investments and deposits and also affect interest rates on loans and deposits. The nature and timing of any future changes in monetary policies and their potential impact on the Company cannot be predicted.

ITEM 1A. RISK FACTORS

We face a number of significant risks and uncertainties in connection with our operations. Our business, results of operations and financial condition could be materially adversely affected by the factors described below.

While we describe each risk separately, some of these risks are interrelated and certain risks could trigger the applicability of other risks described below. Also, the risks and uncertainties described below are not the only

ones that we may face. Additional risks and uncertainties not presently known to us, or that we currently do not consider significant, could also potentially impair, and have a material adverse effect on, our business, results of operations and financial condition.

We may be vulnerable to certain sectors of the economy.

A substantial portion of our loan portfolio is secured by real estate. In a weak economy, or in areas where real estate market conditions are distressed, we may experience a higher than normal level of nonperforming real estate loans, the collateral value of the portfolio and the revenue stream from those loans could come under stress, and additional provisions to the allowance for loan losses could be necessitated. Our ability to dispose of foreclosed real estate at prices above the respective carrying values could also be impaired, causing additional losses.

The financial soundness and stability of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and financial soundness and stability of other financial institutions as a result of credit, trading, clearing or other relationships between such institutions. We routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks and other institutional clients. As a result, defaults by, and even rumors regarding, other financial institutions, or the financial services industry generally, could impair our ability to effect such transactions and could lead to losses or defaults by us. In addition, many of our transactions expose us to credit risk in the event of default of a counterparty or client. Additionally, our credit risk may be increased if the collateral we hold in connection with such transactions cannot be realized or can only be liquidated at prices insufficient to recover the full amount of our financial exposure. Any such losses could have a material adverse effect on our financial condition and results of operations.

We are subject to a risk of rapid and significant changes in market interest rates.

Our assets and liabilities are primarily monetary in nature, and as a result, we are subject to significant risks tied to changes in interest rates. Our ability to operate profitably is largely dependent upon net interest income. Unexpected movement in interest rates markedly changing the slope of the current yield curve could cause our net interest margins to decrease, subsequently reducing net interest income. In addition, such changes could adversely affect the valuation of our assets and liabilities.

Certain changes in mortgage originations, interest rates, inflation, deflation, or the financial markets could affect demand for our products and our ability to deliver products efficiently.

Loan originations, and potentially loan revenues, could be adversely impacted by sharply rising interest rates as well as by the new changes in the mortgage rules issued by the CFPB. Sharply falling rates could increase prepayments within our securities portfolio lowering interest earnings from those investments. The new mortgage rules could limit our ability to originate mortgages to borrowers that do not meet or are unable to meet the standards set forth in the new mortgage regulations. An underperforming stock market could reduce brokerage transactions, therefore reducing investment brokerage revenues. In addition, wealth management fees associated with managed securities portfolios could also be adversely affected. An unanticipated increase in inflation could cause our operating costs related to salaries and benefits, technology, and supplies to increase at a faster pace than revenues.

The fair market value of our securities portfolio and the investment income from these securities also fluctuate depending on general economic and market conditions. In addition, actual net investment income and/or cash flows from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations.

Changes in the policies of monetary authorities and other government action could adversely affect our profitability.

Our financial performance is affected by credit policies of monetary authorities, particularly the Federal Reserve Board. The instruments of monetary policy employed by the Federal Reserve Board include open market transactions in U.S. government securities, changes in the discount rate or the federal funds rate on bank borrowings and changes in reserve requirements against bank deposits. In view of changing conditions in the national economy and in the money markets, we cannot predict the potential impact of future changes in interest rates, deposit levels, and loan demand on our business and earnings. Furthermore, the actions of the United States government and other governments may result in currency fluctuations, exchange controls, market disruption and other adverse effects.

A failure in our operational systems or infrastructure, or those of third parties, could impair our liquidity, disrupt our businesses, result in the unauthorized disclosure of confidential information, damage our reputation and cause financial losses.

Our ability to adequately conduct and grow our business is dependent on our ability to create and maintain an appropriate operational and organizational control infrastructure. Operational risk can arise in numerous ways including employee fraud, customer fraud, and control lapses in bank operations and information technology. Our dependence on our employees and automated systems, including the automated systems used by acquired entities and third parties, to record and process transactions may further increase the risk that technical failures or tampering of those systems will result in losses that are difficult to detect. We are also subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control. Failure to maintain an appropriate operational infrastructure can lead to loss of service to customers, legal actions, and noncompliance with various laws and regulations.

We continuously monitor our operational and technological capabilities and make modifications and improvements when we believe it will be cost effective to do so. In some instances, we may build and maintain these capabilities ourselves. We also outsource some of these functions to third parties. These third parties may experience errors or disruptions that could adversely impact us and over which we may have limited control. We also face risk from the integration of new infrastructure platforms and/or new third party providers of such platforms into its existing businesses.

An interruption or breach in our information systems or infrastructure, or those of third parties, could disrupt our business, result in the unauthorized disclosure of confidential information, damage our reputation and cause financial losses.

Our business is dependent on our ability to process and monitor a large number of transactions on a daily basis and to securely process, store and transmit confidential and other information on our computer systems and networks. We rely heavily on our information and communications systems and those of third parties who provide critical components of our information and communications infrastructure. These systems are critical to the operation of our business and essential to our ability to perform day-to-day operations. Our financial, accounting, data processing or other information systems and facilities, or those of third parties on whom we rely, may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, such as a spike in transaction volume, cyber-attack or other unforeseen catastrophic events, which may adversely affect our ability to process transactions or provide services.

Although we make continuous efforts to maintain the security and integrity of our information systems and have not experienced a significant, successful cyber-attack, threats to information systems continue to evolve and there can be no assurance that our security efforts and measures will continue to be effective. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Threats to our

information systems may originate externally from third parties such as foreign governments, organized crime and other hackers, outsource or infrastructure-support providers and application developers, or may originate internally. As a financial institution, we face a heightened risk of a security breach or disruption from attempts to gain unauthorized access to our and our customers' data and financial information, whether through cyber-attack, cyber intrusion over the internet, malware, computer viruses, attachments to e-mails, spoofing, phishing, or spyware.

As a result, our information, communications and related systems, software and networks may be vulnerable to breaches or other significant disruptions that could: (1) disrupt the proper functioning of our networks and systems, which could disrupt our operations and those of certain of our customers; (2) result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of confidential, sensitive or otherwise valuable information of ours or our customers, including account numbers and other financial information; (3) result in a violation of applicable privacy and other laws, subjecting the Bank to additional regulatory scrutiny and expose the Bank to civil litigation and possible financial liability; (4) require significant management attention and resources to remedy the damages that result; and (5) harm our reputation or impair our customer relationships. The occurrence of such failures, disruptions or security breaches could have a negative impact on our results of operations, financial condition, and cash flows. To date we have not experienced an attack that has impacted the results of our operations, financial condition, and cash flows.

Natural disasters could affect our ability to operate.

Our market areas are susceptible to hurricanes. Natural disasters, such as hurricanes, can disrupt our operations, result in significant damage to properties and interrupt our ability to conduct business, and negatively affect the local economies in which we operate.

We cannot predict whether or to what extent damage caused by future hurricanes will affect our operations or the economies in our market areas, but such weather events could cause a decline in loan originations, a decline in the value or destruction of properties securing the loans and an increase in the risk of delinquencies, foreclosures or loan losses.

Greater loan losses than expected may adversely affect our earnings.

We are exposed to the risk that our customers will be unable to repay their loans in accordance with their terms and that any collateral securing the payment of their loans may not be sufficient to assure repayment. Credit risk is inherent in the business of making loans and could have a material adverse effect on our operating results. Our credit risk with respect to our real estate and construction loan portfolio relates principally to the creditworthiness of our corporate borrowers and the value of the real estate pledged as security for the repayment of loans. Our credit risk with respect to our commercial and consumer loan portfolio will relate principally to the general creditworthiness of businesses and individuals within our local markets.

We make various assumptions and judgments about the collectability of our loan portfolio and provide an allowance for estimated loan losses based on a number of factors. If our assumptions or judgments prove to be incorrect, the allowance for loan losses may not be sufficient to cover actual loan losses. We may have to increase our allowance in the future in response to the request of one of our primary banking regulators, to adjust for changing conditions and assumptions, or as a result of any deterioration in the quality of our loan portfolio. Future provisions for loan losses may vary materially from the amounts of past provisions.

Failure to comply with the terms of loss sharing arrangements with the FDIC may result in significant losses.

Any failure to comply with the terms of any loss share agreements that we have with the FDIC, or to properly service the loans and foreclosed assets covered by loss share agreements, may cause individual loans, large pools

of loans or other covered assets to lose eligibility for reimbursement to the Company from the FDIC. This could result in material losses that are currently not anticipated and could adversely affect the Company's financial condition, results of operations, or liquidity.

Returns on pension plan assets may not be adequate to cover future funding requirements.

Investments in the portfolio of our defined benefit pension plan may not provide adequate returns to fully fund benefits as they come due, thus causing higher annual plan expenses and requiring additional contributions by us.

We may need to rely on the financial markets to provide needed capital.

Our stock is listed and traded on the NASDAQ Global Select. If our capital resources prove in the future to be inadequate to meet our capital requirements, we may need to raise additional equity. If the market should fail to operate, or if conditions in the capital markets are adverse, we may be constrained in raising capital. We maintain a consistent analyst following; therefore, downgrades in our prospects by an analyst(s) may cause our stock price to fall and significantly limit our ability to access the markets for additional capital requirements.

Sales of a significant number of shares of our Common Stock in the public markets, or the perception of such sales, could depress the market price of our Common Stock.

Sales of a substantial number of shares of our Common Stock in the public markets and the availability of those shares for sale could adversely affect the market price of our Common Stock. In addition, future issuances of equity securities, including pursuant to outstanding options, could dilute the interests of our existing stockholders, including you, and could cause the market price of our Common Stock to decline. We may issue such additional equity or convertible securities to raise additional capital. The issuance of any additional shares of common or preferred stock could be substantially dilutive to shareholders of our Common Stock. Moreover, to the extent that we issue restricted stock units, phantom shares, stock appreciation rights, options or warrants to purchase our Common Stock in the future and those stock appreciation rights, options or warrants are exercised or as the restricted stock units vest, our shareholders may experience further dilution.

Holders of our shares of Common Stock do not have preemptive rights; therefore, future stock offerings could dilute our shareholders. We cannot predict the effect that future sales of our Common Stock would have on the market price of our Common Stock.

Our future growth and financial performance may be negatively affected if we are unable to successfully execute our growth plans.

We may not be able to continue our organic, or internal, growth, which depends upon economic conditions, our ability to identify appropriate markets for expansion, our ability to recruit and retain qualified personnel, our ability to fund growth at a reasonable cost, sufficient capital to support our growth initiatives, competitive factors, banking laws, and other factors.

We may seek to supplement our internal growth through acquisitions. We cannot predict the number, size or timing of acquisitions, or whether any such acquisition will occur at all. Our acquisition efforts have traditionally focused on targeted banking or insurance entities in markets in which we currently operate and markets in which we believe we can compete effectively. However, as consolidation of the financial services industry continues, the competition for suitable acquisition candidates may increase. We may compete with other financial services companies for acquisition opportunities, and many of these competitors have greater financial resources than we do and may be able to pay more for an acquisition than we are able or willing to pay. We also may need additional debt or equity financing in the future to fund acquisitions. We may not be able to obtain additional financing or, if available, it may not be in amounts and on terms acceptable to us. If we are unable to locate suitable acquisition candidates willing to sell on terms acceptable to us, or we are otherwise unable to obtain

additional debt or equity financing necessary for us to continue making acquisitions, we would be required to find other methods to grow our business and we may not grow at the same rate we have in the past, or at all.

We must generally receive federal regulatory approval before we can acquire a bank or bank holding company. In determining whether to approve a proposed bank acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on the competition, financial condition, and future prospects. The regulators also review current and projected capital ratios and levels, the competence, experience, and integrity of management and its record of compliance with laws and regulations, the convenience and needs of the communities to be served (including the acquiring institution's record of compliance under the Community Reinvestment Act) and the effectiveness of the acquiring institution in combating money laundering activities. We cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. We may also be required to sell banks or branches as a condition to receiving regulatory approval, which condition may not be acceptable to us or, if acceptable to us, may reduce the benefit of any acquisition.

In addition to the acquisition of existing financial institutions, as opportunities arise, we plan to continue *de novo* branching as a part of our internal growth strategy and possibly entry into new markets through *de novo* branching. *De novo* branching and any acquisition carry numerous risks, including the following:

- the inability to obtain all required regulatory approvals;
- significant costs and anticipated operating losses associated with establishing a *de novo* branch or a new bank;
- the inability to secure the services of qualified senior management;
- the local market may not accept the services of a new bank owned and managed by a bank holding company headquartered outside of the market area of the new bank;
- economic downturns in the new market;
- the inability to obtain attractive locations within a new market at a reasonable cost; and
- the additional strain on management resources and internal systems and controls.

We have experienced to some extent many of these risks with our *de novo* branching to date.

Our inability to control the inherent risks of acquiring businesses and assets could adversely affect our operations.

Acquisitions of businesses in the financial services industry are an important element of our business strategy. We cannot assure that we will be able to identify and acquire businesses in execution of this strategy on terms acceptable to us in the future. We must also generally satisfy several conditions before we complete an acquisition of another bank or bank holding company, including federal and/or state regulatory approvals. We may be required to incur substantial indebtedness to finance future acquisitions. Such additional debt service requirements may impose a significant burden on our results of operations and financial condition. We cannot assure you that we will be able to successfully consolidate any business or assets we acquire with our existing business. The integration of acquired operations and assets may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Acquisitions may not perform as expected when the transaction was consummated and may be dilutive to our overall operating results.

We are subject to regulation by various Federal and State entities.

We are subject to the regulations of the Securities and Exchange Commission ("SEC"), the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Consumer Financial Protection Bureau, the Mississippi

Department of Banking and Consumer Finance, and the Louisiana Office of Financial Institutions. New regulations issued by these agencies may adversely affect our ability to carry on our business activities. We are subject to various Federal and State laws and certain changes in these laws and regulations may adversely affect our operations. Noncompliance with certain of these regulations may impact our business plans, including ability to branch, offer certain products, or execute existing or planned business strategies.

For example, the Dodd-Frank Act contains various provisions designed to enhance the regulation of depository institutions and prevent the recurrence of a financial crisis such as occurred in 2008-2009. New regulations from the CFPB, which was established by the Dodd-Frank Act, such as the Ability to Repay Rules, may materially raise the risk of consummating consumer credit transactions. The full impact on our business and operations will not be fully known for years until regulations implementing the statute are fully applied. These new rules issued in the wake of the Dodd Frank Act may have a material impact on our operations, particularly through increased compliance costs resulting from possible future consumer and fair lending regulations.

Additionally, the rules implementing the “Basel III” regulatory capital reforms and changes required by the Dodd-Frank Act may have significant impacts on our regulatory capital levels. Basel III and its regulations will require bank holding companies and banks to undertake significant activities to demonstrate compliance with the new and higher capital standards. Compliance with these rules, when they become effective, will impose additional costs on banking entities and their holding companies. For additional information regarding the Dodd-Frank Act and Basel III, see “Supervision and Regulation.”

We are also subject to the accounting rules and regulations of the SEC and the Financial Accounting Standards Board. Changes in accounting rules could adversely affect the reported financial statements or our results of operations and may also require extraordinary efforts or additional costs to implement. Any of these laws or regulations may be modified or changed from time to time, and we cannot be assured that such modifications or changes will not adversely affect us.

Changes in accounting policies or in accounting standards could materially affect how we report our financial condition and results of operations.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make significant estimates and assumptions that affect the financial statements by affecting the value of our assets or liabilities and results of operations. Some of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because materially different amounts may be reported if different estimates or assumptions were used. If such estimates or assumptions underlying the financial statements are incorrect, we could experience material losses. From time to time, FASB and the SEC change the financial accounting and reporting standards or the interpretation of such standards that govern the preparation of our external financial statements. These changes are beyond our control, can be difficult to predict and could materially impact how we report our financial condition and results of operations. Additionally, it is possible, if unlikely, we could be required to apply a new or revised standard retrospectively, resulting in the restatement of prior period financial statements in material amounts.

We are subject to industry competition which may have an impact upon our success.

Our profitability depends on our ability to compete successfully. We operate in a highly competitive financial services environment. Certain competitors are larger and may have more resources than we do. We face competition in our regional market areas from other commercial banks, savings and loan associations, credit unions, internet banks, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, and other financial intermediaries that offer similar services. Some of our nonbank competitors are not subject to the same extensive regulations that govern us or the Bank and may have greater flexibility in competing for business.

Another competitive factor is that the financial services market, including banking services, is undergoing rapid changes with frequent introductions of new technology-driven products and services. Our future success may depend, in part, on our ability to use technology competitively to provide products and services that provide convenience to customers and create additional efficiencies in our operations.

We and other financial institutions have been the subject of increased litigation which could result in legal liability and damage to our reputation.

We and certain of our directors and officers may be named from time to time as defendants in various class actions and other litigation relating to our business and activities. Past, present and future litigation have included or could include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We are also involved from time to time in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our business. These matters also could result in adverse judgments, settlements, fines, penalties, injunctions or other relief. Like other financial institutions and companies, we are also subject to risk from employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information. Substantial legal liability or significant regulatory action against us could materially adversely affect our business, financial condition or results of operations and/or cause significant reputational harm to our business.

We may issue debt and equity securities or securities convertible into equity securities, any of which may be senior to our Common Stock as to distributions and in liquidation, which could negatively affect the value of our Common Stock.

In the future, we may attempt to increase our capital resources by entering into debt or debt-like financing that is unsecured or secured by all or up to all of our assets, or by issuing additional debt or equity securities, which could include issuances of secured or unsecured commercial paper, medium-term notes, senior notes, subordinated notes, preferred stock or securities convertible into or exchangeable for equity securities. In the event of our liquidation, our lenders and holders of our debt and preferred securities would receive a distribution of our available assets before distributions to the holders of our Common Stock. Because our decision to incur debt and issue securities in our future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings and debt financings. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future.

Our ability to deliver and pay dividends depends primarily upon the results of operations of our subsidiaries.

We are a bank holding company that conducts substantially all of our operations through our subsidiary Banks. As a result, our ability to make dividend payments on our Common Stock will depend primarily upon the receipt of dividends and other distributions from our subsidiaries.

The ability of the Banks to pay dividends or make other payments to us is limited by their obligations to maintain sufficient capital and by other general regulatory restrictions on their dividends. If these requirements are not satisfied, we will be unable to pay dividends on our Common Stock.

We may also decide to limit the payment of dividends even when we have the legal ability to pay them in order to retain earnings for use in our business. There can be no assurance of whether or when we may pay dividends in the future.

We and/or the holders of our securities could be adversely affected by unfavorable rating actions from rating agencies.

Our ability to access the capital markets is important to our overall funding profile. This access is affected by the ratings assigned by rating agencies to us, certain of our affiliates and particular classes of securities that we and our affiliates issue. The interest rates that we pay on our securities are also influenced by, among other things, the credit ratings that we, our affiliates and/or our securities receive from recognized rating agencies. A downgrade to us, our affiliates or our securities could create obligations or liabilities to us under the terms of our outstanding securities that could increase our costs or otherwise have a negative effect on our results of operations or financial condition. Additionally, a downgrade of the credit rating of any particular security issued by us or our affiliates could negatively affect the ability of the holders of that security to sell the securities and the prices at which any such securities may be sold.

Anti-takeover provisions in our amended articles of incorporation and bylaws, Mississippi law, and our Shareholder Rights Plan could make a third party acquisition of us difficult and may adversely affect share value.

Our amended articles of incorporation and bylaws contain provisions that make it more difficult for a third party to acquire us (even if doing so might be beneficial to our stockholders) and for holders of our securities to receive any related takeover premium for their securities. In addition, under our Shareholder Rights Plan, “rights” are issued to all Hancock common shareholders that, if activated upon an attempted unfriendly acquisition, would allow our shareholders to buy our common stock at a reduced price, thereby minimizing the risk of any potential hostile takeover.

We are also subject to certain provisions of state and federal law and our articles of incorporation may make it more difficult for someone to acquire control of us. Under federal law, subject to certain exemptions, a person, entity, or group must notify the federal banking agencies before acquiring 10% or more of the outstanding voting stock of a bank holding company, including our shares. Banking agencies review the acquisition to determine if it will result in a change of control. The banking agencies have 60 days to act on the notice, and take into account several factors, including the resources of the acquirer and the antitrust effects of the acquisition. There also are Mississippi statutory provisions and provisions in our articles of incorporation that may be used to delay or block a takeover attempt. As a result, these statutory provisions and provisions in our articles of incorporation could result in our being less attractive to a potential acquirer and limit the price that investors might be willing to pay in the future for shares of our common stock.

Governmental responses to recent market disruptions may be inadequate and may have unintended consequences.

As legislators and financial regulators continue to implement measures intended to increase greater stability in the financial markets, the overall effects of these efforts on the financial markets are uncertain, and if they ultimately fail to stabilize the financial markets, the Company’s business, financial condition, results of operations, and prospects could be materially and adversely affected. In addition, the implementation of the Dodd-Frank Act has resulted in significant changes to the banking industry as a whole which, depending on how its provisions are implemented by the agencies, could adversely affect the Company’s business.

In addition, the Company competes with a number of financial services companies that are not subject to the same degree of regulatory oversight to which the Company is subject. The impact of the existing regulatory framework and any future changes to it could negatively affect the Company’s ability to compete with these institutions, which could have a material and adverse effect on the Company’s results of operations and prospects.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's main office, which is also the headquarters of the holding company and Hancock Bank, is located at One Hancock Plaza, in Gulfport, Mississippi. The Whitney Bank main office is located in downtown New Orleans, Louisiana. The Banks make portions of their main office facilities and certain other facilities available for lease to third parties, although such incidental leasing activity is not material to the Company's overall operations.

The Company operates 251 full service banking and financial services offices and 300 automated teller machines across a Gulf south corridor comprising south Mississippi; southern and central Alabama; southern Louisiana; the northern, central, and Panhandle regions of Florida; and Houston, Texas. The Company owns approximately 49% of these facilities, and the remaining banking facilities are subject to leases, each of which we consider reasonable and appropriate for its location. We ensure that all properties, whether owned or leased, are maintained in suitable condition. We also evaluate our banking facilities on an ongoing basis to identify possible under-utilization and to determine the need for functional improvements, relocations, closures or possible sales. The Banks and subsidiaries of the Banks hold a variety of property interests acquired in settlement of loans.

ITEM 3. LEGAL PROCEEDINGS

We and our subsidiaries are party to various legal proceedings arising in the ordinary course of business. We do not believe that loss contingencies, if any, arising from pending litigation and regulatory matters will have a material adverse effect on our consolidated financial position or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

The Company's common stock trades on the NASDAQ Global Select Market under the ticker symbol "HBHC". The following table sets forth the high and low sale prices of the Company's common stock as reported on the NASDAQ Global Select Market. These prices do not reflect retail mark-ups, mark-downs or commissions.

	<u>High Sale</u>	<u>Low Sale</u>	<u>Cash Dividends Paid</u>
2013			
4th quarter	\$37.12	\$30.09	\$0.24
3rd quarter	33.85	29.00	0.24
2nd quarter	30.93	25.00	0.24
1st quarter	33.59	29.37	0.24
2012			
4th quarter	\$32.50	\$29.47	\$0.24
3rd quarter	33.27	27.99	0.24
2nd quarter	36.56	27.96	0.24
1st quarter	36.73	31.56	0.24

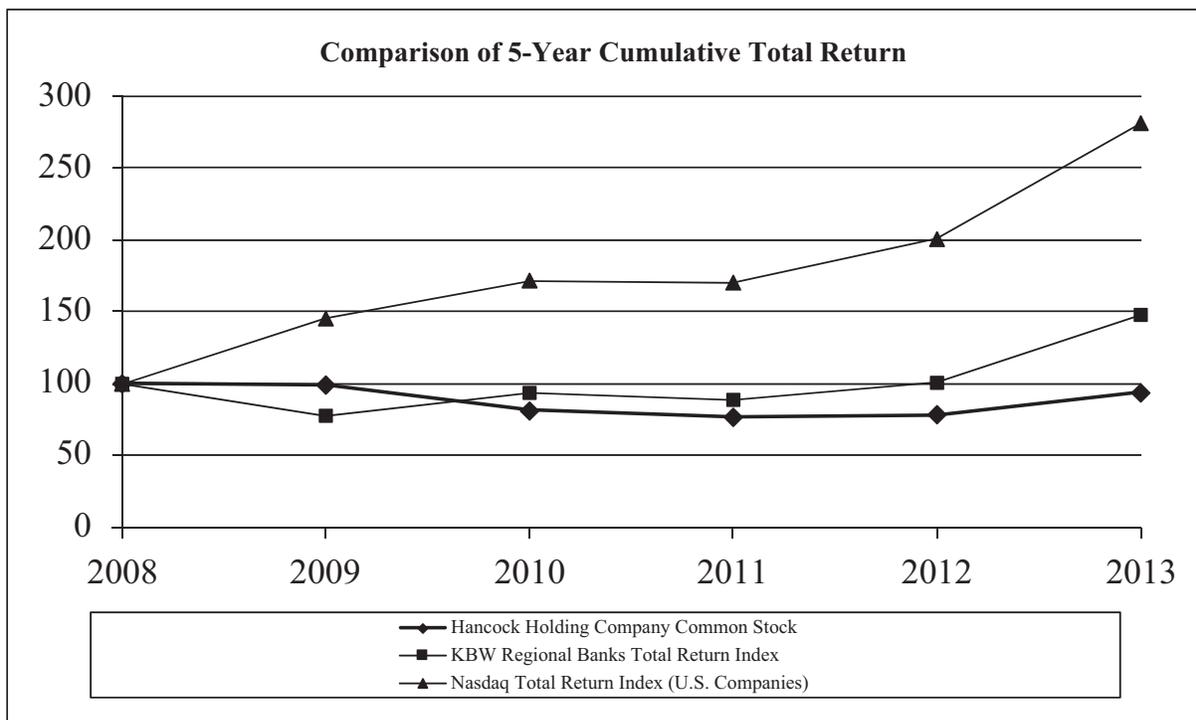
There were 10,414 shareholders of record and approximately 40,700 beneficial holders of the Company's common stock at January 31, 2014 and 82,279,194 shares outstanding. On January 31, 2014, the high and low sale prices of the Company's common stock as reported on the NASDAQ Global Select Market were \$35.14 and \$34.60, respectively.

The principal sources of funds to the Company to pay cash dividends are the dividends received from Hancock Bank, Gulfport, Mississippi, and Whitney Bank, New Orleans, Louisiana. Consequently, dividends are dependent upon the Banks' earnings, capital needs, regulatory policies as well as statutory and regulatory limitations. Federal and state banking laws and regulations restrict the amount of dividends and loans a bank may make to its parent company. Dividends paid to the Company by Hancock Bank are subject to approval by the Commissioner of Banking and Consumer Finance of the State of Mississippi and those paid by Whitney Bank are subject to approval by the Commissioner for Financial Institutions of the State of Louisiana. Following completion of the consolidation of the bank charters, only the approval of the Commissioner of Banking and Finance of the State of Mississippi will be required for the consolidated bank to pay a dividend to the Company. We do not expect regulatory restrictions to affect our ability to pay cash dividends. Although no assurance can be given that Hancock Holding Company will continue to declare and pay regular quarterly cash dividends on its common stock, Hancock Bank has paid regular cash dividends since 1937 and Hancock Holding Company has paid regular cash dividends since its organization.

Stock Performance Graph

The following performance graph and related information are neither "soliciting material" nor "filed" with the SEC, nor shall such information be incorporated by reference into any future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent the Company specifically incorporates it by reference into such filing.

The performance graph compares the cumulative five-year shareholder return on the Company's common stock, assuming an investment of \$100 on December 31, 2008 and the reinvestment of dividends thereafter, to that of the common stocks of United States companies reported in the Nasdaq Total Return Index and the common stocks of the KBW Regional Banks Total Return Index. The KBW Regional Banks Total Return Index (KRX) is a proprietary stock index of Keefe, Bruyette & Woods, Inc., that tracks the returns of 50 regional banking companies throughout the United States.



Issuer Purchases of Equity Securities

The Company's board of directors approved a stock repurchase program on April 30, 2013 that authorized the repurchase of up to 5% of the Company's outstanding common stock.

On May 8, 2013 Hancock entered into an accelerated share repurchase (ASR) transaction with Morgan Stanley & Co. LLC (Morgan Stanley). In the ASR transaction, the Company paid \$115 million to Morgan Stanley and received from them approximately 2.8 million shares of Hancock common stock, representing approximately 76% of the estimated total number of shares to be repurchased. The actual number of shares to be delivered to the Company in this ASR transaction will be based generally on the volume-weighted average price per share of the Hancock common stock during the term of the ASR agreement less a specified discount and on the amount paid at inception to Morgan Stanley, subject to certain possible adjustments in accordance with the terms of the ASR agreement. Final settlement of the ASR agreement, which has not yet occurred, is scheduled to occur no later than May, 2014. The ASR transaction was treated as two separate transactions: (i) the acquisition of treasury shares on the date the shares were received; and (ii) a forward contract indexed to the Company's common stock that is classified as equity. No shares were purchased by the issuer or any affiliated purchaser in 2013.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth certain selected historical consolidated financial data and should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated Financial Statements and Notes thereto included elsewhere herein.

	At and For the Years Ended December 31,				
	2013	2012	2011	2010	2009
Income Statement:					
Interest income	\$722,210	\$762,549	\$592,204	\$352,558	\$323,727
Interest income (te)	732,620	774,134	604,130	364,385	335,787
Interest expense	41,479	51,682	70,971	82,345	95,300
Net interest income (te)	691,141	722,452	533,159	282,040	240,487
Provision for loan losses	32,734	54,192	38,732	65,991	54,590
Noninterest income excluding securities transactions	246,038	252,195	206,427	136,949	157,258
Securities transactions gains/(losses)	105	1,552	(91)	—	69
Noninterest expense excluding amortization of intangibles	648,804	681,000	577,463	276,532	232,053
Amortization of intangibles	29,470	32,067	16,551	2,728	1,417
Income before income taxes	215,866	197,355	94,823	61,911	97,694
Income tax expense	52,510	45,613	18,064	9,705	22,919
Net income	<u>\$163,356</u>	<u>\$151,742</u>	<u>\$ 76,759</u>	<u>\$ 52,206</u>	<u>\$ 74,775</u>
Bargain purchase gain	—	—	—	—	(33,623)
Securities transactions gains/(losses)	105	1,552	(91)	—	69
One-time noninterest expense items					
Merger-related expenses	—	45,789	86,762	3,167	3,682
Sub-debt early redemption costs	—	5,336	—	—	—
Expense & Efficiency initiative and other items	38,003	—	—	—	—
Total one-time noninterest expense items	38,003	51,125	86,762	3,167	3,682
Taxes on adjustments	13,264	17,350	30,398	1,108	(11,587)
Total adjustments (net of taxes)	24,634	32,223	56,455	2,059	(18,423)
Operating income (a)	<u>\$187,990</u>	<u>\$183,965</u>	<u>\$133,214</u>	<u>\$ 54,265</u>	<u>\$ 56,352</u>

- (a) Net income less tax-effected one-time noninterest expense items, bargain purchase gain on acquisition, and securities gains/losses. Management believes that this non-GAAP financial measure is useful because it enables investors to assess ongoing operations.

Common Share Data:

Earnings per share:					
Basic earnings per share	\$ 1.93	\$ 1.77	\$ 1.16	\$ 1.41	\$ 2.28
Diluted earnings per share	1.93	1.75	1.15	1.40	2.26
Operating earnings per share: (a)					
Basic operating earnings per share	2.22	2.15	2.03	1.47	1.72
Diluted operating earnings per share	2.22	2.13	2.02	1.46	1.71
Cash dividends paid	0.96	0.96	0.96	0.96	0.96
Book value (period end)	29.49	28.91	27.95	23.22	22.74

At and For the Years Ended December 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(in thousands)				
Period-End Balance Sheet Data:					
Loans, net of unearned income	\$12,324,817	\$11,577,802	\$11,177,026	\$4,957,164	\$5,114,175
Loans held for sale	24,515	50,605	72,378	21,866	36,112
Securities	4,033,124	3,716,460	4,496,900	1,488,885	1,611,327
Short-term investments	268,839	1,500,188	1,184,419	639,164	797,262
Total earning assets	<u>16,651,295</u>	<u>16,845,055</u>	<u>16,930,723</u>	<u>7,107,079</u>	<u>7,558,876</u>
Allowance for loan losses	(133,626)	(136,171)	(124,881)	(81,997)	(66,050)
Other assets	2,491,582	2,755,601	2,968,254	1,113,245	1,204,257
Total assets	<u>\$19,009,251</u>	<u>\$19,464,485</u>	<u>\$19,774,096</u>	<u>\$8,138,327</u>	<u>\$8,697,083</u>
Noninterest bearing deposits	\$ 5,530,253	\$ 5,624,127	\$ 5,516,336	\$1,127,246	\$1,073,341
Interest bearing deposits	<u>9,830,263</u>	<u>10,120,061</u>	<u>10,197,243</u>	<u>5,648,473</u>	<u>6,122,471</u>
Total deposits	15,360,516	15,744,188	15,713,579	6,775,719	7,195,812
Other borrowed funds	1,043,786	1,035,722	1,398,346	375,224	516,183
Other liabilities	179,880	231,297	295,008	130,836	147,425
Stockholders' equity	<u>2,425,069</u>	<u>2,453,278</u>	<u>2,367,163</u>	<u>856,548</u>	<u>837,663</u>
Total liabilities & stockholders' equity	<u>\$19,009,251</u>	<u>\$19,464,485</u>	<u>\$19,774,096</u>	<u>\$8,138,327</u>	<u>\$8,697,083</u>
Average Balance Sheet Data:					
Loans, net of unearned income	\$11,725,204	\$11,284,739	\$ 8,514,021	\$5,005,753	\$4,310,120
Securities	4,140,051	4,063,817	3,074,373	1,559,019	1,559,570
Short-term investments	<u>578,613</u>	<u>771,523</u>	<u>955,325</u>	<u>698,042</u>	<u>497,048</u>
Total earning assets	16,443,868	16,120,079	12,543,719	7,262,814	6,366,738
Allowance for loan losses	(137,897)	(136,257)	(102,784)	(73,190)	(63,450)
Other assets	<u>2,623,047</u>	<u>2,951,547</u>	<u>2,281,136</u>	<u>1,236,610</u>	<u>796,479</u>
Total assets	<u>\$18,929,018</u>	<u>\$18,935,369</u>	<u>\$14,722,071</u>	<u>\$8,426,234</u>	<u>\$7,099,767</u>
Noninterest bearing deposits	\$ 5,393,955	\$ 5,251,391	\$ 3,400,064	\$1,076,829	\$ 935,985
Interest bearing deposits	<u>9,723,281</u>	<u>9,858,792</u>	<u>8,316,489</u>	<u>5,840,669</u>	<u>4,761,614</u>
Total deposits	15,117,236	15,110,183	11,716,553	6,917,498	5,697,599
Other borrowed funds	1,195,235	1,182,673	1,000,998	515,626	613,523
Other liabilities	229,983	241,710	203,403	127,400	114,270
Stockholders' equity	<u>2,386,564</u>	<u>2,400,803</u>	<u>1,801,117</u>	<u>865,710</u>	<u>674,375</u>
Total liabilities & stockholders' equity	<u>\$18,929,018</u>	<u>\$18,935,369</u>	<u>\$14,722,071</u>	<u>\$8,426,234</u>	<u>\$7,099,767</u>

At and For the Years Ended December 31,

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(in thousands)				
Performance Ratios:					
Return on average assets	0.86%	0.80%	0.52%	0.62%	1.05%
Return on average assets—operating (a)	0.99%	0.97%	0.90%	0.64%	0.79%
Return on average common equity	6.84%	6.32%	4.26%	6.03%	11.09%
Return on average common equity—operating (a)	7.88%	7.66%	7.40%	6.27%	8.36%
Return on average tangible common equity	10.30%	9.72%	5.98%	6.62%	12.34%
Return on average tangible common equity—operating (a)	11.85%	11.78%	10.37%	6.88%	9.30%
Earning asset yield (tax equivalent - te)	4.45%	4.80%	4.82%	5.01%	5.27%
Total cost of funds	0.25%	0.32%	0.57%	1.13%	1.50%
Net interest margin (te)	4.20%	4.48%	4.25%	3.88%	3.78%
Noninterest income excluding bargain purchase gain on acquisition and securities transactions as a percent of total revenue (te)	26.25%	25.88%	27.91%	32.69%	33.95%
Efficiency ratio (e)	65.17%	64.63%	66.35%	65.24%	62.71%
Average loan/deposit ratio	77.56%	74.68%	72.67%	72.36%	75.65%
FTE employees (period-end)	3,978	4,235	4,736	2,271	2,240
Capital Ratios:					
Common stockholders' equity to total assets	12.76%	12.60%	11.97%	10.52%	9.63%
Tangible common equity to total assets	9.00%	8.77%	7.96%	9.69%	8.81%
Tier 1 leverage (b)	9.34%	9.10%	8.17%	9.65%	10.60%
Asset Quality Information:					
Non-accrual loans	\$ 84,011	\$ 121,837	\$ 99,128	\$ 112,274	\$ 86,555
Restructured loans (c)	24,947	32,215	18,145	12,641	—
Total non-performing loans	108,958	154,052	117,273	124,915	86,555
Other real estate (ORE) and foreclosed assets	76,979	102,072	159,751	33,277	14,336
Total non-performing assets	\$185,937	\$256,124	\$277,024	\$158,192	\$100,891
Non-performing assets to loans + ORE and foreclosed assets	1.50%	2.19%	2.44%	3.17%	1.97%
Accruing loans 90 days past due (d)	\$ 10,387	\$ 13,244	\$ 5,880	\$ 1,492	\$ 11,647
Accruing loans 90 days past due as a percent of loans	0.08%	0.11%	0.05%	0.03%	0.23%
Non-performing assets + accruing loans 90 days past due to loans and foreclosed assets	1.58%	2.31%	2.50%	3.19%	2.19%
Net charge-offs—non-covered	\$ 24,309	\$ 55,031	\$ 33,805	\$ 50,682	\$ 50,265
Net charge-offs—covered	\$ 2,355	\$ 26,069	\$ 11,475	\$ —	\$ —
Net charge-offs—non-covered to average loans	0.21%	0.49%	0.40%	1.01%	1.17%
Allowance for loan losses	\$133,626	\$136,171	\$124,881	\$ 81,997	\$ 66,050
Allowance for loan losses to period-end loans	1.08%	1.18%	1.12%	1.65%	1.29%
Allowance for loan losses to non-performing loans and accruing loans 90 days past due	111.97%	81.40%	101.40%	64.87%	67.26%

- (a) Excludes tax-effected one-time noninterest expense items, bargain purchase gain on acquisition, and securities transactions. See operating income calculation previously in Selected Financial Data.
- (b) Calculated as Tier 1 capital divided by average total assets for leverage capital purposes.
- (c) Included in restructured loans are \$15.7 million, \$15.8 million and \$4.1 million of non-accrual loans at December 31, 2013, 2012 and 2011, respectively. Total excludes acquired credit-impaired loans with an accretable yield credit.
- (d) Non-accrual loans and accruing loans past due 90 days or more do not include acquired-impaired loans with an accretable yield.
- (e) Noninterest expense as a percent of total revenue (te) before amortization of purchased intangibles, securities transactions, and one-time noninterest expense items.

Supplemental Asset Quality Information	Originated Loans	Acquired Loans (a)	Covered Loans (b)	Total
	2013			
Non-accrual loans	\$ 61,887	\$18,580	\$ 3,544	\$ 84,011
Restructured loans	21,222	3,725	—	24,947
Total non-performing loans	83,109	22,305	3,544	108,958
ORE and foreclosed assets (c)	51,240	—	25,739	76,979
Total non-performing assets	\$134,349	\$22,305	\$29,283	\$185,937
Accruing loans 90 days past due	\$ 3,298	\$ 7,089	—	\$ 10,387
Allowance for loan losses	\$ 78,885	\$ 1,647	\$53,094	\$133,626
2012				
Non-accrual loans	\$ 87,651	\$30,086	\$ 4,100	\$121,837
Restructured loans	27,451	4,764	—	32,215
Total non-performing loans	115,102	34,850	4,100	154,052
ORE and foreclosed assets (c)	75,771	—	26,301	102,072
Total non-performing assets	\$190,873	\$34,850	\$30,401	\$256,124
Accruing loans 90 days past due	\$ 7,737	—	—	\$ 7,737
Allowance for loan losses	\$ 78,774	\$ 788	\$56,609	\$136,171
2011				
Non-accrual loans	\$ 79,164	\$ 1,118	\$18,846	\$ 99,128
Restructured loans	18,145	—	—	18,145
Total non-performing loans	97,309	1,118	18,846	117,273
ORE and foreclosed assets (c)	115,769	—	43,982	159,751
Total non-performing assets	\$213,078	\$ 1,118	\$62,828	\$277,024
Accruing loans 90 days past due	\$ 4,871	—	—	\$ 4,871
Allowance for loan losses	\$ 83,246	—	\$41,635	\$124,881
2010				
Non-accrual loans	\$ 66,988	—	\$45,286	\$112,274
Restructured loans	12,641	—	—	12,641
Total non-performing loans	79,629	—	45,286	124,915
ORE and foreclosed assets (c)	17,595	—	15,682	33,277
Total non-performing assets	\$ 97,224	—	\$60,968	\$158,192
Accruing loans 90 days past due	\$ 1,492	—	—	\$ 1,492
Allowance for loan losses	\$ 81,325	—	\$ 672	\$ 81,997
2009				
Non-accrual loans	\$ 30,978	—	\$55,577	\$ 86,555
Restructured loans	—	—	—	—
Total non-performing loans	30,978	—	55,577	86,555
ORE and foreclosed assets (c)	14,336	—	—	14,336
Total non-performing assets	\$ 45,314	—	\$55,577	\$100,891
Accruing loans 90 days past due	\$ 11,647	—	—	\$ 11,647
Allowance for loan losses	\$ 66,050	—	—	\$ 66,050

- (a) Loans which have been acquired and no allowance brought forward in accordance with acquisition accounting.
- (b) Acquired loans which are covered by loss sharing agreements with the FDIC providing considerable protection against credit risk.
- (c) ORE received in settlement of acquired loans is included with ORE from originated loans.

ORE received in settlement of covered loans remains covered under the FDIC loss share agreements.

Loans Outstanding	Originated Loans	Acquired Loans (a)	Covered Loans (b)	Total
	2013			
Commercial non-real estate loans	\$4,113,837	\$ 926,997	\$ 23,390	\$ 5,064,224
Construction and land development loans	752,381	142,931	20,229	915,541
Commercial real estate loans	2,022,528	967,148	53,165	3,042,841
Residential mortgage loans	1,196,256	315,340	209,018	1,720,614
Consumer loans	1,409,130	119,603	52,864	1,581,597
Total loans	<u>\$9,494,132</u>	<u>\$ 2,472,019</u>	<u>\$ 358,666</u>	<u>\$12,324,817</u>
Change in loan balance from previous year	<u>\$2,386,911</u>	<u>(\$1,482,739)</u>	<u>(\$157,157)</u>	<u>\$ 747,015</u>
	2012			
Commercial non-real estate loans	\$2,713,385	\$ 1,690,643	\$ 29,260	\$ 4,433,288
Construction and land development loans	665,673	295,151	28,482	989,306
Commercial real estate loans	1,548,402	1,279,546	95,146	2,923,094
Residential mortgage loans	827,985	486,444	263,515	1,577,944
Consumer loans	1,351,776	202,974	99,420	1,654,170
Total loans	<u>\$7,107,221</u>	<u>\$ 3,954,758</u>	<u>\$ 515,823</u>	<u>\$11,577,802</u>
Change in loan balance from previous year	<u>\$2,219,491</u>	<u>(\$1,663,095)</u>	<u>(\$155,620)</u>	<u>\$ 400,776</u>
	2011			
Commercial non-real estate loans	\$1,525,409	\$ 2,236,758	\$ 38,063	\$ 3,800,230
Construction and land development loans	540,806	603,371	118,828	1,263,005
Commercial real estate loans	1,259,757	1,656,515	82,651	2,998,923
Residential mortgage loans	487,147	734,669	285,682	1,507,498
Consumer loans	1,074,611	386,540	146,219	1,607,370
Total loans	<u>\$4,887,730</u>	<u>\$ 5,617,853</u>	<u>\$ 671,443</u>	<u>\$11,177,026</u>
Change in loan balance from previous year	<u>\$ 739,717</u>	<u>\$ 5,617,853</u>	<u>(\$137,708)</u>	<u>\$ 6,219,862</u>
	2010			
Commercial non-real estate loans	\$1,046,431	—	\$ 35,190	\$ 1,081,621
Construction and land development loans	495,590	—	157,267	652,857
Commercial real estate loans	1,231,414	—	181,873	1,413,287
Residential mortgage loans	366,183	—	293,506	659,689
Consumer loans	1,008,395	—	141,315	1,149,710
Total loans	<u>\$4,148,013</u>	<u>—</u>	<u>\$ 809,151</u>	<u>\$ 4,957,164</u>
Change in loan balance from previous year	<u>(\$15,192)</u>	<u>—</u>	<u>(\$141,819)</u>	<u>(\$157,011)</u>
	2009			
Commercial non-real estate loans	\$ 984,057	—	\$ 41,838	\$ 1,025,895
Construction and land development loans	535,439	—	158,814	694,253
Commercial real estate loans	1,162,838	—	185,349	1,348,187
Residential mortgage loans	395,946	—	373,825	769,771
Consumer loans	1,084,925	—	191,144	1,276,069
Total loans	<u>\$4,163,205</u>	<u>—</u>	<u>\$ 950,970</u>	<u>\$ 5,114,175</u>
Change in loan balance from previous year	<u>(\$86,085)</u>	<u>—</u>	<u>\$ 950,970</u>	<u>\$ 864,885</u>

(a) Loans which have been acquired and no allowance brought forward in accordance with acquisition accounting.

(b) Acquired loans which are covered by loss sharing agreements with the FDIC providing considerable protection against credit risk.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of this discussion and analysis is to focus on significant changes and events in the financial condition and results of operations of Hancock Holding Company and our subsidiaries during 2013 and selected prior periods. This discussion and analysis is intended to highlight and supplement data and information presented elsewhere in this report, including the consolidated financial statements and related notes.

FORWARD-LOOKING STATEMENTS

In accordance with safe harbor provisions of the Private Securities Litigation Reform Act of 1995, this annual report contains forward-looking statements that reflect management’s current views and estimates of future economic circumstances, industry conditions, company performance and financial results. The words “may,” “should,” “expect,” “anticipate,” “intend,” “plan,” “continue,” “believe,” “seek,” “estimate,” “project,” “forecast” and similar expressions are intended to identify forward-looking statements. All such forward-looking statements are subject to risks and uncertainties, and our future results of operations could differ materially from our historical results or current expectations reflected by such forward-looking statements. Some of these risks are discussed in “Item 1A. Risk Factors” and include, without limitation:

- general economic or business conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit or other services;
- disruptions to the credit and financial markets, either nationally or globally, including the impact of a downgrade of U.S. government obligations by one of the credit ratings agencies and the adverse effects of the ongoing sovereign debt crisis in Europe;
- changes in the interest rate environment may reduce net interest margins and/or the volumes and values of loans made or held as well as the value of other financial assets held;
- competitive pressures among depository and other financial institutions may increase significantly;
- legislative, regulatory or accounting changes, including changes resulting from the implementation of the Dodd-Frank Act may adversely affect the businesses in which Hancock is engaged;
- local, state or federal taxing authorities may take tax positions that are adverse to us;
- reduction in Hancock’s credit ratings;
- adverse changes may occur in the securities markets;
- unpredictable natural or other disasters could have an adverse effect on us by materially interrupting our operations or the ability or willingness of our customers to access the financial services we offer; and
- deposit attrition, customer loss and/or revenue loss following completed mergers and acquisitions may be greater than expected.

We undertake no obligation to update any forward-looking statements. You are cautioned that forward-looking statements are not guarantees of future performance, our actual results may differ materially from those anticipated, projected or assumed in the forward-looking statements and you should not place undue reliance on these forward-looking statements.

EXECUTIVE OVERVIEW

Recent Economic and Industry Developments

Recent reports from the Federal Reserve indicate a moderate improvement of economic activity throughout most of Hancock’s market areas. Activity at energy-related businesses, which are concentrated mainly in Hancock’s

south Louisiana and Houston, Texas market areas, remained generally strong. Tourism and convention activity, which is important to several of the Company's market areas, showed expanding levels of activity in both leisure and business travel, and is expected to continue to grow in 2014 based on advanced booking reports. Retail sales for the 2013 holiday season were generally positive, despite prior concerns from retailers about the fewer number of shopping days in 2013 compared to 2012. Manufacturing activity has strengthened, with an increase in employment and orders of production, accompanied by decreasing finished inventory levels. Nearly one-half of manufacturers within the Company's footprint expect production to increase over the next three to six months.

The real estate market for residential properties has begun to slow down. Although sales have been either flat or slightly up compared to prior year, they have been below brokers' expectations in recent months. Home sales are expected to remain flat or increase slightly year-over-year. New home construction activity is meeting expectations. Most builders had increases in sales year-over-year and the forecast for new home sales is positive. The sustainability of a housing market recovery will be sensitive to the continued availability of attractive financing rates, the ability of prospective homeowners to meet underwriting standards, the rate of foreclosed properties entering the market and consumer expectations about future economic conditions, among other factors. Commercial construction activity has improved modestly, with new build-to-suit projects breaking ground, while landlords are continuing to develop apartments to attract renters.

The majority of companies within our market had stable employment levels. Pricing pressures remained stable in most industries, increasing between one and three percent. However, some skilled and professional positions are seeing above-average wage increases and higher starting pay due to competition. Currently, there are acute labor shortages for auditors, engineers, construction workers, and truck drivers. In addition, many companies have hired contract labor instead of permanent staff, amid concerns about healthcare reform.

Loan demand across most of the markets that Hancock serves has increased slightly, but competition for quality borrowers remains stiff. Auto lending, energy lending, and some commercial real estate development financing all had increased activity, while retail remained virtually flat. Mortgage lending on both new and existing homes began to slow down as mortgage rates started to increase. The implementation of qualified mortgage requirements in 2014 may have a further negative impact on mortgage lending.

The overall U.S. economy continued to expand, with most all regions showing modest to moderate growth rates. Confidence in the prospect of a higher rate of sustained growth is improving for businesses and consumers alike, although uncertainties remain about such matters as the health of the international economy and the implications of pending or proposed changes in U.S. fiscal and tax policies and regulations.

Acquisition of Whitney Holding Corporation

On June 4, 2011, Hancock acquired Whitney Holding Corporation, the parent of Whitney National Bank based in New Orleans, Louisiana, in a stock and cash transaction. The total purchase price was approximately \$1.6 billion, including 40.8 million Hancock common shares issued to Whitney common shareholders at a fair value of \$1.3 billion and \$308 million paid by the Company to purchase and subsequently retire Whitney's preferred stock and common stock warrant that had been issued under TARP. The fair value of the assets acquired, excluding goodwill, totaled \$11.2 billion, and included \$6.5 billion in loans, \$2.6 billion of investment securities, and \$224 million of identifiable intangible assets. Liabilities assumed were \$10.1 billion, including \$9.2 billion of deposits.

Highlights of 2013 Financial Results

Net income for the year ended December 31, 2013 was \$163.4 million, compared to \$151.7 million in 2012. This increase was mainly due to a decrease in expenses, resulting from cost savings realized as Whitney's acquired operations were successfully integrated into Hancock. Diluted earnings per share for 2013 were \$1.93, an \$0.18 increase from 2012. Operating income, which excludes tax-effected one-time noninterest expenses, and securities gains and losses, totaled \$188.0 million, a \$4.0 million (2%) increase over 2012. Diluted earnings per share on

operating income were \$2.22 for 2013, a \$0.09 improvement over 2012. Hancock's return on average assets (ROA) for 2013 was 0.86% compared to 0.80% for 2012, while the operating ROA increased to 0.99% in 2013, compared to 0.97% in 2012.

As part of its ongoing planning process, management determined that certain areas of the Company needed to be right-sized or retooled in order to achieve our long-term profitability and efficiency targets. As a result, management announced an expense and efficiency initiative in early 2013 that is designed to reduce overall annual expense levels by \$50 million as compared to annualized expenses for the first quarter of 2013. Management set a target for one-half of the expense reduction to be achieved by the first quarter of 2014 and the remainder by the fourth quarter of 2014. In addition to the expense reduction target, the Company also set a longer-term sustainable efficiency ratio target of 57%-59% for 2016. The Company remains on track to achieve the expense targets, with a significant portion of the first quarter's target being derived from branch consolidation and sales. In 2013, the Company completed the previously announced consolidation of 28 branch locations across its five-state footprint. The sales of 10 additional branches, which were also announced previously, were completed in the fourth quarter of 2013 and the first quarter of 2014. The branches sold were small retail locations with approximately \$11 million in loans and \$32 million in deposits. Certain one-time costs associated with the branch closures and other activities related to the expense and efficiency initiative were recognized in noninterest expense during the third and fourth quarters of 2013.

Net interest income (taxable equivalent "te") in 2013 totaled \$691.1 million, a \$31.3 million (4%) decrease from 2012. The reported net interest margin decreased 28 basis points (bps) to 4.20% in 2013. The core net interest margin, which is calculated excluding total net purchase accounting adjustments, decreased 35 bps to 3.39% in 2013.

The provision for loan losses was \$32.7 million in 2013 compared to \$54.2 million in 2012, with the provision taken in each year primarily driven by loans not covered under FDIC loss-sharing agreements. Approximately \$13.7 million of the 2012 provision was associated with a bulk sale of non-covered problem loans toward the end of that year. Net charge-offs from the non-covered portfolio during 2013 were \$24.3 million, or 0.21% of average total loans. This compares to the net non-covered charge-offs of \$55.0 million, or 0.49% of average total loans, in 2012. The determination of allowances for covered loans and other acquired-impaired loans is discussed in Note 1 to the consolidated financial statements.

Total assets at December 31, 2013 were \$19.0 billion, down about 2% from the prior year-end. Total loans increased \$747.0 million (6%) during 2013, and were up \$904 million (8%) excluding the FDIC-covered portfolio. During 2013, net growth in commercial non-real estate (C&I), commercial real estate (CRE) and residential mortgage loans was partially offset by net reductions in construction and land development and consumer loans.

At December 31, 2013, total deposits were \$15.4 billion, down about 2% from the end of 2012, primarily due to decreased time deposits. Noninterest-bearing demand deposits decreased less than 2% and comprised 36% of total deposits at December 31, 2013.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income (te) is the primary component of our earnings and represents the difference, or spread, between revenue generated from interest-earning assets and the interest expense related to funding those assets. For analytical purposes, net interest income is adjusted to a "taxable equivalent" basis using a 35% federal tax rate on tax exempt items (primarily interest on municipal securities and loans).

Net interest income (te) for 2013 totaled \$691.1 million, a \$31.3 million (4%) decrease from 2012 as interest and fees on loans declined \$38.1 million. The reported net interest margin declined 28 bps to 4.20% in 2013. The net interest margin is the ratio of net interest income (te) to average earnings assets. The core margin (net interest

margin calculated excluding total net purchase accounting adjustments) was approximately 3.39% in 2013, down 35 bps from 2012. The core margin was relatively stable during 2013 after decreasing throughout 2012, mainly from a decline in the core yields on the loan and securities portfolios. Changes in activity related to prepayments and payoffs in the acquired portfolio can cause quarterly purchased loan accretion income to be volatile.

The overall reported yield on earning assets was 4.45% in 2013, down 35 bps from 2012. The reported loan portfolio yield was 5.45% in 2013 compared to 6.00% in 2012. Recent growth in commercial loans has been in very competitively priced segments. The reported yield on the mainly fixed-rate portfolio of investment securities declined 12 bps from 2012, reflecting lower yields available on the reinvestment of maturities and repayments. The mix of average earning assets improved moderately in 2013, as the proportion of loans increased to 71.3% of earnings assets compared to 70.0% in 2012 with a corresponding decline in short-term investments.

The cost of funding earning assets declined to 0.25% in 2013, down 7 bps from 2012. The overall rate paid on interest-bearing deposits declined 8 bps from 2012 to 0.25% in 2013. This decrease was due primarily to the impact of the sustained low rate environment on deposit rates in general and on the re-pricing of time deposits in particular. The mix of funding sources improved during 2013, as higher-cost time deposits continued to decrease as a percentage of total deposits, and interest-bearing transaction and savings deposits increased. Interest-free sources, including noninterest-bearing demand deposits, funded almost 34% of average earnings assets in 2013 compared to 32% in 2012.

Net interest income (te) for 2012 totaled \$722.5 million, a \$189.3 million (36%) increase over 2011. Earning assets in 2012 were up almost 30% over 2011, reflecting mainly the Whitney acquisition in June 2011. The net interest margin improved by 23 bps to 4.48% in 2012 compared to 2011.

The overall yield on earning assets was relatively flat at 4.80% in 2012. Loan yields increased 3 bps to 6.00% in 2012, partially due to positive adjustments to the yield earned on the acquired Whitney portfolio based on its favorable post-merger performance. The yield on our investment portfolio declined 69 bps from 2011. Both the lower yields available on the reinvestment of repayments and maturities from the Company's mainly fixed-rate investment portfolio, as well as the market yield on Whitney's acquired investment portfolio at the acquisition date, contributed to the decrease in investment portfolio yield. The mix of average earning assets improved as the percentage of loans to earning assets increased from 68% to 70%, and short-term investments declined by a similar amount to less than 5%.

The cost of funding earning assets was 0.32%, a 25 basis point decrease from 2011. The overall rate paid on interest-bearing deposits declined 34 bps from 2011 to 0.33% in 2012. This decrease was due primarily to the impact of the sustained low rate environment on deposit rates and the expected runoff or re-pricing of higher-rate time deposits from People's First. The mix of funding sources improved during 2012, related mainly to the full-year effect of the composition of the acquired Whitney deposit base. Interest-free sources, including noninterest-bearing demand deposits, funded 32% of average earnings assets in 2012 compared to 26% in 2011.

The factors contributing to the changes in net interest income (te) for 2013, 2012, and 2011 are presented in Tables 1 and 2 below. Table 1 shows average balances and related interest and rates and provides a reconciliation of reported and core NIM. Table 2 details the effects of changes in balances (volume) and rates on net interest income in 2013 and 2012.

TABLE 1. Summary of Average Balances, Interest and Rates (te) (a)

	2013			Years Ended December 31, 2012			2011		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate	Average Balance	Interest	Rate
	(\$ in millions)								
Assets									
Interest-Earnings Assets:									
Loans (te) (b)	\$11,725.2	\$638.7	5.45%	\$11,284.7	\$676.8	6.00%	\$ 8,514.0	\$508.4	5.97%
Investment securities:									
U.S. Treasury and government agency securities	28.1	0.6	2.16	99.1	2.1	2.12	286.2	5.6	1.97
CMOs	1,502.9	29.6	1.97	1,545.5	29.8	1.93	742.5	18.9	2.55
Mortgage-backed securities	2,367.3	51.7	2.19	2,150.8	51.3	2.39	1,772.2	55.6	3.14
Obligations of states and political subdivisions:									
taxable	87.1	3.3	3.73	59.8	2.8	4.73	57.5	3.1	5.32
nontaxable (te)	146.2	7.1	4.85	200.7	9.0	4.48	191.7	9.3	4.84
Other securities	8.5	0.2	2.44	7.9	0.4	4.43	24.3	1.1	4.60
Total investment in securities (te) (c)	4,140.1	92.5	2.23	4,063.9	95.4	2.35	3,074.4	93.6	3.04
Federal funds sold and short-term investments	578.6	1.4	.24	771.5	1.9	0.25	955.3	2.1	0.22
Total earning assets (te)	16,443.9	732.6	4.45%	16,120.1	774.1	4.80%	12,543.7	604.1	4.82%
Non-earning assets:									
Other assets	2,623.0			2,951.4			2,281.2		
Allowance for loan losses	(137.9)			(136.3)			(102.8)		
Total assets	\$18,929.0			\$18,935.4			\$14,722.1		
Liabilities and Stockholder's Equity									
Interest-bearing Liabilities:									
Interest-bearing transaction and savings deposits	\$ 5,962.1	\$ 6.0	0.10%	\$ 5,827.3	\$ 7.4	0.13%	\$ 4,100.4	\$ 8.5	0.21%
Time deposits	2,350.5	14.9	0.63	2,580.0	21.2	0.82	2,901.5	42.1	1.45
Public funds	1,410.7	3.3	0.23	1,451.5	4.1	0.29	1,314.6	5.1	0.39
Total interest-bearing deposits	9,723.3	24.2	0.25	9,858.8	32.7	0.33	8,316.5	55.7	0.67
Repurchase agreements	763.3	4.4	0.58	760.9	5.9	0.78	681.5	7.0	1.03
Other interest-bearing liabilities	42.8	0.1	0.21	82.9	0.1	0.14	114.6	0.2	0.14
Long-term debt	389.2	12.8	3.28	338.9	12.9	3.80	205.0	8.1	3.95
Total interest-bearing liabilities	10,918.5	41.5	0.38%	11,041.5	51.6	0.47%	9,317.5	71.0	0.76%
Noninterest-bearing:									
Demand deposits	5,393.9			5,251.4			3,400.1		
Other liabilities	230.0			241.7			203.4		
Stockholders' equity	2,386.6			2,400.8			1,801.1		
Total liabilities & stockholders' equity	\$18,929.0			\$18,935.4			\$14,722.1		
Net interest income and margin (te)		\$691.1	4.20%		\$722.5	4.48%		\$533.1	4.25%
Net earning assets and spread	\$ 5,525.4		4.07%	\$ 5,078.6		4.33%	\$ 3,226.2		4.06%
Interest cost of funding earning assets			0.25%			0.32%			0.57%

(a) Tax equivalent (te) amounts are calculated using a marginal federal income tax rate of 35%.

(b) Includes nonaccrual loans and loans held for sale.

(c) Average securities do not include unrealized holding gains or losses on available for sale securities.

Reconciliation of Reported Net Interest Margin to Core Margin

<i>(dollars in millions)</i>	Years Ended December 31,		
	2013	2012	2011
Net interest income (te)	691.1	722.5	\$ 533.1
Purchase accounting adjustments			
Loan accretion	144.7	141.2	64.9
Whitney premium bond amortization	(11.5)	(24.5)	(17.4)
Whitney and Peoples First CD accretion	0.7	2.7	3.8
Total net purchase accounting adjustments	133.9	119.4	51.3
Net interest income (te)—core	\$ 557.2	\$ 603.1	\$ 481.8
Average earning assets	\$16,443.9	\$16,120.1	\$12,543.7
Net interest margin—reported	4.20%	4.48%	4.25%
Net purchase accounting adjustments (%)	0.81%	0.74%	0.41%
Net interest margin—core	3.39%	3.74%	3.84%

TABLE 2. Summary of Changes in Net Interest Income (te) (a) (b)

	2013 Compared to 2012			2012 Compared to 2011		
	Due to Change in		Total Increase (Decrease)	Due to Change in		Total Increase (Decrease)
	Volume	Rate		Volume	Rate	
	(In thousands)					
Interest Income (te)						
Loans (te) (c)	\$25,694	\$(63,812)	\$(38,118)	\$166,170	\$ 2,259	\$168,429
Investment securities:						
U.S. Treasury and government agency securities	(1,534)	36	(1,498)	(3,943)	377	(3,566)
CMOs	(833)	670	(163)	16,388	(5,498)	10,890
Mortgage-backed securities	4,929	(4,531)	398	10,533	(14,773)	(4,240)
Obligations of states and political subdivisions:						
Taxable	1,106	(682)	424	120	(350)	(230)
Nontaxable (te)	(2,595)	699	(1,896)	424	(718)	(294)
Other securities	28	(167)	(139)	(731)	(42)	(773)
Total investment in securities (te)	1,101	(3,975)	(2,874)	22,791	(21,004)	1,787
Federal funds sold and short-term investments	(468)	(53)	(521)	(440)	228	(212)
Total interest income (te)	26,327	(67,840)	(41,513)	188,521	(18,517)	170,004
Interest-bearing transaction deposits	166	(1,520)	(1,354)	2,846	(3,966)	(1,120)
Time deposits	(1,768)	(4,579)	(6,347)	(4,251)	(16,578)	(20,829)
Public funds	(114)	(751)	(865)	495	(1,496)	(1,001)
Total interest-bearing deposits	(1,716)	(6,850)	(8,566)	(910)	(22,040)	(22,950)
Repurchase agreements	18	(1,503)	(1,485)	753	(1,825)	(1,072)
Other interest-bearing liabilities	(40)	11	(29)	(75)	39	(36)
Long-term debt	1,035	(1,158)	(123)	5,307	(538)	4,769
Total interest expense	(703)	(9,500)	(10,203)	5,075	(24,364)	(19,289)
Net interest income (te) variance	\$27,030	\$(58,340)	\$(31,310)	\$183,446	\$ 5,847	\$189,293

- (a) Tax equivalent (te) amounts are calculated using a marginal federal income tax rate of 35%.
- (b) Amounts shown as due to changes in either volume or rate includes an allocation of the amount that reflects the interaction of volume and rate changes. This allocation is based on the absolute dollar amounts of change due to changes in volume or rate.
- (c) Includes nonaccrual loans and loans held for sale.

Provision for Loan Losses

The provision for loan losses was \$32.7 million in 2013 compared to a provision of \$54.2 million in 2012. The majority of the decrease is due to the impact of a bulk sale of problem loans in 2012. The sale added \$13.7 million to the provision for loan losses in 2012, and \$16.2 million to net charge-offs. Excluding the impact of the bulk loan sale in 2012, the provision for loan losses was \$40.5 million.

During 2013, the Company recorded a \$1.2 million decrease in the allowance for losses related to reduced impairment of certain pools of covered loans, and a decrease of \$8.6 million in the Company's FDIC loss share receivable. The net impact on provision expense was approximately \$7.5 million in 2013 compared to \$2.8 million in 2012. Increases in the expected cash flows on covered loans are recorded as a reduction to the allowance for loan losses with a corresponding decrease to the loss share receivable, and the net difference is recorded as a provision for loan losses in the consolidated statements of income.

The section below on the "Allowance for Loan and Lease Losses" provides additional information on changes in the allowance for loans losses and general credit quality. Certain differences in the determination of the allowance for loan losses for originated loans and for acquired performing loans and acquired impaired loans (which includes all covered loans) are described in Note 1 to the consolidated financial statements.

Noninterest Income

Noninterest income for 2013 totaled \$246.1 million, a \$7.6 million (3%) decrease from 2012. The favorable impact of increases in trust, and investment and annuity income, was offset by declines in bankcard and ATM fees, income from secondary mortgage operations and accretion of the FDIC loss share receivable.

Trust, investment and annuity and insurance fees totaled \$57.8 million, up \$7.0 million (14%) from 2012. Improved stock market values and new business were the primary factors contributing to the increases.

Bank card and ATM fees totaled \$45.9 million in 2013, a \$3.2 million (6%) decrease from 2012, reflecting the full impact of restrictions on debit card interchange rates arising from the implementation of the Durbin amendment to the Dodd-Frank Act. This decline was partially offset by an increase in merchant processing revenue starting in the third quarter of 2012 that was related to the reacquisition of the Company's merchant business and a change in the terms of the servicing agreement.

Fees from secondary mortgage operations totaled \$12.5 million in 2013, down \$3.9 million (24%) from a year earlier. The decline reflects a slowdown in mortgage loan activity in the last half of 2013, reflecting mainly the impact of higher longer-term interest rates. The decline also reflects a lower level of loans sold as a result of a strategic decision to retain more residential mortgages on the balance sheet.

Accretion on the FDIC loss share receivable decreased \$7.2 million from the prior year. The current year's \$2.2 million negative accretion, or amortization, of the FDIC loss share receivable reflects a reduction in the amount of reimbursements under the loss sharing agreements due to lower loss projections for the related covered loan pools. Higher levels of amortization of the loss share receivable are anticipated in 2014 as projected losses from the covered portfolio have decreased.

Noninterest income for 2012 totaled \$253.7 million, a \$47.4 million (23%) increase from 2011. The full-year impact of the acquired Whitney operations in 2012 was the primary factor behind this overall increase.

Income from service charges on deposit accounts increased \$23.0 million (42%) in 2012 compared to 2011, primarily due to the full-year impact of Whitney's operations, in addition to the new and standardized products and services introduced across the Company's footprint in conjunction with the core systems integration in March 2012. Bank card and ATM fees were up \$6.2 million (14%), but would have shown a decline excluding

the full-year impact of Whitney's operations, due to the restrictions on debit card interchange rates that arose from the implementation of the Durbin amendment to the Dodd-Frank Act. Also impacting this category was the increase in merchant processing revenue discussed earlier.

Fees from secondary mortgage market operations increased \$6.0 million in 2012 (57%) compared to 2011. In addition to the favorable impact from a full-year of Whitney's operations in 2012, the Company's origination volume and fees benefited as consumers took advantage of historically low rates to refinance or purchase homes in an improving economic environment. Table 3 presents the components of noninterest income for the prior three years along with the percentage changes between years:

TABLE 3. Noninterest Income

	<u>2013</u>	<u>% Change</u>	<u>2012</u>	<u>% Change</u>	<u>2011</u>
	(\$ in thousands)				
Service charges on deposit accounts	\$ 79,000	1%	\$ 78,246	42%	\$ 55,265
Trust fees	38,186	17	32,736	37	23,940
Bank card and ATM fees	45,939	(6)	49,112	14	42,931
Investment and annuity fees	19,574	9	18,033	20	15,016
Secondary mortgage market operations	12,543	(24)	16,488	57	10,484
Insurance commissions and fees	15,804	1	15,692	(5)	16,524
Income from bank-owned life insurance	11,223	1	11,163	20	9,311
Credit-related fees	8,724	31	6,681	16	5,752
Income from derivatives	4,675	30	3,600	374	760
Gain on sales of assets	1,932	(56)	4,366	303	1,083
Safety deposit box income	1,923	(4)	2,006	26	1,591
(Amortization) accretion of FDIC loss share receivable	(2,239)	(145)	5,000	(70)	16,689
Other miscellaneous income	8,754	(4)	9,072	28	7,081
Securities transactions gains, net	105	(93)	1,552	1,805	(91)
Total noninterest income	<u>\$246,143</u>	<u>(3)%</u>	<u>\$253,747</u>	<u>23%</u>	<u>\$206,336</u>

n/m = not meaningful

Noninterest Expense

Noninterest expense for 2013 totaled \$678.3 million, down \$34.8 million (5%) compared to 2012. Excluding one-time expenses related primarily to the expense and efficiency initiative and merger-related activities, which totaled \$38.0 million in 2013 and \$51.1 million in 2012, noninterest expense decreased \$21.7 million (3%) to \$640.3 million in 2013 compared to 2012. The overall decrease is primarily related to cost savings realized from the successful integration of Whitney's operations, including the impact of the core systems conversion and consolidations of the branch networks and back-office operations. Cost savings resulting from the Company's expense and efficiency initiative began having a favorable effect in the last half of 2013 and will continue into 2014.

Table 4 presents the components of noninterest expense for the prior three years along with the percentage changes between years. In Table 4 and the related discussion, one-time expenses are excluded from the individual components and addressed separately.

TABLE 4. Noninterest Expense

	<u>2013</u>	<u>% Change</u>	<u>2012</u>	<u>% Change</u>	<u>2011</u>
	(\$ in thousands)				
Employee compensation	\$282,420	(1)%	\$284,962	29%	\$220,720
Employee benefits	64,847	(10)	71,772	38	51,922
Total personnel expense	347,267	(3)	356,734	31	272,642
Net occupancy expense	48,847	(9)	53,856	26	42,890
Equipment expense	19,885	(9)	21,862	29	16,972
Data processing expense	48,364	3	46,819	17	39,906
Professional services expense	34,114	3	33,021	14	29,029
Amortization of intangibles	29,470	(8)	32,067	94	16,551
Telecommunications and postage	17,432	(17)	21,062	20	17,617
Deposit insurance and regulatory fees	14,914	—	14,902	15	12,974
Other real estate expense, net	8,036	(34)	12,250	77	6,910
Advertising	10,281	26	8,155	(30)	11,729
Ad valorem and franchise taxes	9,727	17	8,321	56	5,330
Printing and supplies	5,112	(22)	6,534	30	5,040
Insurance expense	4,094	(25)	5,494	27	4,313
Travel	4,663	(6)	4,987	73	2,884
Entertainment and contributions	5,265	(3)	5,426	51	3,601
Tax credit investment amortization	7,219	21	5,974	70	3,515
One-time expenses	38,003	(26)	51,125	(41)	86,762
Other expense	25,581	5	24,478	59	15,349
Total noninterest expense	<u>\$678,274</u>	<u>(5)%</u>	<u>\$713,067</u>	<u>20%</u>	<u>\$594,014</u>
Total noninterest expense (excluding one-time expenses)	640,271	(3)%	661,942	30%	507,252

The components of one-time expenses:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Personnel	\$ 9,215	\$ 9,450	\$13,960
Net occupancy expense	7	611	330
Equipment expense	141	2,235	552
Data processing expense	3	3,116	3,163
Professional services expense	5,243	24,436	40,902
Telecommunications and postage	—	375	897
Advertising	118	5,360	5,958
Printing and supplies	—	957	568
Insurance expense	—	—	3,177
Travel	53	771	706
Entertainment and contributions	—	623	353
Tax credit investment amortization	3,562	—	—
Other expense	19,661	3,191	16,196
Total one-time expenses	<u>\$38,003</u>	<u>\$51,125</u>	<u>\$86,762</u>

Other expense includes branch closure write-downs in 2013 and merger-related expenses in 2012 and 2011.

Total personnel expense (excluding one-time expenses) decreased \$9.5 million (3%) in 2013 compared to the prior year. Full-time equivalent employees were 3,978 at December 31, 2013, compared to 4,235 at December 31, 2012.

Occupancy and equipment expense decreased by a combined \$7.0 million due to the decreases associated with the conversion and consolidations. Other expense categories that experienced declines related to the conversion and consolidations included telecommunications and postage, printing and supplies and insurance expense.

ORE expense totaled \$8.0 million in 2013, a \$4.2 million (34%) decline from 2012 as the prior year included valuation losses on ORE acquired from Whitney and unreimbursed losses on the increased volume of covered loans moving through the foreclosure process into ORE and to final resolution.

Noninterest expense for 2012 increased \$119.1 million (20%) to \$713.1 million, primarily due to the impact of the Whitney acquisition, partially offset by cost savings associated with the merger. Excluding one-time expenses totaling \$51.1 million in 2012 and \$86.8 million in 2011, noninterest expense increased \$154.7 million (30%).

Total personnel expense (excluding merger-related expenses) increased \$84.1 million (31%) in 2012 compared to the prior year. The effect of the Whitney acquisition would have added approximately \$200 million absent significant cost savings as a result of reductions in force associated with the completion of the core systems conversion and branch consolidations. Full-time equivalent employees were 4,235 at December 31, 2012, compared to 4,736 at December 31, 2011.

Occupancy, equipment and data processing expense increased by a combined \$22.8 million due to the Whitney acquisition, partially offset by decreases associated with the conversion and consolidations. Amortization of intangible assets increased \$15.5 million (94%) due to the full year effect of the Whitney acquisition.

Expenses related to other real estate owned increased \$5.3 million (77%) due to the factors described above. Other expense totaled \$24.5 million in 2012, up \$9.1 million (59%) from the prior year.

Income Taxes

Income tax expense was \$52.5 million in 2013, \$45.6 million in 2012 and \$18.1 million in 2011. Our effective income tax rate continues to be less than the statutory rate of 35%, due primarily to tax-exempt income and tax credits. The effective tax rates for 2013, 2012 and 2011 were 24%, 23% and 19%, respectively. Note 17 to the consolidated financial statements reconciles reported income tax expense to the amount determined by applying the statutory rate to income before income taxes.

SEGMENT REPORTING

The Company's primary operating segments consist of the Hancock segment, which coincides generally with the Company's Hancock Bank subsidiary, and the Whitney segment, which coincides generally with its Whitney Bank subsidiary. Each Bank segment offers commercial, consumer and mortgage loans and deposit services, as well as certain other services, such as trust and treasury management services. Although the Bank segments offer the same products and services, they are managed separately due to different pricing, product demand, and consumer markets. On June 4, 2011, the Company completed its acquisition of Whitney Holding Corporation, the parent of Whitney National Bank. Whitney National Bank was merged into Hancock Bank of Louisiana, and the combined entity was renamed Whitney Bank. On March 15, 2012, Whitney Bank transferred the assets and liabilities of its operations in Florida, Alabama and Mississippi to Hancock Bank. This transfer included approximately \$1.4 billion of earning assets and a comparable amount of deposits. Note 19 to the consolidated financial statements provides comparative financial information for the reportable operating segments for 2013, 2012, and 2011. In the tables in Note 19, the "Other" column includes activities of other consolidated

subsidiaries and the holding company which do not constitute reportable segments under the relevant accounting guidelines. These subsidiaries provide investment services, insurance agency services, consumer finance and various other services to third parties.

Of the Company's total net income of \$163.4 million for 2013, the Hancock segment generated approximately \$42.0 million and the Whitney segment generated approximately \$115.7 million. Net income for the Hancock segment decreased \$7 million (14%) compared to 2012. The Whitney segment showed an increase of \$18.3 million (19%) compared to 2012, reflecting primarily the full-year impact of the conversion and consolidations associated with the Whitney acquisition, as well as the partial year impact of the expense and efficiency initiative.

Net interest income for both the Hancock and Whitney segments continued to benefit from accretion on the purchased loan portfolios during 2013. The Hancock segment includes the FDIC covered portfolio as well as a portion of the portfolio acquired in the Whitney transaction, while the Whitney segment includes the majority of the Whitney acquired loans. Hancock began amortizing \$7.2 million in FDIC loss share receivable in 2013 reducing the Hancock segment's noninterest income by \$6.6 million compared to 2012. The Whitney segment's provision for loan losses decreased approximately \$28.1 million compared to 2012, due in part to the \$8.6 million related to the bulk sale of problem loans. The cost savings realized as Whitney's operations were successfully integrated into Hancock are primarily reflected in the comparative results of the Whitney segment.

BALANCE SHEET ANALYSIS

Investment Securities

Our investment in securities was \$4.0 billion at December 31, 2013, compared to \$3.7 billion at December 31, 2012. The increase from the end of 2012 reflects mainly the redeployment of the additional short-term liquidity investments that had been held in anticipation of possible increased demands on liquidity, as a result of the expiration of the FDIC's Transaction Account Guarantee (TAG) program at the end of 2012. During the third and fourth quarters of 2013, the proceeds from maturities and scheduled repayments were used to fund loan growth and to minimize short-term borrowings.

At December 31, 2013, securities available for sale totaled \$1.4 billion and securities held to maturity totaled \$2.6 billion compared to \$2.0 billion and \$1.7 billion, respectively, at December 31, 2012. During the third quarter of 2013, approximately \$1.0 billion of securities available for sale were reclassified as securities held to maturity. See note 3 for further discussion of this reclassification.

Our securities portfolio consists mainly of residential mortgage-backed securities and CMOs that are issued or guaranteed by U.S. government agencies. The portfolio is designed to enhance liquidity while providing an acceptable rate of return. We invest only in high quality securities of investment grade quality with a targeted duration, for the overall portfolio, generally between two and five. At December 31, 2013, the average maturity of the portfolio was 3.97 years with an effective duration of 3.93 and a weighted-average yield of 2.28%. At December 31, 2012, the average maturity of the portfolio was 3.16 years with an effective duration of 2.19 and a weighted-average yield of 2.71%.

There were no investments in securities of a single issuer, other than U.S. Treasury and U.S. government agency securities and mortgage-backed securities issued or guaranteed by U.S. government agencies that exceeded 10% of stockholders' equity. We do not invest in subprime or "Alt A" home mortgage loans. Investments classified as available for sale are carried at fair value with held to maturity securities carried at amortized cost. Unrealized holding gains on available for sale securities are excluded from net income and are recognized, net of tax, in other comprehensive income and in accumulated other comprehensive income, a separate component of stockholders' equity, until realized.

The amortized cost of securities at December 31, 2013 and 2012 was as follows (in thousands):

TABLE 5. Securities by Type

	December 31,	
	2013	2012
<u>Available for sale securities</u>		
U.S. Treasury and government agency securities	\$ 504	\$ 18,246
Municipal obligations	35,809	49,608
Mortgage-backed securities	1,262,633	1,715,524
CMOs	96,369	196,723
Other debt securities	3,500	2,250
Equity securities	9,965	4,531
	<u>\$1,408,780</u>	<u>\$1,986,882</u>
<u>Held to maturity securities</u>		
U.S. Treasury and government agency securities	\$ 100,000	\$ —
Municipal obligations	193,189	164,493
Mortgage-backed securities	1,003,327	180,397
CMOs	1,314,836	1,323,128
	<u>\$2,611,352</u>	<u>\$1,668,018</u>

The amortized cost, yield and fair value of debt securities at December 31, 2013, by final contractual maturity, were as follows (in thousands):

TABLE 6. Securities Maturities by Type

	Contractual Maturity					Fair Value	Weighted Average Yield (te)	Expected Average Maturity Years
	One Year or Less	Over One Year Through Five Years	Over Five Years Through Ten Years	Over Ten Years	Total			
<u>Available for sale</u>								
U.S. Treasury and government agency securities	\$ 168	\$ 100	\$ 236	\$ —	\$ 504	\$ 506	2.52%	0.3
Municipal obligations	21,770	14,039	—	—	35,809	35,960	2.70%	1.2
Mortgage-backed securities	4,385	58,647	141,287	1,058,314	1,262,633	1,276,957	2.47%	3.6
CMOs	—	96,369	—	—	96,369	94,125	1.94%	4.4
Other debt securities	—	3,500	—	—	3,500	3,500	1.78%	1.6
Total debt securities	<u>\$ 26,323</u>	<u>\$172,655</u>	<u>\$141,523</u>	<u>\$1,058,314</u>	<u>\$1,398,815</u>	<u>\$1,411,048</u>	2.44%	3.6
Fair Value	<u>\$ 26,421</u>	<u>\$171,831</u>	<u>\$148,160</u>	<u>\$1,064,636</u>	<u>\$1,411,048</u>			
Weighted Average Yield	3.17%	2.01%	3.59%	2.34%	2.44%			
<u>Held to maturity</u>								
U.S. Treasury and government agency securities	\$100,000	\$ —	\$ —	\$ —	\$ 100,000	\$ 100,316	2.22%	0.3
Municipal obligations	8,537	55,305	109,636	19,711	193,189	196,731	3.94%	5.6
Mortgage-backed securities	—	—	30,085	973,242	1,003,327	953,362	1.75%	4.8
CMOs	—	602,639	1,876	710,321	1,314,836	1,292,874	2.27%	4.1
Total debt securities	<u>\$108,537</u>	<u>\$657,944</u>	<u>\$141,597</u>	<u>\$1,703,274</u>	<u>\$2,611,352</u>	<u>\$2,543,283</u>	2.18%	4.3
Fair Value	<u>\$108,943</u>	<u>\$640,998</u>	<u>\$142,019</u>	<u>\$1,651,323</u>	<u>\$2,543,283</u>			
Weighted Average Yield	2.34%	2.12%	3.28%	2.11%	2.18%			

Securities are classified according to their final contractual maturities without consideration of scheduled and unscheduled principal amortization, potential prepayments or call options. Accordingly, actual maturities will differ from contractual maturities. The expected average maturity years presented in the tables above includes scheduled principal payments and assumptions for prepayments.

Loan Portfolio

Total loans (net of unearned discount) at December 31, 2013 were \$12.3 billion, an increase of \$747.0 million (6%) from December 31, 2012, with most of the growth occurring in the last quarter of the year. Excluding the FDIC-covered portfolio acquired with Peoples First, total loans were up \$904 million (8%) compared to year-end 2012. During 2013, net growth in commercial non-real estate (C&I), commercial real estate (CRE) and residential mortgage loans was partially offset by net reductions in construction and land development (C&D) and consumer loans. For the full year of 2014, management expects the rate of loan growth to be in the mid-single digit range.

In the following discussion and tables, certain disaggregated information was not available for the commercial non-real estate, construction and land development and commercial real estate loan categories for years prior to 2013. In these instances, combined information for these categories is provided under the caption “commercial loans.”

The following table sets forth, for the periods indicated, the composition of our loan portfolio distinguished among loans originated, acquired and covered.

Table 7. Loans Outstanding by Type

	December 31,				
	2013	2012	2011	2010	2009
	(In thousands)				
Originated loans:					
Commercial non-real estate	\$4,113,837	\$2,713,385	\$1,525,409	\$1,046,431	\$ 984,057
Construction and land development	752,381	665,673	540,806	495,590	535,439
Commercial real estate	2,022,528	1,548,402	1,259,757	1,231,414	1,162,838
Residential mortgages	1,196,256	827,985	487,147	366,183	395,946
Consumer	1,409,130	1,351,776	1,074,611	1,008,395	1,084,925
Total originated loans	<u>\$9,494,132</u>	<u>\$7,107,221</u>	<u>\$4,887,730</u>	<u>\$4,148,013</u>	<u>\$4,163,205</u>
Acquired loans:					
Commercial non-real estate	\$ 926,997	\$1,690,643	\$2,236,758	\$ —	\$ —
Construction and land development	142,931	295,151	603,371	—	—
Commercial real estate	967,148	1,279,546	1,656,515	—	—
Residential mortgages	315,340	486,444	734,669	—	—
Consumer	119,603	202,974	386,540	—	—
Total acquired loans	<u>\$2,472,019</u>	<u>\$3,954,758</u>	<u>\$5,617,853</u>	<u>\$ —</u>	<u>\$ —</u>
Covered loans:					
Commercial non-real estate	\$ 23,390	\$ 29,260	\$ 38,063	\$ 35,190	\$ 41,838
Construction and land development	20,229	28,482	118,828	157,267	158,814
Commercial real estate	53,165	95,146	82,651	181,873	185,349
Residential mortgages	209,018	263,515	285,682	293,506	373,825
Consumer	52,864	99,420	146,219	141,315	191,144
Total covered loans	<u>\$ 358,666</u>	<u>\$ 515,823</u>	<u>\$ 671,443</u>	<u>\$ 809,151</u>	<u>\$ 950,970</u>

	December 31,				
	2013	2012	2011	2010	2009
	(In thousands)				
Total loans:					
Commercial non-real estate	\$ 5,064,224	\$ 4,433,288	\$ 3,800,230	\$1,081,621	\$ 984,718
Construction and land development	915,541	989,306	1,263,005	652,857	833,939
Commercial real estate	3,042,841	2,923,094	2,998,923	1,413,287	1,342,254
Residential mortgages	1,720,614	1,577,944	1,507,498	659,689	739,899
Consumer	1,581,597	1,654,170	1,607,370	1,149,710	1,213,365
Total loans	<u>\$12,324,817</u>	<u>\$11,577,802</u>	<u>\$11,177,026</u>	<u>\$4,957,164</u>	<u>\$5,114,175</u>

Originated loans include all loans not included in the acquired and covered loan portfolios described below. Acquired loans are those purchased in the Whitney acquisition on June 4, 2011, including loans that were performing satisfactorily at the date (acquired-performing) and loans acquired with evidence of credit deterioration (acquired-impaired). Covered loans are those purchased in the December 2009 acquisition of Peoples First, which are covered by loss share agreements between the FDIC and the Company that afford significant loss protection. Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date without carryover of any allowance for loan losses. Certain differences in the accounting for originated loans and for acquired performing and acquired impaired loans (which include all covered loans) are described in Note 4 to the consolidated financial statements.

Originated C&I loans were up \$1.4 billion since December 31, 2012. The net increase reflected activity with both new and existing customers, including certain activity with relationships acquired in the Whitney acquisition. The increase was partially offset by the continuing reduction in the acquired portfolio. Considered together, originated and acquired C&I loans increased \$637 million during 2013. While most markets across the Company's footprint reported C&I growth, the most significant activity was concentrated in the Company's market areas in Louisiana, the Houston, Texas market, and several Florida market areas, with a sizeable portion of the new business generated from customers in the oil and gas energy sector.

The Company's commercial customer base is diversified over a range of industries, including oil and gas (O&G), wholesale and retail trade in various durable and nondurable products and the manufacture of such products, marine transportation and maritime construction, financial and professional services, and agricultural production. Loans outstanding to O&G industry customers totaled approximately \$1.5 billion at December 31, 2013, up over \$550 million from December 31, 2012. The majority of the O&G portfolio is with customers who provide transportation and other onshore and offshore services and products to support exploration and production activities. Our C&I lending is mainly to middle-market and smaller commercial entities, although we occasionally participate in larger shared-credit loan facilities with businesses well known to the relationship officers and operating in the Company's market areas. Shared credits funded at December 31, 2013 totaled approximately \$1.4 billion, of which approximately \$813 million was with O&G customers.

Originated C&D and CRE loans, which include loans on both income-producing and owner-occupied properties, increased a combined \$561 million during 2013, with \$220 million of net growth in the fourth quarter. This increase reflects the funding of existing commitments as well as new business across the Company's footprint and covers a variety of retail, multi-family residential, commercial and other projects, including several sizable projects to expand or renovate established properties in Louisiana.

Originated residential mortgages were up \$368 million during 2013, and originated consumer loans increased \$57 million over this period. The Company increased its emphasis on residential mortgages to be held in the loan portfolio, partially offsetting the slowing demand due to the uptick in interest rates.

The portfolio of acquired Whitney loans has declined \$1.5 billion since December 31, 2012, with a \$764 million decline in the C&I category, \$465 million in the C&D and CRE categories, and \$254 million in the residential

mortgage and consumer loans categories. There were no significant trends underlying the reduction in the C&I category, and, as noted earlier, the Company continues its relationship with many of the commercial customers who have paid down their loans since the acquisition. Reductions in acquired C&D and CRE categories as well as the residential mortgage and consumer categories reflected mainly normal repayment and refinancing activity.

Total covered loans at December 31, 2013 were down \$157 million from December 31, 2012. These reductions reflect normal repayments, charge-offs and foreclosures. The covered portfolio will continue to decline over the terms of the loss share agreements.

The following table shows average loans for each of the prior three years and the effective taxable-equivalent yield earned on each category presented.

Table 8. Average Loans

	Years Ended December 31,								
	2013			2012			2011		
	Balance (\$000s)	Yield (te)	Pct of total	Balance (\$000s)	Yield (te)	Pct of total	Balance (\$000s)	Yield (te)	Pct of total
Total loans:									
Commercial non-real estate	\$ 4,615,973	4.08%	39%	\$ 4,007,506	4.61%	35%	\$2,590,707	4.90%	30%
Construction and land development	965,237	8.91%	8%	1,157,064	7.23%	10%	1,022,344	6.04%	12%
Commercial real estate	2,899,317	5.50%	25%	2,897,317	6.25%	26%	2,354,944	6.01%	28%
Residential mortgages	1,659,324	6.14%	14%	1,571,465	7.11%	14%	1,137,922	6.85%	13%
Consumer	1,585,353	6.51%	14%	1,651,387	6.99%	15%	1,408,104	6.98%	17%
Total loans	<u>\$11,725,204</u>	<u>5.45%</u>	<u>100%</u>	<u>\$11,284,739</u>	<u>6.00%</u>	<u>100%</u>	<u>\$8,514,021</u>	<u>5.97%</u>	<u>100%</u>

The following table sets forth, for the periods indicated, the approximate contractual maturity by type of the loan portfolio:

TABLE 9. Loans Maturities by Type

	December 31, 2013 Maturity Range			Total
	Within One Year	After One Through Five Years	After Five Years	
	(In thousands)			
Total loans:				
Commercial loans:				
Commercial non-real estate	\$1,431,173	\$2,731,691	\$ 901,360	\$ 5,064,224
Construction and land development	392,700	314,151	208,690	915,541
Commercial real estate	475,774	1,588,443	978,624	3,042,841
Residential mortgage loans	96,914	194,723	1,428,977	1,720,614
Consumer loans	226,759	630,915	723,923	1,581,597
Total loans	<u>\$2,623,320</u>	<u>\$5,459,923</u>	<u>\$4,241,574</u>	<u>\$12,324,817</u>

The sensitivity to interest rate changes of that portion of our loan portfolio that matures after one year is shown below:

TABLE 10. Loans Sensitivity to Changes in Interest Rates

	December 31, 2013		
	<u>Fixed rate</u>	<u>Floating rate</u>	<u>Total</u>
	(In thousands)		
Total loans:			
Commercial loans:			
Commercial non-real estate	\$1,265,186	\$2,367,865	\$3,633,051
Construction and land development	236,515	286,326	522,841
Commercial real estate	1,642,370	924,697	2,567,067
Residential mortgage loans	961,953	661,747	1,623,700
Consumer loans	692,165	662,673	1,354,838
Total loans	<u>\$4,798,189</u>	<u>\$4,903,308</u>	<u>\$9,701,497</u>

Non-performing Assets

The following table sets forth non-performing assets by type for the periods indicated, consisting of non-accrual loans, troubled debt restructurings and other real estate owned (ORE) and foreclosed assets. Loans past due 90 days or more and still accruing are also disclosed. In the following table, commercial loans encompass commercial non-real estate loans, construction and land development loans and commercial real estate loans.

TABLE 11. Non-performing Assets

	December 31,				
	2013	2012	2011	2010	2009
	(In thousands)				
Loans accounted for on a non-accrual basis:					
Commercial loans	\$ —	\$ —	\$ 73,255	\$ 92,296	\$ 46,739
Commercial non-real estate loans	8,705	21,511	—	—	—
Commercial non-real estate loans—restructured	4,654	1,756	—	—	—
Total commercial non-real estate loans	13,359	23,267	—	—	—
Construction and land development loans	8,770	29,623	—	—	—
Construction and land development loans—restructured	7,930	11,608	—	—	—
Total construction and land development loans	16,700	41,231	—	—	—
Commercial real estate loans	37,369	46,969	—	—	—
Commercial real estate loans—restructured	3,091	1,050	—	—	—
Total commercial real estate loans	40,460	48,019	—	—	—
Residential mortgage loans	22,255	17,285	25,043	21,489	32,293
Residential mortgage loans—restructured	—	1,364	—	409	—
Total residential mortgage loans	22,255	18,649	25,043	21,898	32,293
Consumer loans	6,912	6,449	4,972	6,791	7,523
Total non-accrual loans	99,686	137,615	103,270	120,985	86,555
Restructured loans:					
Commercial loans—non-accrual	—	—	4,142	8,302	—
Commercial non-real estate loans—non-accrual	4,654	1,756	—	—	—
Construction and land development loans—non-accrual	7,930	11,608	—	—	—
Commercial real estate loans—non-accrual	3,091	1,050	—	—	—
Residential mortgage loans—non-accrual	—	1,364	—	409	—
Consumer loans—non-accrual	—	—	—	—	—
Total restructured loans—non-accrual	15,675	15,778	4,142	8,711	—
Commercial loans—still accruing	—	—	12,812	3,301	—
Commercial non-real estate loans—still accruing	2,323	6,722	—	—	—
Construction and land development loans—still accruing	3,298	6,236	—	—	—
Commercial real estate loans—still accruing	3,144	2,930	—	—	—
Residential mortgage loans—still accruing	507	549	1,191	629	—
Consumer loans—still accruing	—	—	—	—	—
Total restructured loans—still accruing	9,272	16,437	14,003	3,930	—
Total restructured loans	24,947	32,215	18,145	12,641	—
ORE and foreclosed assets	76,979	102,072	159,751	33,277	14,336
Total non-performing assets*	\$185,937	\$256,124	\$277,024	\$158,192	\$100,891
Loans 90 days past due still accruing	\$ 10,387	\$ 13,243	\$ 5,880	\$ 1,492	\$ 11,647
Ratios:					
Non-performing assets to loans plus ORE and foreclosed assets	1.50%	2.19%	2.44%	3.17%	1.97%
Allowance for loan losses to non-performing loans and accruing loans 90 days past due	111.97%	81.40%	101.40%	64.87%	67.26%
Loans 90 days past due still accruing to loans	0.08%	0.11%	0.05%	0.03%	0.23%

* Includes total non-accrual loans, total restructured loans—still accruing and ORE and foreclosed assets

Non-performing assets (NPAs) totaled \$185.9 million at December 31, 2013, compared to \$256.1 million at December 31, 2012. Non-performing assets as a percent of total loans and ORE and foreclosed assets was 1.50% at December 31, 2013, compared to 2.19% at December 31, 2012. Non-performing loans exclude loans from the Whitney and covered Peoples First acquired credit-impaired portfolios that are accreting interest income.

Non-accrual loans were \$99.7 million at December 31, 2013, a decrease of \$37.9 million from December 31, 2012. The majority of the decrease occurred in commercial non-real estate and construction and land development loans. Covered loans accounted for using the cost recovery method and reported as non-accrual totaled \$2.7 million and \$4.1 million at December 31, 2013 and 2012, respectively. Acquired performing loans subsequently placed in non-accrual status totaled \$21.8 million at December 31, 2013 and \$30.1 million at December 31, 2012.

Loans modified in troubled debt restructurings (TDRs) totaled \$24.9 million at December 31, 2013 compared to \$32.2 million at December 31, 2012. These totals included \$15.7 million and \$15.8 million, respectively, of loans reported in non-accrual loans. TDRs arise when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term and, consequently, a modification that would otherwise not be considered is granted to the borrower. Certain loans modified in a TDR may continue to accrue interest, depending on the individual facts and circumstances of the borrower.

ORE and foreclosed assets decreased a net \$25.1 million during 2013, totaling \$77.0 million at year end. The balance at December 31, 2013 consisted of approximately 39% in foreclosures from noncovered loans, 33% in ORE covered under loss share agreements, and 28% in surplus branch properties held for sale. The Company was very successful in selling noncovered ORE during 2013, with sales totaling \$58.6 million while additions slowed to only \$17.6 million. Covered ORE remained about flat as sales and writedowns totaling \$35.9 million were slightly higher than additions of \$35.3 million. Approximately \$24.3 million was added to ORE during the year from the transfer of branches closed as a result of the Company's ongoing branch rationalization initiative.

Allowance for Loan and Lease Losses

Management, with Audit Committee oversight, is responsible for maintaining an effective loan review system, and internal controls, which include an effective risk rating system that identifies, monitors, and addresses asset quality problems in an accurate and timely manner. The allowance is evaluated for adequacy on at least a quarterly basis. For a discussion of this process, see Note 1 to the consolidated financial statements located in Item 8 of this annual report on Form 10-K.

At December 31, 2013, the allowance for loan losses was \$133.6 million compared with \$136.2 million at December 31, 2012. The ratio of the allowance for loan losses as a percent of period-end loans was 1.08% at December 31, 2013, compared to 1.18% at December 31, 2012. The decrease in the allowance since the end of 2012 was related mainly to the portfolio covered under FDIC loss-sharing agreements due to a decrease in expected losses.

The Company recorded a total provision for loan losses during 2013 of \$32.7 million, compared to \$54.2 million in 2012. The majority of the provision in both years was for non-covered loans, \$25.3 million in 2013, compared to \$51.4 million in 2012. Approximately \$13.7 million of the 2012 provision was related to the bulk sale of problem loans. The Company recorded a \$1.2 million decrease in the allowance for losses related to reduced impairment on certain pools of FDIC-covered loans, with a related decrease of \$8.6 million in the FDIC loss share receivable. The net impact on provision expense from the covered portfolio was \$7.5 million in 2013, compared to \$2.8 million in 2012.

Net charge-offs from the non-covered loan portfolio during 2013 were \$24.3 million, or 0.21% of average total loans. This compares to net non-covered charge-offs of \$55.0 million, or 0.49% of average total loans, for the year ended December 31, 2012, including \$16.2 million related to the bulk loan sale. Net charge-offs on the FDIC-covered portfolio totaled \$2.4 million in 2013 compared to \$26.1 million in 2012.

The following table sets forth activity in the allowance for loan losses for the periods indicated. In the tables, commercial loans encompass commercial non-real estate loans, construction and land development loans and commercial real estate loans.

TABLE 12. Summary of Activity in the Allowance for Loan Losses

	At and For The Years Ended December 31,				
	2013	2012	2011	2010	2009
	(In thousands)				
Allowance for loan losses at beginning of period	\$136,171	\$124,881	\$ 81,997	\$66,050	\$61,725
Loans charged-off:					
Non-covered loans:					
Commercial	—	42,277	43,654	39,393	36,912
Commercial non real estate	6,671	—	—	—	—
Commercial and land development	10,312	—	—	—	—
Commercial real estate	5,525	—	—	—	—
Residential mortgages	2,297	6,275	2,634	4,615	3,670
Consumer	18,094	16,208	12,500	14,258	14,333
Total non-covered charge-offs	42,899	64,760	58,788	58,266	54,915
Covered loans:					
Commercial	—	29,947	11,100	—	—
Commercial non real estate	1,071	—	—	—	—
Commercial and land development	1,244	—	—	—	—
Commercial real estate	4,414	—	—	—	—
Residential mortgages	1,532	—	—	—	—
Consumer	1,250	1,094	375	—	—
Total covered charge-offs	9,511	31,041	11,475	—	—
Total charge-offs	52,410	95,801	70,263	58,266	54,915
Recoveries of loans previously charged-off:					
Non-covered loans:					
Commercial	—	5,375	20,006	3,491	767
Commercial non real estate	5,790	—	—	—	—
Commercial and land development	1,676	—	—	—	—
Commercial real estate	3,359	—	—	—	—
Residential mortgages	1,936	324	1,091	740	241
Consumer	5,829	4,030	3,887	3,353	3,642
Total non-covered recoveries	18,590	9,729	24,984	7,584	4,650
Covered loans:					
Commercial	—	4,894	—	—	—
Commercial non real estate	90	—	—	—	—
Commercial and land development	735	—	—	—	—
Commercial real estate	6,158	—	—	—	—
Residential mortgages	13	—	—	—	—
Consumer	160	78	—	—	—
Total covered recoveries	7,156	4,972	—	—	—
Total recoveries	25,746	14,701	24,984	7,584	4,650
Net charge-offs—non-covered	24,309	55,031	33,804	50,682	50,265
Net charge-offs—covered	2,355	26,069	11,475	—	—
Total net charge-offs	26,664	81,100	45,279	50,682	50,265
Provision for loan losses before FDIC benefit—covered	(1,160)	41,021	52,437	672	—
(Benefit) attributable to FDIC loss share agreement	8,615	(38,198)	(49,431)	(638)	—
Provision for loan losses non-covered loans	25,279	51,369	35,726	65,957	—
Provision for loan losses, net	32,734	54,192	38,732	65,991	—
(Decrease) increase in FDIC loss share receivable	(8,615)	38,198	49,431	638	—
Allowance for loan losses at end of period	\$133,626	\$136,171	\$124,881	\$81,997	\$66,050
Ratios:					
Gross charge-offs—non-covered to average loans	0.37%	0.57%	0.69%	1.16%	1.27%
Recoveries—non-covered to average loans	0.16%	0.09%	0.29%	0.15%	0.11%
Net charge-offs—non-covered to average loans	0.21%	0.49%	0.40%	1.01%	1.17%
Allowance for loan losses to period-end loans	1.08%	1.18%	1.12%	1.65%	1.29%

An allocation of the loan loss allowance by major loan category is set forth in the following table. The changes in the allowance allocated to the residential mortgage and consumer categories in 2012 and 2013 reflect mainly changes in the estimate of impairment on pools of covered loans within these categories.

TABLE 13. Allocation of Loan Loss by Category

	2013		2012		December 31, 2011		2010		2009	
	Allowance for Loan Losses	% of Loans to Total Loans	Allowance for Loan Losses	% of Loans to Total Loans	Allowance for Loan Losses	% of Loans to Total Loans	Allowance for Loan Losses	% of Loans to Total Loans	Allowance for Loan Losses	% of Loans to Total Loans
	(In thousands)									
Total loans:										
Commercial	\$ —	—	\$ 77,969	72	\$ 78,414	72	\$56,859	63	\$42,483	61
Commercial non real estate	37,016	28	—	—	—	—	—	—	—	—
Commercial and land development	8,845	7	—	—	—	—	—	—	—	—
Commercial real estate	31,612	23	—	—	—	—	—	—	—	—
Residential mortgages	34,882	26	39,080	14	13,918	14	4,626	14	4,782	15
Consumer	21,271	16	19,122	14	32,549	14	20,512	23	18,785	24
	<u>\$133,626</u>	<u>100.00</u>	<u>\$136,171</u>	<u>100.00</u>	<u>\$124,881</u>	<u>100.00</u>	<u>\$81,997</u>	<u>100.00</u>	<u>\$66,050</u>	<u>100.00</u>

Short-Term Investments

Short-term liquidity investments, including interest-bearing bank deposits and federal funds sold, decreased \$1.2 billion from December 31, 2012 to a total of \$269 million at December 31, 2013. The high level of short-term investments at December 31, 2012 was due in part to management's decision to increase the level of liquidity investments as a precautionary measure against the potential for some deposit run-off in early 2013 due to the expiration of the FDIC Transaction Account Guarantee (TAG) Program. No material outflow of deposits was experienced as a result of the TAG Program expiration. Also, growth in the loan portfolio was funded in part from a reduction in these lower-yielding investments.

Deposits

Total deposits at December 31, 2013 were \$15.4 billion, down \$384 million (2%) from December 31, 2012 due to a \$406 million (16%) decrease in time deposits. Interest-bearing transaction and savings accounts increased \$125 million (2%), primarily due to an increase in business money market accounts. Noninterest-bearing demand deposits (DDAs) at December 31, 2013 totaled \$5.5 billion, a \$94 million (2%) decrease from the prior year-end. The proportion of DDAs in the overall deposit mix remained at 36% at the end of both 2013 and 2012. Average total deposits for 2013 compared to the prior year were unchanged as the impact of the decrease in time deposits was offset by increases in DDAs, NOW accounts and overnight treasury management deposits.

The decrease in time deposits (primarily CDs) reflects mainly the renewal rates available during this sustained period of low market interest rates. In late 2012, the Banks issued \$200 million in short-term brokered CDs as a temporary liquidity source related to the year-end expiration of the TAG program discussed above in the section on "Short-Term Investments." The Banks did not experience any material outflow of deposits as a result of the TAG Program expiration.

Public fund deposits at December 31, 2013 were relatively flat compared to December 31, 2012. Balances at year-end are typically higher than at other times during the year due to seasonal cash inflows to these public

entities, with subsequent reductions beginning in the first quarter of the following year. In the current low rate environment, management expects customers will continue to hold funds in no or low-cost transaction accounts until rates begin to rise.

Table 14 shows average balances and weighted average rates paid on deposits for each year in the three-year period ended December 31, 2013 as well as the percentage of total deposits for each category. The increases in averages balances in 2012 compared to 2011 reflect the full year effect of the Whitney Bank deposits. Table 15 shows the maturities of time certificates of deposits at December 31, 2013.

TABLE 14. Average Deposits

	2013			2012			2011		
	Balance	Rate	Mix	Balance	Rate	Mix	Balance	Rate	Mix
	(Dollars in millions)								
Interest-bearing deposits:									
NOW account deposits	\$ 3,441.1	0.13%	22%	\$ 3,300.1	0.17%	22%	\$ 2,534.6	0.25%	22%
Money market deposits	2,258.5	0.18	15	2,385.2	0.22	16	1,794.0	0.34	15
Savings deposits	1,600.0	0.02	11	1,508.4	0.04	10	987.3	0.07	8
Overnight treasury management deposits	386.0	0.28	3	167.9	0.29	1	94.4	0.34	1
Time deposits (including Public Funds CDs)	2,037.7	0.69	13	2,497.2	0.84	16	2,906.2	1.45	25
Total interest-bearing deposits	9,723.3	0.25%	64	9,858.8	0.33%	65	8,316.5	0.67%	71
Noninterest-bearing demand deposits	5,394.2		36	5,251.4		35	3,400.1		29
Total deposits	<u>\$15,117.5</u>		<u>100%</u>	<u>\$15,110.2</u>		<u>100%</u>	<u>\$11,716.6</u>		<u>100%</u>

TABLE 15. Maturity of Time Certificates of Deposit greater than or equal to \$100,000*

	December 31 2013
	(In thousands)
Three months	\$209,790
Over three through six months	141,766
Over six months through one year	210,554
Over one year	294,949
Total	<u>\$857,059</u>

* Includes public fund time deposits

Short-Term Borrowings

The following table sets forth certain information concerning our short-term borrowings, which consist of federal funds purchased, securities sold under agreements to repurchase and FHLB borrowings. Customer repurchase agreements are the main source of such borrowings in each year. These agreements are offered mainly to commercial customers to assist them with their ongoing cash management strategies or to provide a temporary investment vehicle for their excess liquidity pending redeployment for corporate or investment purposes. While customer repurchase agreements provide a recurring source of funds to the Banks, the amounts available over time can be volatile.

TABLE 16. Short-Term Borrowings

	Years Ended December 31,		
	2013	2012	2011
	(In thousands)		
Federal funds purchased:			
Amount outstanding at period-end	\$ 7,725	\$ 25,704	\$ 16,819
Weighted average interest at period-end	0.13%	0.37%	0.19%
Maximum amount at any month-end during period	\$ 37,320	\$ 33,964	\$ 26,666
Average amount outstanding during period	\$ 32,960	\$ 30,137	\$ 12,911
Weighted average interest rate during period	0.22%	0.22%	0.18%
Securities sold under agreements to repurchase:			
Amount outstanding at period-end	\$650,235	\$ 613,429	\$1,027,635
Weighted average interest at period-end	0.64%	0.72%	0.65%
Maximum amount at any month-end during period	\$797,615	\$1,005,014	\$1,027,635
Average amount outstanding during period	\$763,259	\$ 760,938	\$ 681,474
Weighted average interest rate during period	0.58%	0.78%	1.03%
FHLB borrowings:			
Amount outstanding at period-end	\$ —	\$ —	\$ —
Weighted average interest at period-end	—	—	—
Maximum amount at any month-end during period	\$ —	\$ —	\$ 10,153
Average amount outstanding during period	\$ 9,863	\$ 32,571	\$ 81,673
Weighted average interest rate during period	0.18%	0.16%	0.15%

Loan Commitments and Letters of Credit

In the normal course of business, the Banks enter into financial instruments, such as commitments to extend credit and letters of credit, to meet the financing needs of their customers. Such instruments are not reflected in the accompanying consolidated financial statements until they are funded, although they expose the Banks to varying degrees of credit risk and interest rate risk in much the same way as funded loans.

Commitments to extend credit include revolving commercial credit lines, non-revolving loan commitments issued mainly to finance the acquisition and development of construction of real property or equipment, and credit card and personal credit lines. The availability of funds under commercial credit lines and loan commitments generally depends on whether the borrower continues to meet credit standards established in the underlying contract and has not violated other contractual conditions. Loan commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. Credit card and personal credit lines are generally subject to cancellation if the borrower's credit quality deteriorates. A number of commercial and personal credit lines are used only partially or, in some cases, not at all before they expire, and the total commitment amounts do not necessarily represent future cash requirements of the Company.

A substantial majority of the letters of credit are standby agreements that obligate the Banks to fulfill a customer's financial commitments to a third party if the customer is unable to perform. The Banks issue standby letters of credit primarily to provide credit enhancement to their customers' other commercial or public financing arrangements and to help them demonstrate financial capacity to vendors of essential goods and services.

The contract amounts of these instruments reflect the Company's exposure to credit risk. The Banks undertake the same credit evaluation in making loan commitments and assuming conditional obligations as it does for on-balance sheet instruments and may require collateral or other credit support.

The following table shows the commitments to extend credit and letters of credit at December 31, 2013 and 2012 according to expiration date.

TABLE 17. Loan Commitments and Letters of Credit

	Expiration Date				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(In thousands)				
December 31, 2013					
Commitments to extend credit	\$5,234,929	\$2,655,094	\$1,095,854	\$ 982,599	\$501,382
Letters of credit	422,284	303,780	31,299	83,812	3,393
Total	<u>\$5,657,213</u>	<u>\$2,958,874</u>	<u>\$1,127,153</u>	<u>\$1,066,411</u>	<u>\$504,775</u>
	Expiration Date				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(In thousands)				
December 31, 2012					
Commitments to extend credit	\$4,373,679	\$2,556,159	\$ 779,844	\$ 697,011	\$340,665
Letters of credit	401,861	253,824	116,287	30,550	1,200
Total	<u>\$4,775,540</u>	<u>\$2,809,983</u>	<u>\$ 896,131</u>	<u>\$ 727,561</u>	<u>\$341,865</u>

ENTERPRISE RISK MANAGEMENT

The Company balances revenue generation and profitability with the inherent risks of its business activities. Enterprise risk management helps preserve shareholder value by assessing, monitoring, and managing the risks associated with our businesses. Strong risk management practices foster enhanced decision-making, facilitate successful implementation of new initiatives, and, where appropriate, support acceptance of greater levels of risk to drive growth and achieve strategic objectives. The Company's risk management culture integrates a board-approved risk appetite with senior management direction and governance to facilitate the execution of the Company's strategic plan. This integration ensures the daily management of risks by business lines and continuous corporate monitoring of the levels of risk in each business line and across the Company.

Risk Categories and Definitions

The primary risk exposures of the Company are credit, market, liquidity, operational, legal, reputational, and strategic. The Company has adopted the risk categories outlined by the Federal Reserve to govern the risk management of bank holding companies. The risk categories are:

- Credit risk arises from a borrower or counterparty's failure to perform on an obligation.
- Market risk resulting from adverse movements in market rates or prices, such as interest rates, foreign exchange rates, or equity prices.
- Liquidity risk arising from our inability to meet our obligations as they come due because of an inability to liquidate assets or obtain adequate funding or from an inability to easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions.
- Operational risk arising from inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes that result in unexpected losses.
- Legal risk arising from unenforceable contracts, lawsuits, or adverse judgments that disrupt or otherwise negatively affect the operations or condition of the Company.

- Reputational risk arising from negative publicity about the Company’s business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions.
- Strategic risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility of a Company’s strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation.

As a component of the Company’s risk management program, these risk categories are organized into four risk classifications or genres that are reflected in the Company’s management and portfolio risk committees. The management of reputational risk is a component of each risk management function. The Company’s major risk categories are:

- Strategic Risk—addresses business strategy
- Credit Risk—focusing specifically on credit risk
- Market Risk—including risk categories of liquidity, interest rate and market risk
- Operational Risk—including risk categories of operational, legal, and compliance risk

Risk Committee Governance Structure

Effective risk management governance requires active oversight, participation, and interaction by and between the board of directors and senior management. Our enterprise risk management framework uses a tiered risk/reward committee structure to facilitate the timely discussion of significant risk issues and risk mitigation strategies and/or tactics. Risk committees exist at the board, management and portfolio levels.

- Board-level committee. The board risk committee is the senior risk/reward committee of the Company responsible for establishing our risk tolerance, reviewing enterprise risk positions and strategic activities, and providing oversight of senior management’s strategic decisions and risk responses. The board risk committee is chaired by an independent director who meets the risk management qualifications outlined in the Dodd-Frank Act.
- Management-level committees. The Capital Committee (CAPCO) of the company serves as the senior level management risk committee and oversees the business strategy, organizational structure, capital planning, and liquidity strategies for the Company. CAPCO drives business strategy development and execution, provides corporate financial oversight, and is responsible for portfolio risk committee oversight. They provide oversight of the portfolio risk/reward committees to ensure tactics to address business strategy changes are properly vetted and adopted, and protect the company’s reputation.
- Portfolio-level committees. The Company has three portfolio risk/reward committees focusing on credit, market, and operational risk categories. These committees review and monitor the risk categories in a portfolio context ensuring risk assessment and management processes are being effectively executed to identify and manage risk. The committees also monitor the risk portfolios for changes to the Company’s risk profile as well as ensure the risk portfolio is performing within the board-approved tolerance for risk. Portfolio committees report to CAPCO.

Risk Leadership and Organization

The risk management organization of the Company is led by the Chief Risk Officer. The Chief Risk Officer reports to the President and Chief Executive Officer and provides overall vision, direction and leadership regarding our enterprise risk management program. The Chief Risk Officer exercises independent judgment and reporting of risk through a direct working relationship with the board risk committee. The functional areas reporting to the Chief Risk Officer are the enterprise risk management program office, operational risk management, credit risk management which includes loan review, appraisal, and credit risk analytics,

regulatory relations and the enterprise-wide compliance program. The Chief Risk Officer also works closely with the Chief Internal Auditor to provide assurance to the board and senior management regarding risk management controls and their effectiveness. The Chief Internal Auditor reports to the board audit committee to assure independence of the internal audit function.

Credit Risk

The Banks' primary lending focus is to provide commercial, consumer, and real estate loans to consumers, to small and middle market businesses, to corporate clients in their respective market areas, and to State, County, and Municipal government entities. Diversification in the loan portfolio is a means of reducing the risks associated with economic fluctuations. The Banks have no significant concentrations of loans to particular borrowers or foreign entities.

The Banks monitor real estate lending concentrations throughout the year, and do not have any commercial real estate concentrations, as defined by interagency guidelines. The Banks have actively decreased their exposure to residential construction/development lending over the course of the last several years. Considering national housing trends, local market demand for housing, price softness in some markets, population migration trends, as well as general economic conditions, the Company will continue to closely monitor this type of lending.

Managing collateral is an essential component of managing the Banks' real estate related credit risk exposure. Third party valuations are obtained at the time of origination for real estate secured loans and updated if it is determined the loan has deteriorated and has become a problem loan. Property valuations are ordered through, and reviewed by, the Banks' appraisal department. The valuation information and anticipated selling costs help determine if there is impairment, leading to a recommendation for partial charge off or appropriate allowance allocation.

The Banks maintain an active loan review function to help ensure that developing credit problems are captured and recognized in a timely manner. Further, an active watch list review routine is in place as part of the Banks' problem loan management strategy and a list of loans 90 days past due and still accruing is reviewed with management, including the Chief Credit Officer, at least monthly. Recommendations flow from all of the above activities to recognize non-performing loans and determine accrual status.

Asset/Liability Management

Asset liability management consists of quantifying, analyzing and controlling interest rate risk (IRR) to maintain stability in net interest income under varying interest rate environments. The principal objective of asset liability management is to maximize net interest income while operating within acceptable risk limits established for interest rate risk and maintaining adequate levels of liquidity. Our net earnings are materially dependent on our net interest income.

IRR on the Company's balance sheets consists of re-price, option, yield curve, and basis risks. Re-price risk results from differences in the maturity or re-pricing of asset and liability portfolios. Option risk arises from "embedded options" present in many financial instruments such as loan prepayment options, deposit early withdrawal options and interest rate options. These options allow customers opportunities to benefit when market interest rates change, which typically results in higher costs or lower revenue for the Company. Yield curve risk refers to the risk resulting from unequal changes in the spread between two or more rates for different maturities for the same instrument. Basis risk refers to the potential for changes in the underlying relationship between market rates and indices, which subsequently result in a narrowing of the profit spread on an earning asset or liability. Basis risk is also present in administered rate liabilities, such as savings accounts, negotiable order of withdrawal accounts, and money market accounts where historical pricing relationships to market rates may change due to the level or directional change in market interest rates.

The asset liability committee (ALCO) manages our IRR exposures through pro-active measurement, monitoring, and management actions. ALCO strives to maintain levels of IRR within limits approved by the board of directors through a risk management policy that is designed to produce a stable net interest margin in periods of interest rate fluctuation. Accordingly, the Company's interest rate sensitivity and liquidity are monitored on an ongoing basis by its ALCO, which oversees market risk management and establishes risk measures, limits and policy guidelines for managing the amount of interest rate risk and its effect on net interest income and capital. A variety of measures are used to provide for a comprehensive view of the magnitude of interest rate risk, the distribution of risk, the level of risk over time and the exposure to changes in certain interest rate relationships.

The Company utilizes an asset/liability model as the primary quantitative tool in measuring the amount of interest rate risk associated with changing market rates. The model is used to perform net interest income, economic value of equity, and GAP analyses. The model quantifies the effects of various interest rate scenarios on projected net interest income and net income over the next 12 months and 24 month periods. The model measures the impact on net interest income relative to a base case scenario of hypothetical fluctuations in interest rates over the next 12 months. These simulations incorporate assumptions regarding balance sheet growth and mix, pricing and the repricing and maturity characteristics of the existing and projected balance sheet. The impact of interest rate derivatives, such as interest rate swaps, caps and floors, is also included in the model. Other interest rate-related risks such as prepayment, basis and option risk are also considered.

Net Interest Income at Risk

Net interest income at risk measures the risk of a change in earnings due to changes in interest rates. Table 18 presents an analysis of our interest rate risk as measured by the estimated changes in net interest income resulting from an instantaneous and sustained parallel shift in the yield curve at December 31, 2013. Shifts are measured in 100 basis point increments in a range of as much as +500 bps (+ 300 through +100 bps presented in Table 18) from base case. Base case encompasses key assumptions for asset/liability mix, loan and deposit growth, pricing, prepayment speeds, deposit decay rates, securities portfolio cash flows and reinvestment strategy, and the market value of certain assets. The base case scenario assumes that the current interest rate environment is held constant throughout the 12-month forecast period; the instantaneous shocks are performed against that yield curve.

TABLE 18. Net Interest Income (te) at Risk

Change in Interest Rates	Estimated Increase (Decrease) in NII December 31, 2013
(basis points)	
Stable	0.00%
+100	1.78%
+200	4.27%
+300	6.86%

Note: Decrease in interest rates discontinued in current rate environment

These scenarios are instantaneous shocks that assume balance sheet management will mirror base case. Should the yield curve begin to rise or fall, management has strategies available to maximize earnings opportunities or offset the negative impact to earnings. For example, in a rising rate environment, deposit pricing strategies could be adjusted to offer more competitive rates on long and medium-term CDs and less competitive rates on short-term CDs. Another opportunity at the start of such a cycle would be reinvesting the securities portfolio cash flows into short-term or floating-rate securities. On the loan side the Company can make more floating-rate loans that tie to indices that re-price more frequently, such as LIBOR (London interbank offered rate) and make fewer fixed-rate loans. Finally, there are a number of hedge strategies by which management could use derivatives, including swaps and purchased ceilings, to lock in net interest margin protection.

Even if interest rates change in the designated amounts, there can be no assurance that our assets and liabilities would perform as anticipated. Additionally, a change in the U.S. Treasury rates in the designated amounts accompanied by a change in the shape of the U.S. Treasury yield curve would cause significantly different changes to NII than indicated above. Strategic management of our balance sheet and earnings is fluid and would be adjusted to accommodate these movements. As with any method of measuring interest rate risk, certain shortcomings are inherent in the methods of analysis presented above. For example, although certain assets and liabilities may have similar maturities or periods to re-pricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Certain assets such as adjustable-rate loans have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Also, the ability of many borrowers to service their debt may decrease in the event of an interest rate increase. We consider all of these factors in monitoring exposure to interest rate risk.

Liquidity

Liquidity management is focused on ensuring that funds are available to meet the cash flow requirements of our depositors and borrowers, while also meeting the operating, capital and strategic cash flow needs of the Company, the Banks and other subsidiaries. Hancock develops its liquidity management strategies and measures and monitors liquidity risk as part of its overall asset/liability management process.

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments, maturities of investment securities and occasional sales of various assets. Short-term investments such as federal funds sold, securities purchased under agreements to resell and interest-bearing deposits with the Federal Reserve Bank or with other commercial banks are additional sources of liquidity to meet cash flow requirements. As shown in Table 19 below, our ratios of free securities to total securities were 22% and 27%, respectively, at December 31, 2013 and 2012. Free securities represent securities that are not pledged for any purpose, and include unpledged securities assigned to short-term dealer repo agreements or to the Federal Reserve Bank discount window.

TABLE 19. Liquidity Metrics

	<u>2013</u>	<u>2012</u>
Free securities / total securities	22.00%	27.00%
Noncore deposits / total deposits	8.33%	9.20%
Wholesale funds / core deposits	7.41%	7.39%

The liability portion of the balance sheet provides liquidity through various customers' interest-bearing and noninterest-bearing deposit accounts. Core deposits represent total deposits less CDs of \$100,000 or more, brokered deposits, and foreign branch deposits. Noncore deposits were 8.33% of total deposits at December 31, 2013, compared to 9.20% a year earlier. The decrease is primarily due to the \$200 million of brokered CDs on December 31, 2012 as discussed earlier. As a test of its contingency funding plan (CFP), the Company issued approximately \$60 million of brokered CDs through third-party intermediaries in December 2013.

Purchases of federal funds, securities sold under agreements to repurchase and other short-term borrowings are additional sources of liquidity to meet short-term funding requirements. Wholesale funds, which represent short-term borrowings and long-term debt, were 7.41% of core deposits at December 31, 2013 and 7.39% at December 31, 2012 as the levels of wholesale funds and core deposits were relatively stable between the periods. The Banks have lines of credit with the Federal Home Loan Bank (FHLB) that is secured by a blanket pledge of certain mortgage loans. At December 31, 2013, the amount available under these lines was approximately \$2.6 billion. The Banks also have borrowing capacity at the Federal Reserve's discount window of approximately \$0.8 billion. No amounts were borrowed under these lines at year-end 2013.

Cash generated from operations is another important source of funds to meet liquidity needs. The consolidated statements of cash flows present operating cash flows and summarize all significant sources and uses of funds for each of the three years in the period ended December 31, 2013.

Dividends received from the Banks have been the primary source of funds available to the Company for the payment of dividends to our stockholders and for servicing any debt issued by the holding company. The liquidity management process recognizes the various regulatory provisions that can limit the amount of dividends that the Banks can distribute to the Company, as described in Note 11 to the consolidated financial statements. It is the Company's policy to maintain assets at the holding company to provide liquidity sufficient to fund five quarters of anticipated stockholder dividends, debt service and operations.

CONTRACTUAL OBLIGATIONS

Table 20 summarizes all significant contractual obligations at December 31, 2013, according to payments due by period. Obligations under deposit contracts and short-term borrowings are not included. The maturities of time deposits are scheduled in Table 15. Purchase obligations represent legal and binding contracts to purchase services and goods that cannot be settled or terminated without paying substantially all of the contractual amounts.

TABLE 20. Contractual Obligations

	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(In thousands)		
Long-term debt obligations	\$422,216	\$ 46,934	\$202,124	\$122,099	\$51,059
Capital lease obligations	34	25	8	1	—
Operating lease obligations	58,883	10,428	16,905	12,556	18,994
Purchase obligations	106,616	55,085	36,283	11,935	3,313
Total	<u>\$587,749</u>	<u>\$112,472</u>	<u>\$255,320</u>	<u>\$146,591</u>	<u>\$73,366</u>

CAPITAL RESOURCES

A strong capital position, which is vital to continued profitability, also promotes depositor and investor confidence and provides a solid foundation for future growth and flexibility in addressing strategic opportunities. Stockholders' equity totaled \$2.43 billion at December 31, 2013, down slightly from December 31, 2012. Our tangible common equity ratio increased to 9.00% at the end of 2013, compared to 8.77% at December 31, 2012. The primary quantitative measures that regulators use to gauge capital adequacy are the ratios of total and Tier 1 regulatory capital to risk-weighted assets (risk-based capital ratios) and the ratio of Tier 1 capital to average total assets (leverage ratio). Both the Company and the Banks are required to maintain minimum risk-based capital ratios of 8.0% total regulatory capital and 4.0% Tier 1 capital. The minimum leverage ratio is 3% for bank holding companies and banks that meet certain specified criteria, including having the highest supervisory rating. All other are required to maintain a leverage ratio of at least 4.0%. At December 31, 2013, our capital balances and those of the Banks were well in excess of current regulatory minimum requirements. Table 21 below shows the Company's regulatory ratios for the past five years. Note 11 to the consolidated financial statements provides additional information about the Banks' regulatory capital ratios. The Company and the Banks have been categorized as "well capitalized" in the most recent notices received from our regulators.

The Company's regulatory capital ratios remained strong as of December 31, 2013. Tier 1 and total risk-weighted asset ratios were 11.76% and 13.11%, respectively. The declines in these ratios compared to 2012

reflect the share repurchase program described below and the increase in risk-weighted assets resulting from the growth in loans. The increase in the leverage ratio was due to average assets for 2013 remaining stable compared to 2012 as loan growth was largely offset by a decline in short-term investments.

TABLE 21. Risk-Based Capital and Capital Ratios

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
			(In thousands)		
Tier 1 regulatory capital	\$ 1,685,058	\$ 1,666,042	\$ 1,506,218	\$ 782,301	\$ 756,108
Tier 2 regulatory capital	192,774	215,516	276,819	64,240	66,397
Total regulatory capital	<u>\$ 1,877,832</u>	<u>\$ 1,881,558</u>	<u>\$ 1,783,037</u>	<u>\$ 846,541</u>	<u>\$ 822,505</u>
Risk-weighted assets	<u>\$14,325,757</u>	<u>\$13,172,259</u>	<u>\$13,118,693</u>	<u>\$5,099,630</u>	<u>\$6,305,707</u>
Ratios					
Leverage (Tier 1 capital to average assets)	9.34%	9.10%	8.17%	9.65%	10.60%
Tier 1 capital to risk-weighted assets	11.76%	12.65%	11.48%	15.34%	11.99%
Total capital to risk-weighted assets	13.11%	14.28%	13.59%	16.60%	13.04%
Common stockholders' equity to total assets	12.76%	12.60%	11.97%	10.52%	9.63%
Tangible common equity to total assets	9.00%	8.77%	7.96%	9.69%	8.81%

STOCK REPURCHASE PROGRAM

The Company's board of directors approved a stock repurchase program on April 30, 2013 that authorizes the repurchase of up to 5% of the Company's outstanding common stock.

On May 8, 2013 Hancock entered into an accelerated share repurchase (ASR) transaction with Morgan Stanley & Co. LLC (Morgan Stanley). In the ASR transaction, the Company paid \$115 million to Morgan Stanley and received from them approximately 2.8 million shares of Hancock common stock, representing approximately 76% of the estimated total number of shares to be repurchased. The actual number of shares to be delivered to the Company in this ASR transaction will be based generally on the volume-weighted average price per share of the Hancock common stock during the term of the ASR agreement less a specified discount and on the amount paid at inception to Morgan Stanley, subject to certain possible adjustments in accordance with the terms of the ASR agreement. Final settlement of the ASR agreement, which has not yet occurred, is scheduled to occur no later than May, 2014. The ASR transaction was treated as two separate transactions: (i) the acquisition of treasury shares on the date the shares were received; and (ii) a forward contract indexed to the Company's common stock that is classified as equity.

FOURTH QUARTER RESULTS

Net income for the fourth quarter of 2013 was \$34.7 million, or \$0.41 per diluted common share, compared to \$33.2 million, or \$0.40, and \$47.0 million, or \$0.54, respectively in the third quarter of 2013 and the fourth quarter of 2012. The following discussion highlights recent factors impacting Hancock's results of operations and financial position.

Highlights of the Company's fourth quarter of 2013 results:

- Core net interest income (te) increased approximately \$1.5 million and core net interest margin (NIM) improved 3 bps linked-quarter (we define our core results as reported results less the impact of net purchase accounting adjustments)

- Operating expenses declined \$4.2 million linked-quarter as the Company remains on track to meet its first quarter of 2014 expense target
- Approximately \$625 million linked-quarter net loan growth, or 22% annualized, and over \$900 million, or 8%, year-over-year loan growth (each excluding the FDIC-covered portfolio)
- Purchase accounting loan accretion declined approximately \$8 million, or \$.06 per diluted common share after tax
- Continued improvement in overall asset quality metrics
- Tax rate declined to 20%, mainly related to benefits from additional investments in new market tax credit projects in the fourth quarter
- Net income included one-time noninterest expense items of \$17.1 million, or \$11.1 million after tax (\$.14 per diluted common share)

Total loans at December 31, 2013 were \$12.3 billion, an increase of \$590 million (5%) from September 30, 2013. The net loan growth was mainly generated in the commercial and industrial (C&I) portfolio, but increases also occurred in the commercial real estate and residential mortgage portfolios. Many of the markets across the Company's footprint reported net loan growth during the quarter, with the majority of the growth in south Louisiana, Houston, and Florida markets. Excluding the FDIC-covered portfolio, which declined approximately \$33 million during the fourth quarter, total loans were up \$624 million (5%) from September 30, 2013.

Total deposits at December 31, 2013 were \$15.4 billion, up \$306 million (2%) from September 30, 2013. The fourth quarter increase reflected year-end seasonality of both commercial and public fund customers. Historically, both Hancock and Whitney customers have built deposits at year-end, particularly in demand deposits, with some of those deposits leaving in the first quarter.

Noninterest-bearing demand deposits (DDAs) totaled \$5.5 billion at December 31, 2013, up \$51 million (1%) compared to September 30, 2013. DDAs comprised 36% of total period-end deposits at December 31, 2013. Interest-bearing transaction and savings deposits totaled \$6.2 billion at year-end 2013, up \$155 million (3%) compared to September 30, 2013.

Time deposits (CDs) and interest-bearing public fund deposits totaled \$3.7 billion at December 31, 2013, up \$100 million (3%) from September 30, 2013. Public fund deposits typically reflect higher balances toward year-end with subsequent reductions beginning in the first quarter.

Hancock recorded a total provision for loan losses for the fourth quarter of 2013 of \$7.3 million, slightly down from \$7.6 million in the third quarter of 2013. The provision for non-covered loans was \$7.9 million in the fourth quarter of 2013 compared to \$6.5 million in the third quarter of 2013. Net charge-offs from the non-covered loan portfolio were \$5.2 million, or 0.17% of average total loans on an annualized basis in the fourth quarter of 2013, compared to \$5.4 million, or 0.18% of average total loans, for the third quarter of 2013.

Net interest income (te) for the fourth quarter of 2013 was \$168.5 million, down from \$174.1 million in the third quarter of 2013. Average earning assets were \$16.4 billion in the fourth quarter of 2013, relatively flat with the third quarter of 2013. The net interest margin (te) was 4.09% for the fourth quarter of 2013, down 14 bps (bps) from 4.23% in the third quarter of 2013. The core margin of 3.40% (reported net interest income (te) excluding total net purchase accounting adjustments, annualized, as a percent of total earning assets) expanded 3 bps during the fourth quarter. A slight decline in the core loan yield (-3 bps) was offset by an improved earning asset mix, higher yields on investment securities (+19 bps) and a slight decline in the cost of funds (-1 bp).

Noninterest income totaled \$59.0 million for the fourth quarter of 2013, down from \$63.1 million in the third quarter of 2013, with service charges on deposits, fees from secondary mortgage operations and accretion of the indemnification asset each down approximately \$1 million.

Noninterest expense for the fourth quarter of 2013 totaled \$174.2 million, including \$17.1 million in one-time expenses. Excluding these costs, operating expense for the fourth quarter of 2013 totaled \$157.1 million, down \$4.2 million (3%) from the third quarter of 2013, which included \$20.9 million in one-time expenses. Excluding one-time costs, there was a \$1.9 million (2%) decrease in personnel expense. Occupancy and equipment expense totaled \$16.3 million in the fourth quarter of 2013, down \$1.2 million (7%) from the third quarter of 2013. The reduction in the personnel, occupancy and equipment expense categories reflect in part a full quarter's impact from the closing of 26 branch locations across the Company's five-state footprint in August 2013.

The effective income tax rate for the fourth quarter of 2013 was 20%, compared to 26% for the third quarter of 2013. The decline in the tax rate is primarily related to several additional new market tax credit investments that were closed during the fourth quarter of 2013. The effective income tax rate continues to be less than the statutory rate of 35% due primarily to tax-exempt income and tax credits.

The summary of quarterly financial information appearing in Item 8 of this annual report on Form 10-K provides selected comparative financial information for each of the four quarters on 2013 and 2012.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The accounting principles we follow and the methods for applying these principles conform with accounting principles generally accepted in the United States of America and with general practices followed by the banking industry. The significant accounting principles and practices we follow are described in Note 1 to the consolidated financial statements. These principles and practices require management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and accompanying notes. We evaluate the estimates and assumptions we make on an ongoing basis to help ensure that the resulting reported amounts reflect management's best estimates and judgments given current facts and circumstances. The following discusses certain critical accounting policies that involve a higher degree of judgment and complexity in producing estimates that may significantly affect amounts reported in the consolidated financial statements and notes.

Acquisition Accounting

Acquisitions are accounted for under the purchase method of accounting. Purchased assets, including identifiable intangible assets, and assumed liabilities are recorded at their respective acquisition date fair values. Management applies various valuation methodologies to these assets and liabilities which often involve a significant degree of judgment, particularly when liquid markets do not exist for the particular item being valued. Examples of such items include loans, deposits, identifiable intangible assets and certain other assets and liabilities acquired or assumed in business combinations. Management uses significant estimates and assumption to value such items, including, among others, projected cash flows, repayment rates, default rates and losses assuming default, discount rates, and realizable collateral values. The purchase date valuations and any subsequent adjustments also determine the amount of goodwill or bargain purchase gain recognized in connection with the business combination. Certain assumptions and estimates must be updated regularly in connection with the ongoing accounting for purchased loans. Valuation assumptions and estimates may also have to be revisited in connection with periodic assessments of possible value impairment, including impairment of goodwill, intangible assets and certain other long-lived assets. The use of different assumptions could produce significantly different valuation results, which could have material positive or negative effects on the Company's results of operations.

Allowance for Loan Losses

The allowance for loan and lease losses (ALLL) is a valuation account available to absorb losses on loans. The ALLL is established and maintained at an amount sufficient to cover the estimated credit losses inherent in the loan and lease portfolios of the Company as of the date of the determination. Credit losses arise not only from credit risk, but also from other risks inherent in the lending process including, but not limited to, collateral risk,

operational risk, concentration risk, and economic risk. As such, all related risks of lending are considered when assessing the adequacy of the allowance for loan and lease losses. Quarterly, management estimates inherent losses in the portfolio based on a number of factors, including the Company's past loan loss and delinquency experience, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay, the estimated value of any underlying collateral and current economic conditions.

The analysis and methodology for estimating the ALLL include two primary elements. A loss rate analysis which incorporates a historical loss rate as updated for current conditions is used for loans collectively evaluated for impairment, and a specific reserve analysis is used for loans individually evaluated for impairment.

During the second quarter of 2013, management revised the methodology for the loss-rate analysis for the originated and acquired-performing loan portfolios due to the increased size and complexity of the Company's commercial loan portfolio. The primary changes in the methodology were to segment loans with similar risk characteristics at a more granular level and to lengthen the period used for analyzing loss emergence and estimating loss factors. The changes were implemented as of April 1, 2013 and resulted in no material change in the total amount of the allowance for loan losses. Management made the following principal changes to the methodology during the second quarter of 2013:

- ***Established a more granular stratification of the major loan segments to enhance the homogeneity of the loan classes.*** For the loss-rate analysis, the Company previously segmented loans into three primary groups—commercial, residential mortgage and consumer. The revised loan segments are commercial non-real estate, construction and land development, commercial real estate, residential mortgage and consumer. Both quantitative and qualitative factors are applied at the more detailed portfolio segments.
- ***Included portfolio risk ratings in loss-rate analysis.*** Commercial loans (commercial non-real estate, construction and land development and commercial real estate) are further subdivided by risk rating, and retail loans (residential mortgage and consumer) are further subdivided by delinquency. Previously, the methodology indirectly incorporated risk ratings and delinquencies.
- ***Lengthened the loss emergence period.*** The Company uses an eighteen-month loss emergence period for commercial loans and a twelve-month loss emergence period for retail loans. Historical loss rates are calculated for each commercial segment using a weighted average of three eighteen-month periods over a fourteen quarter look-back period, and for each retail segment using a weighted average of three twelve-month periods over a twelve quarter look-back period. Previously, historical loss rates for all loan segments were calculated using an average of three twelve-month loss emergence periods over a three year look back period. As circumstances dictate, management will make adjustments to the loss history to reflect differences in current conditions as compared to those during the historical loss period. Conditions to be considered include problem loan trends, current business and economic conditions, credit concentrations, lending policies and procedures, lending staff, collateral values, loan profiles and volumes, loan review quality, and changes in competition and regulations.

There were no changes in the methodology for the specific reserve analysis for loans individually evaluated for impairment or acquired credit-impaired loans.

Accounting for Retirement Benefits

Management makes a variety of assumptions in applying principles that govern the accounting for benefits under the Company's defined benefit pension plans and other postretirement benefit plans. These assumptions are essential to the actuarial valuation that determines the amounts recognized and certain disclosures it makes in the consolidated financial statements related to the operation of these plans. Two of the more significant assumptions concern the expected long-term rate of return on plan assets and the rate needed to discount projected benefits to their present value. Changes in these assumptions impact the cost of retirement benefits recognized in net income

and comprehensive income. Certain assumptions are closely tied to current conditions and are generally revised at each measurement date. For example, the discount rate is reset annually with reference to market yields on high quality fixed-income investments. Other assumptions, such as the rate of return on assets, are determined, in part, with reference to historical and expected conditions over time and are not as susceptible to frequent revision. Holding other factors constant, the cost of retirement benefits will move opposite to changes in either the discount rate or the rate of return on assets. Note 12 to the consolidated financial statements provides further discussion on the accounting for Hancock's retirement and employee benefit plans and the estimates used in determining the actuarial present value of the benefit obligations and the net periodic benefit expense.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 to our consolidated financial statements that appears in Item 8 of this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required for this item is included in the section entitled "Asset/Liability Management" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" that appears in Item 7 of this Form 10-K and is incorporated here by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's unaudited quarterly results for 2013 and 2012 are presented below.

Summary of Quarterly Results

(Unaudited)

	2013			
	First	Second	Third	Fourth
	(In thousands, except per share data)			
Interest income (te)	\$ 187,998	\$ 182,292	\$ 184,221	\$ 178,109
Interest expense	11,257	10,470	10,109	9,643
Net interest income (te)	176,741	171,822	174,112	168,466
Taxable equivalent adjustment	(2,726)	(2,643)	(2,582)	(2,459)
Net interest income	174,015	169,179	171,530	166,007
Provision for loan losses	9,578	8,257	7,569	7,331
Noninterest income	60,187	63,897	63,057	58,999
Noninterest expense	159,602	162,250	182,205	174,213
Income before income taxes	65,022	62,569	44,813	43,462
Income tax expense	(16,446)	(15,707)	(11,611)	(8,746)
Net income	\$ 48,576	\$ 46,862	\$ 33,202	\$ 34,716
Period end balance sheet data				
Total assets	\$19,064,123	\$18,934,301	\$18,801,846	\$19,009,251
Earning assets	16,655,531	16,448,565	16,339,431	16,651,295
Loans	11,482,762	11,681,497	11,734,472	12,324,817
Deposits	15,253,351	15,155,938	15,054,871	15,360,516
Stockholders' equity	2,477,100	2,345,340	2,356,442	2,425,069
Average balance sheet data				
Total assets	\$19,152,651	\$19,022,832	\$18,796,027	\$18,739,091
Earning assets	16,517,702	16,500,215	16,384,635	16,376,587
Loans	11,529,928	11,623,209	11,821,395	11,922,379
Deposits	15,312,690	15,211,363	15,021,685	14,915,677
Stockholders' equity	2,448,010	2,405,069	2,338,945	2,355,768
Ratios				
Return on average assets	1.03%	0.99%	0.70%	0.74%
Return on average common equity	8.05%	7.82%	5.63%	5.85%
Net interest margin (te)	4.32%	4.17%	4.23%	4.09%
Net interest margin—core	3.41%	3.38%	3.37%	3.40%
Earnings per share				
Basic	\$ 0.56	\$ 0.55	\$ 0.40	\$ 0.41
Diluted	\$ 0.56	\$ 0.55	\$ 0.40	\$ 0.41
Cash dividends per common share	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
Market data:				
High sales price	\$ 33.59	\$ 30.93	\$ 33.85	\$ 37.12
Low sales price	29.37	25.00	29.00	30.09
Period-end closing price	30.92	30.07	31.38	36.68
Trading volume	29,469	38,599	29,711	27,816

Net interest income (te) is the primary component of earnings and represents the difference, or spread, between revenue generated from interest-earning assets and the interest expense related to funding those assets. Core results exclude the impact of net purchase-accounting adjustments.

Summary of Quarterly Results (continued)

(Unaudited)

	2012			
	First	Second	Third	Fourth
	(In thousands, except per share data)			
Interest income (te)	\$ 194,665	\$ 193,323	\$ 192,071	\$ 194,075
Interest expense	(15,428)	(13,030)	(11,949)	(11,275)
Net interest income (te)	179,237	180,293	180,122	182,800
Taxable equivalent adjustment	(2,949)	(2,834)	(2,866)	(2,935)
Net interest income	176,288	177,459	177,256	179,865
Provision for loan losses	(10,015)	(8,025)	(8,101)	(28,051)
Noninterest income	61,506	63,552	63,759	64,931
Noninterest expense	(205,463)	(179,972)	(169,714)	(157,920)
Income before income taxes	22,316	53,014	63,200	58,825
Income tax expense	(3,821)	(13,710)	(16,216)	(11,866)
Net income	\$ 18,495	\$ 39,304	\$ 46,984	\$ 46,959
Period end balance sheet data				
Total assets	\$19,291,097	\$18,778,707	\$18,523,046	\$19,464,485
Earning assets	16,575,107	16,093,991	15,858,165	16,845,055
Loans	11,130,273	11,078,146	11,434,448	11,577,802
Deposits	15,432,767	14,930,820	14,772,951	15,744,188
Stockholders' equity	2,375,203	2,399,362	2,434,488	2,453,278
Average balance sheet data				
Total assets	\$19,193,520	\$18,987,397	\$18,598,966	\$18,964,952
Earning assets	16,240,200	16,166,291	15,829,978	16,245,641
Loans	11,192,874	11,140,116	11,259,592	11,543,789
Deposits	15,312,512	15,153,701	14,845,288	15,131,902
Stockholders' equity	2,374,904	2,387,465	2,405,240	2,435,179
Ratios				
Return on average assets	0.39%	0.83%	1.00%	0.99%
Return on average common equity	3.13%	6.62%	7.77%	7.67%
Net interest margin (te)	4.43%	4.48%	4.54%	4.48%
Net interest margin—core	3.81%	3.80%	3.75%	3.61%
Earnings per share				
Basic	\$ 0.22	\$ 0.46	\$ 0.55	\$ 0.55
Diluted	\$ 0.21	\$ 0.46	\$ 0.55	\$ 0.54
Cash dividends per common share	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
Market data:				
High sales price	\$ 36.73	\$ 36.56	\$ 33.27	\$ 32.50
Low sales price	31.56	27.96	27.99	29.47
Period-end closing price	35.51	30.44	30.98	31.73
Trading volume	32,423	39,310	26,877	20,910

Net interest income (te) is the primary component of earnings and represents the difference, or spread, between revenue generated from interest-earning assets and the interest expense related to funding those assets. Core results exclude the impact of net purchase-accounting adjustments.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Hancock Holding Company has prepared the consolidated financial statements and other information in our Annual Report in accordance with accounting principles generally accepted in the United States of America and is responsible for its accuracy. The financial statements necessarily include amounts that are based on management's best estimates and judgments.

In meeting its responsibility, management relies on internal accounting and related control systems. The internal control systems are designed to ensure that transactions are properly authorized and recorded in the Company's financial records and to safeguard the Company's assets from material loss or misuse. Such assurance cannot be absolute because of inherent limitations in any internal control system.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Rule 13(a) – 15(f) under the Securities Exchange Act of 1934. Under the supervision and with the participation of management, including the Company's principal executive officers and principal financial officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management also conducted an assessment of requirements pertaining to Section 112 of the Federal Deposit Insurance Corporation Improvement Act. This section relates to management's evaluation of internal control over financial reporting, including controls over the preparation of the schedules equivalent to the basic financial statements and compliance with laws and regulations. Our evaluation included a review of the documentation of controls, evaluations of the design of the internal control system and tests of the effectiveness of internal controls.

The Company's internal controls over financial reporting as of December 31, 2013 have been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their accompanying report which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2013.

Based on the Company's evaluation under the framework in *Internal Control – Integrated Framework (1992)*, management concluded that internal control over financial reporting was effective as of December 31, 2013.

Carl J. Chaney
President &
Chief Executive Officer
February 28, 2014

John M. Hairston
Chief Executive Officer &
Chief Operating Officer
February 28, 2014

Michael M. Achary
Chief Financial Officer
February 28, 2014

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
of Hancock Holding Company:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Hancock Holding Company (the "Company") and its subsidiaries at December 31, 2013 and December 31, 2012, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audits of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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. Management's assessment and our audit of the Company's internal control over financial reporting also included controls over the preparation of financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) to comply with the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA). A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with 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 (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/PricewaterhouseCoopers LLP

New Orleans, Louisiana

February 28, 2014

Hancock Holding Company and Subsidiaries
Consolidated Balance Sheets

	December 31,	
	2013	2012
	(In thousands, except share data)	
Assets:		
Cash and due from banks	\$ 348,440	\$ 448,491
Interest-bearing bank deposits	267,236	1,498,985
Federal funds sold	1,604	1,203
Securities available for sale, at fair value (amortized cost of \$1,408,780 and \$1,986,882)	1,421,772	2,048,442
Securities held to maturity (fair value of \$2,576,584 and \$1,710,465)	2,611,352	1,668,018
Loans held for sale	24,515	50,605
Loans	12,324,817	11,577,802
Less: allowance for loan losses	(133,626)	(136,171)
Loans, net	12,191,191	11,441,631
Property and equipment, net of accumulated depreciation of \$172,798 and \$160,592	432,346	477,864
Prepaid expense	65,220	55,359
Other real estate, net	76,668	101,442
Accrued interest receivable	42,977	45,616
Goodwill	625,675	628,877
Other intangible assets, net	159,773	189,409
Life insurance contracts	381,437	367,317
FDIC loss share receivable	113,834	177,844
Deferred tax asset, net	89,708	128,385
Other assets	155,503	134,997
Total assets	\$19,009,251	\$19,464,485
Liabilities and Stockholders' Equity:		
Deposits:		
Non-interest bearing demand	\$ 5,530,253	\$ 5,624,127
Interest-bearing savings, NOW, money market and time	9,830,263	10,120,061
Total deposits	15,360,516	15,744,188
Short-term borrowings	657,960	639,133
Long-term debt	385,826	396,589
Accrued interest payable	4,353	4,814
Other liabilities	175,527	226,483
Total liabilities	16,584,182	17,011,207
Stockholders' equity:		
Common stock-\$3.33 par value per share; 350,000,000 shares authorized, 82,237,162 and 84,847,796 outstanding, respectively	273,850	282,543
Capital surplus	1,558,432	1,647,638
Retained earnings	628,166	546,022
Accumulated other comprehensive (loss), net	(35,379)	(22,925)
Total stockholders' equity	2,425,069	2,453,278
Total liabilities and stockholders' equity	\$19,009,251	\$19,464,485

See accompanying notes to consolidated financial statements.

Hancock Holding Company and Subsidiaries
Consolidated Statements of Income

	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(In thousands, except per share data)		
Interest income:			
Loans, including fees	\$630,764	\$668,387	\$499,721
Securities-taxable	85,426	86,402	84,321
Securities-tax exempt	4,621	5,841	6,031
Federal funds sold and other short term investments	1,399	1,919	2,131
Total interest income	<u>722,210</u>	<u>762,549</u>	<u>592,204</u>
Interest expense:			
Deposits	24,175	32,741	55,691
Short-term borrowings	4,542	6,005	7,034
Long-term debt and other interest expense	12,762	12,936	8,246
Total interest expense	<u>41,479</u>	<u>51,682</u>	<u>70,971</u>
Net interest income	680,731	710,867	521,233
Provision for loan losses	32,734	54,192	38,732
Net interest income after provision for loan losses	<u>647,997</u>	<u>656,675</u>	<u>482,501</u>
Noninterest income:			
Service charges on deposit accounts	79,000	78,246	55,265
Trust fees	38,186	32,736	23,940
Bank card and ATM fees	45,939	49,112	42,931
Investment and annuity fees	19,574	18,033	15,016
Secondary mortgage market operations	12,543	16,488	10,484
Insurance commissions and fees	15,804	15,692	16,524
Other income	34,992	41,888	42,267
Securities gains (losses), net	105	1,552	(91)
Total noninterest income	<u>246,143</u>	<u>253,747</u>	<u>206,336</u>
Noninterest expense:			
Compensation expense	291,225	293,783	234,071
Employee benefits	65,257	72,401	52,531
Personnel expense	356,482	366,184	286,602
Net occupancy expense	48,854	54,467	43,220
Equipment expense	20,026	24,097	17,524
Data processing expense	48,367	49,935	43,069
Professional services expense	39,357	57,457	69,931
Amortization of intangibles	29,470	32,067	16,551
Telecommunications and postage	17,432	21,437	18,514
Deposit insurance and regulatory fees	14,914	14,902	12,980
Other real estate expense, net	8,036	12,250	6,910
Other expense	95,336	80,271	78,713
Total noninterest expense	<u>678,274</u>	<u>713,067</u>	<u>594,014</u>
Income before income taxes	215,866	197,355	94,823
Income taxes	52,510	45,613	18,064
Net income	<u>\$163,356</u>	<u>\$151,742</u>	<u>\$ 76,759</u>
Basic earnings per common share	<u>\$ 1.93</u>	<u>\$ 1.77</u>	<u>\$ 1.16</u>
Diluted earnings per common share	<u>\$ 1.93</u>	<u>\$ 1.75</u>	<u>\$ 1.15</u>

See accompanying notes to consolidated financial statements.

Hancock Holding Company and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
	2013	2012	2011
	(In thousands)		
Net income	\$163,356	\$151,742	\$ 76,759
Other comprehensive income before income taxes			
Net change in unrealized (loss) gain	(22,621)	8,140	(42,655)
Reclassification adjustment for net losses realized and included in earnings	8,527	6,327	2,923
Amortization of unrealized net gain on securities transferred to held-to-maturity	(6,371)	(8,752)	—
Other comprehensive income (loss) before income taxes	(20,465)	5,715	(39,732)
Income tax expense (benefit)	(8,011)	2,130	(13,841)
Other comprehensive (loss) income net of income taxes	(12,454)	3,585	(25,891)
Comprehensive income	\$150,902	\$155,327	\$ 50,868

See accompanying notes to consolidated financial statements.

Hancock Holding Company and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net	Total
	(In thousands, except share and per share data)					
Balance, January 1, 2011	36,893,276	\$122,855	\$ 263,484	\$470,828	\$ (619)	\$ 856,548
Net income	—	—	—	76,759	—	76,759
Other comprehensive income	—	—	—	—	(25,891)	(25,891)
Cash dividends declared (\$0.96 per common share)	—	—	—	(70,617)	—	(70,617)
Common stock issued in stock offering	6,958,143	23,170	190,824	—	—	213,994
Common stock issued in business combination	40,794,261	135,845	1,172,199	—	—	1,308,044
Common stock activity, long-term incentive plan	59,816	199	8,127	—	—	8,326
Balance, December 31, 2011	84,705,496	\$282,069	\$1,634,634	\$476,970	\$(26,510)	\$2,367,163
Net income	—	—	—	151,742	—	151,742
Other comprehensive income	—	—	—	—	3,585	3,585
Cash dividends declared (\$0.96 per common share)	—	—	—	(82,690)	—	(82,690)
Common stock activity, long-term incentive plan	142,300	474	13,004	—	—	13,478
Balance, December 31, 2012	84,847,796	\$282,543	\$1,647,638	\$546,022	\$(22,925)	\$2,453,278
Net income	—	—	—	163,356	—	163,356
Other comprehensive income	—	—	—	—	(12,454)	(12,454)
Cash dividends declared (\$0.96 per common share)	—	—	—	(81,212)	—	(81,212)
Common stock activity, long-term incentive plan	207,006	690	16,411	—	—	17,101
Purchase of common stock	(2,817,640)	(9,383)	(105,617)	—	—	(115,000)
Balance, December 31, 2013	82,237,162	\$273,850	\$1,558,432	\$628,166	\$(35,379)	\$2,425,069

See accompanying notes to consolidated financial statements.

Hancock Holding Company and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2013	2012	2011
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 163,356	\$ 151,742	\$ 76,759
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	32,063	32,856	24,605
Provision for loan losses	32,734	54,192	38,732
Losses on other real estate owned	4,329	8,353	4,922
Deferred tax expense	40,920	32,465	8,703
Increase in cash surrender value of life insurance contracts	(11,223)	(12,807)	(12,169)
(Gain) loss on sales of securities, net	(105)	(1,552)	91
Writedowns on closed branch transfers to other real estate owned	12,809	4,586	—
Loss (gain) on disposal of other assets	235	51	(424)
Net decrease (increase) in loans originated for sale	29,103	21,991	(1,560)
Net amortization of securities premium/discount	31,970	49,887	29,523
Amortization of intangible assets	29,635	32,067	16,551
Stock-based compensation expense	13,079	11,019	7,196
(Decrease) increase in interest payable and other liabilities	29,553	(58,289)	(99,986)
Funds collected under FDIC loss share agreements	61,765	114,976	181,753
Increase in FDIC loss share receivable	(9,117)	(50,284)	(65,502)
(Increase) decrease in other assets	(724)	52,155	63,956
Other, net	13,150	(376)	(104)
Net cash provided by operating activities	473,532	443,032	273,046

Hancock Holding Company and Subsidiaries
Consolidated Statements of Cash Flows (continued)

	Years Ended December 31,		
	2013	2012	2011
	(In thousands)		
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of securities available for sale	\$ 178	\$ 48,336	\$ 342,864
Proceeds from maturities of securities available for sale	592,147	1,081,193	998,726
Purchases of securities available for sale	(1,074,744)	(285,825)	(1,732,757)
Proceeds from maturities of securities held to maturity	503,654	432,331	—
Purchases of securities held to maturity	(481,513)	(560,324)	—
Net (increase) decrease in interest-bearing bank deposits	1,231,749	(314,763)	(104,647)
Net (increase) decrease in federal funds sold and short term investments	(401)	(1,006)	281,639
Net (increase) decrease in loans	(834,933)	(507,530)	86,057
Purchases of property, equipment and intangible assets	(32,029)	(42,979)	(72,975)
Proceeds from sales of property and equipment	1,698	6,270	9,326
Cash paid for acquisition, net of cash received	—	—	(74,736)
Proceeds from sales of other real estate	92,662	120,083	80,125
Net cash paid for divestiture of branches	—	—	(114,645)
Other, net	(2,965)	6,481	—
Net cash (used in) investing activities	(4,497)	(17,733)	(301,023)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in deposits	(383,672)	30,609	(65,298)
Net increase (decrease) in short-term borrowings	18,827	(405,321)	113,353
Repayments of long-term debt	(35,278)	(192,087)	(16,641)
Issuance of long-term debt	24,515	232,720	150,317
Dividends paid	(81,212)	(82,690)	(70,617)
Repurchase of common stock	(115,000)	—	—
Proceeds from exercise of stock options	2,734	2,014	1,129
Proceeds from stock offering	—	—	213,994
Net cash provided by (used in) financing activities	(569,086)	(414,755)	326,237
NET (DECREASE) INCREASE IN CASH AND DUE FROM BANKS	(100,051)	10,544	298,260
CASH AND DUE FROM BANKS, BEGINNING	448,491	437,947	139,687
CASH AND DUE FROM BANKS, ENDING	<u>\$ 348,440</u>	<u>\$ 448,491</u>	<u>\$ 437,947</u>
SUPPLEMENTAL INFORMATION			
Income taxes paid (refunded)	\$ 24,052	\$ (24,237)	\$ 24,529
Interest paid	41,996	57,370	66,695
SUPPLEMENTAL INFORMATION FOR NON-CASH INVESTING AND FINANCING ACTIVITIES			
Assets acquired in settlement of loans	\$ 51,461	\$ 76,128	\$ 117,690
Transfers from available for sale securities to held to maturity securities	1,039,979	1,523,585	—
Fair value of assets acquired	\$ —	\$ —	\$ 11,156,952
Liabilities assumed	—	—	(10,130,706)
Net identifiable assets acquired	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,026,246</u>
Common stock issued in connection with acquisition	—	—	1,308,044

See accompanying notes to consolidated financial statements.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Recent Accounting Pronouncements

DESCRIPTION OF BUSINESS

Hancock Holding Company “the Company” or “Hancock” is a financial holding company headquartered in Gulfport, Mississippi and operating in the states of Mississippi, Louisiana, Alabama, Florida and Texas. The Company operates through two wholly-owned bank subsidiaries, Hancock Bank, Gulfport, Mississippi (Hancock Bank) and Whitney Bank, New Orleans, Louisiana (Whitney Bank). Hancock Bank and Whitney Bank are referred to collectively as the “Banks.” The Banks are community oriented and focus primarily on offering commercial, consumer and mortgage loans and deposit services to individuals and small to middle market businesses in their respective market areas. The Company’s operating strategy is to provide its customers with the financial sophistication and breadth of products of a regional bank, while successfully retaining the local appeal and level of service of a community bank. The Banks or their subsidiaries also offer trust services, investment services and insurance agency services.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. (U.S. GAAP) and those generally practiced within the banking industry. The following is a summary of the more significant accounting policies.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and all other entities in which the Company has a controlling interest. Significant inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

The accounting principles the Company follows and the methods for applying these principles conform with U.S. GAAP and with general practices followed by the banking industry. These accounting principles and practices require management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Fair Value Accounting

U.S. GAAP requires the use of fair values in determining the carrying values of certain assets and liabilities in the financial statements, as well as for specific disclosures about certain assets and liabilities.

Accounting guidance established a fair value hierarchy that prioritizes the inputs to these valuation techniques used to measure fair value giving preference to quoted prices in active markets (level 1) and the lowest priority to unobservable inputs such as a reporting entity’s own data or information or assumptions developed from this data (level 3). Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, observable inputs other than quoted prices, such as interest rates and yield curves, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Recent Accounting Pronouncements (continued)

Acquisition Accounting

Acquisitions are accounted for under the purchase method of accounting. Purchased assets, including identifiable intangibles, and assumed liabilities are recorded at their respective acquisition date fair values. If the fair value of net assets purchased exceeds the consideration given, a bargain purchase gain is recognized. If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. Fair values are subject to refinement for up to one year after the closing date of an acquisition as information relative to closing date fair values becomes available. Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date with no carryover of the related allowance for loan losses. See the Acquired Loans section below for accounting policy regarding loans acquired in a business combination.

All identifiable intangible assets that are acquired in a business combination are recognized at fair value on the acquisition date. Identifiable intangible assets are recognized separately if they arise from contractual or other legal rights or if they are separable (i.e., capable of being sold, transferred, licensed, rented, or exchanged separately from the entity).

Securities

Securities are classified as trading, held to maturity or available for sale. Management determines the appropriate classification of debt and equity securities at the time of purchase and re-evaluates this classification periodically as conditions change that could require reclassification.

Available for sale securities are stated at fair value. Unrealized holding gains and unrealized holding losses, other than those determined to be other than temporary, are reported net of tax in other comprehensive income and in accumulated other comprehensive income until realized.

Securities that the Company both positively intends and has the ability to hold to maturity are classified as securities held to maturity and are carried at amortized cost. The intent and ability to hold are not considered satisfied when a security is available to be sold in response to changes in interest rates, prepayment rates, liquidity needs or other reasons as part of an overall asset/liability management strategy.

Premiums and discounts on securities, both those held to maturity and those available for sale, are amortized and accreted to income as an adjustment to the securities' yields using the effective interest method. Realized gains and losses on securities, including declines in value judged to be other than temporary, are reported net as a component of noninterest income. The cost of securities sold is specifically identified for use in calculating realized gains and losses.

Loans

Originated loans

Loans originated for investment are reported at the principal balance outstanding net of unearned income. Interest on loans and accretion of unearned income, including deferred loan fees, are computed in a manner that approximates a level yield on recorded principal. Interest on loans is recognized in income as earned.

The accrual of interest on an originated loan is discontinued when, in management's opinion, it is probable that the borrower will be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. When accrual of interest is discontinued on a loan, all unpaid accrued interest is reversed

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Recent Accounting Pronouncements (continued)

and payments subsequently received are applied first to recover principal. Interest income is recognized for payments received after contractual principal has been satisfied. Loans are returned to accrual status when all the principal and interest contractually due are brought current and future payment performance is reasonably assured.

Acquired loans

Acquired loans are those loans that were purchased in the Whitney Holding Corporation acquisition on June 4, 2011. These loans were recorded at estimated fair value at the acquisition date with no carryover of the related allowance for loan losses. The acquired loans were segregated between those considered to be performing (“acquired-performing”) and those with evidence of credit deterioration (“acquired-impaired”) based on such factors as past due status, nonaccrual status and credit risk ratings (rated substandard or worse). The acquired loans were further segregated into loan pools designed to facilitate the development of expected cash flows to be used in estimating fair value.

Acquired-performing loans were segregated into pools based on characteristics such as loan type, credit risk ratings, and contractual interest rate and repayment terms. The major loan types included commercial and industrial loans not secured by real estate, real estate construction and land development loans, commercial real estate mortgages, residential mortgage loans, and consumer loans, with further segregation within certain loan types as needed. Expected cash flows, both principal and interest, from each pool were estimated based on key assumptions covering such factors as prepayments, default rates, and severity of loss given a default. These assumptions were developed using both Whitney Holding Corporation’s historical experience and the portfolio characteristics at acquisition as well as available market research.

The difference at the acquisition date between the fair value and the contractual amounts due of an acquired-performing loan pool (the “fair value discount”) is accreted into income over the estimated life of the pool. Acquired-performing loans are placed on nonaccrual status and considered and reported as nonperforming or past due using the same criteria applied to the originated portfolio.

In addition to those factors considered for acquired-performing loans, the acquired-impaired loans were segregated into pools by identifying loans with similar credit risk profiles and were based primarily on characteristics such as loan type and market area in which originated. Loan types included most of the major types used for the acquired-performing portfolio. The acquired-impaired loans that had been originated in Louisiana and Texas were further disaggregated from loans originated in Mississippi, Alabama and Florida, in recognition of the differences in general economic conditions affecting borrowers in these market areas. The fair value estimate for each pool of acquired performing and acquired-impaired loans was based on the estimate of expected cash flows from the pool discounted at prevailing market rates.

The excess of cash flows estimated to be collected from an acquired-impaired loan pool over the pool’s carrying value is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan pool. Each pool of acquired-impaired loans is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Acquired-impaired loans in pools with an accretable yield and expected cash flows that are reasonably estimable are considered to be accruing and performing even though collection of contractual payments on loans within the pool may be in doubt, because the pool is the unit of accounting. Management recasts the estimate of cash flows expected to be collected on each acquired-impaired loan pool at each reporting date. If the present value of expected cash flows for a pool is less than its carrying value, impairment is recognized by an increase in the allowance for loan losses

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Recent Accounting Pronouncements (continued)

and a charge to the provision for loan losses. If the present value of expected cash flows for a pool is greater than its carrying value, any previously established allowance for loan losses is reversed and any remaining difference increases the accretable yield which will be taken into interest income over the remaining life of the loan pool. Acquired-impaired loans are generally not subject to individual evaluation for impairment and are not reported with impaired loans or troubled debt restructurings even if they would otherwise qualify for such treatment.

Covered loans and the related loss share receivable

The loans purchased in the 2009 acquisition of Peoples First Community Bank (Peoples First) are covered by two loss share agreements between the FDIC and the Company which afford the Company significant loss protection. These covered loans are accounted for as acquired-impaired loans as described above in the section on acquired loans. The Company treated all loans for the Peoples First acquisition under ASC 310-30 based on the significant amount of deteriorating and nonperforming loans comprised mainly of adjustable rate mortgages and home equity loans located in Florida. The loss share receivable is measured separately from the related covered loans as it is not contractually embedded in the loans and is not transferrable should the loans be sold. The fair value of the loss share receivable at acquisition was estimated by discounting expected reimbursements for losses from the loans covered by the loss share agreements, including appropriate consideration of possible true-up payments to the FDIC at the expiration of the agreements.

The loss share receivable is reviewed and updated prospectively as loss estimates related to the covered loan pools change. Increases in expected reimbursements under the loss sharing agreements will lead to an increase in the loss share receivable. A decrease in expected reimbursements is reflected first as a reversal of any previously recorded increase in the loss share receivable on the covered loan pool with the remainder reflected as a reduction in the loss share receivable's accretion rate. Increases and decreases in the loss share receivable related to changes in loss estimates result in reductions in or additions to the provision for loan losses, which serves to offset the impact on the provision from impairments or impairment reversals recognized on the underlying covered loan pool. The excess (or shortfall) of expected claims as compared to the carrying value of the loss share receivable is accreted (amortized) into noninterest income over the shorter of the remaining life of the covered loan pool or the life of the loss share agreement. The impact on operations of a reduction in the loss share receivable's accretion rate is associated with an increase in the accretable yield on the underlying loan pool. The indemnification asset is reduced as cash is received from the FDIC related to losses incurred on covered assets.

Loans Held for Sale

Residential mortgage loans originated for sale are classified as loans held for sale and carried at the lower of cost or market. Forward sales commitments on a best-efforts basis are entered into with third parties concurrent with rate lock commitments made to prospective borrowers. At times, management may decide to sell loans that were not originated for that purpose. Those loans would be reclassified as held for sale when that decision is made and also carried at the lower of cost or market.

Troubled Debt Restructurings

Troubled debt restructurings (TDRs) occur when a borrower is experiencing, or is expected to experience, financial difficulties in the near-term and a modification in loan terms is granted that would otherwise not have been considered.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Recent Accounting Pronouncements (continued)

Troubled debt restructurings can result in loans remaining on nonaccrual, moving to nonaccrual, or continuing to accrue, depending on the individual facts and circumstances of the borrower. All loans whose terms have been modified in a TDR, including both commercial and retail loans, are considered “impaired.” When measuring impairment on a TDR, the loan’s value is determined by either the present value of expected cash flows calculated using the loan’s effective interest rate before the restructuring or the fair value of the collateral if the loan is collateral dependent. If the value as determined is less than the recorded investment in the loan, the difference is charged-off through the allowance for loan and lease losses. Modified acquired-impaired loans are not removed from their accounting pool and accounted for as a TDR even if those loans would otherwise be deemed TDRs.

Allowance for Loan Losses

Originated loans

The ALLL is a valuation account available to absorb losses on loans. The ALLL is established and maintained at an amount sufficient to cover the estimated credit losses inherent in the loan and lease portfolios of the Company as of the date of the determination. Credit losses arise not only from credit risk, but also from other risks inherent in the lending process including, but not limited to, collateral risk, operational risk, concentration risk, and economic risk. As such, all related risks of lending are considered when assessing the adequacy of the allowance for loan and lease losses. Quarterly, management estimates the inherent losses in the portfolio based on a number of factors, including the Company’s past loan loss and delinquency experience, known and inherent risks in the portfolio, adverse situations that may affect the borrowers’ ability to repay, the estimated value of any underlying collateral and current economic conditions.

The analysis and methodology for estimating the ALLL include two primary elements. A loss rate analysis which incorporates a historical loss rate as updated for current conditions is used for loans collectively evaluated for impairment, and a specific reserve analysis is used for loans individually evaluated for impairment.

During the second quarter of 2013, management revised the methodology for the loss-rate analysis for the originated and acquired-performing loan portfolios due to the increased size and complexity of the Company’s commercial loan portfolio. The primary changes in the methodology were to segment loans with similar risk characteristics at a more granular level and to lengthen the period used for analyzing loss emergence and estimating loss factors. The changes were implemented as of April 1, 2013 and resulted in no material change in the total amount of the ALLL. Management made the following principal changes to the methodology during 2013:

- ***Established a more granular stratification of the major loan segments to enhance the homogeneity of the loan classes.*** For the loss-rate analysis, the Company previously segmented loans into three primary groups—commercial, residential mortgage and consumer. The revised loan segments are commercial non-real estate, construction and land development, commercial real estate, residential mortgage and consumer. Both quantitative and qualitative factors are applied at the more detailed portfolio segments.
- ***Included portfolio risk ratings in loss-rate analysis.*** Commercial loans, commercial non-real estate, construction and land development, and commercial real estate are further subdivided by risk rating, while retail loans, residential mortgage and consumer are further subdivided by delinquency. Previously, the qualitative methodology incorporated risk ratings and delinquencies.
- ***Lengthened the loss emergence period.*** The Company uses an eighteen-month loss emergence period for commercial loans and a twelve-month loss emergence period for retail loans. The previous

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Recent Accounting Pronouncements (continued)

methodology also used a twelve-month loss emergence period for retail loans. Historical loss rates are calculated for each commercial segment using a weighted average of three eighteen-month periods over a fourteen quarter look-back period, and for each retail segment using a weighted average of three twelve-month periods over a twelve quarter look-back period. Previously, historical loss rates for all loan segments were calculated using an average of three twelve month loss emergence periods over a three year look back period. As circumstances dictate, management will make adjustments to the loss history to reflect differences in current conditions as compared to those during the historical loss period. Conditions to be considered include problem loan trends, current business and economic conditions, credit concentrations, lending policies and procedures, lending staff, collateral values, loan profiles and volumes, loan review quality, and changes in competition and regulations.

The Company considers a loan to be impaired when, based upon current information and events, it believes it is probable all amounts due according to the contractual terms of the loan agreement will not be collected. A loan is not considered impaired due to a delay in payment if all amounts due, including interest accrued at the contractual interest rate for the period of delay, is expected to be collected. Impaired loans include troubled debt restructurings, and performing and non-performing loans. When a loan is determined to be impaired, the amount of impairment is recognized by creating a specific allowance for any shortfall between the loans value and its recorded investment. The loan's value is measured by either the loan's observable market price, the fair value of the collateral of the loan (less liquidation costs) if it is collateral dependent, or by the present value of expected future cash flows discounted at the loan's effective interest rate. Any loans individually analyzed for impairment are not incorporated into the pool analysis to avoid double counting. The Company limits the specific reserve analysis to include all impaired commercial, commercial real estate and mortgage loans with balances of \$1 million or greater.

It is the policy of the Company to promptly charge off all commercial and residential mortgage loans, or portions of loans, when available information reasonably confirms that they are wholly or partially uncollectible. Prior to recognizing a loss, asset value is established based on an assessment of the value of the collateral securing the loan, the borrower's and the guarantor's ability and willingness to pay and the status of the account in bankruptcy court, if applicable. Consumer loans are generally charged down to the fair value of the collateral, if any, less estimated selling costs when the loan is 90 days past due, unless the loan is clearly both well secured and in the process of collection. Loans are charged off against the allowance for loan losses with subsequent recoveries added back to the allowance.

Acquired loans

Acquired-performing loans are evaluated for any required allowance at each reporting date subsequent to acquisition. An allowance is determined for each loan pool using a methodology similar to that described above for originated loans and then compared to the remaining fair value discount for that pool. If the allowance is greater than the discount, the excess is recognized as an addition to the allowance through a provision for loan losses. If the allowance is less than the discount, no additional allowance is recognized.

For acquired-impaired loans and covered loans, estimated cash flows expected to be collected are recast at each reporting date for each loan pool. These evaluations require the continued use and updating of key assumptions and estimates such as default rates, loss severity given default and prepayment speed assumptions, similar to those used for the initial fair value estimate. Management judgment must be applied in developing these assumptions. If the present value of expected cash flows for a pool is less than its carrying value, impairment is recognized by an increase in the allowance for loan losses and a charge to the provision for loan losses. If the

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Recent Accounting Pronouncements (continued)

present value of expected cash flows for a pool is greater than its carrying value, any previously established allowance for loan losses is reversed and any remaining difference increases the accretable yield which will be taken into interest income over the remaining life of the loan pool. Acquired-impaired loans are generally not subject to individual evaluation for impairment and are not reported with impaired loans or troubled debt restructurings, even if they would otherwise qualify for such treatment.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation is charged to expense over the estimated useful lives of the assets, which are up to 39 years for buildings and three to seven years for furniture and equipment. Amortization expense for software is charged over three years. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. In cases where the Company has the right to renew the lease for additional periods, the lease term for the purpose of calculating amortization of the capitalized cost of the leasehold improvements is extended when the Company is “reasonably assured” that it will renew the lease.

Gains and losses related to retirement or disposition of property and equipment are recorded in other income under noninterest income on the consolidated statements of income. The Company continually evaluates whether events and circumstances have occurred that indicate that such long-lived assets have been impaired. Measurement of any impairment of such long-lived assets is based on those assets’ fair values.

Other Real Estate

Other real estate owned includes real property that has been acquired in satisfaction of loans and property no longer used in the Banks’ business. These assets are recorded at the lower of either cost or estimated fair value less the estimated cost of disposition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received less selling costs is charged to the allowance for loan losses. Subsequent losses on the periodic revaluation of the property are charged to current earnings, as are revenues from and costs of operating and maintaining the properties and gains or losses recognized on their disposition. Improvements made to properties are capitalized if the expenditures are expected to be recovered upon the sale of the properties.

Goodwill and Other Intangible Assets

Goodwill, which represents the excess of cost over the fair value of the net assets of an acquired business, is not amortized but tested for impairment on an annual basis, or more often if events or circumstances indicate there may be impairment. Impairment is defined as the amount by which the implied fair value of the goodwill contained in any reporting unit is less than the goodwill’s carrying value. Impairment losses would be charged to operating expense. Management reviews goodwill for impairment by first comparing the estimated fair value of the reporting unit to its carrying value. If the reporting unit’s fair value is less than its carrying value, an estimate of the implied fair value of the goodwill is compared to the unit’s carrying value. The Company uses a present value technique to estimate fair value which incorporates assumptions that market participants would use in their estimates of fair value, such as assumptions about the economic environment, expected net interest margins, growth rates, and the rate at which cash flows are discounted.

Other identifiable intangible assets with finite lives, such as core deposit intangibles and trade name, are initially recorded at fair value and are generally amortized over the periods benefited and are evaluated for impairment similar to long-lived assets.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Recent Accounting Pronouncements (continued)

Bank-Owned Life Insurance

Bank-owned life insurance (BOLI) is long-term life insurance on the lives of certain current and past employees where the insurance policy benefits and ownership are retained by the employer. Its cash surrender value is an asset that the Company uses to partially offset the future cost of employee benefits. 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.

Derivative Instruments and Hedging Activities

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. Changes in the fair value of derivatives to which hedge accounting does not apply are recognized immediately in earnings. Note 6 describes the derivative instruments currently used by the Company and discloses how these derivatives impact Hancock's financial position and results of operations.

Income Taxes

Income taxes are accounted for using the asset and liability method. Current tax liabilities or assets are recognized for the estimated income taxes payable or refundable on tax returns to be filed with respect to the current year. Deferred tax assets and liabilities are based on temporary differences between the financial statement carrying amounts and the tax bases of the Company's assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. Valuation allowances are established against deferred tax assets if, based on all available evidence, it is more likely than not that some or all of the assets will not be realized. The benefit of a position taken or expected to be taken in a tax return is recognized when it is more likely than not that the position will be sustained on its technical merits.

Retirement Benefits

The Company sponsors defined benefit pension plans and certain other defined benefit postretirement plans for eligible employees. The amounts reported in the consolidated financial statements with respect to these plans are based on actuarial valuations that incorporate various assumptions regarding future experience under the plans. Note 12 discusses the actuarial assumptions and provides information about the liabilities or assets recognized for the funded status of the Company's obligations under these plans, the net benefit expense charged to current operations, and the amounts recognized as a component of other comprehensive income and accumulated other comprehensive income.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Recent Accounting Pronouncements (continued)

Share-Based Payment Arrangements

The grant date fair value of equity instruments awarded to employees and directors establishes the cost of the services received in exchange, and the cost associated with awards that are expected to vest is recognized over the requisite service period.

Revenue Recognition

The largest source of revenue for the Company is interest revenue. Interest revenue is recognized on an accrual basis driven by written contracts, such as loan agreements or securities contracts. Loan fees are amortized over the life of the loan. Credit-related fees, including letter of credit fees, are recognized in non-interest income when earned. The Company recognizes commission revenue and brokerage, exchange and clearance fees on a trade-date basis. Other types of non-interest revenue such as service charges on deposits and trust revenues, are accrued and recognized into income as services are provided and the amount of fees earned are reasonably determinable.

Earnings Per Share

Hancock calculates earnings per share using the two-class method. The two-class method allocates net income to each class of common stock and participating security according to the common dividends declared and participation rights in undistributed earnings. Participating securities currently consist of unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents.

Basic earnings per common share is computed by dividing income applicable to common shareholders by the weighted-average number of common shares outstanding for the applicable period. Shares outstanding are adjusted for restricted shares issued to employees under the long-term incentive compensation plan and for certain shares that will be issued under the directors' compensation plan. Diluted earnings per common share is computed using the weighted-average number of common shares outstanding increased by the number of shares in which employees would vest under performance-based restricted stock and stock unit awards based on expected performance factors and by the number of additional shares that would have been issued if potentially dilutive stock options were exercised, each as determined using the treasury stock method.

Statements of Cash Flows

The Company considers only cash on hand, cash items in process of collection and balances due from financial institutions as cash and cash equivalents for purposes of the consolidated statements of cash flows.

Reportable Segment Disclosures

Accounting standards require that information be reported about a company's operating segments using a "management approach." Reportable segments are identified in these standards as those revenue-producing components for which separate financial information is produced internally and which are subject to evaluation by the chief operating decision maker in deciding how to allocate resources to segments. The Company defines reportable segments as the Banks.

Other

Assets held by the Banks in a fiduciary capacity are not assets of the Banks and are not included in the consolidated balance sheets.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Recent Accounting Pronouncements (continued)

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2014, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) on reclassification of residential real estate collateralized consumer mortgage loans upon foreclosure. The new ASU clarifies when an in substance repossession or foreclosure occurs – that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. The new ASU requires a creditor to reclassify a collateralized consumer mortgage loan to real estate property upon obtaining legal title to the real estate collateral, or the borrower voluntarily conveying all interest in the real estate property to the lender to satisfy the loan through a deed in lieu of foreclosure or similar legal agreement. The ASU is effective for interim and annual reporting periods beginning after December 15, 2014. The adoption of this guidance is not expected to have a material impact on the Company's financial condition or results of operations.

In July 2013, the FASB issued an ASU that applies to companies that have unrecognized tax benefits when net operating loss (NOL) or similar tax loss carryforwards or tax credit carryforwards exist at the reporting date. Under the updated guidance, an entity should present its unrecognized tax benefits net against the deferred tax assets for all same jurisdiction NOL or similar tax loss carryforwards, or tax credit carryforwards that are available to and would be used by the entity to settle additional income taxes resulting from disallowance of the uncertain tax position. The ASU is effective for interim and annual reporting periods beginning after December 15, 2013. The adoption of this guidance is not expected to have a material impact on the Company's financial condition or results of operations.

In July 2013, the FASB issued an ASU to allow entities to use the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a U.S. benchmark interest rate for hedge accounting purposes. Previously, only the interest rates on direct Treasury obligations of the United States and the London Interbank Offered Rate swap rate were considered benchmark rates. The amendment also removed the restriction requiring entities to use the same benchmark rate for similar hedges. This ASU is effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations.

In February 2013, the FASB issued an ASU to improve the reporting of amounts reclassified out of accumulated other comprehensive income. The updated guidance requires an entity to present, either on the face of the statement where net income is presented or in the notes, the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity must cross-reference to other required disclosures that provide additional details about those amounts. This ASU is effective for interim and annual reporting periods beginning after December 15, 2012. Because this updated guidance impacts only disclosures in financial statements and does not change the current requirements for reporting net income or other comprehensive income in financial statements, its implementation did not impact the Company's financial condition or results of operations.

In October 2012, the FASB issued an ASU for entities that recognize an indemnification asset as a result of a government-assisted acquisition of a financial institution. When there is a change in the cash flows expected to be collected on the indemnification asset as a result of a change in cash flows expected to be collected on the assets subject to indemnification, the reporting entity should subsequently account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies and Recent Accounting Pronouncements (continued)

indemnification. Any amortization of changes in value should be limited to the contractual term of the indemnification agreement (that is, the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets). The amendments in this update are effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2012. The updated guidance is applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption arising from a government-assisted acquisition of a financial institution. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations.

In July 2012, FASB issued an ASU that specifies that an entity has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. Under the guidance in this ASU, an entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period. The guidance in this ASU was effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations.

In December 2011, the FASB issued an ASU to address the differences between international financial reporting standards (IFRS) and U.S. GAAP regarding the offsetting of assets and liabilities. Instead of proposing new criteria for netting assets and liabilities the FASB and International Accounting Standards Board (IASB) jointly issued common disclosure requirements related to offsetting arrangements that call for the disclosure of both net and gross information for these assets and liabilities, irrespective of whether they are offset on the statement of financial position. In January 2013, the FASB clarified that these disclosure requirements apply only to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions that are either offset in accordance with existing accounting guidance or subject to a master netting arrangement or similar agreement. An entity is required to provide the new disclosures for annual and interim reporting periods beginning on or after January 1, 2013. This guidance impacts only the disclosures in financial statements and did not impact the Company's financial condition or results of operations.

Note 2. Acquisitions

Whitney Holding Corporation

On June 4, 2011, Hancock acquired all of the outstanding common stock of Whitney Holding Corporation (Whitney), a bank holding company based in New Orleans, Louisiana, in a stock and cash transaction. Whitney common shareholders received 0.418 shares of Hancock common stock in exchange for each share of Whitney stock, resulting in Hancock issuing 40,794,261 common shares at a fair value of \$1.3 billion. Whitney's preferred stock and common stock warrant issued under TARP were purchased by the Company for \$307.7 million and retired as part of the merger transaction. In total, the purchase price was approximately \$1.6 billion including the value of the options to purchase common stock assumed in the merger. On September 16, 2011, seven Whitney Bank branches located on the Mississippi Gulf Coast and one branch located in Bogalusa, LA with approximately \$47 million in loans and \$180 million in deposits were divested in order to resolve branch concentration concerns of the U.S. Department of Justice relating to the merger.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Acquisitions (continued)

The Whitney transaction was accounted for using the purchase method of accounting and, accordingly, assets acquired, liabilities assumed and consideration exchanged were recorded at estimated fair value on the acquisition date. Fair values were subject to refinement for up to one year after the closing date of the acquisition. Assets acquired, excluding goodwill, totaled \$11.2 billion, including \$6.5 billion in loans, \$2.6 billion of investment securities, and \$224 million of identifiable intangible assets. Liabilities assumed were \$10.1 billion, including \$9.2 billion of deposits.

Goodwill of \$589.5 million was calculated as the excess of the consideration exchanged over the net identifiable assets acquired. Goodwill was reduced for deferred tax purchase accounting adjustments by \$3.2 million in 2013 and \$22.3 million in 2012.

The following table (in thousands) provides a reconciliation of goodwill:

Goodwill balance at December 31, 2010	\$ 61,631
Additions:	
Goodwill from Whitney acquisition at acquisition date	513,917
Purchase accounting fair value adjustments subsequent to acquisition date made during the fourth quarter of 2011	<u>75,614</u>
Goodwill balance at December 31, 2011	\$651,162
Reductions:	
Deferred tax purchase accounting adjustment made during 2012	(22,285)
Deferred tax purchase accounting adjustment made during 2013	<u>(3,202)</u>
Goodwill balance at December 31, 2013	<u><u>\$625,675</u></u>

In connection with the Whitney acquisition, the Company recorded a liability for contingent payments to certain employees for arrangements that were in existence prior to acquisition. The fair value of this liability was \$58.0 million. The following table presents the changes in the liability for 2013, 2012, and 2011. Payments are expected to continue into 2014.

	December 31,		
	2013	2012	2011
Balance, January 1	\$ 8,165	\$ 23,183	\$ —
Adjustments	2,765	1,127	57,964
Cash Payments	<u>(2,269)</u>	<u>(16,145)</u>	<u>(34,781)</u>
Balance, December 31	<u><u>\$ 8,661</u></u>	<u><u>\$ 8,165</u></u>	<u><u>\$ 23,183</u></u>

The Company also recorded a liability with a fair value of \$14.0 million for a contractual contingency assumed in connection with Whitney's obligations under contracts for a systems conversion and replacement initiative. This initiative was suspended in anticipation of the acquisition. Payments against this liability during 2012 and 2011 respectively were \$2.6 million and \$1.1 million. During 2012, the remainder was reversed upon reaching settlement terms.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Securities

The amortized cost and fair value of securities classified as available for sale and held to maturity follow (in thousands):

Securities Available for Sale

	December 31, 2013				December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and government								
agency securities	\$ 504	\$ 2	\$ 1	\$ 505	\$ 18,246	\$ 19	\$—	\$ 18,265
Municipal obligations	35,809	177	25	35,961	49,608	571	14	50,165
Mortgage-backed securities	1,262,633	24,402	10,077	1,276,958	1,715,524	58,903	21	1,774,406
CMOs	96,369	—	2,244	94,125	196,723	1,354	—	198,077
Corporate debt securities	3,500	—	—	3,500	2,250	—	—	2,250
Equity securities	9,965	785	27	10,723	4,531	752	4	5,279
	\$1,408,780	\$25,366	\$12,374	\$1,421,772	\$1,986,882	\$61,599	\$ 39	\$2,048,442

Securities Held to Maturity

	December 31, 2013				December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and government								
agency securities	\$ 100,000	\$ 316	\$ —	\$ 100,316	\$ —	\$ —	\$—	\$ —
Municipal obligations	193,189	919	6,436	187,672	164,493	16,017	—	180,510
Mortgage-backed securities	1,003,327	296	4,671	998,952	180,397	3,429	—	183,826
CMOs	1,314,836	1,062	26,254	1,289,644	1,323,128	23,942	941	1,346,129
	\$2,611,352	\$2,593	\$37,361	\$2,576,584	\$1,668,018	\$43,388	\$941	\$1,710,465

During the third quarter of 2013, approximately \$1.0 billion of securities available for sale were reclassified as securities held to maturity. Management determined that the reclassified securities were not needed for liquidity purposes and that the Company had the ability and intent to hold the securities to maturity. The reclassified securities consisted of mortgage-backed securities and collateral mortgage obligations (CMOs). The securities were transferred at fair value on the date of their reclassification, which became the cost basis for the securities held to maturity. The unrealized net holding loss on the available for sale securities on the date of transfer totaled approximately \$56.8 million, and continued to be reported, net of tax, as a component of accumulated other comprehensive income. This net unrealized loss is being amortized to interest income over the remaining life of the securities as a yield adjustment, which will serve to offset the impact of the accretion of the net discount created in the transfer. There were no gains or losses recognized as a result of this transfer.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Securities (continued)

The following table presents the amortized cost and fair value of debt securities at December 31, 2013 by contractual maturity (in thousands). Actual maturities will differ from contractual maturities because of rights to call or repay obligations with or without penalties and scheduled and unscheduled principal payments on mortgage-backed securities and CMOs.

	Amortized Cost	Fair Value
Debt Securities Available for Sale		
Due in one year or less	\$ 26,323	\$ 26,421
Due after one year through five years	172,656	171,832
Due after five years through ten years	141,522	148,160
Due after ten years	1,058,314	1,064,636
Total available for sale debt securities	\$1,398,815	\$1,411,049
	Amortized Cost	Fair Value
Debt Securities Held to Maturity		
Due in one year or less	\$ 108,537	\$ 108,893
Due after one year through five years	657,944	638,035
Due after five years through ten years	141,597	136,633
Due after ten years	1,703,274	1,693,023
Total held to maturity securities	\$2,611,352	\$2,576,584

The Company held no securities classified as trading at December 31, 2013 or 2012.

The details for securities classified as available for sale with unrealized losses as of December 31, 2013 follow (in thousands):

Available for sale

	Losses < 12 months		Losses 12 months or >		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury and government agency securities	\$ 205	\$ 1	\$ —	\$ —	\$ 205	\$ 1
Municipal obligations	7,975	25	—	—	7,975	25
Mortgage-backed securities	376,350	7,164	49,061	2,913	425,411	10,077
CMOs	94,125	2,244	—	—	94,125	2,244
Equity securities	3,282	26	3	1	3,285	27
	\$481,937	\$9,460	\$49,064	\$2,914	\$531,001	\$12,374

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Securities (continued)

The details for securities classified as available for sale with unrealized losses as of December 31, 2012 follow (in thousands):

Available for sale

	<u>Losses < 12 months</u>		<u>Losses 12 months or ></u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
U.S. Treasury and government agency securities	\$ —	\$—	\$ —	\$—	\$ —	\$—
Municipal obligations	5,278	14	—	—	5,278	14
Mortgage-backed securities	57,752	14	1,097	7	58,849	21
Equity securities	268	2	2	2	270	4
	<u>\$63,298</u>	<u>\$ 30</u>	<u>\$1,099</u>	<u>\$ 9</u>	<u>\$64,397</u>	<u>\$ 39</u>

The details for securities classified as held to maturity with unrealized losses as of December 31, 2013 follow (in thousands):

Held to maturity

	<u>Losses < 12 months</u>		<u>Losses 12 months or ></u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
Municipal obligations	\$ 131,499	\$ 6,311	\$ 2,878	\$ 125	\$ 134,377	\$ 6,436
Mortgage-backed securities	950,288	4,671	—	—	950,288	4,671
CMOs	947,061	25,088	175,633	1,166	1,122,694	26,254
	<u>\$2,028,848</u>	<u>\$36,070</u>	<u>\$178,511</u>	<u>\$1,291</u>	<u>\$2,207,359</u>	<u>\$37,361</u>

The details for securities classified as held to maturity with unrealized losses as of December 31, 2012 follow (in thousands):

Held to maturity

	<u>Losses < 12 months</u>		<u>Losses 12 months or ></u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Gross Unrealized Losses</u>
CMOs	\$87,852	\$259	\$54,445	\$682	\$142,297	\$941
	<u>\$87,852</u>	<u>\$259</u>	<u>\$54,445</u>	<u>\$682</u>	<u>\$142,297</u>	<u>\$941</u>

The unrealized losses relate to changes in market rates on fixed-rate debt securities since the respective purchase date. In all cases, the indicated impairment would be recovered by the security's maturity date or possibly earlier if the market price for the security increases with a reduction in the yield required by the market. None of the unrealized losses relate to the marketability of the securities or the issuer's ability to meet contractual obligations. The Company has adequate liquidity and, therefore, does not plan to 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.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Securities (continued)

Proceeds from sales of securities available for sale were approximately \$0.2 million in 2013, \$48 million in 2012, and \$343 million in 2011. Realized gross gains and losses, computed through specific identification, were insignificant. Substantially all of the proceeds in 2011 came from the sale of a portion of the portfolio acquired in the Whitney acquisition.

Securities with carrying values totaling approximately \$3.1 billion at December 31, 2013 and \$2.6 billion at December 31, 2012 were pledged primarily to secure public deposits or sold under agreements to repurchase.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans

The distinction between originated, acquired and covered loans and certain significant accounting policies relevant to each category are discussed in detail in Note 1. In the following discussion and tables, certain disaggregated information was not available for the commercial non-real estate, construction and land development and commercial real estate loan categories for years prior to 2013. In these instances, combined information for these categories is provided under the caption “commercial loans.”

Loans, net of unearned income, consisted of the following:

	December 31, 2013	December 31, 2012
(In thousands)		
Originated loans:		
Commercial non-real estate	\$ 4,113,837	\$ 2,713,385
Construction and land development	752,381	665,673
Commercial real estate	2,022,528	1,548,402
Residential mortgages	1,196,256	827,985
Consumer	1,409,130	1,351,776
Total originated loans	\$ 9,494,132	\$ 7,107,221
Acquired loans:		
Commercial non-real estate	\$ 926,997	\$ 1,690,643
Construction and land development	142,931	295,151
Commercial real estate	967,148	1,279,546
Residential mortgages	315,340	486,444
Consumer	119,603	202,974
Total acquired loans	\$ 2,472,019	\$ 3,954,758
Covered loans:		
Commercial non-real estate	\$ 23,390	\$ 29,260
Construction and land development	20,229	28,482
Commercial real estate	53,165	95,146
Residential mortgages	209,018	263,515
Consumer	52,864	99,420
Total covered loans	\$ 358,666	\$ 515,823
Total loans:		
Commercial non-real estate	\$ 5,064,224	\$ 4,433,288
Construction and land development	915,541	989,306
Commercial real estate	3,042,841	2,923,094
Residential mortgages	1,720,614	1,577,944
Consumer	1,581,597	1,654,170
Total loans	\$12,324,817	\$11,577,802

The Company generally makes loans in its market areas of south Mississippi, southern and central Alabama, south Louisiana, the Houston, Texas area and the northern, central and panhandle regions of Florida. The Banks make loans in the normal course of business to directors and executive officers of the Company and the Banks and to their associates. Loans to such related parties are made on substantially the same terms, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with unrelated

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

parties and do not involve more than normal risk of collectability when originated. Balances of loans to the Company's directors, executive officers and their associates at December 31, 2013 and 2012 were approximately \$61.1 million and \$76.8 million, respectively. New loans, repayments and net balances from changes in directors and executive officers and their associates for 2013 were \$37.5 million, \$34.0 million and (\$19.2 million), respectively.

The following schedules show activity in the allowance for loan losses for 2013 and 2012 by portfolio segment and the corresponding recorded investment in loans as of December 31, 2013 and December 31, 2012.

	<u>Commercial non-real estate</u>	<u>Construction and land development</u>	<u>Commercial real estate</u>	<u>Residential mortgages</u>	<u>Consumer</u>	<u>Total</u>
(In thousands)	<u>Year Ended December 31, 2013</u>					
Originated loans:						
Allowance for loan losses:						
Beginning balance	\$ 20,775	\$ 11,415	\$ 26,959	\$ 6,406	\$ 13,219	\$ 78,774
Charge-offs	(6,671)	(10,312)	(5,525)	(2,297)	(18,094)	(42,899)
Recoveries	5,790	1,676	3,359	1,936	5,829	18,590
Net provision for loan losses	13,197	3,401	(4,144)	847	11,119	24,420
Ending balance	<u>\$ 33,091</u>	<u>\$ 6,180</u>	<u>\$ 20,649</u>	<u>\$ 6,892</u>	<u>\$ 12,073</u>	<u>\$ 78,885</u>
Ending balance:						
Individually evaluated for impairment	\$ 477	\$ 22	\$ 268	\$ 1	\$ —	\$ 768
Collectively evaluated for impairment	\$ 32,614	\$ 6,158	\$ 20,381	\$ 6,891	\$ 12,073	\$ 78,117
Loans:						
Ending balance:						
Individually evaluated for impairment	5,294	10,599	14,029	605	—	30,527
Collectively evaluated for impairment	\$4,108,543	\$741,782	\$2,008,499	\$1,195,651	\$1,409,130	\$9,463,605

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

(In thousands)	<u>Commercial</u>	<u>Construction</u>	<u>Commercial Residential</u>	<u>Consumer</u>	<u>Total</u>	
	<u>Year Ended December 31, 2013</u>					
Acquired loans:						
Allowance for loan losses:						
Beginning balance	\$ 788	\$ —	\$ —	\$ —	\$ 788	
Charge-offs	—	—	—	—	—	
Recoveries	—	—	—	—	—	
Net provision for loan losses	815	10	34	—	859	
Ending balance	<u>\$ 1,603</u>	<u>\$ 10</u>	<u>\$ 34</u>	<u>\$ —</u>	<u>\$ 1,647</u>	
Ending balance:						
Individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	
Amounts related to acquired-impaired loans	—	—	—	—	—	
Collectively evaluated for impairment	\$ 1,603	\$ 10	\$ 34	\$ —	\$ 1,647	
Loans:						
Ending balance:	\$926,997	\$142,931	\$967,148	\$315,340	\$119,603	\$2,472,019
Individually evaluated for impairment	2,141	728	2,338	—	—	5,207
Acquired-impaired loans	19,094	17,335	26,058	5,494	94	68,075
Collectively evaluated for impairment	\$905,762	\$124,868	\$938,752	\$309,846	\$119,509	\$2,398,737
Covered loans:						
Allowance for loan losses:						
Beginning balance	\$ 2,162	\$ 5,623	\$ 9,433	\$ 30,471	\$ 8,920	\$ 56,609
Charge-offs	(1,071)	(1,244)	(4,414)	(1,532)	(1,250)	(9,511)
Recoveries	90	735	6,158	13	160	7,156
Net provision for loan losses	1,263	(1,566)	(785)	5,343	3,200	7,455
(Increase) decrease in FDIC loss share receivable	(121)	(893)	537	(6,306)	(1,832)	(8,615)
Ending balance	<u>\$ 2,323</u>	<u>\$ 2,655</u>	<u>\$ 10,929</u>	<u>\$ 27,989</u>	<u>\$ 9,198</u>	<u>\$ 53,094</u>
Ending balance:						
Individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amounts related to acquired-impaired loans	\$ 2,323	\$ 2,655	\$ 10,929	\$ 27,989	\$ 9,198	\$ 53,094
Collectively evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Loans:						
Ending balance:	\$ 23,390	\$ 20,229	\$ 53,165	\$209,018	\$ 52,864	\$ 358,666
Individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Acquired-impaired loans	\$ 23,390	\$ 20,229	\$ 53,165	\$209,018	\$ 52,864	\$ 358,666
Collectively evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

	<u>Commercial non-real estate</u>	<u>Construction and land development</u>	<u>Commercial real estate</u>	<u>Residential mortgages</u>	<u>Consumer</u>	<u>Total</u>
(In thousands)	Year Ended December 31, 2013					
Total loans:						
Allowance for loan losses:						
Beginning balance	\$ 23,725	\$ 17,038	\$ 36,392	\$ 36,877	\$ 22,139	\$ 136,171
Charge-offs	(7,742)	(11,556)	(9,939)	(3,829)	(19,344)	(52,410)
Recoveries	5,880	2,411	9,517	1,949	5,989	25,746
Net provision for loan losses	15,275	1,845	(4,895)	6,190	14,319	32,734
(Increase) decrease in FDIC loss share receivable	(121)	(893)	537	(6,306)	(1,832)	(8,615)
Ending balance	<u>\$ 37,017</u>	<u>\$ 8,845</u>	<u>\$ 31,612</u>	<u>\$ 34,881</u>	<u>\$ 21,271</u>	<u>\$ 133,626</u>
Ending balance:						
Individually evaluated for impairment	\$ 477	\$ 22	\$ 268	\$ 1	\$ —	\$ 768
Amounts related to acquired- impaired loans	2,323	2,655	10,929	27,989	9,198	53,094
Collectively evaluated for impairment	\$ 34,217	\$ 6,168	\$ 20,415	\$ 6,891	\$ 12,073	\$ 79,764
Loans:						
Ending balance:	\$5,064,224	\$915,541	\$3,042,841	\$1,720,614	\$1,581,597	\$12,324,817
Ending balance:						
Individually evaluated for impairment	7,435	11,327	16,367	605	—	35,734
Acquired-impaired loans	42,484	37,564	79,223	214,512	52,958	426,741
Collectively evaluated for impairment	\$5,014,305	\$866,650	\$2,947,251	\$1,505,497	\$1,528,639	\$11,862,342

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

(In thousands)	<u>Commercial</u>	<u>Residential</u>	<u>Consumer</u>	<u>Total</u>
	<u>Year Ended December 31, 2012</u>			
<u>Originated loans:</u>				
Allowance for loan losses:				
Beginning balance	\$ 60,211	\$ 4,894	\$ 18,141	\$ 83,246
Charge-offs	(42,277)	(6,275)	(16,208)	(64,760)
Recoveries	5,375	324	4,030	9,729
Net provision for loan losses	35,840	7,463	7,256	50,559
Ending balance	<u>\$ 59,149</u>	<u>\$ 6,406</u>	<u>\$ 13,219</u>	<u>\$ 78,774</u>
Ending balance:				
Individually evaluated for impairment	\$ 6,377	\$ —	\$ —	\$ 6,377
Collectively evaluated for impairment	\$ 52,772	\$ 6,406	\$ 13,219	\$ 72,397
Loans:				
Ending balance:	\$4,927,460	\$827,985	\$1,351,776	\$7,107,221
Individually evaluated for impairment	70,555	2,721	—	73,276
Collectively evaluated for impairment	\$4,856,905	\$825,264	\$1,351,776	\$7,033,945
<u>Acquired loans:</u>				
Allowance for loan losses:				
Beginning balance	\$ —	\$ —	\$ —	\$ —
Charge-offs	—	—	—	—
Recoveries	—	—	—	—
Net provision for loan losses	788	—	—	788
Ending balance	<u>\$ 788</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 788</u>
Ending balance:				
Individually evaluated for impairment	\$ 788	\$ —	\$ —	\$ 788
Amounts related to acquired-impaired loans	—	—	—	—
Collectively evaluated for impairment	\$ —	\$ —	\$ —	\$ —
Loans:				
Ending balance:	\$3,265,340	\$486,444	\$ 202,974	\$3,954,758
Individually evaluated for impairment	5,339	—	—	5,339
Acquired-impaired loans	123,315	20,314	644	144,273
Collectively evaluated for impairment	\$3,136,686	\$466,130	\$ 202,330	\$3,805,146

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

(In thousands)	<u>Commercial</u>	<u>Residential</u>	<u>Consumer</u>	<u>Total</u>
	<u>Year Ended December 31, 2012</u>			
<u>Covered loans:</u>				
Allowance for loan losses:				
Beginning balance	\$ 18,203	\$ 9,024	\$ 14,408	\$ 41,635
Charge-offs	(29,947)	—	(1,094)	(31,041)
Recoveries	4,894	—	78	4,972
Net provision for loan losses	(895)	11,948	(8,208)	2,845
Increase in FDIC loss share receivable	25,777	11,702	719	38,198
Ending balance	<u>\$ 18,032</u>	<u>\$ 32,674</u>	<u>\$ 5,903</u>	<u>\$ 56,609</u>
Ending balance:				
Individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —
Amounts related to acquired-impaired loans	18,032	32,674	5,903	56,609
Collectively evaluated for impairment	\$ —	\$ —	\$ —	\$ —
Loans:				
Ending balance:	\$ 152,888	\$ 263,515	\$ 99,420	\$ 515,823
Individually evaluated for impairment	—	—	—	—
Acquired-impaired loans	152,888	263,515	99,420	515,823
Collectively evaluated for impairment	\$ —	\$ —	\$ —	\$ —
<u>Total loans:</u>				
Allowance for loan losses:				
Beginning balance	\$ 78,414	\$ 13,918	\$ 32,549	\$ 124,881
Charge-offs	(72,224)	(6,275)	(17,302)	(95,801)
Recoveries	10,269	324	4,108	14,701
Net provision for loan losses	35,733	19,411	(952)	54,192
Increase in FDIC loss share receivable	25,777	11,702	719	38,198
Ending balance	<u>\$ 77,969</u>	<u>\$ 39,080</u>	<u>\$ 19,122</u>	<u>\$ 136,171</u>
Ending balance:				
Individually evaluated for impairment	\$ 7,165	\$ —	\$ —	\$ 7,165
Amounts related to acquired-impaired loans	18,032	32,674	5,903	56,609
Collectively evaluated for impairment	\$ 52,772	\$ 6,406	\$ 13,219	\$ 72,397
Loans:				
Ending balance:	\$8,345,688	\$1,577,944	\$1,654,170	\$11,577,802
Individually evaluated for impairment	75,894	2,721	—	78,615
Acquired-impaired loans	276,203	283,829	100,064	660,096
Collectively evaluated for impairment	\$7,993,591	\$1,219,394	\$1,554,106	\$10,839,091

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

FDIC Loss Share Receivable

The receivable arising from the loss-sharing agreements (referred to as the “FDIC loss share receivable” on our consolidated statements of financial condition) is measured separately from the covered loan portfolio because the agreements are not contractually part of the covered loans and are not transferable should the Company choose to dispose of the covered loans. The following schedule shows activity in the loss share receivable for 2013 and 2012:

(In thousands)

	December 31,	
	2013	2012
Balance, January 1	\$177,844	\$ 231,085
(Amortization) accretion	(2,239)	5,000
Charge-offs, write-downs and other losses	(9,123)	45,459
External expenses qualifying under loss share agreement	9,117	11,276
Payments received from the FDIC	(61,765)	(114,976)
Balance, December 31	\$113,834	\$ 177,844

* Note 1 to the consolidated financial statements discusses the accounting for the loss share receivable.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

The following table shows the composition of non-accrual loans by portfolio segment and class. Acquired impaired and certain covered loans are considered to be performing due to the application of the accretion method and are excluded from the table. Covered loans accounted for using the cost recovery method do not have an accretable yield and are included below as non-accrual loans. Acquired performing loans that have subsequently been placed on non-accrual status are also included below.

<u>Non-accrual Loans</u>	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
	(In thousands)	
Originated loans:		
Commercial non-real estate	\$10,119	\$ 18,941
Construction and land development	13,171	32,777
Commercial real estate	32,772	40,190
Residential mortgages	13,449	7,705
Consumer	4,802	3,815
Total originated loans	<u>\$74,313</u>	<u>\$103,428</u>
Acquired loans:		
Commercial non-real estate	\$ 3,209	\$ 4,326
Construction and land development	1,990	5,967
Commercial real estate	6,525	6,609
Residential mortgages	8,262	10,551
Consumer	1,814	2,634
Total acquired loans	<u>\$21,800</u>	<u>\$ 30,087</u>
Covered loans:		
Commercial non-real estate	\$ 2	\$ —
Construction and land development	1,539	2,487
Commercial real estate	1,163	1,220
Residential mortgages	544	393
Consumer	296	—
Total covered loans	<u>\$ 3,544</u>	<u>\$ 4,100</u>
Total loans:		
Commercial non-real estate	\$13,330	\$ 23,267
Construction and land development	16,700	41,231
Commercial real estate	40,460	48,019
Residential mortgages	22,255	18,649
Consumer	6,912	6,449
Total loans	<u>\$99,657</u>	<u>\$137,615</u>

The estimated amount of interest that would have been recorded on non-accrual loans had the loans not been classified as non-accrual in 2013, 2012 and 2011, was \$5.4 million, \$7.8 million and \$4.9 million, respectively. Interest actually received on non-accrual loans during 2013, 2012 and 2011 was \$3.0 million, \$2.6 million and \$1.1 million, respectively.

Non-accrual loans include loans modified in troubled debt restructurings (TDRs) of \$15.7 million and \$30.3 million, respectively, at December 31, 2013 and 2012. TDRs were \$24.9 million at December 31, 2013 and \$32.2 million at December 31, 2012. Modified acquired-impaired loans are not removed from their accounting pool and accounted for as TDRs, even if those loans would otherwise be deemed TDRs.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

The table below details the TDRs that occurred during 2013 and 2012 by portfolio segment and TDRs that subsequently defaulted within twelve months of modification. All are rated substandard and individually evaluated for impairment.

(In thousands)

	2013			2012		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructurings:						
Originated loans:						
Commercial non-real estate	1	\$ 926	\$ 909	4	\$ 2,194	\$ 2,169
Construction and land development	—	—	—	—	—	—
Commercial real estate	4	1,332	1,157	12	13,837	13,289
Residential mortgages	1	456	330	3	865	728
Consumer	—	—	—	—	—	—
Total originated loans	<u>6</u>	<u>\$2,714</u>	<u>\$2,396</u>	<u>19</u>	<u>\$16,896</u>	<u>\$16,186</u>
Acquired loans:						
Commercial non-real estate	—	—	—	3	\$ 4,047	\$ 4,007
Construction and land development	—	—	—	—	—	—
Commercial real estate	1	512	472	2	1,783	1,775
Residential mortgages	1	514	503	—	—	—
Consumer	—	—	—	—	—	—
Total acquired loans	<u>2</u>	<u>\$1,026</u>	<u>\$ 975</u>	<u>5</u>	<u>\$ 5,830</u>	<u>\$ 5,782</u>
Covered loans:						
Commercial non-real estate	—	—	—	—	—	—
Construction and land development	—	—	—	—	—	—
Commercial real estate	—	—	—	—	—	—
Residential mortgages	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total covered loans	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total loans:						
Commercial non-real estate	1	\$ 926	\$ 909	\$ 7	\$ 6,241	\$ 6,176
Construction and land development	—	—	—	—	—	—
Commercial real estate	5	1,844	1,629	14	15,620	15,064
Residential mortgages	2	970	833	3	865	728
Consumer	—	—	—	—	—	—
Total loans	<u>8</u>	<u>\$3,740</u>	<u>\$3,371</u>	<u>\$ 24</u>	<u>\$22,726</u>	<u>\$21,968</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

Troubled Debt Restructurings That Subsequently Defaulted:	2013		2012	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Originated loans:				
Commercial non-real estate	—	—	—	—
Construction and land development	—	—	—	—
Commercial real estate	6	2,487	1	\$275
Residential mortgages	1	254	—	—
Consumer	—	—	—	—
Total originated loans	<u>7</u>	<u>\$2,741</u>	<u>1</u>	<u>\$275</u>
Acquired loans:				
Commercial non-real estate	—	—	—	—
Construction and land development	—	—	—	—
Commercial real estate	—	—	—	—
Residential mortgages	—	—	—	—
Consumer	—	—	—	—
Total acquired loans	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$—</u>
Covered loans:				
Commercial non-real estate	—	—	—	—
Construction and land development	—	—	—	—
Commercial real estate	—	—	—	—
Residential mortgages	—	—	—	—
Consumer	—	—	—	—
Total covered loans	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$—</u>
Total loans:				
Commercial non-real estate	—	—	—	—
Construction and land development	—	—	—	—
Commercial real estate	6	2,487	1	\$275
Residential mortgages	1	254	—	—
Consumer	—	—	—	—
Total loans	<u>7</u>	<u>\$2,741</u>	<u>1</u>	<u>\$275</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

Those loans that are determined to be impaired and \$1 million or greater are individually evaluated for impairment. The tables below present loans that are individually evaluated for impairment disaggregated by class at December 31, 2013 and 2012:

<u>December 31, 2013</u>	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
	(In thousands)				
Originated loans:					
With no related allowance recorded:					
Commercial non-real estate	\$ 329	\$ 442	\$ —	\$ 235	\$ 18
Construction and land development	4,101	5,131	—	2,780	82
Commercial real estate	5,321	7,458	—	15,886	374
Residential mortgages	—	—	—	262	—
Consumer	—	—	—	1,013	—
	<u>9,751</u>	<u>13,031</u>	<u>—</u>	<u>20,176</u>	<u>474</u>
With an allowance recorded:					
Commercial non-real estate	4,965	5,303	477	8,936	180
Construction and land development	6,498	8,343	22	2,549	—
Commercial real estate	8,708	9,090	268	19,683	460
Residential mortgages	605	620	1	228	—
Consumer	—	—	—	1,025	—
	<u>20,776</u>	<u>23,356</u>	<u>768</u>	<u>32,421</u>	<u>640</u>
Total:					
Commercial non-real estate	5,294	5,745	477	9,171	198
Construction and land development	10,599	13,474	22	5,329	82
Commercial real estate	14,029	16,548	268	35,569	834
Residential mortgages	605	620	1	490	—
Consumer	—	—	—	2,038	—
	<u>\$30,527</u>	<u>\$ 36,387</u>	<u>\$ 768</u>	<u>\$52,597</u>	<u>\$1,114</u>
Acquired loans:					
With no related allowance recorded:					
Commercial non-real estate	2,141	3,275	—	865	8
Construction and land development	728	1,142	—	296	3
Commercial real estate	1,865	2,634	—	1,339	49
Residential mortgages	473	507	—	407	—
Consumer	—	—	—	—	—
	<u>5,207</u>	<u>7,558</u>	<u>—</u>	<u>2,907</u>	<u>60</u>
With an allowance recorded:					
Commercial non-real estate	—	—	—	2,747	63
Construction and land development	—	—	—	157	—
Commercial real estate	—	—	—	2,663	—
Residential mortgages	—	—	—	845	—
Consumer	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,412</u>	<u>63</u>
Total:					
Commercial non-real estate	2,141	3,275	—	3,612	71
Construction and land development	728	1,142	—	453	3
Commercial real estate	1,865	2,634	—	4,002	49
Residential mortgages	473	507	—	1,252	—
Consumer	—	—	—	—	—
	<u>\$ 5,207</u>	<u>\$ 7,558</u>	<u>\$ —</u>	<u>\$ 9,319</u>	<u>\$ 123</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

<u>December 31, 2013</u>	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
Covered loans:					
With no related allowance recorded:					
Commercial non-real estate	\$ —	\$ —	\$—	\$ —	\$ —
Construction and land development	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Residential mortgages	—	—	—	—	—
Consumer	—	—	—	—	—
	—	—	—	—	—
With an allowance recorded:					
Commercial non-real estate	—	—	—	—	—
Construction and land development	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Residential mortgages	—	—	—	—	—
Consumer	—	—	—	—	—
	—	—	—	—	—
Total:					
Commercial non-real estate	—	—	—	—	—
Construction and land development	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Residential mortgages	—	—	—	—	—
Consumer	—	—	—	—	—
Total covered loans	\$ —	\$ —	\$—	\$ —	\$ —
Total loans:					
With no related allowance recorded:					
Commercial non-real estate	\$ 2,470	\$ 3,717	\$—	\$ 1,100	\$ 26
Construction and land development	4,829	6,273	—	3,076	85
Commercial real estate	7,186	10,092	—	17,225	423
Residential mortgages	473	507	—	669	—
Consumer	—	—	—	1,013	—
	14,958	20,589	—	23,083	534
With an allowance recorded:					
Commercial non-real estate	4,965	5,303	477	11,683	243
Construction and land development	6,498	8,343	22	2,706	—
Commercial real estate	8,708	9,090	268	22,346	460
Residential mortgages	605	620	1	1,073	—
Consumer	—	—	—	1,025	—
	20,776	23,356	768	38,833	703
Total:					
Commercial non-real estate	7,435	9,020	477	12,783	269
Construction and land development	11,327	14,616	22	5,782	85
Commercial real estate	15,894	19,182	268	39,571	883
Residential mortgages	1,078	1,127	1	1,742	—
Consumer	—	—	—	2,038	—
Total loans	\$ 35,734	\$ 43,945	\$768	\$ 61,916	\$1,237

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

<u>December 31, 2012</u>	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
	(In thousands)				
Originated loans:					
With no related allowance recorded:					
Commercial	\$34,705	\$ 55,101	\$ —	\$23,793	\$ 464
Residential mortgages	2,721	4,874	—	3,255	155
Consumer	—	—	—	—	—
	<u>37,426</u>	<u>59,975</u>	<u>—</u>	<u>27,048</u>	<u>619</u>
With an allowance recorded:					
Commercial	35,850	37,917	6,377	41,232	703
Residential mortgages	—	—	—	4,619	—
Consumer	—	—	—	—	—
	<u>35,850</u>	<u>37,917</u>	<u>6,377</u>	<u>45,851</u>	<u>703</u>
Total:					
Commercial	70,555	93,018	6,377	65,025	1,167
Residential mortgages	2,721	4,874	—	7,874	155
Consumer	—	—	—	—	—
Total originated loans	<u>\$73,276</u>	<u>\$ 97,892</u>	<u>\$6,377</u>	<u>\$72,899</u>	<u>\$1,322</u>
Acquired loans:					
With no related allowance recorded:					
Commercial	—	—	—	—	—
Residential mortgages	—	—	—	—	—
Consumer	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
With an allowance recorded:					
Commercial	6,202	6,386	788	1,551	—
Residential mortgages	—	—	—	—	—
Consumer	—	—	—	—	—
	<u>6,202</u>	<u>6,386</u>	<u>788</u>	<u>1,551</u>	<u>—</u>
Total:					
Commercial	6,202	6,386	788	1,551	—
Residential mortgages	—	—	—	—	—
Consumer	—	—	—	—	—
Total acquired loans	<u>\$ 6,202</u>	<u>\$ 6,386</u>	<u>\$ 788</u>	<u>\$ 1,551</u>	<u>\$ —</u>
Covered loans:					
With no related allowance recorded:					
Commercial	—	—	—	—	—
Residential mortgages	—	—	—	—	—
Consumer	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
With an allowance recorded:					
Commercial	—	—	—	—	—
Residential mortgages	—	—	—	—	—
Consumer	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total:					
Commercial	—	—	—	—	—
Residential mortgages	—	—	—	—	—
Consumer	—	—	—	—	—
Total covered loans	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

<u>December 31, 2012</u>	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
			(In thousands)		
Total loans:					
With no related allowance recorded:					
Commercial	34,705	55,101	—	23,793	464
Residential mortgages	2,721	4,874	—	3,255	155
Consumer	—	—	—	—	—
	<u>37,426</u>	<u>59,975</u>	<u>—</u>	<u>27,048</u>	<u>619</u>
With an allowance recorded:					
Commercial	42,052	44,303	7,165	42,783	703
Residential mortgages	—	—	—	4,619	—
Consumer	—	—	—	—	—
	<u>42,052</u>	<u>44,303</u>	<u>7,165</u>	<u>47,402</u>	<u>703</u>
Total:					
Commercial	76,757	99,404	7,165	66,576	1,167
Residential mortgages	2,721	4,874	—	7,874	155
Consumer	—	—	—	—	—
Total loans	<u><u>\$79,478</u></u>	<u><u>\$104,278</u></u>	<u><u>\$7,165</u></u>	<u><u>\$74,450</u></u>	<u><u>\$1,322</u></u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

Covered and acquired-impaired loans with existing credit impairment with an accretable yield are considered to be current in the following delinquency table. The following table presents the age analysis of past due loans at December 31, 2013 and December 31, 2012:

Age Analysis of Past Due Loans
As of December 31, 2013 and December 31, 2012

<u>December 31, 2013</u>	<u>30-59 days past due</u>	<u>60-89 days past due</u>	<u>Greater than 90 days past due</u>	<u>Total past due</u>	<u>Current</u>	<u>Total Loans</u>	<u>Recorded investment > 90 days and accruing</u>
	(In thousands)						
Originated loans:							
Commercial non-real estate	\$11,645	\$ 1,203	\$ 4,803	\$ 17,651	\$ 4,096,186	\$ 4,113,837	\$ 521
Construction and land development	5,877	1,264	5,970	13,111	739,270	752,381	—
Commercial real estate	8,178	5,744	14,620	28,542	1,993,986	2,022,528	420
Residential mortgages	12,410	3,870	3,540	19,820	1,176,436	1,196,256	—
Consumer	8,798	1,913	3,823	14,534	1,394,596	1,409,130	2,344
Total	<u>\$46,908</u>	<u>\$13,994</u>	<u>\$32,756</u>	<u>\$ 93,658</u>	<u>\$ 9,400,474</u>	<u>\$ 9,494,132</u>	<u>\$ 3,285</u>
Acquired loans:							
Commercial non-real estate	\$ 1,982	\$ 2,332	\$ 1,467	\$ 5,781	\$ 921,216	\$ 926,997	\$ 541
Construction and land development	862	1,529	1,161	3,552	139,379	142,931	541
Commercial real estate	3,742	1,345	9,026	14,113	953,035	967,148	5,853
Residential mortgages	5,632	2,698	5,503	13,833	301,507	315,340	72
Consumer	1,029	120	1,013	2,162	117,441	119,603	82
Total	<u>\$13,247</u>	<u>\$ 8,024</u>	<u>\$18,170</u>	<u>\$ 39,441</u>	<u>\$ 2,432,578</u>	<u>\$ 2,472,019</u>	<u>\$ 7,089</u>
Covered loans:							
Commercial non-real estate	\$ —	\$ —	\$ —	\$ —	\$ 23,390	\$ 23,390	\$ —
Construction and land development	—	—	1,539	1,539	18,690	20,229	—
Commercial real estate	—	—	675	675	52,490	53,165	—
Residential mortgages	—	—	3	3	209,015	209,018	—
Consumer	—	—	—	—	52,864	52,864	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,217</u>	<u>\$ 2,217</u>	<u>\$ 356,449</u>	<u>\$ 358,666</u>	<u>\$ —</u>
Total loans:							
Commercial non-real estate	\$13,627	\$ 3,535	\$ 6,270	\$ 23,432	\$ 5,040,792	\$ 5,064,224	\$ 1,062
Construction and land development	6,739	2,793	8,670	18,202	897,339	915,541	541
Commercial real estate	11,920	7,089	24,321	43,330	2,999,511	3,042,841	6,273
Residential mortgages	18,042	6,568	9,046	33,656	1,686,958	1,720,614	72
Consumer	9,827	2,033	4,836	16,696	1,564,901	1,581,597	2,439
Total	<u>\$60,155</u>	<u>\$22,018</u>	<u>\$53,143</u>	<u>\$135,316</u>	<u>\$12,189,501</u>	<u>\$12,324,817</u>	<u>\$10,387</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

<u>December 31, 2012</u>	<u>30-59 days past due</u>	<u>60-89 days past due</u>	<u>Greater than 90 days past due</u>	<u>Total past due</u>	<u>Current</u>	<u>Total Loans</u>	<u>Recorded investment > 90 days and accruing</u>
	(In thousands)						
Originated loans:							
Commercial	\$24,398	\$16,508	\$46,355	\$ 87,261	\$ 4,840,199	\$ 4,927,460	\$ 5,262
Residential mortgages	11,500	3,303	4,100	18,903	809,082	827,985	—
Consumer	10,348	2,150	4,231	16,729	1,335,047	1,351,776	2,474
Total	<u>\$46,246</u>	<u>\$21,961</u>	<u>\$54,686</u>	<u>\$122,893</u>	<u>\$ 6,984,328</u>	<u>\$ 7,107,221</u>	<u>\$ 7,736</u>
Acquired loans:							
Commercial	\$28,791	\$ 4,666	\$15,774	\$ 49,231	\$ 3,216,109	\$ 3,265,340	\$ 4,354
Residential mortgages	9,641	1,290	8,996	19,927	466,517	486,444	1,106
Consumer	1,282	430	2,170	3,882	199,092	202,974	47
Total	<u>\$39,714</u>	<u>\$ 6,386</u>	<u>\$26,940</u>	<u>\$ 73,040</u>	<u>\$ 3,881,718</u>	<u>\$ 3,954,758</u>	<u>\$ 5,507</u>
Covered loans:							
Commercial	\$ —	\$ —	\$ 3,707	\$ 3,707	\$ 149,181	\$ 152,888	\$ —
Residential mortgages	—	—	393	393	263,122	263,515	—
Consumer	—	—	—	—	99,420	99,420	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,100</u>	<u>\$ 4,100</u>	<u>\$ 511,723</u>	<u>\$ 515,823</u>	<u>\$ —</u>
Total loans:							
Commercial	\$53,189	\$21,174	\$65,836	\$140,199	\$ 8,205,489	\$ 8,345,688	\$ 9,616
Residential mortgages	21,141	4,593	13,489	39,223	1,538,721	1,577,944	1,106
Consumer	11,630	2,580	6,401	20,611	1,633,559	1,654,170	2,521
Total	<u>\$85,960</u>	<u>\$28,347</u>	<u>\$85,726</u>	<u>\$200,033</u>	<u>\$11,377,769</u>	<u>\$11,577,802</u>	<u>\$13,243</u>

The following table presents the credit quality indicators of the Company's various classes of loans at December 31, 2013 and December 31, 2012.

Commercial Non-Real Estate Credit Exposure
Credit Risk Profile by Internally Assigned Grade

	<u>December 31, 2013</u>				<u>December 31, 2012</u>			
	<u>Originated</u>	<u>Acquired</u>	<u>Covered</u>	<u>Total</u>	<u>Originated</u>	<u>Acquired</u>	<u>Covered</u>	<u>Total</u>
	(In thousands)				(In thousands)			
Grade:								
Pass	\$3,990,318	\$846,135	\$10,476	\$4,846,929	\$2,610,970	\$1,588,435	\$14,855	\$4,214,260
Pass-Watch	46,734	44,105	9	90,848	32,393	52,361	74	84,828
Special Mention	41,812	19,915	2,897	64,624	23,550	6,267	3,226	33,043
Substandard	34,276	16,125	9,662	60,063	46,472	43,219	8,433	98,124
Doubtful	695	718	345	1,758	—	361	2,672	3,033
Loss	—	—	—	—	—	—	—	—
Total	<u>\$4,113,835</u>	<u>\$926,998</u>	<u>\$23,389</u>	<u>\$5,064,222</u>	<u>\$2,713,385</u>	<u>\$1,690,643</u>	<u>\$29,260</u>	<u>\$4,433,288</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

Construction Credit Exposure
Credit Risk Profile by Internally Assigned Grade

	December 31, 2013				December 31, 2012			
	Originated	Acquired	Covered	Total	Originated	Acquired	Covered	Total
	(In thousands)				(In thousands)			
Grade:								
Pass	\$709,261	\$112,773	\$ —	\$822,034	\$557,511	\$249,269	\$ 331	\$807,111
Pass-Watch	7,817	1,907	1,226	10,950	13,705	2,993	1,028	17,726
Special Mention	3,926	9,409	276	13,611	30,522	12,248	420	43,190
Substandard	31,377	18,842	11,498	61,717	63,925	30,637	7,311	101,873
Doubtful	—	—	7,228	7,228	10	4	19,392	19,406
Loss	—	—	—	—	—	—	—	—
Total	\$752,381	\$142,931	\$20,228	\$915,540	\$665,673	\$295,151	\$28,482	\$989,306

Commercial Real Estate Credit Exposure
Credit Risk Profile by Internally Assigned Grade

	December 31, 2013				December 31, 2012			
	Originated	Acquired	Covered	Total	Originated	Acquired	Covered	Total
	(In thousands)				(In thousands)			
Grade:								
Pass	\$1,864,116	\$896,578	\$ 1,678	\$2,762,372	\$1,353,453	\$1,173,617	\$16,693	\$2,543,763
Pass-Watch	49,578	9,530	10,266	69,374	36,507	16,051	15,015	67,573
Special Mention	15,785	19,798	1,999	37,582	29,912	21,116	3,787	54,815
Substandard	93,034	41,242	31,350	165,626	128,088	68,762	31,298	228,148
Doubtful	16	—	7,872	7,888	442	—	28,353	28,795
Loss	—	—	—	—	—	—	—	—
Total	\$2,022,529	\$967,148	\$53,165	\$3,042,842	\$1,548,402	\$1,279,546	\$95,146	\$2,923,094

Residential Mortgage Credit Exposure
Credit Risk Profile by Internally Assigned Grade

	December 31, 2013				December 31, 2012			
	Originated	Acquired	Covered	Total	Originated	Acquired	Covered	Total
	(In thousands)				(In thousands)			
Performing	\$1,182,266	\$307,078	\$209,015	\$1,698,359	\$820,281	\$475,893	\$263,515	\$1,559,689
Nonperforming	13,990	8,262	3	22,255	7,704	10,551	—	18,255
Total	\$1,196,256	\$315,340	\$209,018	\$1,720,614	\$827,985	\$486,444	\$263,515	\$1,577,944

Consumer Credit Exposure
Credit Risk Profile Based on Payment Activity

	December 31, 2013				December 31, 2012			
	Originated	Acquired	Covered	Total	Originated	Acquired	Covered	Total
	(In thousands)				(In thousands)			
Performing	\$1,404,032	\$117,789	\$52,864	\$1,574,685	\$1,345,487	\$200,292	\$99,420	\$1,645,199
Nonperforming	5,098	1,814	—	6,912	6,289	2,682	—	8,971
Total	\$1,409,130	\$119,603	\$52,864	\$1,581,597	\$1,351,776	\$202,974	\$99,420	\$1,654,170

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

Loan review uses a risk-focused continuous monitoring program that provides for independent, objective and timely review of credit risk within the company.

Below are the definitions of the Company's internally assigned grades:

Commercial:

- Pass - loans properly approved, documented, collateralized, and performing which do not reflect an abnormal credit risk.
- Pass - Watch - Credits in this category are of sufficient risk to cause concern. This category is reserved for credits that display negative performance trends. The "Watch" grade should be regarded as a transition category.
- Special Mention - These credits exhibit some signs of "Watch," but to a greater magnitude. These credits constitute an undue and unwarranted credit risk, but not to a point of justifying a classification of "Substandard." They have weaknesses that, if not checked or corrected, weaken the asset or inadequately protect the bank.
- Substandard - These credits constitute an unacceptable risk to the bank. They have recognized credit weaknesses that jeopardize the repayment of the debt. Repayment sources are marginal or unclear.
- Doubtful - A Doubtful credit has all of the weaknesses inherent in one classified "Substandard" with the added characteristic that weaknesses make collection in full highly questionable or improbable.
- Loss - Credits classified as Loss are considered uncollectable and are charged off promptly once so classified.

Residential and Consumer:

- Performing - Loans on which payments of principal and interest are less than 90 days past due.
- Non-performing - A non-performing loan is a loan that is in default or close to being in default and there are good reasons to doubt that payments will be made in full. All loans rated as non-accrual loans are also classified as non-performing.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Loans (continued)

Changes in the carrying amount of acquired impaired loans and accretable yield are presented in the following table for the years ended December 31, 2013 and 2012:

	December 31, 2013				December 31, 2012			
	Covered		Non-covered		Covered		Non-covered	
	Carrying Amount of Loans	Accretable Yield						
(In thousands)								
Balance at beginning of period	\$ 515,823	\$ 115,594	\$ 141,201	\$ 203,186	\$ 671,443	\$ 153,137	\$ 339,452	\$ 130,691
Additions	—	—	—	—	—	—	—	—
Payments received, net	(189,987)	(1,298)	(116,187)	(47,330)	(200,719)	—	(250,338)	—
Accretion	32,830	(32,830)	43,061	(43,061)	45,099	(45,099)	52,087	(52,087)
(Decrease)/Increase in expected cash flows based on actual cash flow and changes in cash flow assumptions	—	(17,433)	—	3,894	—	(19,326)	—	23,688
Net transfers from nonaccretable difference to accretable yield	—	58,682	—	14,681	—	26,882	—	100,894
Balance at end of period	<u>\$ 358,666</u>	<u>\$ 122,715</u>	<u>\$ 68,075</u>	<u>\$ 131,370</u>	<u>\$ 515,823</u>	<u>\$ 115,594</u>	<u>\$ 141,201</u>	<u>\$ 203,186</u>

Loans Held for Sale

Loans held for sale totaled \$24.5 million and \$50.6 million, respectively, at December 31, 2013 and 2012. Substantially all loans held for sale are residential mortgage loans originated on a best-efforts basis, whereby a commitment by a third party to purchase the loan has been received concurrent with the Banks' commitment to the borrower to originate the loan.

Note 5. Long-Term Debt

Long-term debt consisted of the following:

	December 31,	
	2013	2012
Subordinated notes payable	\$ 98,011	\$ 98,011
Term note payable	184,800	220,000
Other long-term debt	103,015	78,578
Total long-term debt	<u>\$385,826</u>	<u>\$396,589</u>

On December 21, 2012, the Company entered into a three-year term loan agreement that provides for a \$220 million term loan facility, all of which was borrowed on the closing date. The agreement also provides for up to \$50 million in additional borrowings under the loan facility, subject to obtaining additional commitments from

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

existing or new lenders and satisfaction of certain other conditions. Amounts borrowed under the loan facility bear interest at a variable rate based on LIBOR plus 1.875% per annum. The loan agreement requires quarterly principal payments of \$8.8 million, and outstanding borrowings may be prepaid in whole or in part at any time prior to the December 21, 2015 maturity date without premium or penalty.

The Company must satisfy certain financial covenants and is subject to other restrictions customary in financings of this nature, none of which is expected to adversely impact the operations of the Company. The financial covenants cover, among other things, the maintenance of minimum levels for regulatory capital ratios, consolidated net worth, consolidated return on assets, and holding company liquidity and dividend capacity, and specify a maximum ratio of consolidated nonperforming assets to consolidated total loans and other real estate, calculated without FDIC-covered assets. The Company was in compliance with all covenants as of December 31, 2013.

During the second quarter of 2012, the Company initiated a tender offer for up to \$75 million of Whitney Bank's subordinated debt. The 5.875% fixed-rate subordinated notes maturing in March 2017 had been issued by Whitney National Bank and were assumed by Hancock in the Whitney acquisition. During 2012, the Company repurchased approximately \$52 million of these notes and incurred approximately \$5.3 million in costs, including a premium of \$5.1 million, which was included in noninterest expense. As of December 31, 2013, 60% of the balance of the subordinated notes qualifies as capital in the calculation of certain regulatory capital ratios. The qualifying amount will be further reduced by 20% in the second quarter of each year through maturity.

Substantially all of the other long-term debt consists of borrowings associated with tax credit fund activities. These borrowings mature at various dates beginning in 2015 through 2052.

Note 6. Derivatives

Risk Management Objective of Using Derivatives

The Company enters into derivative financial instruments to manage risks related to differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments, currently related to our variable rate borrowing. The Banks have also entered into interest rate derivative agreements as a service to certain qualifying customers. The Banks manage a matched book with respect to these customer derivatives in order to minimize their net risk exposure resulting from such agreements. The Banks also enter into risk participation agreements under which they may either sell or buy credit risk associated with a customer's performance under certain interest rate derivative contracts related to loans in which participation interests have been sold to or purchased from other banks.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Derivatives (continued)

Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the notional amounts and fair values (in thousands) of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets as of December 31, 2013 and December 31, 2012.

Fair and Notional Values of Derivative Instruments

(in thousands)	Type of Hedge	Fair Values (1)					
		Notional Amounts		Assets		Liabilities	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Derivatives designated as hedging instruments:							
Interest rate swaps	Cash Flow	\$ —	\$140,000	\$ —	\$ —	\$ —	\$ 298
		<u>\$ —</u>	<u>\$140,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 298</u>
Derivatives not designated as hedging instruments:							
Interest rate swaps (2)	N/A	\$650,667	\$547,477	\$14,147	\$19,448	\$13,777	\$20,157
Risk participation agreements	N/A	19,736	—	2	—	2	—
Forward commitments to sell residential mortgage loans	N/A	45,910	115,256	326	190	115	590
Interest rate-lock commitments on residential mortgage loans	N/A	25,956	58,135	56	455	107	55
Foreign exchange forward contracts	N/A	21,299	—	1,048	—	1,005	—
		<u>\$763,568</u>	<u>\$720,868</u>	<u>\$15,579</u>	<u>\$20,093</u>	<u>\$15,006</u>	<u>\$20,802</u>

(1) Derivative assets and liabilities are reported with other assets or other liabilities, respectively, in the consolidated balance sheets.

(2) The notional amount represents both the customer accommodation agreements and offsetting agreements with unrelated financial institutions.

Cash Flow Hedges of Interest Rate Risk

The Company had been party to an interest rate swap agreement with a notional amount of \$140 million under which the Company received interest at a variable rate and paid at a fixed rate. This derivative instrument represented by this swap agreement was designated as and qualified as a cash flow hedge of the Company's forecasted variable cash flows under a variable-rate term borrowing agreement. The swap agreement expired in June 2013.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Derivatives (continued)

During the term of the swap agreement, the effective portion of changes in the fair value of the derivative instrument was recorded in accumulated other comprehensive income (“AOCI”) and subsequently reclassified into earnings in the periods that the hedged forecasted variable-rate interest payments affected earnings. The impact on AOCI was insignificant during 2013 and 2012. There was no ineffective portion of the change in fair value of the derivative recognized directly in earnings.

Derivatives Not Designated as Hedges

Customer interest rate derivative program

The Banks enter into interest rate derivative agreements, primarily rate swaps, with commercial banking customers to facilitate their risk management strategies. The Banks simultaneously enter into offsetting agreements with unrelated financial institutions, thereby mitigating their net risk exposure resulting from such transactions. Because the interest rate derivatives associated with this program do not meet hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

Risk participation agreements

The Banks also enter into risk participation agreements under which they may either assume or sell credit risk associated with a borrower’s performance under certain interest rate derivative contracts. In those instances where the Banks have assumed credit risk, they are not a direct counterparty to the derivative contract with the borrower and have entered into the risk participation agreement because they are a party to the related loan agreement with the borrower. In those instances in which the Banks have sold credit risk, they are the sole counterparty to the derivative contract with the borrower and have entered into the risk participation agreement because other banks participate in the related loan agreement. The Banks manage their credit risk under risk participation agreements by monitoring the creditworthiness of the borrower, based on their normal credit review process.

Mortgage banking derivatives

The Banks also enter into certain derivative agreements as part of their mortgage banking activities. These agreements include interest rate lock commitments on prospective residential mortgage loans and forward commitments to sell these loans to investors on a best efforts delivery basis.

Customer foreign exchange forward contract derivatives

The Banks enter into foreign exchange forward derivative agreements, primarily forward currency contracts, with commercial banking customers to facilitate their risk management strategies. The Banks manage their risk exposure from such transactions by entering into offsetting agreements with unrelated financial institutions. Because the foreign exchange forward contract derivatives associated with this program do not meet hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

Effect of Derivative Instruments on the Income Statement

The effect of the Company’s derivative financial instruments on the income statement was immaterial for the years ended December 31, 2013, 2012 and 2011.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Derivatives (continued)

Credit Risk-Related Contingent Features

Certain of the Banks' derivative instruments contain provisions allowing the financial institution counterparty to terminate the contracts in certain circumstances, such as the downgrade of the Banks' credit ratings below specified levels, a default by the Bank on its indebtedness, or the failure of a Bank to maintain specified minimum regulatory capital ratios or its regulatory status as a well-capitalized institution. These derivative agreements also contain provisions regarding the posting of collateral by each party. As of December 31, 2013, the aggregate fair value of derivative instruments with credit-risk-related contingent features that were in a net liability position was \$9.5 million, for which the Banks had posted collateral of \$10.9 million.

Offsetting Assets and Liabilities

Offsetting information in regards to derivative assets and liabilities subject to master netting agreements at December 31, 2013 and December 31, 2012 is presented in the following tables (in thousands):

As of December 31, 2013

Description	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		
				Financial Instruments	Cash Collateral	Net Amount
Derivative Assets	\$14,149	\$—	\$14,149	\$3,462	\$ —	\$10,687
Repurchase, securities borrowing, and similar arrangements	—	—	—	—	—	—
Total	<u>\$14,149</u>	<u>\$—</u>	<u>\$14,149</u>	<u>\$3,462</u>	<u>\$ —</u>	<u>\$10,687</u>
Derivative Liabilities	\$13,779	\$—	\$13,779	\$3,462	\$7,406	\$ 2,911
Reverse repurchase, securities lending, and similar arrangements	—	—	—	—	—	—
Total	<u>\$13,779</u>	<u>\$—</u>	<u>\$13,779</u>	<u>\$3,462</u>	<u>\$7,406</u>	<u>\$ 2,911</u>

As of December 31, 2012

Description	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		
				Financial Instruments	Cash Collateral	Net Amount
Derivative Assets	\$19,448	\$—	\$19,448	\$—	\$ —	\$19,448
Repurchase, securities borrowing, and similar arrangements	—	—	—	—	—	—
Total	<u>\$19,448</u>	<u>\$—</u>	<u>\$19,448</u>	<u>\$—</u>	<u>\$ —</u>	<u>\$19,448</u>
Derivative Liabilities	\$20,455	\$—	\$20,455	\$—	\$16,839	\$ 3,616
Reverse repurchase, securities lending, and similar arrangements	—	—	—	—	—	—
Total	<u>\$20,455</u>	<u>\$—</u>	<u>\$20,455</u>	<u>\$—</u>	<u>\$16,839</u>	<u>\$ 3,616</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Property and Equipment

Property and equipment consisted of the following (in thousands):

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 98,064	\$ 121,013
Buildings and leasehold improvements	356,618	373,333
Furniture, fixtures and equipment	90,948	99,288
Software	51,924	28,167
Assets under development	7,590	16,655
	<u>605,144</u>	<u>638,456</u>
Accumulated depreciation and amortization	(172,798)	(160,592)
Property and equipment, net	<u>\$ 432,346</u>	<u>\$ 477,864</u>

Depreciation and amortization expense was \$32.1 million, \$32.9 million and \$24.6 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Note 8. Goodwill and Other Intangible Assets

Goodwill represents the excess of the consideration exchanged over the fair value of the net assets acquired in purchase business combinations. The Company tests goodwill for impairment annually and no impairment charges were identified in the most recent test as of September 30, 2013. No goodwill impairment charges were recognized during 2013, 2012, or 2011. The carrying amount of goodwill was \$625.7 million and \$628.9 million at December 31, 2013 and 2012, respectively. As discussed in Note 2 to the consolidated financial statements, the Company recorded approximately \$589.5 million of goodwill during 2011 in connection with its acquisition of Whitney Holding Corporation. Goodwill was reduced for deferred tax purchase accounting adjustments by \$3.2 million in 2013 and \$22.3 million in 2012.

Identifiable intangible assets with finite lives are amortized over the periods benefited and are evaluated for impairment similar to other long-lived assets. The identifiable intangible assets recorded in connection with the Whitney acquisition during 2011 are detailed in Note 2 to the consolidated financial statements. During 2012, the Company recorded a \$10.0 million customer relationship intangible in connection with the repurchase of its merchant card processing business.

The carrying value of intangible assets subject to amortization was as follows (in thousands):

	<u>December 31, 2013</u>		
	<u>Purchase Value</u>	<u>Accumulated Amortization</u>	<u>Carrying Value</u>
Core deposit intangibles	\$198,002	\$65,357	\$132,645
Credit card and trust relationships	22,400	7,800	14,600
Value of insurance business acquired	2,431	2,232	199
Non-compete agreements	400	300	100
Trade name	11,722	6,729	4,993
Merchant processing relationships	10,000	2,764	7,236
	<u>\$244,955</u>	<u>\$85,182</u>	<u>\$159,773</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Goodwill and Other Intangible Assets (continued)

	December 31, 2012		
	Purchase Value	Accumulated Amortization	Carrying Value
Core deposit intangibles	\$200,547	\$45,832	\$154,715
Credit card and trust relationships	22,400	4,980	17,420
Value of insurance business acquired	2,431	2,084	347
Non-compete agreements	400	100	300
Trade name	11,722	4,124	7,598
Merchant processing relationships	10,000	971	9,029
	<u>\$247,500</u>	<u>\$58,091</u>	<u>\$189,409</u>

	Years Ended December 31,		
	2013	2012	2011
Aggregate amortization expense for:			
Core deposit intangibles	\$21,905	\$23,642	\$14,474
Credit card and trust relationships	2,819	3,072	1,908
Value of insurance business acquired	148	158	169
Non-compete agreements	200	100	—
Trade name	2,605	4,124	—
Merchant processing relationships	1,793	971	—
	<u>\$29,470</u>	<u>\$32,067</u>	<u>\$16,551</u>

The weighted-average remaining life of core deposit intangibles is 5 years. The weighted-average remaining life of other identifiable intangibles is 4 years.

The following table shows estimated amortization expense of other intangible assets for the five succeeding years and thereafter, calculated based on current amortization schedules (in thousands):

2014	\$ 26,925
2015	24,363
2016	19,872
2017	17,825
2018	15,773
Thereafter	55,015
	<u>\$159,773</u>

Note 9. Deposits

The maturities of time deposits at December 31, 2013 follow (in thousands):

2014	\$1,561,097
2015	325,173
2016	130,126
2017	108,831
2018	24,767
Thereafter	8,865
Total time deposits	<u>\$2,158,859</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Deposits (continued)

Certificates of deposits of \$100,000 or more totaled approximately \$0.9 billion at December 31, 2013 and \$1.1 billion at December 31, 2012. Other time deposits of \$100,000 or more consisted primarily of balances in treasury-management deposit products for commercial and certain other larger deposit customers. Balances maintained in such products totaled \$363 million and \$194 million at December 31, 2013 and 2012, respectively. Most of these deposits mature on a daily basis.

Note 10. Short-Term Borrowings

The following table presents information concerning short-term borrowings (in thousands):

	December 31,	
	2013	2012
Federal funds purchased		
Amount outstanding at period-end	\$ 7,725	\$ 25,704
Weighted average interest rate at period-end	0.13%	0.37%
Weighted average interest rate during the year	0.22%	0.22%
Average daily balance during the year	\$ 32,960	\$ 30,137
Maximum month end balance during the year	\$ 37,320	\$ 33,964
Securities sold under agreements to repurchase		
Amount outstanding at period-end	\$650,235	\$ 613,429
Weighted average interest rate at period-end	0.64%	0.72%
Weighted average interest rate during the year	0.58%	0.78%
Average daily balance during the year	\$763,259	\$ 760,938
Maximum month end balance during the year	\$797,615	\$1,005,014
FHLB borrowings:		
Amount outstanding at period-end	\$ —	\$ —
Weighted average interest rate at period-end	—	—
Weighted average interest rate during the year	0.18%	0.16%
Average daily balance during the year	\$ 9,863	\$ 32,571
Maximum month end balance during the year	\$ —	\$ —

The Banks borrow funds on a secured basis by selling securities under agreements to repurchase, mainly in connection with treasury-management services offered to their deposit customers. Customer repurchase agreements generally mature daily. Borrowings under repurchase agreements also include certain term agreements with dealers with various maturities, all of which are callable by the dealer. The Banks have the ability to exercise legal authority over the underlying securities. Federal funds purchased represent unsecured borrowings from other banks, generally on an overnight basis.

The Banks have lines of credit with the Federal Home Loan Bank (FHLB) that is secured by a blanket pledge of certain mortgage loans. At December 31, 2013, the amount available under these lines was approximately \$2.6 billion. The Banks also have borrowing capacity at the Federal Reserve's discount window of approximately \$0.8 billion. No amounts were borrowed under these lines at year-end 2013.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Stockholders' Equity

Stock Repurchase Program

The Company's board of directors approved a stock repurchase program on April 30, 2013 that authorizes the repurchase of up to 5% of the Company's outstanding common stock.

On May 8, 2013 Hancock entered into an accelerated share repurchase (ASR) transaction with Morgan Stanley & Co. LLC (Morgan Stanley). In the ASR transaction, the Company paid \$115 million to Morgan Stanley and received from them approximately 2.8 million shares of Hancock common stock, representing approximately 76% of the estimated total number of shares to be repurchased. The actual number of shares to be delivered to the Company in this ASR transaction will be based generally on the volume-weighted average price per share of the Hancock common stock during the term of the ASR agreement less a specified discount and on the amount paid at inception to Morgan Stanley, subject to certain possible adjustments in accordance with the terms of the ASR agreement. Final settlement of the ASR agreement, which has not occurred, is scheduled to occur no later than May, 2014. The ASR transaction was treated as two separate transactions: (i) the acquisition of treasury shares on the date the shares were received; and (ii) a forward contract indexed to the Company's common stock that is classified as equity.

Accumulated Other Comprehensive Income (Loss)

AOCI includes unrealized gains and losses on available for sale ("AFS") securities. Unrealized gain (loss) on AFS securities also includes unrealized gains/losses on AFS securities that were transferred to held to maturity securities in the first quarter of 2012 and the third quarter of 2013. Such amounts will be amortized over the estimated remaining life of the security as an adjustment to yield, offsetting the related amortization of the net premium created in the transfer. Unrealized losses on employee benefit plans will be reclassified into income as pension and post retirement costs are recognized over the remaining service period of plan participants. Accumulated losses on the now expired cash flow hedge of the variable-rate term loan agreement described in Note 6 were reclassified into income over the life of the hedge. Gains and losses in AOCI are net of deferred income taxes.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Stockholders' Equity (continued)

A rollforward of the components of accumulated other comprehensive income (loss) is included as follows (in thousands):

	Available for Sale Securities	Held to Maturity Securities Transferred from AFS	Employee Benefit Plans	Loss on Effective Cash Flow Hedges	Total
Balance, December 31, 2010	\$ 27,232	\$ —	\$(27,851)	\$ —	\$ (619)
Other comprehensive income before income taxes:					
Net change in unrealized gain (loss)	52,300	—	(94,848)	(107)	(42,655)
Reclassification adjustment for net losses realized and included in earnings	91	—	2,832	—	2,923
Income tax expense (benefit)	19,145	—	(32,944)	(42)	(13,841)
Balance, December 31, 2011	60,478	—	(86,923)	(65)	(26,510)
Other comprehensive income before income taxes:					
Net change in unrealized gain (loss)	6,076	—	2,566	(502)	8,140
Transfer of net unrealized gain from AFS to HTM, net of cumulative tax effect	(24,598)	24,598	—	—	—
Reclassification adjustment for net losses realized and included in earnings	(1,441)	—	7,457	311	6,327
Amortization of unrealized net gain on securities transferred to held-to-maturity	—	(8,752)	—	—	(8,752)
Income tax expense (benefit)	1,661	(3,244)	3,788	(75)	2,130
Balance, December 31, 2012	38,854	19,090	(80,688)	(181)	(22,925)
Other comprehensive income before income taxes:					
Net change in unrealized gain (loss)	(105,270)	—	82,653	(4)	(22,621)
Transfer of net unrealized gain from AFS to HTM, net of cumulative tax effect	36,208	(36,208)	—	—	—
Reclassification adjustment for net losses realized and included in earnings	(105)	—	8,331	301	8,527
Amortization of unrealized net gain on securities transferred to held-to-maturity	—	(6,371)	—	—	(6,371)
Income tax expense (benefit)	(38,576)	(2,300)	32,749	116	(8,011)
Balance, December 31, 2013	<u>\$ 8,263</u>	<u>\$(21,189)</u>	<u>\$(22,453)</u>	<u>\$ —</u>	<u>\$(35,379)</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Stockholders' Equity (continued)

The following table shows the line items in the consolidated income statements affected by amounts reclassified from accumulated other comprehensive income:

<u>Amount reclassified from AOCI (in thousands)</u>	<u>Twelve Months Ended December 31,</u>		<u>Increase (decrease) in affected line item in the income statement</u>
	<u>2013</u>	<u>2012</u>	
Gains and losses on sale of AFS securities	\$ (105)	\$(1,441)	Securities gains (losses)
Tax effect	(37)	(504)	Income taxes
Net of tax	<u>(68)</u>	<u>(937)</u>	Net income
Amortization/accretion of unrealized net gain/loss on securities transferred to HTM	\$(6,371)	\$(8,752)	Interest income
Tax effect	(2,230)	(3,063)	Income taxes
Net of tax	<u>(4,141)</u>	<u>(5,689)</u>	Net income
Amortization of defined benefit pension and post-retirement items	\$ 8,331	\$ 7,457	(a) Employee benefits expense
Tax effect	2,916	2,610	Income taxes
Net of tax	<u>5,415</u>	<u>4,847</u>	Net income
Gains and losses on cash flow hedges	\$ 301	\$ 311	Interest expense
Tax effect	105	109	Income taxes
Net of tax	<u>196</u>	<u>202</u>	Net income
Total reclassifications, net of tax	<u>\$ 1,402</u>	<u>\$(1,577)</u>	Net income

(a) These accumulated other comprehensive income components are included in the computation of net periodic pension and post-retirement cost that is reported with employee benefits expense (see footnote 12 for additional details).

Note: Tax effect calculated using 35% rate.

Regulatory Capital

Measures of regulatory capital are an important tool used by regulators to monitor the financial health of financial institutions. The primary quantitative measures used to gauge capital adequacy are the Tier 1 regulatory capital to risk-weighted assets (risk-based capital ratios) and the Tier 1 capital to average total assets (leverage ratio). Both the Company and its bank subsidiaries are required to maintain minimum risk-based capital ratios of 8.0% total regulatory capital and 4.0% Tier 1 capital. The minimum leverage ratio is 3.0% for bank holding companies and banks that meet certain specified criteria, including having the highest supervisory rating. All others are required to maintain a leverage ratio of at least 4.0%.

To evaluate capital adequacy, regulators compare an institution's regulatory capital ratios with their agency guidelines, as well as with the guidelines established as part of the uniform regulatory framework for prompt corrective supervisory action toward financial institutions. The framework for prompt corrective action categorizes capital levels into one of five classifications rating from well-capitalized to critically under-capitalized. For an institution to be eligible to be classified as well capitalized its total risk-based capital ratios must be at least 10.0% for total capital and 6.0% for Tier 1 capital, and its leverage ratio must be at least 5.0%. In reaching an overall conclusion on capital adequacy or assigning a classification under the uniform framework,

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Stockholders' Equity (continued)

regulators must also consider other subjective and quantitative measures of risk associated with an institution. The subsidiary banks were deemed to be well capitalized based upon the most recent notifications from their regulators. There are no conditions or events since those notifications that management believes would change these classifications. At December 31, 2013 and 2012, the Company and the Banks were in compliance with all of their respective minimum regulatory capital requirements.

Following is a summary of the actual regulatory capital amounts and ratios for the Company and the Banks together with corresponding regulatory capital requirements at December 31, 2013 and 2012 (amounts in thousands):

	Actual		Required for Minimum Capital Adequacy		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio %	Amount	Ratio %	Amount	Ratio %
At December 31, 2013						
Total capital (to risk weighted assets)						
Company	\$1,877,832	13.11	\$1,146,061	8.00	\$ n/a	n/a
Hancock Bank	636,871	13.48	378,093	8.00	472,617	10.00
Whitney Bank	1,187,699	12.25	775,709	8.00	969,636	10.00
Tier 1 capital (to risk weighted assets)						
Company	\$1,685,058	11.76	\$ 573,030	4.00	\$ n/a	n/a
Hancock Bank	577,280	12.21	189,047	4.00	283,570	6.00
Whitney Bank	1,088,339	11.22	387,854	4.00	581,782	6.00
Tier 1 leverage capital						
Company	\$1,685,058	9.34	\$ 541,066	3.00	\$ n/a	n/a
Hancock Bank	577,280	9.01	192,137	3.00	320,228	5.00
Whitney Bank	1,088,339	9.02	361,878	3.00	603,129	5.00
At December 31, 2012						
Total capital (to risk weighted assets)						
Company	\$1,881,558	14.28	\$1,053,781	8.00	\$ n/a	n/a
Hancock Bank	643,202	14.39	357,687	8.00	447,109	10.00
Whitney Bank	1,242,608	14.25	697,528	8.00	871,910	10.00
Tier 1 capital (to risk weighted assets)						
Company	\$1,666,042	12.65	\$ 526,890	4.00	\$ n/a	n/a
Hancock Bank	586,623	13.12	178,843	4.00	268,265	6.00
Whitney Bank	1,122,341	12.87	348,764	4.00	523,146	6.00
Tier 1 leverage capital						
Company	\$1,666,042	9.10	\$ 549,185	3.00	\$ n/a	n/a
Hancock Bank	586,623	9.13	192,733	3.00	321,221	5.00
Whitney Bank	1,122,341	9.24	364,540	3.00	607,567	5.00

Regulatory Restrictions on Dividends

Regulatory policy statements provide that generally bank holding companies should pay dividends only out of current operating earnings and that the level of dividends must be consistent with current and expected capital

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Stockholders' Equity (continued)

requirements. Dividends received from its subsidiary banks have been the primary source of funds available to the Company for the payment of dividends to Hancock's stockholders. Federal and state banking laws and regulations restrict the amount of dividends the subsidiary banks may distribute to Hancock without prior regulatory approval, as well as the amount of loans they may make to the Company. Dividends paid by Hancock Bank are subject to approval by the Commissioner of Banking and Consumer Finance of the State of Mississippi and those paid by Whitney Bank are subject to approval by the Commissioner of Financial Institutions of the State of Louisiana.

Note 12. Retirement Benefit Plans

Pension Plans - Defined Benefit

Effective January 1, 2013, the Company adopted one qualified defined benefit pension plan covering all eligible associates. Eligibility is based on minimum age and service-related requirements. The consolidated plan replaced the separate qualified plans covering legacy Hancock associates (Hancock Plan) and legacy Whitney associates (Whitney Plan). The new qualified plan terms are substantially the same for legacy Hancock associates as those in effect at December 31, 2012 under the Hancock Plan. Retirement benefits for eligible legacy Whitney associates under the new plan will be based on the employee's accrued benefit under the Whitney Plan as of December 31, 2012 plus any benefit accrued under the new plan based on years of service and compensation beginning in 2013. The Whitney Plan had been closed to new participants since 2008, and benefit accruals had been frozen for all participants other than those meeting certain vesting, age and years of service criteria as of December 31, 2008.

Certain legacy Whitney associates were also covered by an unfunded nonqualified defined benefit pension plan that provides retirement benefits to designated executive officers. Accrued benefits under the nonqualified plan covering certain legacy Whitney associates were frozen as of December 31, 2012 and no future benefits will be accrued under this plan. These benefits are calculated using the qualified plan's formula, but without applying the restrictions imposed on qualified plans by certain provisions of the Internal Revenue Code. Benefits that become payable under the nonqualified plan supplement amounts paid from the qualified plan. The Whitney plan has been closed to new participants since 2008, and benefit accruals have been frozen for all participants other than those who met certain vesting, age and years of service criteria as of December 31, 2008.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Retirement Benefit Plans (continued)

The Company makes contributions to the qualified pension plans in amounts sufficient to meet funding requirements set forth in federal employee benefit and tax laws, plus such additional amounts as the Company may determine to be appropriate. Based on currently available information, Hancock does not anticipate making a contribution to the pension plan during 2014.

The following tables detail the changes in the benefit obligations and plan assets of the combined qualified plans and for the nonqualified plan for the years ended December 31, 2013 and 2012 as well as the funded status of the plans at each year end and the amounts recognized in the Company's balance sheets (in thousands). The Company uses a December 31 measurement date for all defined benefit pension plans and other postretirement benefit plans.

	Years Ended December 31,			
	2013		2012	
	Qualified	Non-qualified	Qualified	Non-qualified
Change in benefit obligation				
Benefit obligation at beginning of year	\$420,239	\$ 16,865	\$399,508	\$ 15,934
Service cost	16,118	—	12,940	49
Interest cost	16,057	621	16,518	688
Actuarial loss	(40,551)	(1,040)	4,131	1,401
Benefits paid	(14,578)	(1,123)	(12,858)	(1,207)
Benefit obligation, end of year	<u>397,285</u>	<u>15,323</u>	<u>420,239</u>	<u>16,865</u>
Change in plan assets				
Fair value of plan assets at beginning of year	379,133	—	328,060	—
Actual return on plan assets	63,695	—	38,464	—
Employer contributions	10,000	1,123	26,000	1,207
Benefit payments	(14,578)	(1,123)	(12,858)	(1,207)
Expenses	(421)	—	(533)	—
Fair value of plan assets, end of year	<u>437,829</u>	<u>—</u>	<u>379,133</u>	<u>—</u>
Funded status at end of year - net asset/(liability)	<u>\$ 40,544</u>	<u>\$(15,323)</u>	<u>\$(41,106)</u>	<u>\$(16,865)</u>
Amounts recognized in accumulated other comprehensive loss				
Unrecognized loss at beginning of year:	\$108,852	\$ 2,942	\$123,780	\$ 1,597
Amount of (loss)/gain recognized during the year	(6,516)	(54)	(6,526)	(56)
Net actuarial (gain)/loss	(75,898)	(1,041)	(8,402)	1,401
Unrecognized loss at end of year	<u>\$ 26,438</u>	<u>\$ 1,847</u>	<u>\$108,852</u>	<u>\$ 2,942</u>

	December 31	
	2013	2012
Projected benefit obligation	\$412,608	\$437,104
Accumulated benefit obligation	379,607	395,543
Fair value of plan assets	437,829	379,133

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Retirement Benefit Plans (continued)

The following table shows net periodic benefit cost included in expense and the changes in the amounts recognized in accumulated other comprehensive income during 2013 and 2012 (in thousands). Recognition of the net actuarial loss included in accumulated other comprehensive income is not required when the loss is less than ten percent of the projected benefit obligation or fair value of plan assets. Accordingly, Hancock will not recognize a material amount of the losses at December 31, 2013 as a component of net pension expense in 2014.

	Years Ended December 31,					
	2013		2012		2011	
	Qualified	Non-qualified	Qualified	Non-qualified	Qualified	Non-qualified
Net periodic benefit cost						
Service cost	\$ 16,118	\$ —	\$ 12,940	\$ 49	\$ 8,440	\$ 27
Interest cost	16,057	621	16,518	688	12,117	438
Expected return on plan assets	(27,928)	—	(25,398)	—	(15,118)	—
Recognized net amortization and deferral	6,516	54	6,526	56	2,343	—
Net periodic benefit cost	<u>10,763</u>	<u>675</u>	<u>10,586</u>	<u>793</u>	<u>7,782</u>	<u>465</u>
Other changes in plan assets and benefit obligations recognized in other comprehensive income, before taxes						
Net (loss)/gain recognized during the year	(6,516)	(54)	(6,526)	(56)	(2,343)	—
Net actuarial loss/(gain)	(75,898)	(1,041)	(8,402)	1,401	87,313	1,597
Total recognized in other comprehensive income	<u>(82,414)</u>	<u>(1,095)</u>	<u>(14,928)</u>	<u>1,345</u>	<u>84,970</u>	<u>1,597</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u><u>\$(71,651)</u></u>	<u><u>\$ (420)</u></u>	<u><u>\$ (4,342)</u></u>	<u><u>\$2,138</u></u>	<u><u>\$ 92,752</u></u>	<u><u>\$2,062</u></u>
Weighted average assumptions as of measurement date						
Discount rate for benefit obligations:	4.73%	4.73%	3.82%	3.87%	4.32%	4.31%
Discount rate for net periodic benefit cost:	3.87%	3.87%	4.32%	4.31%	5.39%	5.35%
Expected long-term return on plan assets:	7.50%	n/a	7.50%	n/a	7.50%	n/a
Rate of compensation increase:	4.00%	4.00%	3.73%	3.58%	3.72%	3.58%

The long term rate of return on plan assets is determined by using the weighted-average of historical real returns for major asset classes based on target asset allocations. At December 31, 2013 and 2012, the discount rate was calculated by matching expected future cash flows to the Citigroup Pension Discount Curve Liability Index.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Retirement Benefit Plans (continued)

The following shows expected pension plan benefit payments over the next ten years (in thousands):

	<u>Qualified</u>	<u>Nonqualified</u>	<u>Total</u>
2014	\$ 16,065	\$ 1,117	\$ 17,182
2015	16,868	1,117	17,985
2016	17,656	1,128	18,784
2017	18,371	1,149	19,520
2018	19,076	1,144	20,220
2019-2023	105,048	5,586	110,634
	<u>\$193,084</u>	<u>\$11,241</u>	<u>\$204,325</u>

The expected benefit payments are estimated based on the same assumptions used to measure the Company's benefit obligations at December 31, 2013.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Retirement Benefit Plans (continued)

The fair values of pension plan assets at December 31, 2013 and 2012, by asset category, are shown in the following tables (in thousands).

<u>Asset Category / Fund</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fair Value Measurements at December 31, 2013				
Cash and cash-equivalents:				
Cash and equivalents	\$ 5,683	\$ 5,682	\$ —	\$—
Hancock Horizon Government Money Market Fund	9,531	9,531	—	—
Total cash and cash-equivalents	<u>15,214</u>	<u>15,213</u>	<u>—</u>	<u>—</u>
Fixed income:				
US government and agency securities	21,485	4,383	17,102	—
Municipal securities	40,476	—	40,476	—
Hancock Horizon Strategic Income Bond Fund	59,674	59,674	—	—
Corporate debt	43,440	6,923	36,517	—
Total fixed income	<u>165,075</u>	<u>70,980</u>	<u>94,095</u>	<u>—</u>
Equity:				
Hancock Horizon Quantitative Long/Short Fund	6,593	6,593	—	—
Hancock Horizon Diversified International Fund	26,072	26,072	—	—
Hancock Horizon Burkenroad Small Cap Fund	4,108	4,108	—	—
Hancock Horizon Growth Fund	27,847	27,847	—	—
Hancock Horizon Diversified Value Fund	34,216	34,216	—	—
Hancock Horizon Diversified Income Fund	8,758	8,758	—	—
Equity securities	149,946	149,946	—	—
Total Equity	<u>257,540</u>	<u>257,540</u>	<u>—</u>	<u>—</u>
TOTAL	<u>\$437,829</u>	<u>\$343,733</u>	<u>\$94,095</u>	<u>\$—</u>

<u>Asset Category</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fair Value Measurements at December 31, 2012				
Cash and cash-equivalents:				
Cash and equivalents	\$ 4,850	\$ 4,850	\$ —	\$—
Hancock Horizon Government Money Market Fund	1,596	1,596	—	—
Total cash and cash-equivalents	<u>6,446</u>	<u>6,446</u>	<u>—</u>	<u>—</u>
Fixed income:				
US government and agency securities	54,246	10,405	43,841	—
Municipal securities	—	—	—	—
Hancock Horizon Strategic Income Bond Fund	49,192	49,192	—	—
Corporate debt	39,273	—	39,273	—
Total fixed income	<u>142,711</u>	<u>59,597</u>	<u>83,114</u>	<u>—</u>
Equity:				
Hancock Horizon Quantitative Long/Short Fund	7,481	7,481	—	—
Hancock Horizon Diversified International Fund	32,984	32,984	—	—
Hancock Horizon Burkenroad Small Cap Fund	3,863	3,863	—	—
Hancock Horizon Growth Fund	27,332	27,332	—	—
Hancock Horizon Diversified Value Fund	28,543	28,543	—	—
Hancock Horizon Diversified Income Fund	—	—	—	—
Equity securities	129,773	129,773	—	—
Total Equity	<u>229,976</u>	<u>229,976</u>	<u>—</u>	<u>—</u>
TOTAL	<u>\$379,133</u>	<u>\$296,019</u>	<u>\$83,114</u>	<u>\$—</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Retirement Benefit Plans (continued)

The percentage allocations of the plan assets by asset category and corresponding target allocations at December 31, 2013 and 2012 follow:

Asset category	Plan Assets at December 31,		Target Allocation at December 31,	
	2013	2012	2013	2012
Equity securities	59%	61%	30 – 70%	40 – 70%
Fixed income securities	38%	37%	25 – 65%	30 – 60%
Real Assets	0%	0%	0 – 10%	—
Cash equivalents	3%	2%	0 – 5%	0 – 10%
	<u>100%</u>	<u>100%</u>		

Plan assets are invested in long-term strategies and evaluated within the context of a long-term investment horizon. Plan assets will be diversified across multiple asset classes so as to minimize the risk of large losses. Short-term fluctuations in value will be considered secondary to long-term results. The Company employs a total return approach whereby a diversified mix of asset class investments are used to maximize the long-term return of plan assets for an acceptable level of risk. Risk tolerance is established through careful consideration of the plan liabilities, plan funded status and the Company's financial condition. The investment performance of the plan is regularly monitored to ensure that appropriate risk levels are being taken and to evaluate returns versus a suitable market benchmark. The pension plan investment committee meets periodically to review the policy, strategy, and performance of the plans.

Pension Plans - Defined Contribution

Effective January 1, 2013, the Company also combined the Hancock and Whitney defined contribution retirement benefit plans (401(k) plans). The combined plan covers substantially all associates who have been employed 60 days and meet certain other requirements and employment classification criteria. Under the combined plan, the Company matches 100% of the first 1% of compensation saved by a participant, and 50% of the next 5% of compensation saved. Under the prior Hancock 401(k) plan, the Company matched 50% of a participant's savings up to 6% of compensation, while under the prior Whitney 401(k) plan, the Company matched 100% of a participant's savings up to 4% of compensation. The Company could also make a discretionary profit sharing contribution under the Whitney plan on behalf of participants who were either ineligible to participate in the Whitney qualified defined-benefit pension plan or subject to the freeze in benefit accruals under that plan. With the adoption of the new qualified pension plan discussed above and the combined 401(k) plan, the discretionary profit-sharing contribution is no longer available for plan years beginning in 2013. Newly eligible associates are automatically enrolled at an initial 3% savings rate unless the associate actively opts out of participation in the plan.

The expense of the Company's matching contributions to the 401(k) plan was \$7.0 million in 2013 and \$6.1 million in 2012. The discretionary profit-sharing contribution under the legacy Whitney plan was \$2.9 million for 2012.

Health and Welfare Plans - Defined Benefit

The Company also sponsors defined benefit postretirement plans for both legacy Hancock and legacy Whitney associates. The Hancock plans provide health care and life insurance benefits to retiring associates who

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Retirement Benefit Plans (continued)

participate in medical and/or group life insurance benefit plans for active associates at the time of retirement and have reached 55 years of age with ten years of service or age 65 with five years of service. The postretirement health care plan is contributory, with retiree contributions adjusted annually and subject to certain employer contribution maximums. Neither Hancock plan is available to associates hired on or after January 1, 2000.

The legacy Whitney plans offer health care and life insurance benefit plans for retirees and their eligible dependents. Participant contributions are required under the health plan. Currently, these plans restrict eligibility for postretirement health benefits to retirees already receiving benefits as of the plan amendments in 2007 and to those active participants who were eligible to receive benefits as of December 31, 2007. Life insurance benefits are currently only available to associates who retired before December 31, 2007.

The following table details the changes in the benefit obligation of the postretirement plans for the years ended December 31, 2013 and 2012, as well as the funded status of the plans at each year end and the amounts recognized in the Company's consolidated balance sheets (in thousands).

	Years Ended December 31,	
	2013	2012
Change in postretirement benefit obligation		
Projected postretirement benefit at beginning of year	\$ 37,831	\$ 34,107
Service cost	215	192
Interest cost	1,317	1,337
Plan participants' contributions	1,355	1,419
Actuarial loss (gain)	(5,563)	4,435
Benefit payments	(3,563)	(3,659)
Projected postretirement benefit obligation, end of year	<u>31,592</u>	<u>37,831</u>
Change in plan assets		
Plan assets, beginning of year	—	—
Employer contributions	2,208	2,240
Plan participants' contributions	1,355	1,419
Benefit payments	(3,563)	(3,659)
Plan assets, end of year	<u>—</u>	<u>—</u>
Funded status at end of year - net liability	<u><u>\$(31,592)</u></u>	<u><u>\$(37,831)</u></u>
Amounts recognized in accumulated other comprehensive loss		
Unrecognized loss at beginning of year	\$ 14,513	\$ 10,996
Amount of (loss)/gain recognized during the year	(1,761)	(918)
Net actuarial loss/(gain)	(5,563)	4,435
Unrecognized loss at end of year	<u><u>\$ 7,189</u></u>	<u><u>\$ 14,513</u></u>

The weighted average discount rates used for the determination of the projected postretirement benefit obligation were 4.58% in 2013 and 3.69% in 2012.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Retirement Benefit Plans (continued)

The following table shows the composition of net periodic postretirement benefit cost (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net periodic postretirement benefit cost			
Service cost	\$ 215	\$ 192	\$ 137
Interest costs	1,317	1,337	1,091
Amortization of net loss	1,761	966	538
Amortization of prior service cost	—	(48)	(48)
Net periodic postretirement benefit cost	<u>3,293</u>	<u>2,447</u>	<u>1,718</u>
Other changes in plan assets and benefit obligations recognized in other comprehensive income, before taxes			
Amount of loss recognized during the year	(1,761)	(966)	(538)
Net actuarial (gain)/loss	(5,563)	4,435	5,938
Amortization of prior service cost	—	48	48
Total recognized in other comprehensive income	<u>(7,324)</u>	<u>3,517</u>	<u>5,448</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$(4,031)</u>	<u>\$5,964</u>	<u>\$7,166</u>

The Company assumed certain trends in health care costs in the determination of the benefit obligations. At December 31, 2013, the plans assumed a 7.0% increase in the pre- and post-Medicare age health costs for 2014, declining over a period of four years to a 5.0% annual rate. At December 31, 2013, the mortality projection scale was changed from Scale AA to Scale BB. Otherwise, the plan assumptions were substantially the same as in 2012.

The following table illustrates the effect on the annual periodic postretirement benefit costs and postretirement benefit obligation of a 1% increase or 1% decrease in the assumed health care cost trend rates from the rates assumed at December 31, 2013:

	<u>1% Decrease in Rates</u>	<u>Assumed Rates</u>	<u>1% Increase in Rates</u>
Aggregated service and interest cost	\$ 1,325	\$ 1,531	\$ 1,785
Postretirement benefit obligation	28,112	31,592	35,791

Expected benefits to be paid over the next ten years are reflected in the following table (in thousands):

2014	\$ 2,091
2015	1,973
2016	1,918
2017	1,785
2018	1,720
2019-2023	<u>8,680</u>
	<u>\$18,167</u>

Note 13. Share-Based Payment Arrangements

Hancock maintains incentive compensation plans that incorporate share-based payment arrangements for associates and directors. The most recent plan was approved by the Company's stockholders in 2005 (the

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Share-Based Payment Arrangements (continued)

“Plan”). The Compensation Committee of the Company’s Board of Directors administers the Plan, makes determinations with respect to participation by employees or directors and authorizes share-based awards under the Plan. Under the Plan, participants may be awarded stock options (including incentive stock options for associates), restricted shares, performance stock awards and stock appreciation rights, all on a stand-alone, combination or tandem basis. To date, the Committee has awarded stock options, tenure-based restricted shares and performance stock awards.

The Plan authorizes the issuance of an aggregate of 5,000,000 shares of the Company’s common stock pursuant to awards under the Plan. The Plan limits the number of shares for which awards may be granted during any calendar year to 2% of the outstanding common stock reported at the end of the previous fiscal year, plus any unused portion of the annual limit for the prior year and subject to certain other adjustments. At December 31, 2013 there were 1.8 million shares available for future issuance under equity compensation plans. Whitney options converted at the acquisition date do not count against the number of shares available for future issuance. The Company may use authorized unissued shares or shares held in treasury to satisfy awards under the Plan.

For the years ended December 31, 2013, 2012 and 2011 total share-based compensation recognized in income was \$13.1 million, \$11.0 million and \$7.2 million, respectively. The total recognized tax benefit related to the share-based compensation was \$4.6 million, \$3.9 million and \$2.5 million, respectively, for 2013, 2012 and 2011.

A summary of option activity for 2013 is presented below:

<u>Options</u>	<u>Number of Shares</u>	<u>Weighted- Average Exercise Price (\$)</u>	<u>Weighted- Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value (\$000)</u>
Outstanding at January 1, 2013	1,555,296	\$38.57		
Granted	—			
Exercised	(96,428)	28.35		
Forfeited or expired	(126,212)	43.48		
Outstanding at December 31, 2013	<u>1,332,656</u>	<u>\$38.85</u>	<u>4.7</u>	<u>\$3,840</u>
Exercisable at December 31, 2013	<u>1,017,709</u>	<u>\$41.28</u>	<u>3.8</u>	<u>\$2,005</u>

The exercise price for stock options is set at the closing market price of the Company’s stock on the date immediately preceding the date of grant, except for the exercise price of certain options granted to major stockholders which is set at 110% of the market price. Option awards generally vest equally over five years of continuous service and have ten-year contractual terms.

The total intrinsic value of options exercised during 2013, 2012 and 2011 was \$0.6 million, \$0.8 million, and \$0.3 million, respectively.

The weighted-average grant-date fair values of options awarded during 2012 and 2011 were \$8.43, and \$8.64, respectively. There were no options granted in 2013. The fair value of each option award was estimated as of the grant date using the Black-Scholes-Merton option-pricing model. The significant assumptions made in applying the option-pricing model are noted in the following table. Expected volatilities are based on implied volatilities from traded options on the Company’s stock, historical volatility of the Company’s stock and other factors. The expected term of options granted was derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Share-Based Payment Arrangements (continued)

	<u>2012</u>	<u>2011</u>
Expected volatility	38.64%	38.90%
Expected dividends	3.23%	3.20%
Expected term (in years)	6.58	6.38
Risk-free rates	1.78%	1.99%

There were no options granted in 2013.

A summary of the status of the Company's nonvested restricted and performance shares as of December 31, 2013 and changes during 2013 are presented below:

	<u>Number of Shares</u>	<u>Weighted- Average Grant-Date Fair Value (\$)</u>
Nonvested at January 1, 2013	1,683,146	\$31.56
Granted	558,738	33.15
Vested	(95,247)	37.66
Cancelled/Forfeited	<u>(164,817)</u>	<u>31.14</u>
Nonvested at December 31, 2013	<u>1,981,820</u>	<u>\$31.75</u>

As of December 31, 2013, there was \$39.7 million of total unrecognized compensation related to nonvested restricted shares expected to vest. This compensation is expected to be recognized in expense over a weighted-average period of 3.7 years. The total fair value of shares which vested during 2013 and 2012 was \$3.2 million and \$2.3 million, respectively.

In 2013, Hancock granted 67,533 performance shares with an average fair value of \$32.84 per share to key members of executive and senior management. The number of 2013 performance shares that ultimately vest at the end of the three-year required service period will be based on the relative rank of Hancock's three-year total shareholder return (TSR) among the TSRs of a peer group of fifty regional banks. The maximum number of performance shares that could vest is 200% of the target award. The fair value of the awards at the grant date was determined using a Monte Carlo simulation method. Compensation expense for these performance shares will be recognized on a straight-line basis over the service period.

Note 14. Fair Value of Financial Instruments

The Financial Accounting Standards Board (FASB) defines fair value as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The FASB's guidance also established a fair value hierarchy that prioritizes the inputs to these valuation techniques used to measure fair value, giving preference to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs such as a reporting entity's own data (level 3). Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, observable inputs other than quoted prices, such as interest rates and yield curves, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Fair Value of Financial Instruments (continued)

Fair Value of Assets Measured on a Recurring Basis

The following table presents for each of the fair-value hierarchy levels the Company's financial assets and liabilities that are measured at fair value (in thousands) on a recurring basis in the consolidated balance sheets.

	<u>Level 1</u>	<u>December 31, 2013</u> <u>Level 2</u>	<u>Total</u>
Assets			
Available for sale debt securities:			
U.S. Treasury and government agency securities	\$ 505	\$ —	\$ 505
Municipal obligations	—	35,961	35,961
Corporate debt securities	3,500	—	3,500
Mortgage-backed securities	—	1,276,958	1,276,958
Collateralized mortgage obligations	—	94,125	94,125
Equity securities	<u>10,723</u>	<u>—</u>	<u>10,723</u>
Total available-for-sale securities	<u>14,728</u>	<u>1,407,044</u>	<u>1,421,772</u>
Derivative assets (1)	<u>—</u>	<u>15,579</u>	<u>15,579</u>
Total recurring fair value measurements - assets	<u>\$14,728</u>	<u>\$1,422,623</u>	<u>\$1,437,351</u>
Liabilities			
Derivative liabilities (1)	<u>\$ —</u>	<u>\$ 15,006</u>	<u>\$ 15,006</u>
Total recurring fair value measurements - liabilities	<u>\$ —</u>	<u>\$ 15,006</u>	<u>\$ 15,006</u>

(1) For further disaggregation of derivative assets and liabilities, see Note 6 - Derivatives

	<u>Level 1</u>	<u>December 31, 2012</u> <u>Level 2</u>	<u>Total</u>
Assets			
Available for sale debt securities:			
U.S. Treasury and government agency securities	\$18,265	\$ —	\$ 18,265
Municipal obligations	—	50,165	50,165
Corporate debt securities	2,250	—	2,250
Mortgage-backed securities	—	1,774,406	1,774,406
Collateralized mortgage obligations	—	198,077	198,077
Equity securities	<u>5,279</u>	<u>—</u>	<u>5,279</u>
Total available-for-sale securities	<u>25,794</u>	<u>2,022,648</u>	<u>2,048,442</u>
Derivative assets (1)	<u>—</u>	<u>20,093</u>	<u>20,093</u>
Total recurring fair value measurements - assets	<u>\$25,794</u>	<u>\$2,042,741</u>	<u>\$2,068,535</u>
Liabilities			
Derivative liabilities (1)	<u>\$ —</u>	<u>\$ 21,100</u>	<u>\$ 21,100</u>
Total recurring fair value measurements - liabilities	<u>\$ —</u>	<u>\$ 21,100</u>	<u>\$ 21,100</u>

(1) For further disaggregation of derivative assets and liabilities, see Note 6 - Derivatives

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Fair Value of Financial Instruments (continued)

Securities classified as level 1 within the valuation hierarchy include U.S. Treasury securities, obligations of U.S. Government-sponsored agencies, and certain other debt and equity securities. Level 2 classified securities include residential mortgage-backed securities and collateralized mortgage obligations that are issued or guaranteed by U.S. government agencies, and state and municipal bonds. The level 2 fair value measurements for investment securities are obtained quarterly from a third-party pricing service that uses industry-standard pricing models. Substantially all of the model inputs were observable in the marketplace or can be supported by observable data. The Company invests only in high quality securities of investment grade quality with a targeted duration, for the overall portfolio, generally between two to five years. Company policies limit investments to securities having a rating of not less than “Baa” or its equivalent by a nationally recognized statistical rating agency. There were no transfers between valuation hierarchy levels during the periods shown.

The fair value of derivative financial instruments, which are predominantly interest rate swaps, is obtained from a third-party pricing service that uses an industry-standard discounted cash flow model that relies on inputs, LIBOR swap curves and Overnight Index swap rate curves, observable in the marketplace. To comply with the accounting guidance, credit valuation adjustments are incorporated in the fair values to appropriately reflect nonperformance risk for both the Company and the counterparties. Although the Company has determined that the majority of the inputs used to value the derivative instruments fall within level 2 of the fair value hierarchy, the credit value adjustments utilize level 3 inputs, such as estimates of current credit spreads. The Company has determined that the impact of the credit valuation adjustments is not significant to the overall valuation of these derivatives. As a result, the Company has classified its derivative valuations in their entirety in level 2 of the fair value hierarchy. The Company’s policy is to measure counterparty credit risk quarterly for all derivative instruments subject to master netting arrangements consistent with how market participants would price the net risk exposure at the measurement date.

The Company also has certain derivative instruments associated with the Banks’ mortgage-banking activities. These derivative instruments include interest rate lock commitments on prospective residential mortgage loans and forward commitments to sell these loans to investors on a best efforts delivery basis. The fair value of these derivative instruments is measured using observable market prices for similar instruments and is classified as a level 2 measurement.

Fair Value of Assets Measured on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis. Collateral-dependent impaired loans are level 2 assets measured at the fair value of the underlying collateral based on third-party appraisals that take into consideration market-based information such as recent sales activity for similar assets in the property’s market.

Other real estate owned, including both foreclosed property and surplus banking property, are level 3 assets that are adjusted to fair value, less estimated selling costs, upon transfer to other real estate owned. Subsequently, other real estate owned is carried at the lower of carrying value or fair value less estimated selling costs. Fair values are determined by sales agreement or third-party appraisals as discounted for estimated selling costs, information from comparable sales, and marketability of the property.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Fair Value of Financial Instruments (continued)

The following table presents for each of the fair value hierarchy levels the Company's financial assets that are measured at fair value (in thousands) on a nonrecurring basis.

	December 31, 2013			Total
	Level 1	Level 2	Level 3	
Collateral dependent impaired loans	\$—	\$24,392	\$ —	\$24,392
Other real estate owned	—	—	25,525	25,525
Total nonrecurring fair value measurements	<u>\$—</u>	<u>\$24,392</u>	<u>\$25,525</u>	<u>\$49,917</u>

	December 31, 2012			Total
	Level 1	Level 2	Level 3	
Collateral dependent impaired loans	\$—	\$72,694	\$ —	\$ 72,694
Other real estate owned	—	—	43,803	43,803
Total nonrecurring fair value measurements	<u>\$—</u>	<u>\$72,694</u>	<u>\$43,803</u>	<u>\$116,497</u>

Accounting guidance from the FASB requires the disclosure of estimated fair value information about certain on- and off-balance sheet financial instruments, including those financial instruments that are not measured and reported at fair value on a recurring basis. The significant methods and assumptions used by the Company to estimate the fair value of financial instruments are discussed below.

Cash, Short-Term Investments and Federal Funds Sold - For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities Available for Sale - The fair value measurement for securities available for sale was discussed earlier. The same measurement techniques were applied to the valuation of securities held to maturity.

Loans, Net - The fair value measurement for certain impaired loans was discussed earlier. For the remaining portfolio, fair values were generally estimated by discounting scheduled cash flows using discount rates determined with reference to current market rates at which loans with similar terms would be made to borrowers with similar credit quality.

Accrued Interest Receivable and Accrued Interest Payable - The carrying amounts are a reasonable estimate of fair values.

Deposits - The accounting guidance requires that the fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, interest-bearing checking and savings accounts, be assigned fair values equal to amounts payable upon demand (carrying amounts). The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Securities Sold under Agreements to Repurchase, Federal Funds Purchased, and FHLB Borrowings - For these short-term liabilities, the carrying amount is a reasonable estimate of fair value.

Long-Term Debt - The fair value is estimated by discounting the future contractual cash flows using current market rates at which debt with similar terms could be obtained.

Derivative Financial Instruments - The fair value measurement for derivative financial instruments was discussed earlier.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Fair Value of Financial Instruments (continued)

The estimated fair values of the Company's financial instruments were as follows (in thousands):

	December 31, 2013			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3		
Financial assets:					
Cash, interest-bearing bank deposits, and federal funds sold	\$617,280	\$ —	\$ —	\$ 617,280	\$ 617,280
Available for sale securities	14,728	1,407,044	—	1,421,772	1,421,772
Held to maturity securities	100,316	2,476,268	—	2,576,584	2,611,352
Loans, net	—	24,392	12,023,330	12,047,722	12,191,191
Loans held for sale	—	24,515	—	24,515	24,515
Accrued interest receivable	42,977	—	—	42,977	42,977
Derivative financial instruments	—	15,579	—	15,579	15,579
Financial liabilities:					
Deposits	\$ —	\$ —	\$15,352,024	\$15,352,024	\$15,360,516
Federal funds purchased	7,725	—	—	7,725	7,725
Securities sold under agreements to repurchase	650,235	—	—	650,235	650,235
Long-term debt	—	385,557	—	385,557	385,826
Accrued interest payable	4,353	—	—	4,353	4,353
Derivative financial instruments	—	15,006	—	15,006	15,006
	December 31, 2012			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3		
Financial assets:					
Cash, interest-bearing bank deposits, and federal funds sold	\$1,948,679	\$ —	\$ —	\$ 1,948,679	\$ 1,948,679
Available for sale securities	25,794	2,022,648	—	2,048,442	2,048,442
Held to maturity securities	—	1,710,465	—	1,710,465	1,668,018
Loans, net	—	72,694	11,494,409	11,567,103	11,441,631
Loans held for sale	—	50,605	—	50,605	50,605
Accrued interest receivable	45,616	—	—	45,616	45,616
Derivative financial instruments	—	20,093	—	20,093	20,093
Financial liabilities:					
Deposits	—	—	15,757,044	15,757,044	15,744,188
Federal funds purchased	25,704	—	—	25,704	25,704
Securities sold under agreements to repurchase	613,429	—	—	613,429	613,429
Long-term debt	—	410,791	—	410,791	396,589
Accrued interest payable	4,814	—	—	4,814	4,814
Derivative financial instruments	—	21,100	—	21,100	21,100

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Commitments and Contingencies

Credit Related

In the normal course of business, the Banks enter into financial instruments, such as commitments to extend credit and letters of credit, to meet the financing needs of their customers. Such instruments are not reflected in the accompanying consolidated financial statements until they are funded, although they expose the Banks to varying degrees of credit risk and interest rate risk in much the same way as funded loans.

Commitments to extend credit include revolving commercial credit lines, nonrevolving loan commitments issued mainly to finance the acquisition and development or construction of real property or equipment, and credit card and personal credit lines. The availability of funds under commercial credit lines and loan commitments generally depends on whether the borrower continues to meet credit standards established in the underlying contract and has not violated other contractual conditions. Loan commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. Credit card and personal credit lines are generally subject to cancellation if the borrower's credit quality deteriorates. A number of commercial and personal credit lines are used only partially or, in some cases, not at all before they expire, and the total commitment amounts do not necessarily represent future cash requirements of the Company.

A substantial majority of the letters of credit are standby agreements that obligate the Banks to fulfill a customer's financial commitments to a third party if the customer is unable to perform. The Banks issue standby letters of credit primarily to provide credit enhancement to their customers' other commercial or public financing arrangements and to help them demonstrate financial capacity to vendors of essential goods and services.

The contract amounts of these instruments reflect the Company's exposure to credit risk. The Company undertakes the same credit evaluation in making loan commitments and assuming conditional obligations as it does for on-balance sheet instruments and may require collateral or other credit support. These off-balance sheet financial instruments are summarized below (in thousands):

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Commitments to extend credit	\$5,234,929	\$4,373,679
Letters of credit	422,284	401,861

Legal Proceedings

The Company is party to various legal proceedings arising in the ordinary course of business. Management does not believe that loss contingencies, if any, arising from pending litigation and regulatory matters will have a material adverse effect on the consolidated financial position or liquidity of the Company.

Other Contingencies

On December 18, 2009, the Company entered into loss share agreements with the FDIC related to the covered loans it acquired in the Peoples First Community Bank transaction. The loss share agreements contain specific terms and conditions regarding the management of the covered assets that the Company must follow in order to receive reimbursement for losses from the FDIC.

**HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 15. Commitments and Contingencies (continued)

In July 2013, the FDIC issued an assessment related to a targeted review of certain previously-paid loss claim reimbursements that requests repayment due to FDIC's disagreement with the calculation of the losses and the manner in which certain assets were administered. The Company believes that it has complied with the terms and conditions of the loss share agreements and administered assets and calculated charge-offs in a manner that conforms to its regulatory supervisory criteria and the Company's policy for non-covered assets.

During third quarter 2013, the Company reimbursed the FDIC and accrued a total of \$2.1 million related to the assessment. The \$2.1 million represents the Company's best estimate of loss.

The FDIC has delayed processing of the Company's claims since September 2013 and outstanding reimbursement claims due from the FDIC for the period September through December 2013 total \$9.9 million. The Company believes it will ultimately recover these claims in full and is pursuing all options to resolve the assessment with the FDIC. While the Company believes it has meritorious defenses against the FDIC assessment, the ultimate resolution of these matters, which is expected to occur within one year, could result in a loss of up to \$11.5 million in excess of the amount accrued.

Lease Commitments

The Company currently is obligated under a number of non-cancelable operating leases for buildings and equipment. Certain of these leases have escalation clauses and renewal options. Future minimum lease payments for non-cancelable operating leases with initial terms in excess of one year were as follows at December 31, 2013 (in thousands):

	Operating Leases
2014	\$10,378
2015	8,926
2016	7,950
2017	7,129
2018	5,417
Thereafter	<u>18,984</u>
Total minimum lease payments	<u>\$58,784</u>

Rental expense approximated \$12.9 million, \$14.3 million and \$11.9 million for the years ended December 31, 2013, 2012, and 2011, respectively.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Other Noninterest Income and Other Noninterest Expense

The components of other noninterest income and other noninterest expense are as follows (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Other noninterest income:			
Income from bank-owned life insurance	\$11,223	\$11,163	\$ 9,311
Credit-related fees	8,724	6,681	5,752
Income from derivatives	4,675	3,600	760
Gain on sales of assets	1,932	4,366	1,083
Safety deposit box income	1,923	2,006	1,591
(Amortization) accretion of FDIC loss share receivable	(2,239)	5,000	16,689
Other miscellaneous income	8,753	9,072	7,081
Total other noninterest income	<u>\$34,991</u>	<u>\$41,888</u>	<u>\$42,267</u>
Other noninterest expense:			
Advertising	\$10,399	\$13,515	\$17,687
Ad valorem and franchise taxes	9,727	8,321	5,330
Printing and supplies	5,112	7,491	5,608
Insurance expense	4,094	5,494	7,490
Travel	4,716	5,758	3,590
Entertainment and contributions	5,265	6,049	3,954
Tax credit investment amortization	10,781	5,974	3,515
Other miscellaneous expense	45,242	27,669	31,539
Total other noninterest expense	<u>\$95,336</u>	<u>\$80,271</u>	<u>\$78,713</u>

Other miscellaneous expense includes one-time expenses related to branch closings in 2013 and merger-related expenses and costs associated with the early redemption of a portion of Whitney Bank's subordinated debt in 2012.

Note 17. Income Taxes

Income tax expense included in net income consisted of the following components (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Included in net income			
Current federal	\$ 14,797	\$11,195	\$ 7,400
Current state	(3,207)	1,953	1,961
Total current provision	<u>11,590</u>	<u>13,148</u>	<u>9,361</u>
Deferred federal	37,403	34,219	9,735
Deferred state	3,517	(1,754)	(1,032)
Total deferred provision	<u>40,920</u>	<u>32,465</u>	<u>8,703</u>
Total included in net income	<u>\$ 52,510</u>	<u>\$45,613</u>	<u>\$ 18,064</u>
Included in shareholder's equity			
Deferred tax related to retirement benefits	\$ 32,749	\$ 3,788	\$(32,944)
Deferred tax related to securities	(40,876)	(1,583)	19,145
Deferred tax related to derivatives and hedging	116	(75)	(42)
Total included in shareholder's equity	<u>\$ (8,011)</u>	<u>\$ 2,130</u>	<u>\$(13,841)</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Income Taxes (continued)

Temporary differences arise between the tax bases of assets or liabilities and their carrying amounts for financial reporting purposes. The expected tax effects when these differences are resolved are recorded currently as deferred tax assets or liabilities. Significant components of the Company's deferred tax assets and liabilities were as follows (in thousands):

	December 31,	
	2013	2012
Deferred tax assets:		
Allowance for loan losses	\$ 64,389	\$ 77,957
Employee compensation and benefits	31,293	64,030
Loan purchase accounting adjustments	75,595	185,789
Tax credit carryforward	41,083	35,605
Securities	6,432	—
State net operating loss	1,535	1,805
Other	21,611	18,102
Gross deferred tax assets	241,938	383,288
Federal valuation allowance	—	—
State valuation allowance	(1,531)	(1,805)
Subtotal valuation allowance	(1,531)	(1,805)
Net deferred tax assets	240,407	381,483
Deferred tax liabilities:		
Fixed assets & intangibles	(93,952)	(124,402)
Securities	—	(46,088)
Deferred gain on acquisition	(4,407)	(8,962)
FDIC indemnification asset	(37,775)	(62,311)
Other	(14,565)	(11,335)
Gross deferred tax liabilities	(150,699)	(253,098)
Net deferred tax asset (liability)	\$ 89,708	\$ 128,385

Reported income tax expense differed from amounts computed by applying the statutory income tax rate of 35% to earnings before income taxes because of the following factors (in thousands):

	Years Ended December 31,					
	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
Taxes computed at statutory rate	\$ 75,553	35%	\$ 69,074	35%	\$33,188	35%
Increases (decreases) in taxes resulting from:						
State income taxes, net of federal income tax benefit	2,352	1%	(78)	0%	689	1%
Tax-exempt interest	(6,487)	-3%	(7,127)	-4%	(6,892)	-8%
Bank owned life insurance	(3,926)	-2%	(4,005)	-2%	(3,352)	-4%
Tax credits	(17,454)	-8%	(13,661)	-7%	(8,384)	-9%
Merger transaction costs	—	0%	—	0%	2,178	3%
Other, net	2,472	1%	1,410	1%	637	1%
Income tax expense	\$ 52,510	24%	\$ 45,613	23%	\$18,064	19%

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Income Taxes (continued)

As of December 31, 2013, the Company had approximately \$41 million in federal tax credit carryforwards that originated in the tax years from 2008 through 2013 and that begin expiring in 2028. The Company had approximately \$43 million in state net operating loss carryforwards that originated in the tax years 2002 through 2013 and that begin expiring in 2017. A valuation allowance has been established for the state net operating loss carryforwards. The impact of this valuation allowance is immaterial to the financial statements.

The tax benefit of a position taken or expected to be taken in a tax return should be recognized when it is more likely than not that the position will be sustained on its technical merits. The liability for unrecognized tax benefits was immaterial at December 31, 2013 and 2012. The Company does not expect the liability for unrecognized tax benefits to change significantly during 2014. Hancock recognizes interest and penalties, if any, related to income tax matters in income tax expense, and the amounts recognized during 2013, 2012 and 2011 were insignificant.

The Company and its subsidiaries file a consolidated U.S. federal income tax return, as well as filing various state returns. Generally, the returns for years prior to 2009 are no longer subject to examination by taxing authorities.

Note 18. Earnings Per Share

Hancock calculates earnings per share using the two-class method. The two-class method allocates net income to each class of common stock and participating security according to common dividends declared and participation rights in undistributed earnings. Participating securities consist of unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents.

A summary of the information used in the computation of earnings per common share follows (in thousands, except per share data):

	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
<i>Numerator:</i>			
Net income to common shareholders	\$163,356	\$151,742	\$76,759
Net income allocated to participating securities - basic and diluted	<u>3,105</u>	<u>1,557</u>	<u>866</u>
Net income allocated to common shareholders - basic and diluted	<u>\$160,251</u>	<u>\$150,185</u>	<u>\$75,893</u>
<i>Denominator:</i>			
Weighted-average common shares - basic	83,066	84,767	65,590
Dilutive potential common shares	<u>101</u>	<u>821</u>	<u>480</u>
Weighted average common shares - diluted	<u>83,167</u>	<u>85,588</u>	<u>66,070</u>
Earnings per common share:			
Basic	\$ 1.93	\$ 1.77	\$ 1.16
Diluted	<u>\$ 1.93</u>	<u>\$ 1.75</u>	<u>\$ 1.15</u>

Potential common shares consist of employee and director stock options. These potential common shares do not enter into the calculation of diluted earnings per share if the impact would be anti-dilutive, i.e., increase earnings per share or reduce a loss per share. Weighted-average anti-dilutive potential common shares totalled 916,756 for the twelve months ended December 31, 2013, 1,057,925 for the twelve months ended December 31, 2012, and 1,617,779 for the twelve months ended December 31, 2011.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Segment Reporting

The Company's reportable operating segments consist of the Hancock segment, which coincides generally with the Company's Hancock Bank subsidiary, and the Whitney segment, which coincides generally with its Whitney Bank subsidiary. Each of the bank segments offer commercial, consumer and mortgage loans and deposit services as well as certain other services, such as trust and treasury management services. Although the bank segments offer the same products and services, they are managed separately due to different pricing, product demand, and consumer markets. On June 4, 2011, the Company completed its acquisition of Whitney Holding Corporation, the parent of Whitney National Bank. Whitney National Bank was merged into Hancock Bank of Louisiana and the combined entity was renamed Whitney Bank. Prior to the merger the segment now called Whitney Bank was comprised generally of Hancock Bank Louisiana. On March 15, 2012, Whitney Bank transferred the assets and liabilities of its operations in Florida, Alabama, and Mississippi to Hancock Bank and retained its operations in Louisiana and Texas. In the following tables, the "Other" column includes activities of other consolidated subsidiaries and the holding company which do not constitute reportable segments under the quantitative and aggregation accounting guidelines. These subsidiaries provide investment services, insurance agency services, insurance underwriting and various other services to third parties.

Following is selected information for the Company's segments (in thousands):

	Year Ended December 31, 2013				
	Hancock	Whitney	Other	Eliminations	Consolidated
Interest income	\$ 265,160	\$ 437,298	\$ 24,355	\$ (4,603)	\$ 722,210
Interest expense	(18,575)	(17,253)	(9,794)	4,143	(41,479)
Net interest income	246,585	420,045	14,561	(460)	680,731
Provision for loan losses	(23,173)	(4,746)	(4,815)	—	(32,734)
Noninterest income	72,180	134,507	39,351	—	246,038
Depreciation and amortization	(15,501)	(15,352)	(1,210)	—	(32,063)
Other noninterest expense	(227,574)	(377,684)	(40,953)	—	(646,211)
Securities transactions	—	—	105	—	105
Income before income taxes	52,517	156,770	7,039	(460)	215,866
Income tax expense	10,490	41,060	960	—	52,510
Net income	\$ 42,027	\$ 115,710	\$ 6,079	\$ (460)	\$ 163,356
Goodwill	\$ 94,130	\$ 527,063	\$ 4,482	\$ —	\$ 625,675
Total assets	\$6,573,428	\$12,908,891	\$2,933,388	\$(3,406,456)	\$19,009,251
Total interest income from affiliates	\$ 3,488	\$ 1,115	\$ —	\$ (4,603)	\$ —
Total interest income from external customers	\$ 261,672	\$ 436,183	\$ 24,355	\$ —	\$ 722,210

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Segment Reporting (continued)

	Year Ended December 31, 2012				
	Hancock	Whitney	Other	Eliminations	Consolidated
Interest income	\$ 269,915	\$ 473,664	\$ 23,996	\$ (5,026)	\$ 762,549
Interest expense	(22,553)	(25,178)	(8,516)	4,565	(51,682)
Net interest income	247,362	448,486	15,480	(461)	710,867
Provision for loan losses	(21,304)	(32,834)	(54)	—	(54,192)
Noninterest income	78,785	133,228	40,219	(37)	252,195
Depreciation and amortization	(14,309)	(17,515)	(1,032)	—	(32,856)
Other noninterest expense	(230,208)	(403,935)	(46,105)	37	(680,211)
Securities transactions	579	966	7	—	1,552
Income before income taxes	60,905	128,396	8,515	(461)	197,355
Income tax expense	11,878	30,998	2,737	—	45,613
Net income	\$ 49,027	\$ 97,398	\$ 5,778	\$ (461)	\$ 151,742
Goodwill	\$ 94,130	\$ 530,265	\$ 4,482	\$ —	\$ 628,877
Total assets	\$6,308,690	\$13,127,109	\$2,865,346	\$(2,836,660)	\$19,464,485
Total interest income from affiliates	\$ 4,042	\$ 984	\$ —	\$ (5,026)	\$ —
Total interest income from external customers	\$ 265,873	\$ 472,680	\$ 23,996	\$ —	\$ 762,549

	Year Ended December 31, 2011				
	Hancock	Whitney	Other	Eliminations	Consolidated
Interest income	\$ 195,230	\$ 380,072	\$ 21,794	\$ (4,892)	\$ 592,204
Interest expense	(39,056)	(29,538)	(6,807)	4,430	(70,971)
Net interest income	156,174	350,534	14,987	(462)	521,233
Provision for loan losses	(17,216)	(17,550)	(3,966)	—	(38,732)
Noninterest income	76,846	96,349	32,761	471	206,427
Depreciation and amortization	(10,649)	(13,123)	(834)	—	(24,606)
Other noninterest expense	(163,088)	(372,034)	(34,894)	608	(569,408)
Securities Transactions	(51)	—	(40)	—	(91)
Income before income taxes	42,016	44,176	8,014	617	94,823
Income tax expense (benefit)	6,513	7,584	3,967	—	18,064
Net income	\$ 35,503	\$ 36,592	\$ 4,047	\$ 617	\$ 76,759
Goodwill	\$ 23,386	\$ 623,294	\$ 4,482	\$ —	\$ 651,162
Total assets	\$4,934,003	\$14,792,788	\$2,462,281	\$(2,414,976)	\$19,774,096
Total interest income from affiliates	\$ 4,364	\$ 528	\$ —	\$ (4,892)	\$ —
Total interest income from external customers	\$ 190,866	\$ 379,544	\$ 21,794	\$ —	\$ 592,204

Consolidated other intangible assets totaled \$159.8 million and \$189.4 million, respectively, at December 31, 2013 and 2012. The balance at the end of 2013 consisted of core deposit intangibles of \$132.7 million and other identifiable intangible assets of \$27.1 million. The total was allocated \$135.3 million to the Whitney segment, \$17.0 million to the Hancock segment, and \$7.5 million to the Other segment. Total other intangible assets at the

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Segment Reporting (continued)

end of 2012 consisted of core deposit intangibles of \$154.7 million and other identifiable intangibles assets of \$34.7 million. The 2012 total was allocated \$168.9 million to Whitney, \$20.3 million to Hancock, and \$0.2 million to the Other segment.

Note 20. Condensed Parent Company Information

The following condensed financial statements reflect the accounts and transactions of Hancock Holding Company only (in thousands):

Condensed Balance Sheets

	December 31,	
	2013	2012
Assets:		
Cash	\$ 66,338	\$ 26,041
Securities available for sale	107,017	132,551
Investment in bank subsidiaries	2,409,319	2,495,412
Investment in non-bank subsidiaries	5,319	8,071
Due from subsidiaries and other assets	23,161	13,447
	\$2,611,154	\$2,675,522
Liabilities and Stockholders' Equity:		
Long term debt	\$ 184,800	\$ 220,000
Due to subsidiaries and other liabilities	1,285	2,244
Stockholders' equity	2,425,069	2,453,278
	\$2,611,154	\$2,675,522

Condensed Statements of Income

	Years Ended December 31,		
	2013	2012	2011
Operating Income			
From subsidiaries			
Cash dividends received from bank subsidiaries	\$249,000	\$ 25,000	\$123,100
Non-cash dividend from bank subsidiary in restructuring	—	225,000	13,451
Dividends received from non-bank subsidiaries	2,990	150	—
Equity in earnings of subsidiaries greater than (less than) dividends received	(82,203)	(94,486)	(57,172)
Total operating income	169,787	155,664	79,379
Other (expense) income	(10,335)	(6,673)	(2,592)
Income tax expense (benefit)	(3,904)	(2,751)	28
Net income	\$163,356	\$151,742	\$ 76,759

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20. Condensed Parent Company Information (continued)

Condensed Statements of Cash Flows

	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities - principally dividends received from subsidiaries	\$ 257,251	\$ 18,789	\$ 113,355
Net cash provided by operating activities	<u>257,251</u>	<u>18,789</u>	<u>113,355</u>
Cash flows from investing activities			
Contribution of capital to subsidiary	(870)	(955)	(233)
Loans to nonbank subsidiaries, net of repayments	—	1,684	—
Purchase of available for sale securities	—	(77,058)	(103,432)
Proceeds of securities available for sale	18,685	47,305	1,396
Cash paid in connection with business combination	—	—	(275,563)
Other, net	<u>(5,630)</u>	<u>—</u>	<u>—</u>
Net cash used by investing activities	<u>12,185</u>	<u>(29,024)</u>	<u>(377,832)</u>
Cash flows from financing activities:			
Proceeds from issuance of long term debt	—	217,933	140,000
Repayment of long term debt	(35,200)	(140,000)	—
Dividends paid to stockholders	(81,673)	(83,151)	(70,617)
Stock transactions, net	<u>(112,266)</u>	<u>13,479</u>	<u>222,322</u>
Net cash provided by (used by) financing activities	<u>(229,139)</u>	<u>8,261</u>	<u>291,705</u>
Net increase (decrease) in cash	40,297	(1,974)	27,228
Cash, beginning of year	<u>26,041</u>	<u>28,015</u>	<u>787</u>
Cash, end of year	<u>\$ 66,338</u>	<u>\$ 26,041</u>	<u>\$ 28,015</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The rules refer to our controls and other procedures that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and (2) accumulated and communicated to its management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management, including our Chief Executive Officers and Chief Financial Officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures and based on that evaluation, has concluded that as of December 31, 2013, our disclosure controls and procedures were effective.

Internal Control Over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13(a)-15(f) under the Exchange Act. The Company’s management, with the participation of its principal executive and principal financial officers, evaluated the effectiveness, as of December 31, 2013, of the Company’s internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management also conducted an assessment of requirements pertaining to Section 112 of the Federal Deposit Insurance Corporation Improvement Act. This section relates to management’s evaluation of internal control over financial reporting, including controls over the preparation of the schedules equivalent to the basic financial statements and compliance with laws and regulations. Our evaluation included a review of the documentation of controls, evaluations of the design of the internal control system and tests of the effectiveness of internal controls.

The Company’s internal controls over financial reporting as of December 31, 2013 have been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their accompany report which expresses an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting as of December 31, 2013.

Based on the foregoing evaluation, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2013.

ITEM 9B. OTHER INFORMATION

Hancock Holding Company (the Company) will hold its Annual Meeting of Shareholders of common stock on Friday, April 15, 2014, at 10:00 a.m. local time at One Hancock Plaza, 2510 14th Street, Gulfport, Mississippi.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The names, ages, positions and business experience of our executive officers:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Carl J. Chaney	52	President (since 2008) and Chief Executive Officer (since 2006) of the Company; Director, Mississippi Power Company (since 2009); Director of the Company since 2006.
John M. Hairston	50	Chief Executive Officer (since 2006) and Chief Operating Officer (since 2008) of the Company; Director of the Company since 2006.
Michael M. Achary	53	Executive Vice President since 2008; Chief Financial Officer since 2007.
Michael K. Dickerson	48	Senior Vice President since 2007, Chief Risk Officer Since 2013.
Joseph S. Exnicios	58	President, Whitney Bank since 2011; Senior Executive Vice President and Chief Risk Officer of Whitney Holding Corporation and Whitney National Bank from 2009 to 2011; Executive Vice President of Whitney Holding Corporation and Whitney National Bank from 2004 to 2009.
Edward G. Francis	48	Executive Vice President since 2008; Chief Commercial Banking Officer since 2010; Executive – Commercial Banking from 2008 to 2010; Senior Commercial Lending Officer from 2003 to 2008.
Richard T. Hill	57	Executive Vice President since 2002; Chief Retail Banking Officer since February 2010; Executive – Retail Banking from 2008 to 2010.
Samuel B. Kendricks	54	Executive Vice President since 2011; Chief Credit Officer since 2010; Chief Credit Policy Officer from 2009 to 2010; Senior Regional Credit Officer from 2008 to 2009.
D. Shane Loper	48	Executive Vice President since 2008; Chief Administrative Officer since 2013; Chief Risk Officer from 2012 to 2013; Chief Risk and Administrative Officer from 2010 to 2012; Chief Information Officer in 2006.
Joy Lambert Phillips	58	Executive Vice President since 2009; Corporate Secretary since June 2011; General Counsel since 1999.
Clifton J. Saik	60	Executive Vice President since 2002; Chief Wealth Management Officer since 2010; Executive, Wealth Management from 2007 to 2010; Director of Trust from 1998 to 2011.
Suzanne C. Thomas	59	Executive Vice President and Chief Credit Officer of Whitney Bank since 2011; Chief Wholesale Credit Officer since 2012; Executive Vice President and Chief Credit Officer of Whitney Holding Corporation and Whitney National Bank from 2010 to 2011; Senior Vice President of Whitney National Bank from 2001 to 2009.
Stephen E. Barker	57	Chief Accounting Officer, Hancock Holding Company since 2011; Senior Vice President and Comptroller, Whitney National Bank from 2000 to 2011.

Information concerning our directors will appear in our definitive proxy statement to be filed with the Securities and Exchange Commission for our 2014 annual meeting of shareholders under the captions “Information About Director Nominees” and “Information About Incumbent Directors.” Information concerning compliance with Section 16(a) of the Exchange Act will appear in our proxy statement under the caption “Section 16(a) Beneficial Ownership Reporting Compliance.” Information concerning our code of business ethics for officers and associates, our code of ethics for financial officers, and our code of ethics for directors will appear in our proxy

statement under the caption “Transactions with Related Persons.” Information concerning our audit committee will appear in our proxy statement under the caption “Board of Directors and Corporate Governance – Audit Committee.” Such information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning our executive compensation will appear in our proxy statement under the caption “Executive Compensation.” Information concerning our compensation committee interlocks and insider participation and our compensation committee report will appear in our proxy statement under the caption “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report,” respectively. Such information is incorporated herein by reference.

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

Information concerning ownership of certain beneficial owners and management will appear in our proxy statement under the caption “Security Ownership of Certain Beneficial Owners and Management.” Such information is incorporated herein by reference.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (3) (c)
Equity compensation plans approved by security holders	1,336,079(1)	\$35.05(2)	1,777,553
Equity compensation plans not approved by security holders	<u>178,285(4)</u>	<u>\$63.48(4)</u>	<u>—</u>
Total	<u>1,514,364</u>	<u>_____</u>	<u>1,777,553</u>

- (1) Includes 60,675 shares potentially issuable upon the vesting of outstanding restricted share units and 5,444 shares potentially issuable upon the vesting of outstanding performance share units that represent awards deferred into our Nonqualified Deferred Compensation Plan. This includes 115,589 performance stock awards at 100% of target. If the highest level of performance conditions is met, the total performance shares would be 210,919.
- (2) The weighted average exercise price relates only to the exercise of outstanding options included in column (a)
- (3) Includes 1,587,596 shares remaining available for issuance under the Amended and Restated 2005 Long-Term Incentive Plan, as amended, and 189,957 shares remaining available for issuance under the Company’s 2010 Employee Stock Purchase Plan, as amended.
- (4) Represents securities to be issued upon the exercise of options that were assumed by the company in the acquisition of Whitney Holding Corporation.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information concerning certain relationships and related transactions will appear in our proxy statement under the caption “Transactions with Related Persons.” Information concerning director independence will appear in our proxy statement under the caption “Board of Directors and Corporate Governance.” Such information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning principal accountant fees and services will appear in our proxy statement under the caption "Independent Registered Public Accounting Firm." Such information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. The following consolidated financial statements of Hancock Holding Company and subsidiaries are filed as part of this report under Item 8 – Financial Statements and Supplementary Data:

Consolidated balance sheets – December 31, 2013 and 2012

Consolidated statements of income – Years ended December 31, 2013, 2012, and 2011

Consolidated statements of changes in stockholders' equity– Years ended December 31, 2013, 2012, and 2011

Consolidated statements of cash flows –Years ended December 31, 2013, 2012, and 2011

Notes to consolidated financial statements – December 31, 2013 (pages 67 to 124)

2. Financial schedules required to be filed by Item 8 of this form, and by Item 15(d) below:

The schedules to the consolidated financial statements set forth by Article 9 of Regulation S-X are not required under the related instructions or are inapplicable and therefore have been omitted.

3. Exhibits required to be filed by Item 601 of Regulation S-K, and by Item 15(b) below.

(b) Exhibits:

All other financial statements and schedules are omitted as the required information is inapplicable or the required information is presented in the consolidated financial statements or related notes.

(a) 3. Exhibits:

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated December 21, 2010, between Hancock Holding Company and Whitney Holding Corporation (filed as Exhibit 2.1 to Hancock's Current Report on Form 8-K filed with the Commission on December 23, 2010 and incorporated herein by reference).
3.1	Amended and Restated Articles of Incorporation dated November 8, 1990 (filed as Exhibit 3.1 to Hancock's Form 10-K for the year ended December 31, 1990 filed with the Commission and incorporated herein by reference).
3.2	Amended and Restated Bylaws, dated November 8, 1990 (filed as Exhibit 3.2 to Hancock's registration statement on Form S- 8 filed with the Commission on September 19, 1996 and incorporated herein by reference).
3.3	Articles of Amendment to the Articles of Incorporation of Hancock Holding Company, dated October 16, 1991 (filed as Exhibit 4.1 to Hancock's Form 10-Q for the quarter ended September 30, 1991 filed with the Commission and incorporated herein by reference).
3.4	Articles of Correction, filed with Mississippi Secretary of State on November 15, 1991 (filed as Exhibit 4.2 to Hancock's Form 10-Q for the quarter ended September 30, 1991 filed with the Commission and incorporated herein by reference).
3.5	Articles of Amendment to the Articles of Incorporation of Hancock Holding Company, adopted February 13, 1992 (filed as Exhibit 3.5 to Hancock's Form 10-K for the year ended December 31, 1992 filed with the Commission and incorporated herein by reference).
3.6	Articles of Correction, filed with Mississippi Secretary of State on March 2, 1992 (filed as Exhibit 3.6 to Hancock's Form 10-K for the year ended December 31, 1992 filed with the Commission and incorporated herein by reference).
3.7	Articles of Amendment to the Articles of Incorporation adopted February 20, 1997 (filed as Exhibit 3.7 to Hancock's Form 10- K filed with the Commission on March 28, 1997 and incorporated herein by reference).
4.1	Specimen stock certificate (reflecting change in par value from \$10.00 to \$3.33, effective March 6, 1989) (filed as Exhibit 4.1 to Hancock's Form 10-Q for the quarter ended March 31, 1989 and incorporated herein by reference).
4.2	By executing this Form 10-K, Hancock hereby agrees to deliver to the Commission upon request copies of instruments defining the rights of holders of long-term debt of Hancock or its consolidated subsidiaries or its unconsolidated subsidiaries for which financial statements are required to be filed, where the total amount of such securities authorized thereunder does not exceed 10 percent of the total assets of Hancock and its subsidiaries on a consolidated basis.
4.3	Shareholder Rights Agreement, dated February 21, 1997, between Hancock Holding Company and Hancock Bank, as Rights Agent (filed as Exhibit 1 to Hancock's Form 8-A12G filed with the Commission on February 27, 1997 and incorporated herein by reference) as extended by Amendment No. 1 to Rights Agreement, dated February 19, 2007, between Hancock and Hancock Bank (filed with the Commission as Exhibit 4.1 to Hancock's Form 8-K filed with the Commission on February 20, 2007 and incorporated herein by reference).
*10.1	1996 Long Term Incentive Plan (filed as Exhibit A to Hancock's definitive proxy materials filed with the Commission on January 23, 1996 and incorporated herein by reference).
*10.2	Amended and Restated Hancock Holding Company 2005 Long-Term Incentive Plan dated December 18, 2008 and effective January 1, 2009 (filed as Exhibit 10.2 to Hancock's Form 10-K for the year ended December 31, 2012 filed with the commission and incorporated herein by reference).

<u>Exhibit Number</u>	<u>Description</u>
*10.3	Amendment to Amended and Restated Hancock Holding Company 2005 Long-Term Incentive Plan dated May 24, 2012 and effective January 1, 2012 (filed as Exhibit 10.3 to Hancock's Form 10-K for the year ended December 31, 2012 filed with the commission and incorporated herein by reference).
*10.4	Form of 2011 Performance Stock Award Agreement (filed as Exhibit 10.4 to Hancock's Form 10-K for the year ended December 31, 2012 filed with the commission and incorporated herein by reference).
*10.5	Form of 2011 Incentive Stock Option Agreement for Section 16 individuals (filed as Exhibit 10.5 to Hancock's Form 10-K for the year ended December 31, 2012 filed with the commission and incorporated herein by reference).
*10.6	Form of 2011 Restricted Stock Award Agreement for Section 16 individuals (filed as Exhibit 10.6 to Hancock's Form 10-K for the year ended December 31, 2012 filed with the commission and incorporated herein by reference).
*10.7	Form of 2012 and 2013 Restricted Stock Agreement (filed as Exhibit 10.2 to Hancock's Current Report on Form 8-K filed with the Commission on February 14, 2013 and incorporated herein by reference).
*10.8	Form of Performance Stock Award Agreement for 2012 and 2013 (filed as Exhibit 10.3 to Hancock's Current Report on Form 8- K filed with the Commission on February 14, 2013 and incorporated herein by reference).
*10.9	Restated Hancock Holding Company Nonqualified Deferred Compensation Plan, dated December 18, 2008 and effective January 1, 2008 (filed as Exhibit 10.9 to Hancock's Form 10-K for the year ended December 31, 2012 filed with the commission and incorporated herein by reference).
*10.10	Amendment to the Hancock Holding Company Nonqualified Deferred Compensation Plan, dated August 18, 2009 (filed as Exhibit 10.10 to Hancock's Form 10-K for the year ended December 31, 2012 filed with the commission and incorporated herein by reference).
*10.11	Amendment to the Hancock Holding Company Nonqualified Deferred Compensation Plan, dated September 10, 2009 (filed as Exhibit 10.11 to Hancock's Form 10-K for the year ended December 31, 2012 filed with the commission and incorporated herein by reference).
*10.12	Amendment to the Hancock Holding Company Nonqualified Deferred Compensation Plan, dated September 1, 2011 (filed as Exhibit 10.12 to Hancock's Form 10-K for the year ended December 31, 2012 filed with the commission and incorporated herein by reference).
10.13	Purchase and Assumption Agreement, dated December 18, 2009, among the Federal Deposit Insurance Corporation, in its capacity as receiver of Peoples First Community Bank, Panama City Florida, Hancock and the Federal Deposit Insurance Corporation acting in its corporate capacity (filed as Exhibit 10.8 to Hancock's Annual Report on Form 10-K filed with the Commission on February 17, 2010 and incorporated herein by reference).
*10.14	Hancock Holding Company 2010 Employee Stock Purchase Plan, (filed as Exhibit 99.1 to Hancock's Current Report on Form 8- K filed with the Commission on January 5, 2011 and incorporated herein by reference).
*10.15	Amendment to Hancock Holding Company 2010 Employee Stock Purchase Plan, dated December 15, 2011 and effective January 1, 2011 (filed as Exhibit 10.15 to Hancock's Form 10-K for the year ended December 31, 2012 filed with the commission and incorporated herein by reference).

<u>Exhibit Number</u>	<u>Description</u>
10.16	Term Loan Agreement, dated December 21, 2012, among Hancock, certain lenders from time to time party thereto, Suntrust Bank (as administrative agent) and U.S. Bank National Association (as syndication agent) (filed as Exhibit 10.1 to Hancock's Current Report on Form 8-K filed with the Commission on December 28, 2012 and incorporated herein by reference).
*10.17	Form of Change in Control Employment Agreement between Hancock and each of Messrs. Chaney, Hairston, Achary, and Loper (each terminated effective February 8, 2013) (filed as Exhibit 10.17 to Hancock's Form 10-K for the year ended December 31, 2012 filed with the commission and incorporated herein by reference).
*10.18	Retention Agreement, dated March 1, 2011, between Whitney Bank (as successor in interest to Hancock Bank of Louisiana) and Joseph S. Exnicious (filed as Exhibit 10.13 to Hancock's Annual Report on Form 10-K filed with the Commission on February 28, 2012 and incorporated herein by reference).
*10.19	Retention Agreement, dated March 31, 2011, between Whitney Bank (as successor in interest to Hancock Bank of Louisiana) and Suzanne Thomas (filed as Exhibit 10.13 to Hancock's Annual Report on Form 10-K filed with the Commission on February 28, 2012 and incorporated herein by reference).
*10.20	Hancock Holding Company Executive Incentive Plan.
*10.21	Form of Change in Control Employment Agreement between Hancock and each of Messrs. Chaney, Hairston, Achary, and Loper effective February 8, 2013 (filed as Exhibit 10.1 to Hancock's current report on Form 8-K filed with the commission on February 14, 2013 and incorporated herein by reference).
*10.22	Amendment to the Hancock Holding Company Nonqualified Deferred Compensation Plan, dated February 27, 2013.
**21.1	Subsidiaries of Hancock Holding Company.
**23.1	Consent of PricewaterhouseCoopers, LLP.
**31.1	Certification of Chief Executive Officers pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
**31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
**32.1	Certification of Chief Executive Officers pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**99.1	Chief Executive Officer Certification—IFR Section 30.15
**99.2	Chief Financial Officer Certification—IFR Section 30.15
**101.INS	XBRL Instance Document
**101.SCH	XBRL Schema Document
**101.CAL	XBRL Calculation Document
**101.LAB	XBRL Label Link Document
**101.PRE	XBRL Presentation Linkbase Document
**101.DEF	XBRL Definition Linkbase Document
*	Compensatory plan or arrangement.
**	Filed with this Form 10-K

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HANCOCK HOLDING COMPANY

Registrant

February 28, 2014

Date

By: /s/ Carl J. Chaney

Carl J. Chaney
President & Chief Executive Officer
Director

February 28, 2014

Date

By: /s/ John M. Hairston

John M. Hairston
Chief Executive Officer & Chief Operating Officer
Director

February 28, 2014

Date

By: /s/ Michael M. Achary

Michael M. Achary
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ James B. Estabrook, Jr

James B. Estabrook, Jr.

Chairman of the Board, Director

February 28, 2014

/s/ Frank E. Bertucci

Frank E. Bertucci

Director

February 28, 2014

/s/ Jerry L. Levens

Jerry L. Levens

Director

February 28, 2014

/s/ James H. Horne

James H. Horne

Director

February 28, 2014

/s/ John H. Pace

John H. Pace

Director

February 28, 2014

/s/ Christine L. Pickering

Christine L. Pickering

Director

February 28, 2014

/s/ Robert W. Roseberry

Robert W. Roseberry

Director

February 28, 2014

(signatures continued)

<u>/s/ Anthony J. Topazi</u> Anthony J. Topazi	Director	February 28, 2014
<u>/s/ Randall W. Hanna</u> Randall W. Hanna	Director	February 28, 2014
<u>/s/ Thomas H. Olinde</u> Thomas H. Olinde	Director	February 28, 2014
<u>/s/ Hardy B. Fowler</u> Hardy B. Fowler	Director	February 28, 2014
<u>/s/ Terence E. Hall</u> Terence E. Hall	Director	February 28, 2014
<u>/s/ R. King Milling</u> R. King Milling	Director	February 28, 2014
<u>/s/ Eric J. Nickelsen</u> Eric J. Nickelsen	Director	February 28, 2014