

**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, 2015.

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

64-0693170

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

One Hancock Plaza, 2510 14th Street,

Gulfport, Mississippi

39501

(228) 868-4727

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code

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

(Title of Class)

(Name of Exchange on Which Registered)

COMMON STOCK, \$3.33 PAR VALUE

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, 2016 was \$2.5 billion based upon the closing market price on NASDAQ on June 30, 2015. 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, 2016, the registrant had 77,496,907 shares of common stock outstanding.

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 (“SEC” or “The Commission”) are incorporated by reference into Part III of this Report.

Hancock Holding Company
Form 10-K
Index

PART I

ITEM 1.	BUSINESS	1
ITEM 1A.	RISK FACTORS	17
ITEM 1B.	UNRESOLVED STAFF COMMENTS	29
ITEM 2.	PROPERTIES	29
ITEM 3.	LEGAL PROCEEDINGS	29
ITEM 4.	MINE SAFETY DISCLOSURES	29

PART II

ITEM 5.	MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	30
ITEM 6.	SELECTED FINANCIAL DATA	32
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	37
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	76
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	77
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	148
ITEM 9A.	CONTROLS AND PROCEDURES	148
ITEM 9B.	OTHER INFORMATION	149

PART III

ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	149
ITEM 11.	EXECUTIVE COMPENSATION	149
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	149
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	150
ITEM 14.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	151

PART IV

ITEM 15.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	151
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PART I

ITEM 1. BUSINESS

ORGANIZATION AND RECENT DEVELOPMENTS

Hancock Holding Company (which we refer to as “Hancock” or the “Company”) is a financial services company that provides a comprehensive network of full-service financial choices to the Gulf South region through its bank subsidiary, Whitney Bank (the “Bank”), a Mississippi state bank. Whitney Bank operates under two century-old brands: “Hancock Bank” in Mississippi, Alabama and Florida and “Whitney Bank” in Louisiana and Texas. Whitney Bank also operates a loan production office in Nashville, Tennessee under both the Hancock and Whitney Bank brands.

Hancock 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.

Historically, our growth was primarily through internal branch expansions into areas of population that were not served by a dominant financial institution and through several small acquisitions. In 2009, we acquired the assets and assumed the liabilities of Panama City, Florida based Peoples First Community Bank (Peoples First) in a transaction with financial assistance from the Federal Deposit Insurance Corporation (FDIC) adding approximately \$2 billion in assets. In 2011, we acquired all of the common stock of Whitney Holding Corporation (Whitney), a bank holding company based in New Orleans, adding \$11.7 billion in assets, \$6.5 billion in loans, and \$9.2 billion in deposits. Our growth since the Whitney acquisition has been organic through the expansion of products that are targeted across the Company’s footprint. In the fourth quarter of 2015, we opened a loan production office in Nashville, Tennessee, further expanding our lending footprint.

At December 31, 2015, our balance sheet has grown to \$22.8 billion, with loans totaling \$15.7 billion, deposits totaling \$18.3 billion and 3,921 employees on a full-time equivalent basis.

NATURE OF BUSINESS AND MARKETS

The Bank operates across the Gulf South region comprised of southern Mississippi; southern and central Alabama; southern Louisiana; the northern, central, and panhandle regions of Florida; Houston, Texas; and Nashville, Tennessee. The Bank offers a broad range of traditional and online 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 Bank also provides trust and investment management services to retirement plans, corporations and individuals.

We also offer other services through nonbank subsidiaries. Hancock Investment Services, Inc. provides discount investment brokerage services, annuity products, and life insurance. Harrison Finance Company provides consumer financing services. We also have several special purpose subsidiaries to facilitate investment in new market tax credit activities and others that operate and sell certain foreclosed assets. Total revenue from nonbank subsidiaries accounted for less than ten percent of our consolidated revenue in 2015.

In April, 2014, Hancock sold its property and casualty and group benefits lines of business that had been housed within its subsidiary insurance agencies. Hancock established a referral program through which the Bank can continue to arrange these services for our clients. Although the lines of business divested represented approximately half of the Company’s 2013 insurance revenue, their sale did not have a material impact on operating results.

During the fourth quarter of 2015, Hancock opened a loan production office in Nashville, Tennessee and purchased approximately \$185 million of healthcare loans. This transaction supports our initiative to continue diversifying our loan portfolio, in addition to capitalizing on opportunities to expand our participation in the healthcare sector across our Gulf South footprint.

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. Hancock's size and scale enables us to attract and retain high quality employees, whom we refer to as associates, who are focused on executing this strategy.

The main industries in 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. As a result of stress in the energy sector, we are working to reduce our overall concentration in that industry while continuing to grow in other areas, creating a more diversified portfolio.

Our priorities are growing core revenue in our existing markets, controlling expenses, and managing through the challenges of today's energy cycle. We have invested in promoting new and enhanced products that contribute to the goal of diversifying our sources of revenue and increasing core deposit funding. We will continue to evaluate future acquisition opportunities that have the potential to increase shareholder value, provided overall economic conditions and our capital levels support such a transaction. We remain focused on maintaining two hallmarks of our past culture: a strong balance sheet and a commitment to excellent credit quality.

Additional information is available at www.hancockbank.com and www.whitneybank.com at the link titled Investor Relations.

Loan Production, Underwriting Standards and Credit Review

The Bank's 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 the markets served by the Bank. We seek to provide quality loan products that are attractive to the borrower and profitable to the Bank and to corporate clients that may have a broader service area. 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 our 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 our banking footprint, 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 better position the Bank to meet the credit needs of businesses and consumers in the markets it serves while it pursues a balanced strategy of loan profitability, loan growth and loan quality.

The following 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 "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Bank has a set of loan policies, underwriting standards and key underwriting functions designed to achieve a consistent approach. Our underwriting standards address:

- collateral requirements;
- guarantor requirements (including policies on financial statements, tax returns, 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 consistently monitor our loan concentration policy to review limits and manage our exposures within specified concentration tolerances, including those to particular borrowers, foreign entities, industries, and property types for commercial real estate. This policy calls for portfolio risk management and reporting, the monitoring of large borrower concentration limits and systematic tracking of large commercial loans and our portfolio mix. We continually monitor our concentration of commercial real estate and energy-related loans to ensure the mix is consistent with our risk tolerance. 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 Bank capital (as defined for risk-based capital ratios). The Company had the following commercial portfolio segment concentrations (shown as a percentage of risk-based capital) as of December 31, 2015:

Commercial Portfolio Segment Concentrations

- Commercial and Industrial — 494%
- Owner Occupied Real Estate — 112%
- Non-owner occupied commercial real estate (CRE) — 150%

The following details the more significant industry concentrations included above (shown as a percentage of risk-based capital) as of December 31, 2015:

Significant Industry Concentrations

- Mining, Oil and Gas — 106%
- Manufacturing — 54%
- Healthcare — 49%
- Commercial Real Estate — 47%
- Construction — 41%
- Retail Trade — 39%
- Wholesale Trade — 37%
- Finance and Insurance — 35%
- Transportation and Warehousing — 29%
- Government, Public Administration — 27%
- Professional, Scientific, and Technology Services — 25%

Our underwriting process is structured to require oversight that is proportional to the size and complexity of the lending relationship. We delegate designated regional managers, 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 and size of loans and relationships must be approved by either one of the Bank's centralized underwriting units or the Bank's executive loan committee.

Loans are underwritten in accordance with the underwriting standards and loan policies of the Bank. Loans are underwritten primarily on the basis of the borrower's ability to make debt service payments timely, 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 timely along with appropriate equity investment 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 FDIC acquired loans because these segments use different accounting and allowance methodologies. Within these categories, we have commercial, residential mortgage and consumer loans. Loans reported as "originated" include both loans originated for investment and acquired-performing loans where the discount (premium) has been fully amortized (accreted). Loans reported as "acquired" are those purchased in the Whitney acquisition on June 4, 2011. Loans reported as "FDIC acquired" are those purchased in the December 2009 acquisition of Peoples First, and are covered by loss share agreements between the FDIC and the Company for a stipulated period during which the Company is afforded significant protection against loan losses. The loss share agreement on the non-single family portfolio expired on December 31, 2014 and the loss share agreement on the single family portfolio expires on December 31, 2019.

Commercial

The Bank offers 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, healthcare services, and agricultural production. Commercial loans are categorized as commercial non-real estate, construction and land development, and commercial real estate loans.

Commercial non-real estate loans, both secured and unsecured, are made available to businesses for working capital (including financing of inventory and receivables), business expansion, and the purchase of equipment and machinery, including equipment leasing. These loans are primarily made based on the identified cash flows of the borrower and, if secured, on the underlying collateral. Most commercial non-real estate 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, including a small portfolio of corporate credit cards, generally issued as a part of overall customer relationships. 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 commercial non-real estate loan portfolio includes the majority of our energy-based lending, totaling \$1.6 billion, or 10%, of the total loan portfolio at December 31, 2015. The Company's energy portfolio is diversified across a number of industries, including exploration and production as well as related support services. Industry conditions reflect elevated risk, so we are actively monitoring the health of this segment of the portfolio and working towards reducing overall concentration.

The Bank makes 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, the amount of sponsor equity investment, and the projected value of the completed project. The Bank monitors the construction process to mitigate or identify risks as they arise. Construction loans often involve the disbursement of substantial funds with repayment largely 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 Bank 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. The Bank also makes owner occupied loans for the acquisition, development and improvements of real property to commercial customers to be used in their business operations. These loans are underwritten subject to normal commercial and industrial credit standards and are generally subject to project tracking processes, similar to those required for the non-owner occupied loans.

Commercial real estate loans consist of commercial mortgages on both income-producing and owner-occupied properties. Over the course of the past few years, we have executed a strategy to increase the proportion of loans secured by owner-occupied properties and reduce reliance on 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 Bank's 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 stability in values over the past 12 months. However, past experience has shown that commercial real estate conditions can be volatile, so we actively monitor this segment of the portfolio.

Residential Mortgage

A portion of the Bank's lending activities consists of the origination of both fixed-rate and adjustable-rate home loans, although we sell most longer term fixed-rate loans that we originate in the secondary mortgage market on a best-efforts basis. The sale of fixed-rate mortgage loans allows the Bank 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 both direct and indirect loans. Direct non-residential consumer loans are made to finance the purchase of personal property, including automobiles, recreational vehicles and boats, and for other personal purposes (secured and unsecured), and deposit account secured loans. An indirect non-residential loan is automobile financing provided to the consumer through an agreement with automobile dealerships. Consumer loans are attractive because they typically are relatively low balance loans with shorter maturities and produce a higher overall yield. The Bank also has a small portfolio of credit card receivables issued on the basis of applications received through referrals from the Bank's branches and other marketing efforts. The Bank approves consumer loans based on income 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 Bank considers in granting such loans. The availability of collateral is also a factor considered in making such loans. Preference is also given to borrowers in the Bank's primary market areas.

A small consumer finance portfolio is maintained by Harrison Finance Company, one of our nonbank subsidiaries. The portfolio has a higher credit risk profile than the Bank's consumer portfolio, but carries a higher yield.

Securities Portfolio

Our investment portfolio primarily consists of 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. The

Company considers the available for sale portfolio as one of its many sources of liquidity available to fund our operations. Investments are made in accordance with an investment policy approved by the Board Risk Committee. The investment portfolio is 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 basis points. The combined portfolio has a target effective duration of two to five. The effective duration provides a measure of the Company's portfolio price sensitivity to a 100 basis point change in interest rates.

We also utilize a significant portion of the securities portfolio to secure certain deposits and other liabilities requiring collateralization. However, to maintain an adequate level 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 (FHLB) of Dallas, although we have not had to do so.

The investments subcommittee of the asset/liability committee (ALCO) is responsible for oversight and monitoring and the management of the investment portfolio. The investments subcommittee is also responsible for the development of investment strategies for the consideration and approval of 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. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Enterprise Risk Management" for further discussion.

Deposits

The Bank has several programs designed to attract deposit accounts from consumers and 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 Bank primarily through pricing, and to a lesser extent, through promotional activities. Management believes that the rates that it offers on deposit accounts are generally competitive with other financial institutions in the Bank's 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 Bank also holds deposits of public entities. The Bank's strategy for acquiring public funds, as with any type of deposit, is determined by ALCO's funding and liquidity subcommittee while pricing decisions are determined by ALCO's deposit pricing subcommittee. Typically, many public fund deposits are allocated based upon the rate of interest offered and the ability of a bank to provide collateralization. The Bank 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 Bank. Public fund deposits are more volatile because they tend to be price sensitive and have high balances. Public funds are only one of many possible sources of liquidity that the Bank has available to draw upon as part of its liquidity funding strategy as set by ALCO.

Total deposits at December 31, 2015 included \$361 million of brokered deposits, or less than 2% of total deposits. Brokered deposits represent funds which the Bank obtains through deposit brokers who sell participations in a given bank deposit account or instrument to one or more investors. These brokered deposits are fully insured by the FDIC because they are participated out by the deposit broker in shares of \$250,000 or less. These brokered deposits issuances were approved by ALCO as one component of its funding strategy to support ongoing asset growth until such time as customer deposit growth ultimately replaces the brokered deposits. Under the Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”), we may continue to accept brokered deposits as long as we are either “well-capitalized” or “adequately-capitalized”.

Trust Services

The Bank, through its trust department, offers a full range of trust services on a fee basis. In its trust capacities, the Bank provides investment management services on an agency basis and acts 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, and charitable and religious organizations. As of December 31, 2015, the trust departments of the Bank had approximately \$15.5 billion of assets under administration compared to \$15.3 billion as of December 31, 2014. As of December 31, 2015, administered assets include investment management and investment advisory agency accounts totaling \$4.3 billion, corporate trust accounts totaling \$5.0 billion, and the remaining balances were personal, employee benefit, estate and other trust accounts.

COMPETITION

The financial services industry is highly competitive 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 and mobile 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 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

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”). In addition to regulation by the Federal Reserve as a bank holding company, the Company is subject to regulation by the State of Mississippi under its general business corporation laws. The Company is also required to file certain reports with, and otherwise comply with the rules and regulations of, the SEC under federal securities laws.

Federal Regulation

The Company is registered with the Federal Reserve as a bank holding company and has elected to be treated as a financial holding company under the Bank Holding Company Act. As such, the Company and its subsidiaries are subject to the supervision, examination and reporting requirements of the Bank Holding Company Act and the regulations of the Federal Reserve.

The Bank Holding Company Act generally prohibits a corporation that owns a federally insured financial institution (“bank”) from engaging in activities other than banking and managing or controlling banks or other subsidiaries engaging in permissible activities. Also prohibited is acquiring or obtaining control of more than 5% of the voting interests of any company that engages in activities other than those activities determined by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be properly incident thereto. In determining whether a particular activity is permissible, the Federal Reserve is also required to consider whether the performance of the activity can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. Examples of activities that the Federal Reserve has determined to be permissible are 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 all insurance in certain locations; and performing certain insurance underwriting 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 the Federal Reserve has reasonable cause to believe that continuation of such activity or control of such subsidiary would pose 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 or waiver of such prior approval before it: (1) 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) or any of its non-bank subsidiaries acquire all of the assets of a bank, (3) merges with any other bank holding company, or (4) engages in permissible non-banking activities. In reviewing a proposed covered acquisition, the Federal Reserve considers a bank holding company’s financial, managerial and competitive posture, the future prospects of the companies and banks concerned and the convenience and needs of the community to be served. The Federal Reserve also reviews any indebtedness to be incurred by a bank holding company in connection with the proposed acquisition to ensure that the bank holding company can service such indebtedness without adversely affecting its ability, and the ability of its subsidiaries, to meet their respective regulatory capital requirements. 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 Federal Reserve approval. During such 15 to 30-day period, the Department of Justice has the right to review the competitive aspects of the proposed transaction. The Department of Justice may file a lawsuit with the relevant United States Court of Appeals seeking an injunction against the proposed acquisition.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the “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. However, 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 within any state in which the acquiring bank operates. States have the right to lower the 30% limit, although no states within the Company’s current market area have done so. Additional provisions of Riegle-Neal require that interstate activities conform to the Community Reinvestment Act, which is intended to encourage depository institutions to help address the credit needs of the communities in which they operate, including low-and moderate-income neighborhoods, consistent with safe and sound operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) authorizes national and state banks to establish *de novo* branches in other states to the same extent a bank chartered in those states would be so permitted.

The Gramm-Leach-Bliley Act of 1999 (the “Financial Services Modernization Act”) established 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 financial holding company.

Capital Requirements

General Risk-Based and Leverage-Based Capital Requirements

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 the overall safety and soundness of a bank holding company or financial holding company and is an important factor considered by the Federal Reserve in evaluating any applications made by such 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 subject to dividend restrictions or denied approval to acquire or establish additional banks or non-bank businesses or to open additional facilities.

Additionally, each bank subsidiary of a financial holding company as well as the holding company itself must be well capitalized and well managed as determined by the subsidiary bank’s principal federal regulator, which in the case of the Bank, is the FDIC. To be considered well managed, the bank and holding company must have received at least a satisfactory composite rating and a satisfactory management rating at its most recent examination. 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. As of December 31, 2015, the Company and the Bank were both well capitalized.

A financial holding company that becomes aware that it or a subsidiary bank has ceased to be well capitalized or well managed must notify the Federal Reserve and enter into an agreement to cure the identified deficiency within a specified time period. If the deficiency is not cured timely, the Federal Reserve Board may order the financial holding company to divest its banking operations. Alternatively, to avoid divestiture, 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.

There are two measures of regulatory capital applicable to holding companies (1) leverage capital ratio and (2) risk-based capital ratios. Beginning January 1, 2015, the Company’s and the Bank’s primary federal regulators—the Federal Reserve and the FDIC, respectively—adopted final rules implementing the Basel III framework, which substantially revised the leverage and risk-based capital requirements applicable to bank holding companies and depository institutions. These final rules were based on international capital accords of the Basel Committee on Banking Supervision (the “Basel Committee”). The final rules established a new category of capital measure, Common Equity Tier 1 capital. Additionally, the final rules introduced a capital conservation buffer with respect to each of the Common Equity Tier 1, Tier 1 Risk-based and Total Risk-based capital ratios, which provides for capital levels that exceed the minimum risk-based capital requirements. The

capital conservation buffer must be maintained by the holding company to avoid limitations on its capital distributions and on its ability to pay discretionary bonus payments to executive officers. The capital conservation buffer is being phased in beginning in 2016, with full implementation to 2.50% by 2019.

The essential difference between the leverage capital ratio and the risk-based capital ratios is that the latter measures capital against both balance sheet and off-balance sheet risks that are both identified and risk-weighted. Common Equity Tier 1 capital is predominantly comprised of common stock instruments (including related surplus) and retained earnings, net of treasury stock, and after making required capital deductions and adjustments. Tier 1 capital generally is limited to all Common Equity Tier 1 capital plus qualifying minority interests (issued by consolidated depository institutions or foreign bank subsidiaries), accounts of consolidated subsidiaries and an amount of qualifying perpetual preferred stock, limited to 50% of Tier 1 capital. In calculating Common Equity Tier 1 capital and Tier 1 capital, net operating loss and tax credit carryforwards, and goodwill are deducted from Tier 1 capital. Additionally, there are deductions and adjustments to capital for other intangibles as well as deductions and adjustments to capital by the amount that the carrying value of certain assets exceeds 10% of capital. Examples of these assets are deferred tax assets, mortgage servicing rights, significant investments in unconsolidated subsidiaries, investments in certain capital instruments of financial entities and unrealized gains on cash flow hedges included in accumulated other comprehensive income (“AOCI”) arising from hedges not carried at fair market value on the balance sheet. Tier 2 capital is a secondary component of risk-based capital, consisting primarily of that portion of perpetual preferred stock that may not be included as Tier 1 capital, mandatory convertible securities, certain types of subordinated debt and a portion of the allowance for loan losses (limited to 1.25% of risk weighted assets).

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 take into account off-balance sheet exposure and to minimize disincentives for holding liquid assets. Under the risk-based capital guidelines, assets are assigned to one of several risk categories, ranging from 0% to 1,250%, though Hancock does not have any assets assigned to a risk category over 150%. 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. Off-balance sheet exposures such as standby letters of credit are risk-weighted and all or a portion thereof are included in risk-weighted assets based on an assessment of the relative risks that they present. 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.

The new rules also gave some banks, including ours, a one-time “opt out” in which banks could exclude certain volatile AOCI components from inclusion in regulatory capital. The Bank exercised its AOCI opt-out election option on the Bank’s Call Report and the Company’s FR Y-9C filed as of March 31, 2015.

The Company’s leverage capital ratio and risk based capital ratios as of December 31, 2015 were as follows:

	<u>Minimum</u>	<u>Well-Capitalized</u>	<u>Minimum Capital Plus Capital Conservation Buffer</u>				<u>Company at 12/31/2015</u>
			<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	
Tier 1 leverage capital ratio	4.00%	5.00%	N/A	N/A	N/A	N/A	8.55%
Risk-based capital ratios							
Common Equity Tier 1 capital	4.50%	6.50%	5.125%	5.75%	6.375%	7.00%	9.96%
Tier 1 capital	6.00%	8.00%	6.625%	7.25%	7.875%	8.50%	9.96%
Total risk-based capital (Tier 1 plus Tier 2)	8.00%	10.00%	8.625%	9.25%	9.875%	10.50%	11.86%

Federal Reserve Oversight

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 proposed redemption or stock purchase would constitute an unsafe or unsound practice or would violate any law, regulation, Federal Reserve order or directive or any condition imposed by, or written agreement with, the Federal Reserve.

The Federal Reserve has issued "Policy Statement on Cash Dividends Not Fully Covered by Earnings" (the "Policy Statement") which sets forth various guidelines that the Federal Reserve believes 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 Federal Reserve 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 required to file annual and quarterly reports with the Federal Reserve and such additional information as the Federal Reserve may require pursuant to the Bank Holding Company Act. The Federal Reserve may examine a bank holding company or any of its subsidiaries.

Additional Federal Regulatory Issues

In June 2010, the federal banking agencies issued joint guidance on executive compensation designed to help ensure that a banking organization's incentive compensation policies do not encourage imprudent risk taking and are consistent with the safety and soundness of the organization. In addition, the Dodd-Frank Act requires those agencies, along with the Commission, to adopt rules to require reporting of incentive compensation and to prohibit certain compensation arrangements. The federal banking agencies and the Commission proposed such rules in April 2011. In addition, in June 2012, the Commission issued final rules to implement the Dodd-Frank Act's requirement that the Commission direct the national securities exchanges to adopt certain listing standards related to the compensation committee of a company's board of directors as well as its compensation advisers.

The Company is a legal entity separate and distinct from the Bank. There are various restrictions that limit the ability of the Bank 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 under Section 23A and B of the Federal Reserve Act 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, leases or sales of property, or furnishing of services.

Stress Testing

The Dodd-Frank Act requires stress testing of bank holding companies and banks, such as the Company and the Bank, that have more than \$10 billion but less than \$50 billion of consolidated assets ("medium-sized companies"). Additional stress testing is required for banking organizations having \$50 billion or more of assets. Medium-sized companies, including the Company and the Bank, are required to conduct annual, company-run stress tests under rules the federal bank regulatory agencies issued in October 2012.

Stress tests analyze the potential impact of scenarios on the consolidated earnings, balance sheet and capital of a bank holding company or depository institutions over a designated planning horizon of nine quarters, taking into account the organization's current condition, risks, exposures, strategies, and activities, and such factors as the

regulators may request of a specific organization. These are tested against baseline, adverse, and severely adverse economic scenarios specified by the Federal Reserve for the Company and by the FDIC for the Bank.

Each banking organization's board of directors and senior management are required to approve and review the policies and procedures of their stress-testing processes as frequently as economic conditions or the condition of the organization may warrant, and at least annually. They are also required to consider the results of the stress test in the normal course of business, including the banking organization's capital planning (including dividends and share buybacks), assessment of capital adequacy and maintaining capital consistent with its risks, and risk management practices. The results of the stress tests are provided to the applicable federal banking agencies. Public disclosure of stress test results began on June 23, 2015.

Bank Regulation

The operation of the Bank is subject to state and federal statutes applicable to state banks and the regulations of the Federal Reserve, the FDIC and the Consumer Financial Protection Bureau ("CFPB"). The operations of the Bank may also be subject to applicable Office of the Comptroller of the Currency ("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, issuances of securities, payments of dividends, establishment of branches, consumer protection and other aspects of the Bank's operations.

The Bank is subject to regulation and periodic examinations by the CFPB, FDIC and the Mississippi Department of Banking and Consumer Finance (the "MDBCFC"). These regulatory authorities routinely examine the Bank's reserves, loan and investment quality, consumer compliance, management policies, procedures and practices and other aspects of operations. These examinations are designed to protect the Bank's depositors, rather than the Company's shareholders. In addition to these regular examinations, the Company and the Bank must furnish periodic reports to their respective regulatory authorities containing a full and accurate statement of their affairs.

The Dodd-Frank Act has removed many limitations on the Federal Reserve's authority to examine banks that are subsidiaries of bank holding companies. Under the Dodd-Frank Act, the Federal Reserve is generally permitted to examine bank holding companies and their subsidiaries, provided that the Federal Reserve must rely on reports submitted directly by the institution and examination reports of the appropriate regulators (such as the FDIC and the MDBCFC) 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.

The Dodd-Frank Act also established the 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 ("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. The Bank is subject to direct supervision and examination by the CFPB in respect of the foregoing consumer protection acts and regulations because the Bank's total assets are over \$10 billion as of December 31, 2015.

The Bank is a member of the FDIC, and its deposits are insured as provided by law by the Deposit Insurance Fund (the "DIF"). The deposits of the Bank are insured up to applicable limits and the Bank is subject to deposit insurance assessments to maintain the DIF. The basic limit on federal deposit insurance coverage is \$250,000 per depositor.

The Bank pays deposit insurance assessments to the FDIC based on an assessment rate that is calculated utilizing a scorecard for banks with more than \$10 billion in assets. The scorecard has a performance score and a loss-severity score that are combined to produce a total score. The calculation incorporates the CAMELS ratings as well as forward-looking financial measures to assess the Bank's ability to withstand both asset-related and funding-related stress. The FDIC has discretion to adjust the total score, up or down, based upon significant risk factors that are not adequately captured in the scorecard. The total score is then translated to an initial base assessment rate on a sharply-increasing scale. The initial base assessment rate ranges from 5 to 35 basis points on an annualized basis (basis points representing cents per \$100). After the effect of potential base-rate adjustments, the total base assessment rate could range from 2.5 to 45 basis points on an annualized basis. The assessment rate is applied to the deposit insurance assessment base, which is calculated based on the Bank's average total assets less average tangible equity during the assessment period.

The FDIC sets assessment rates to restore the DIF to a minimum ratio of deposit insurance reserves to estimated insured deposits of 1.15% by the end of 2016. The Dodd-Frank Act further requires the FDIC to bring the fund ratio to at least 1.35% by September 30, 2020. The FDIC has indicated it will lower the assessment base rates for all banks beginning in the quarter after the fund reaches the 1.15% level and has proposed to impose a surcharge assessment on banks with total assets of \$10 billion or more in order to raise the fund ratio to the required 1.35% level. The ultimate impact on the Bank's deposit insurance cost from the lower base rates combined with the proposed surcharge assessment will depend on a number of factors, including the final details of its implementation by the FDIC.

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 (the "FICO"), a mixed-ownership government corporation established to recapitalize a predecessor to the DIF. 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 0.600 basis points, or 0.150 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 (the "FDICIA") subjects banks and bank holding companies to increased regulation and supervision, including a regulatory emphasis that links 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 DIF. 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 shareholders 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.

Although the Bank is not a member of the Federal Reserve, it is subject to Federal Reserve regulations that require the Bank to maintain reserves against transaction accounts (primarily checking 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 \$103.6 million, and, if the aggregate of such accounts exceeds that amount, 10% of the total in excess of \$103.6 million. This regulation is subject to an exemption from reserve requirement on \$14.5 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 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 financial 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 permits commercial banks chartered by the state to engage in any activity permissible for national banks, the Bank will be permitted to form subsidiaries to engage in the activities authorized by the Financial Services Modernization Act if it so chooses. 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 Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 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 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 Bank has 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.

The Office of Foreign Assets Control (“OFAC”) is an office in the U.S. Department of the Treasury responsible for helping to ensure U.S. entities do not engage in transactions with “enemies” of the United States. OFAC publishes a list of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts; owned or controlled by, or acting on behalf of target countries, and narcotics traffickers. If a bank finds a name on any transaction, account, or wire transfer that is on an OFAC list, it must freeze or block the transactions on the account. The Bank actively checks high-risk OFAC areas such as new accounts, wire transfers and customer files.

Other Regulatory Matters

Risk-retention rules. Banks that sponsor the securitization of asset-backed securities and residential-mortgage backed securities are required to retain 5% of any loan they sell or securitize, except for mortgages that meet low-risk standards.

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 general civil enforcement authority. These preemption requirements have been limited by the Dodd-Frank Act, which will likely impact state banks by limiting the future scope of approval of activities that would otherwise be subject to the approval of the OCC.

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.

Mortgage Rules. Pursuant to rules adopted by the CFPB, banks that make residential mortgage loans are required to make a good faith determination that a borrower has the ability to repay a mortgage loan prior to extending such credit, require that certain mortgage loans contain escrow payments, obtain new appraisals under certain circumstances, and follow specific rules regarding the compensation of loan originators and the servicing of residential mortgage loans. The implementation of these new rules began in January 2014.

Volcker Rule. In December 2013, the Federal Reserve, the FDIC, the OCC, the Commission, and the Commodity Futures Trading Commission 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 Act, which prohibits any banking entity from engaging in proprietary trading or from acquiring or retaining an ownership interest in, or sponsoring or having certain relationships with, a hedge fund or private equity fund (“covered funds”), subject to certain exemptions.

Debit Interchange Fees

Interchange fees, or “swipe” fees, are fees that merchants pay to credit card companies and card-issuing banks such as the Bank 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 the Bank's debit card interchange revenues beginning third quarter of 2012.

Nonbanking Subsidiaries

The Company's and Bank's nonbanking subsidiaries are also subject to a variety of state and federal laws. For example, Hancock Insurance Agency is subject to the insurance laws and regulations of the states in which it is active; Hancock Investment Services, Inc. is subject to supervision and regulation by the SEC and the State of Mississippi; and Harrison Finance Company is regulated by the State of Mississippi, including the Mississippi Department of Banking and Consumer Finance.

Summary

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

Increased regulation generally has resulted in increased legal and compliance expense.

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

EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages, positions and business experience of our executive officers as of February 26, 2016:

<u>Name</u>	<u>Age</u>	<u>Position</u>
John M. Hairston	52	President of the Company since 2014; Chief Executive Officer since 2008 and Chief Operating Officer of the Company from 2008 to 2014; Director of the Company since 2006.
Michael M. Achary	55	Executive Vice President since 2008; Chief Financial Officer since 2007.
Michael K. Dickerson	50	Executive Vice President since 2014; Chief Risk Officer from 2013 to 2015;
Joseph S. Exnicios	60	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.
Samuel B. Kendricks	56	Executive Vice President since 2011; Chief Credit Risk Officer since 2014; Chief Credit Officer from 2010 to 2014; Chief Credit Policy Officer from 2009 to 2010.
D. Shane Loper	50	Executive Vice President since 2008; Chief Operating Officer since 2014; Chief Administrative Officer from 2013 to 2014; Chief Risk Officer from 2012 to 2013; Chief Risk and Administrative Officer from 2010 to 2012.
Joy Lambert Phillips	60	Executive Vice President since 2009; Corporate Secretary since 2011; General Counsel since 1999.
Joseph S. Schwertz, Jr.	59	Executive Vice President since 2015; Chief Risk Officer since 2015; Of Counsel to the law firm of Carver, Darden, Koretzky, Tessier, Finn, Blossman and Areaux LLC from 2012 to 2014; Executive Vice President, General Counsel, and Corporate Secretary of Whitney Holding Corporation and Whitney National Bank from 2009 to 2011.
Suzanne C. Thomas	61	Executive Vice President since 2011; Chief Credit Officer since 2014; Chief Credit Officer of Whitney Bank from 2011 to 2014; 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.
Stephen E. Barker	59	Chief Accounting Officer of the Company since 2011; Senior Vice President and Comptroller, Whitney National Bank from 2000 to 2011.

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.

Risks Related to Economic and Market Conditions

We may be vulnerable to certain sectors of the economy and to economic conditions both generally and locally across the specific markets in which we operate.

A substantial portion of our loan portfolio is secured by real estate. While the commercial real estate markets are stable throughout much of the Gulf South, the real estate markets for residential properties have been mixed. In weak economies, 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 for the allowance for loan and lease losses could be necessitated. Our ability to dispose of foreclosed real estate at prices at or above the respective carrying values could also be impaired, causing additional losses.

During the past 18 months, the energy sector of the economy has been in a steep decline, with a relatively weak worldwide demand for oil and gas causing a precipitous decline in commodity pricing in a market that currently has an oversupply of these commodities. The severity of this decline has already had an effect on the performance of our energy loan portfolio and is expected to continue to have such effects for the foreseeable future. As of December 31, 2015, energy or energy-related loans comprised approximately 10% of our loan portfolio. Given the importance of the energy industry to the overall economies of Texas and Louisiana, two of our core markets, the performance of other business and commercial segments in these markets may become adversely affected when the energy sector is under stress.

Our financial performance may also be adversely affected by other macroeconomic factors that affect the U.S. economy. Recovery from the 2008 recession, while steady, has been slow. Moreover, other global financial markets, including China and Russia, have been volatile, and there could be spillover effects that would ultimately impair the performance of the U.S. economy and affect the stability of global financial markets. Additionally, because our operations are concentrated in the Gulf South region of the U.S., unfavorable economic conditions in that market could significantly affect the demand for our loans and other products, the ability of borrowers to repay loans and the value of collateral securing loans.

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

Our assets and liabilities are primarily monetary in nature and we are subject to significant risks tied to changes in interest rates that are highly sensitive to many factors that are beyond our control. Our ability to operate profitably is largely dependent upon net interest income. Net interest income is the primary component of our earnings and is affected by both local external factors such as economic conditions in the Gulf South and local competition for loans and deposits, as well as broader influences such as federal monetary policy and market interest rates. 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. Recently, the Federal Reserve Board marginally increased its base rate, and there is considerable uncertainty as to whether additional rate increases may be forthcoming.

Loan originations, and potentially loan revenues, could be adversely impacted by sharply rising interest rates. If market rates of interest were to increase, it would increase debt service requirements for some of our borrowers; adversely affect those borrowers' ability to pay as contractually obligated; potentially reduce loan demand or result in additional delinquencies or charge-offs; and increase the cost of our deposits, which are a primary source of funding.

We are also subject to the following risks:

- the mortgage rules issued by the CFPB implemented in 2014 could limit our ability to originate mortgages to borrowers that do not meet or are unable to meet the standards set forth in the mortgage regulations and potentially adversely impact our mortgage revenues;
- an underperforming stock market could adversely affect wealth management fees associated with managed securities portfolios and could also reduce brokerage transactions, therefore reducing investment brokerage revenues; and
- 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.

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, a number 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 that are not sufficient to cover the full amount of our financial exposure. Any such losses could have a material adverse effect on our financial condition and results of operations.

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. The instruments of monetary policy employed by the Federal Reserve 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 U.S. government and other governments may result in currency fluctuations, exchange controls, market disruption, material decreases in the values of certain of our financial assets and other adverse effects.

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

Although Congress and financial regulators continue to implement measures designed to assure greater stability in the financial markets, the overall impact of these efforts on the financial markets is unclear. In addition, 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 our business.

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

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

Our common stock is listed and traded on the NASDAQ Global Select Market. If our capital resources prove in the future to be inadequate to meet our capital requirements, we may need to raise additional debt or equity capital. If conditions in the capital markets are not favorable, we may be constrained in raising capital. We maintain a consistent analyst following; therefore, downgrades in our prospects by one or more of our analysts may cause our stock price to fall and significantly limit our ability to access the markets for additional capital requirements. An inability to raise additional capital on acceptable terms when and if needed could have a material adverse effect on our business, financial condition or results of operations.

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. Our credit ratings are based on a number of factors, including our financial strength and some factors not entirely within our control such as conditions affecting the financial services industry generally, and remain subject to change at any time. A downgrade to the credit rating of us or our affiliates could affect our ability to access the capital markets, increase our borrowing cost and negatively impact our profitability. 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 to 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.

Because our decision to incur debt and issue securities in 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. In addition, geopolitical and worldwide market conditions may cause disruption or volatility in the U.S. equity and debt markets, which could hinder our ability to issue debt and equity securities in the future on favorable terms.

Risks Related to the Financial Services Industry

We must maintain adequate sources of funding and liquidity.

Effective liquidity management is essential for the operation of our business. We require sufficient liquidity to support our operations and fund outstanding liabilities, as well as meet regulatory requirements. Our access to sources of liquidity in amounts adequate to fund our activities on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include an economic downturn that affects the geographic markets in which our loans and operations are concentrated, or any material deterioration of the credit markets. Our access to deposits may also be affected by the liquidity needs of our depositors and the loss of deposits to alternative investments. Although we have historically been successful in replacing maturing deposits and advances as necessary, we might not be able to duplicate that success in the future, especially if a large number of our depositors were to withdraw their amounts on deposit. A failure to maintain an adequate level of liquidity could materially and adversely affect our business, financial condition and results of operations.

We may rely on the mortgage secondary market from time to time to provide liquidity.

From time to time, we have sold to certain agencies certain types of mortgage loans that meet their conforming loan requirements in order to reduce our interest rate risk and provide liquidity. There is a risk that these agencies will limit or discontinue their purchases of loans that are conforming due to capital constraints, a change in the criteria for conforming loans or other factors. Additionally, various proposals have been made to reform the U.S. residential mortgage finance market, including the role of the agencies. The exact effects of any such reforms are not yet known, but may limit our ability to sell conforming loans to the agencies. If we are unable to continue to sell conforming loans to the agencies, our ability to fund, and thus originate, additional mortgage loans may be adversely affected, which would in turn adversely affect our results of operations.

Greater loan losses than expected may adversely affect our earnings.

We are exposed to the risk that our borrowers 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 our business and any material level of credit failure 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 depend on the general creditworthiness of businesses and individuals within our local markets. Our credit risk with respect to our energy loan portfolio is subject to commodity pricing that is determined by factors outside of our control.

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. This process requires difficult, subjective and complex judgments, including analysis of economic or market conditions that might impair the ability of borrowers to repay their loans. 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. Losses in excess of the existing allowance or any provisions for loan losses taken to increase the allowance will reduce our net income and could materially adversely affect our financial condition and results of operations. 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 from the FDIC. This could result in material losses that are currently not anticipated and could adversely affect our financial condition and results of operations.

We depend on the accuracy and completeness of information about clients and counterparties.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we rely in substantial part on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors if made available. If this information is inaccurate, we may be subject to loan defaults, financial losses, regulatory action, reputational harm or other adverse effects with respect to our business, financial condition and results of operations.

We are subject to a variety of risks in connection with any sale of loans we may conduct.

From time to time we may sell all or a portion of one of more loan portfolios, and in connection therewith we may make certain representations and warranties to the purchaser concerning the loans sold and the procedures under which those loans have been originated and serviced. If any of these representations and warranties are incorrect, we may be required to indemnify the purchaser for any related losses, or we may be required to repurchase part or all of the affected loans. We may also be required to repurchase loans as a result of borrower fraud or in the event of early payment default by the borrower on a loan we have sold. If we are required to make any indemnity payments or repurchases and do not have a remedy available to us against a solvent counterparty to the loan or loans, we may not be able to recover our losses resulting from these indemnity payments and repurchases. Consequently, our results of operations may be adversely affected.

Risks Related to Our Operations

We must attract and retain skilled personnel.

Our success depends, in substantial part, on our ability to attract and retain skilled, experienced personnel. Competition for qualified candidates in the activities and markets that we serve is intense. If we are not able to hire or retain these key individuals, we may be unable to execute our business strategies and may suffer adverse consequences to our business, financial condition and results of operations.

If we are unable to attract and retain qualified employees, or do so at rates insufficient to maintain our competitive position, or if compensation costs required to attract and retain employees increase materially, our business and results of operations could be materially adversely affected.

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, theft or malfeasance; customer fraud; and control lapses in bank operations and information technology. Because the nature of the financial services business involves a high volume of transactions, certain errors in processing or recording transactions appropriately may be repeated or compounded before they are discovered. 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. In addition, products, services and processes are continually changing and we may not fully appreciate or identify new operational risks that may arise from such changes. Failure to maintain an appropriate operational infrastructure can lead to loss of service to customers, additional expenditures related to the detection and correction of operational failures, reputational damage and loss of customer confidence, 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. However, there are inherent limits to such capabilities. 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. Third parties may fail to properly perform services or comply with applicable laws and regulations, and replacing third party providers could entail significant delay and expense. We also face risk from the integration of new infrastructure platforms and/or new third party providers of such platforms into 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, or those of third parties on whom we rely, 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, outsourced or infrastructure-support providers and application developers, or may originate internally. In addition, customers may use computers, smartphones and other mobile devices not protected by our control systems to access our products and services, including through bank kiosks or other remote locations. 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 cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities.

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 in turn 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 us to additional regulatory scrutiny and exposing us 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 significantly impacted our results of operations, financial condition and cash flows. However, "denial of service" attacks continue to be launched against a number of other large financial services institutions. Such attacks adversely affected the performance of certain institutions' websites, and, in some instances, prevented customers from accessing secure websites for consumer and commercial applications. Future attacks could prove to be even more disruptive and damaging, and as threats continue to evolve, we may not be able to anticipate or prevent all such attacks.

We maintain an insurance policy which we believe provides sufficient coverage at a manageable expense for an institution of our size and scope with similar technological systems. However, we cannot assure that this policy will afford coverage for all possible losses or would be sufficient to cover all financial losses, damages, penalties, including lost revenues, should we experience any one or more of our or a third party's systems failing or experiencing attack.

Natural and man-made disasters could affect our ability to operate.

Our market areas are susceptible to hurricanes. Natural disasters, such as hurricanes, and man-made disasters, such as oil spills in the Gulf of Mexico, can disrupt our operations; result in significant damage to our properties or properties and businesses of our borrowers, including property pledged as collateral; 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 and other disasters will affect our operations or the economies in our market areas, but such 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.

We are exposed to reputational risk.

Negative public opinion can result from our actual or alleged conduct in activities, such as lending practices, data security breaches, corporate governance policies and decisions, and acquisitions, any of which may damage our reputation. Additionally, actions taken by government regulators and community organizations may also damage our reputation. Negative public opinion could adversely affect our ability to attract and retain customers or expose us to litigation and regulatory action.

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.

The value of our goodwill and other intangible assets may decline in the future.

A significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or a significant and sustained decline in the price of our common stock may necessitate our taking charges in the future to reflect an impairment of our goodwill. Future regulatory actions could also have a material impact on assessments of goodwill for impairment.

Adverse events or circumstances could impact the recoverability of our intangible assets including loss of core deposits, significant losses of credit card accounts and/or balances, increased competition or adverse changes in the economy. To the extent these intangible assets are deemed unrecoverable, a non-cash impairment charge would be recorded, which could have a material adverse effect on our results of operations.

Risks Related to Our Business Strategy

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

Our profitability depends on our ability to compete successfully in a highly competitive market for banking and financial services, and we expect such challenges to continue. Certain of our competitors are larger and have more resources than we do. We face competition in our regional market areas from 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 that offer similar services. Some of our nonbank competitors are not subject to the same extensive supervision and regulation to which we or the Bank are subject, and may accordingly have greater flexibility in competing for business. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by other firms. These developments could result in our competitors gaining greater capital and other resources, or being able to offer a broader range of products and services with more geographic range.

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. The widespread adoption of new technologies could require us to make substantial capital expenditures to modify or adapt our systems to remain competitive and offer new products and services. We may not be successful in introducing new products and services in response to industry trends or developments in technology, or those new products may not be accepted by customers.

If we are unable to successfully compete for new customers and to retain our current customers, our business, financial condition or results of operations may also be adversely affected, perhaps materially. In particular, if we experience an outflow of deposits as a result of our customers desiring to do business with our competitors, we

may be forced to rely more heavily on borrowings and other sources of funding to operate our business and meet withdrawal demands, thereby adversely affecting our net interest margin.

Our future growth and financial performance may be negatively affected if we are unable to successfully execute our growth plans, which may include acquisitions and de novo branching.

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 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 be required to use a substantial amount of our available cash and other liquid assets, or seek additional debt or equity financing, to fund future acquisitions. Such events could make us more susceptible to economic downturns and competitive pressures, and additional debt service requirements may impose a significant burden on our results of operations and financial condition. 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 satisfy several conditions, including receiving 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 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. Additionally, federal and/or state regulators may charge us with regulatory and compliance failures of an acquired business that occurred prior to the date of acquisition, and such failures may result in the imposition of formal or informal enforcement actions.

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. Specifically, acquisitions could result in higher than expected deposit attrition, loss of key employees or other consequences that could adversely affect our ability to maintain relationships with customers and employees. We may also sell or consider selling one or more of our businesses. Such a sale would generally be subject to certain federal and/or state regulatory approvals, and may not be able to generate gains on sale or related increases in shareholder's equity commensurate with desirable levels.

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 enter 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 failure of the local market to 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.

Changes in retail distribution strategies and consumer behavior may adversely impact our investments in bank premises, equipment, technology and other assets and may lead to increased expenditures to change our retail distribution channel.

We have significant investments in bank premises and equipment for our branch network. Advances in technology such as ecommerce, telephone, internet and mobile banking, and in-branch self-service technologies including automated teller machines and other equipment, as well as an increasing customer preference for these other methods of accessing our products and services, could decrease the value of our branch network, technology, or other retail distribution physical assets and may cause us to change our retail distribution strategy, close and/or sell certain branches or parcels of land held for development and restructure or reduce our remaining branches and work force. These actions could lead to losses on these assets or could adversely impact the carrying value of any long-lived assets and may lead to increased expenditures to renovate, reconfigure or close a number of our remaining branches or to otherwise reform our retail distribution channel.

Risks Related to the Legal and Regulatory Environment

We are subject to regulation by various federal and state entities.

We are subject to the regulations of the Commission, the Federal Reserve, the FDIC, the CFPB and the MDBC. 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. Other than the federal securities laws, the laws and regulations governing our business are intended primarily for the protection of our depositors, our customers, the financial system and the FDIC insurance fund, not our shareholders or other creditors. Further, we must obtain approval from our regulators before engaging in certain activities, and our regulators have the ability to compel us to, or restrict us from, taking certain actions entirely, such as increasing dividends, entering into merger or acquisition transactions, acquiring or establishing new branches, and entering into certain new businesses. Noncompliance with certain of these regulations may impact our business plans, including our ability to branch, offer certain products, or execute existing or planned business strategies.

The U.S. government responded to the 2008 financial crisis at an unprecedented level by introducing various actions and passing legislation such as the Dodd-Frank Act that place increased focus and scrutiny on the financial services industry. 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 the one that 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 implemented and applied. The 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 “Basel III” regulatory capital reforms and changes required by the Dodd-Frank Act have impacted our regulatory capital levels. Basel III and its regulations require bank holding companies and banks to undertake significant activities to demonstrate compliance with the new and higher capital standards. Compliance with these rules impose additional costs on banking entities and their holding companies. The need to maintain more and higher quality capital as well as greater liquidity going forward could limit our business activities and our ability to maintain dividends. In addition, the new liquidity standards could require us to increase our holdings of highly liquid short-term investments, thereby reducing our ability to invest in longer-term, potentially higher yielding assets. We may also be required to pay significantly higher deposit insurance premiums if the number of bank failures or the cost of resolving failed banks increase. For additional information regarding the Dodd-Frank Act, Basel III and other regulations to which our business is subject, see “Supervision and Regulation.”

Any of the laws or regulations to which we are subject, including tax laws, regulations or their interpretations, may be modified or changed from time to time, and we cannot be assured that such modifications or changes will not adversely affect us. Failure to appropriately comply with any such laws or regulations could result in sanctions by regulatory authorities, civil monetary penalties or damage to our reputation, all of which could adversely affect our business, financial condition or results of operations.

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 generally accepted accounting principles (“GAAP”), including the accounting rules and regulations of the Commission and the Financial Accounting Standards Board (the “FASB”), requires management to make significant estimates and assumptions that affect our 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 are used. If such estimates or assumptions underlying our financial statements are incorrect, our financial condition and results of operations could be adversely affected.

From time to time, the FASB and the Commission 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, may require extraordinary efforts or additional costs to implement and could materially impact how we report our financial condition and results of operations. Additionally, it is possible, though unlikely, that 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 and other financial institutions have been the subject of increased litigation, investigations and other proceedings which could result in legal liability and damage to our reputation.

We and certain of our directors, officers and subsidiaries 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 has 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, law enforcement and self-regulatory agencies

regarding our business. These matters could result in adverse judgments, settlements, fines, penalties, injunctions, amendments and/or restatements of our Commission filings and/or financial statements, determinations of material weaknesses in our disclosure controls and procedures 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, as well as matters in which we are involved that are ultimately determined in our favor, could materially adversely affect our business, financial condition or results of operations, cause significant reputational harm to our business, divert management attention from the operation of our business and/or result in additional litigation.

In addition, in recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. In the future, we could become subject to claims based on this or other evolving legal theories.

Risks Related to Our Common Stock

Securities issued may be senior to our common stock and may have a dilutive effect.

Our common stock ranks junior to all of our existing and future indebtedness with respect to distributions and liquidation. In addition, future issuances of equity securities, including pursuant to outstanding options, could dilute the interests of our existing shareholders, including you, and could cause the market price of our common stock to decline. 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. Additionally, 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.

Our ability to deliver and pay dividends depends primarily upon the results of operations of our subsidiaries, and we may not pay, or be permitted to pay, dividends in the future.

We are a bank holding company that conducts substantially all of our operations through our subsidiary Bank. 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 the Bank.

The ability of the Bank to pay dividends or make other payments to us, as well as our ability to pay dividends on our common stock, is limited by the Bank’s obligation to maintain sufficient capital and by other general regulatory restrictions on its dividends, which have tightened since the financial crisis. The Federal Reserve has stated that bank holding companies should not pay dividends from sources other than current earnings. 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, which could adversely affect the market value of our common stock. There can be no assurance of whether or when we may pay dividends in the future.

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 shareholders) 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 Company 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 that 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. Additionally, a bank holding company must obtain the prior approval of the Federal Reserve before, among other things, acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank. There are also 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company’s main office, which is the headquarters of the holding company, is located at One Hancock Plaza, in Gulfport, Mississippi. The Bank makes 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 238 full service banking and financial services offices and 273 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. Additionally, the Company operates a loan production office in Nashville, Tennessee. The Company owns approximately 47% 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 Bank and subsidiaries of the Bank hold a variety of property interests acquired in settlement of loans. Some of these properties were acquired in transactions before 1979 and are carried at nominal amounts. Total 2015 net revenue related to these pre-1979 acquired properties was approximately \$57,000.

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>
2015			
4th quarter	\$30.96	\$23.35	\$0.24
3rd quarter	32.47	25.20	0.24
2nd quarter	32.98	28.02	0.24
1st quarter	31.13	24.96	0.24
2014			
4th quarter	\$35.67	\$28.68	\$0.24
3rd quarter	36.47	31.25	0.24
2nd quarter	37.86	32.02	0.24
1st quarter	38.50	32.66	0.24

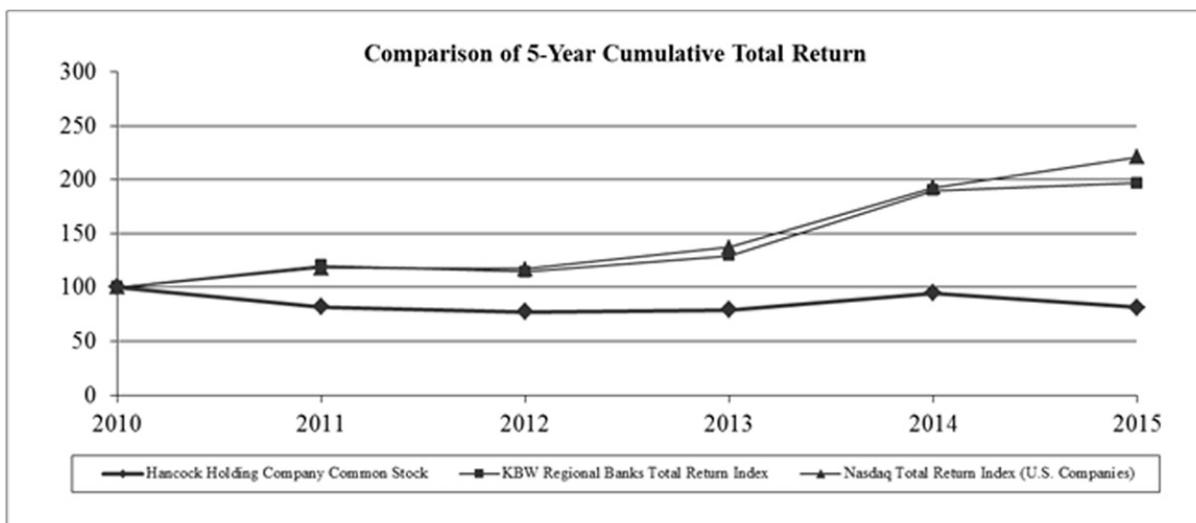
There were 9,629 active holders of record of the Company’s common stock at January 31, 2016 and 77,496,907 shares outstanding. On January 31, 2016, the high and low sale prices of the Company’s common stock as reported on the NASDAQ Global Select Market were \$23.96 and \$22.85, respectively.

The principal sources of funds to the Company to pay cash dividends are the dividends received from the Bank. Consequently, dividends are dependent upon the Bank’s earnings, capital needs and 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 the Bank are subject to approval by the Commissioner of Banking and Consumer Finance of the State of Mississippi. We do not expect the foregoing restrictions to affect our ability to pay cash dividends. Although no assurance can be given that the Company will continue to declare and pay regular quarterly cash dividends on its common stock, regular cash dividends have been paid to shareholders since 1937.

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, 2010 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 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

On August 28, 2015, the Company's Board of Directors approved a stock repurchase plan that authorizes the repurchase of up to 5%, or approximately 3.9 million shares, of our outstanding common stock. The approved plan allows the Company to repurchase its common shares either in the open market in compliance with Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended, or in privately negotiated transactions with non-affiliated sellers or as otherwise determined by the Company from time to time until September 30, 2016. Under this plan, the Company has repurchased 741,393 shares of its common stock at an average price of \$27.44 per share through December 31, 2015.

In March 2015, the Company completed the prior stock repurchase program that had been approved by the Company's Board of Directors on July 16, 2014 which authorized the repurchase of up to 5%, or approximately 4.1 million shares, of our outstanding common stock. Under this plan, the Company repurchased a total of 4.1 million shares of its common stock at an average price of \$30.02 per share.

	Total number of shares of units purchased	Average price paid per share	Total number of shares purchased as a part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under plans or programs
Oct 1, 2015—Oct 31, 2015	121,564	\$27.49	121,564	3,214,302
Nov 1, 2015—Nov 30, 2015	51,550	27.82	51,550	3,162,752
Dec 1, 2015—Dec 31, 2015	—	—	—	3,162,752
Total	<u>173,114</u>	<u>\$27.59</u>	<u>173,114</u>	

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.

(in thousands, except per share data)	Year Ended December 31,				
	2015	2014	2013	2012	2011
Income Statement:					
Interest income	\$679,646	\$692,813	\$722,210	\$762,549	\$592,204
Interest income (te) (a)	693,234	703,460	732,620	774,134	604,130
Interest expense	54,472	38,119	41,479	51,682	70,971
Net interest income (te)	638,762	665,341	691,141	722,452	533,159
Provision for loan losses	73,038	33,840	32,734	54,192	38,732
Noninterest income excluding securities transactions	236,949	227,999	246,038	252,195	206,427
Securities transactions	335	—	105	1,552	(91)
Operating expense (excluding amortization of intangibles)	595,471	579,869	648,804	681,000	577,463
Amortization of intangibles	24,184	26,797	29,470	32,067	16,551
Income before income taxes	169,765	242,187	215,866	197,355	94,823
Income tax expense	38,304	66,465	52,510	45,613	18,064
Net income	<u>\$131,461</u>	<u>\$175,722</u>	<u>\$163,356</u>	<u>\$151,742</u>	<u>\$ 76,759</u>
Adjustments from net income to operating income (b):					
Securities transactions	\$ 333	\$ —	\$ 105	\$ 1,552	\$ (91)
Nonoperating expense items					
Merger-related expenses	—	—	—	45,789	86,762
Sub-debt early redemption costs	—	—	—	5,336	—
Expense & efficiency initiative and other items	16,241	25,686	38,003	—	—
Total nonoperating expense items	16,241	25,686	38,003	51,125	86,762
Taxes on adjustments at marginal tax rate	5,568	7,263	13,264	17,350	30,398
Total adjustments, net of taxes	10,340	18,423	24,634	32,223	56,455
Operating income (b)	<u>\$141,801</u>	<u>\$194,145</u>	<u>\$187,990</u>	<u>\$183,965</u>	<u>\$133,214</u>
Adjustments from net income to PTPP (c):					
Difference between interest income and interest income (te)	\$ 13,588	\$ 10,647	\$ 10,410	\$ 11,585	\$ 11,926
Provision for loan losses	73,038	33,840	32,734	54,192	38,732
Income tax expense	38,304	66,465	52,510	45,613	18,064
Pre-tax, pre-provision profit (PTPP) (te) (c)	<u>\$256,391</u>	<u>\$286,674</u>	<u>\$259,010</u>	<u>\$263,132</u>	<u>\$145,481</u>
Common Share Data:					
Earnings per share:					
Basic earnings per share	\$ 1.64	\$ 2.10	\$ 1.93	\$ 1.77	\$ 1.16
Diluted earnings per share	1.64	2.10	1.93	1.75	1.15
Operating earnings per share: (b)					
Basic operating earnings per share	1.77	2.32	2.22	2.15	2.03
Diluted operating earnings per share	1.77	2.32	2.22	2.13	2.02
Cash dividends paid	0.96	0.96	0.96	0.96	0.96
Book value per share (period-end)	31.14	30.74	29.49	28.91	27.95
Tangible book value per share (period-end)	21.74	21.37	19.94	19.27	17.76

- (a) For analytical purposes, management adjusts net interest income to a “taxable equivalent” basis using a 35% federal tax rate on tax-exempt items (primarily interest on municipal securities and loans).
- (b) Net income less tax-effected securities transactions and nonoperating expense items. Management believes that operating income provides a useful measure of financial performance that helps investors compare the Company’s fundamental operations over time.
- (c) Net interest income (te) and noninterest income less noninterest expense. Management believes that PTPP is a useful financial measure because it enables investors and others to assess the Company’s ability to generate capital to cover the losses through a credit cycle.

(in thousands)	At and For the Years Ended December 31,				
	2015	2014	2013	2012	2011
Period-End Balance Sheet Data:					
Total loans, net of unearned income (a)	\$15,703,314	\$13,895,276	\$12,324,817	\$11,577,802	\$11,177,026
Loans held for sale	20,434	20,252	24,515	50,605	72,378
Securities	4,463,792	3,826,454	4,033,124	3,716,460	4,496,900
Short-term investments	565,555	802,948	268,839	1,500,188	1,184,419
Total earning assets	20,753,095	18,544,930	16,651,295	16,845,055	16,930,723
Allowance for loan losses	(181,179)	(128,762)	(133,626)	(136,171)	(124,881)
Goodwill	621,193	621,193	625,675	628,877	651,162
Other intangible assets, net	107,538	132,810	159,773	189,409	211,075
Other assets	1,538,812	1,577,095	1,706,134	1,937,315	2,106,017
Total assets	\$22,839,459	\$20,747,266	\$19,009,251	\$19,464,485	\$19,774,096
Noninterest-bearing deposits	\$ 7,276,127	\$ 5,945,208	\$ 5,530,253	\$ 5,624,127	\$ 5,516,336
Interest-bearing transaction and savings deposits	6,767,881	6,531,628	6,162,959	6,038,002	5,602,963
Interest-bearing public fund deposits	2,253,645	1,982,616	1,571,532	1,580,260	1,620,260
Time deposits	2,051,259	2,113,379	2,095,772	2,501,799	2,974,020
Total interest-bearing deposits	11,072,785	10,627,623	9,830,263	10,120,061	10,197,243
Total deposits	18,348,912	16,572,831	15,360,516	15,744,188	15,713,579
Short-term borrowings	1,423,644	1,151,573	657,960	639,133	1,044,455
Long-term debt	495,999	374,371	385,826	396,589	353,891
Other liabilities	157,761	176,089	179,880	231,297	295,008
Stockholders' equity	2,413,143	2,472,402	2,425,069	2,453,278	2,367,163
Total liabilities & stockholders' equity	\$22,839,459	\$20,747,266	\$19,009,251	\$19,464,485	\$19,774,096
Average Balance Sheet Data:					
Total loans, net of unearned income (a)	\$14,433,367	\$12,938,869	\$11,700,218	\$11,238,690	\$ 8,479,846
Loans held for sale	18,101	16,540	24,986	46,049	34,175
Securities (b)	4,208,195	3,816,724	4,140,051	4,063,817	3,074,373
Short-term investments	513,659	423,359	578,613	771,523	955,325
Total earning assets	19,173,322	17,195,492	16,443,868	16,120,079	12,543,719
Allowance for loan losses	(133,470)	(129,642)	(137,897)	(136,257)	(102,784)
Goodwill and other intangible assets	740,666	768,047	799,996	820,887	498,463
Other assets	1,469,110	1,602,930	1,823,051	2,130,660	1,782,673
Total assets	\$21,249,628	\$19,436,827	\$18,929,018	\$18,935,369	\$14,722,071
Noninterest-bearing deposits	\$ 6,195,234	\$ 5,641,792	\$ 5,393,955	\$ 5,251,391	\$ 3,400,064
Interest-bearing transaction and savings deposits	6,877,394	6,173,683	5,962,114	5,827,370	4,100,381
Interest-bearing public fund deposits	1,844,802	1,530,972	1,410,679	1,451,459	1,314,633
Time deposits	2,207,359	2,053,546	2,350,488	2,579,963	2,901,475
Total interest-bearing deposits	10,929,555	9,758,201	9,723,281	9,858,792	8,316,489
Total deposits	17,124,789	15,399,993	15,117,236	15,110,183	11,716,553
Short-term borrowings	1,025,133	1,005,680	806,082	843,798	789,022
Long-term debt	482,686	379,692	389,153	338,875	211,976
Other liabilities	174,233	176,514	229,983	241,710	203,403
Stockholders' equity	2,442,787	2,474,948	2,386,564	2,400,803	1,801,117
Total liabilities & stockholders' equity	\$21,249,628	\$19,436,827	\$18,929,018	\$18,935,369	\$14,722,071

(a) Includes nonaccrual loans.

(b) Average securities does not include unrealized holding gains/losses on available for sale securities.

(\$ in thousands)

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Performance Ratios:					
Return on average assets	0.62%	0.90%	0.86%	0.80%	0.52%
Return on average assets—operating (a)	0.67%	1.00%	0.99%	0.97%	0.90%
Return on average common equity	5.38%	7.10%	6.84%	6.32%	4.26%
Return on average common equity—operating (a)	5.80%	7.84%	7.88%	7.66%	7.40%
Return on average tangible common equity	7.72%	10.30%	10.30%	9.72%	5.98%
Return on average tangible common equity—operating (a)	8.33%	11.37%	11.85%	11.78%	10.37%
Earning asset yield (te)	3.62%	4.09%	4.45%	4.80%	4.82%
Total cost of funds	0.28%	0.22%	0.25%	0.32%	0.57%
Net interest margin (te)	3.33%	3.87%	4.20%	4.48%	4.25%
Core net interest margin (te) (b)	3.14%	3.33%	3.39%	3.74%	3.84%
Noninterest income excluding securities transactions as a percent of total revenue (te)	27.06%	25.52%	26.25%	25.88%	27.91%
Efficiency ratio (c)	66.14%	62.03%	65.17%	64.63%	66.35%
Average loan/deposit ratio	84.28%	84.02%	77.56%	74.68%	72.67%
FTE employees (period-end)	3,921	3,794	3,978	4,235	4,736
Capital Ratios:					
Common stockholders' equity to total assets	10.57%	11.92%	12.76%	12.60%	11.97%
Tangible common equity ratio	7.62%	8.59%	9.00%	8.77%	7.96%
Tier 1 leverage (d)	8.55%	9.17%	9.34%	9.10%	8.17%
Asset Quality Information:					
Nonaccrual loans (e)	\$159,713	\$ 79,537	\$ 99,686	\$137,615	\$103,270
Restructured loans	4,297	8,971	9,272	16,437	14,003
Total nonperforming loans	164,010	88,508	108,958	154,052	117,273
Other real estate (ORE) and foreclosed assets	27,133	59,569	76,979	102,072	159,751
Total nonperforming assets	191,143	\$148,077	\$185,937	\$256,124	\$277,024
Accruing loans 90 days past due (f)	7,653	4,825	10,387	13,244	5,880
Net charge-offs—non-FDIC acquired	16,212	17,119	24,309	55,031	33,804
Net charge-offs—FDIC acquired	1,609	2,501	2,355	26,069	11,475
Allowance for loan losses	181,179	128,762	133,626	136,171	124,881
Provision for loan losses	73,038	33,840	32,734	54,192	38,732
Ratios:					
Nonperforming assets to loans + ORE and foreclosed assets	1.22%	1.06%	1.50%	2.19%	2.44%
Accruing loans 90 days past due as a percent of loans	0.05%	0.03%	0.08%	0.11%	0.05%
Nonperforming assets + accruing loans 90 days past due to loans + foreclosed assets	1.26%	1.10%	1.58%	2.31%	2.50%
Net charge-offs—non-FDIC acquired to average loans	0.11%	0.13%	0.21%	0.49%	0.40%
Allowance for loan losses to period-end loans	1.15%	0.93%	1.08%	1.18%	1.12%
Allowance for loan losses to nonperforming loans and accruing loans 90 days past due	105.54%	137.96%	111.97%	81.40%	101.40%

- (a) Excludes tax-effected nonoperating expense items and securities transactions. See operating income calculation previously in Selected Financial Data.
- (b) Reported taxable equivalent (te) net interest income, excluding net purchase accounting adjustments, expressed as a percentage of average earning assets.
- (c) Noninterest expense as a percent of total revenue (te) before amortization of purchased intangibles, securities transactions and nonoperating expenses.
- (d) Calculated as Tier 1 capital divided by average total assets for leverage capital purposes.
- (e) Included in nonaccrual loans are \$8.8 million, \$7.0 million, \$15.7 million, \$3.0 million, and \$2.5 million of nonaccruing restructured loans at December 31, 2015, 2014, 2013, 2012, and 2011, respectively. Total excludes acquired credit-impaired loans with an accretable yield.
- (f) Nonaccrual loans and accruing loans past due 90 days or more do not include acquired-impaired loans with an accretable yield.

Supplemental Asset Quality Information

(in thousands)

2015

	Originated Loans	Acquired Loans (a)	FDIC Acquired Loans (b)	Total
Nonaccrual loans (c)	\$156,721	\$ 2,992	\$ —	\$159,713
Restructured loans	4,297	—	—	4,297
Total nonperforming loans	161,018	2,992	—	164,010
ORE and foreclosed assets (d)	18,580	—	8,553	27,133
Total non-performing assets	\$179,598	\$ 2,992	\$ 8,553	\$191,143
Accruing loans 90 days past due	\$ 7,653	\$ —	\$ —	\$ 7,653
Allowance for loan losses	\$158,026	\$ 33	\$23,120	\$181,179

2014

Nonaccrual loans (c)	\$ 71,296	\$ 6,139	\$ 2,102	\$ 79,537
Restructured loans	8,971	—	—	8,971
Total nonperforming loans	80,267	6,139	2,102	88,508
ORE and foreclosed assets (d)	40,148	—	19,421	59,569
Total non-performing assets	\$120,415	\$ 6,139	\$21,523	\$148,077
Accruing loans 90 days past due	\$ 4,564	\$ 261	\$ —	\$ 4,825
Allowance for loan losses	\$ 97,701	\$ 477	\$30,584	\$128,762

2013

Nonaccrual loans (c)	\$ 74,341	\$21,801	\$ 3,544	\$ 99,686
Restructured loans	8,765	507	—	9,272
Total nonperforming loans	83,106	22,308	3,544	108,958
ORE and foreclosed assets (d)	51,240	—	25,739	76,979
Total non-performing assets	\$134,346	\$22,308	\$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

Nonaccrual loans (c)	\$103,429	\$30,086	\$ 4,100	\$137,615
Restructured loans	11,673	4,764	—	16,437
Total nonperforming loans	115,102	34,850	4,100	154,052
ORE and foreclosed assets (d)	75,771	—	26,301	102,072
Total non-performing assets	\$190,873	\$34,850	\$30,401	\$256,124
Accruing loans 90 days past due	\$ 13,244	\$ —	\$ —	\$ 13,244
Allowance for loan losses	\$ 78,774	\$ 788	\$56,609	\$136,171

2011

Nonaccrual loans (c)	\$ 83,306	\$ 1,118	\$18,846	\$103,270
Restructured loans	14,003	—	—	14,003
Total nonperforming loans	97,309	1,118	18,846	117,273
ORE and foreclosed assets (d)	115,769	—	43,982	159,751
Total non-performing assets	\$213,078	\$ 1,118	\$62,828	\$277,024
Accruing loans 90 days past due	\$ 5,880	\$ —	\$ —	\$ 5,880
Allowance for loan losses	\$ 83,246	\$ —	\$41,635	\$124,881

- (a) Loans which have been acquired and no allowance brought forward in accordance with acquisition accounting. Acquired-performing loans in pools with fully accreted purchase fair value discounts are reported as originated loans, resulting in changes in classification between periods.
- (b) Loans acquired in an FDIC-assisted transaction. Non-single family loss share agreement expired at 12/31/14. As of 12/31/15 and 12/31/14 \$170.1 million and \$196.7 million, respectively, in loans remain covered by the FDIC single family loss share agreement, providing considerable protection against credit risk.
- (c) Included in nonaccrual loans are \$8.8 million, \$7.0 million, \$15.7 million, \$3.0 million, and \$2.5 million of nonaccruing restructured loans at December 31, 2015, 2014, 2013, 2012, and 2011, respectively. Total excludes acquired credit-impaired loans with an accretable yield.
- (d) ORE received in settlement of FDIC acquired loans is included with ORE from originated loans. ORE received in settlement of FDIC acquired loans includes \$1.7 million of assets that remain covered under the single family FDIC loss share agreement, until the agreement expires.

Loans Outstanding

(in thousands)

	<u>Originated Loans</u>	<u>Acquired Loans (a)</u>	<u>FDIC Acquired Loans (b)</u>	<u>Total</u>
2015				
Commercial non-real estate loans	\$ 6,930,453	\$ 59,843	\$ 5,528	\$ 6,995,824
Construction and land development loans	1,139,743	5,080	7,127	1,151,950
Commercial real estate loans	3,220,509	176,460	15,582	3,412,551
Residential mortgage loans	1,887,256	27	162,241	2,049,524
Consumer loans	2,080,626	20	12,819	2,093,465
Total loans	<u>\$15,258,587</u>	<u>\$ 241,430</u>	<u>\$ 203,297</u>	<u>\$15,703,314</u>
Change in loan balance from previous year	<u>\$ 2,448,388</u>	<u>\$ (591,238)</u>	<u>\$ (49,112)</u>	<u>\$ 1,808,038</u>
2014				
Commercial non-real estate loans	\$ 5,917,728	\$ 120,137	\$ 6,195	\$ 6,044,060
Construction and land development loans	1,073,964	21,123	11,674	1,106,761
Commercial real estate loans	2,428,195	688,045	27,808	3,144,048
Residential mortgage loans	1,704,770	2,378	187,033	1,894,181
Consumer loans	1,685,542	985	19,699	1,706,226
Total loans	<u>\$12,810,199</u>	<u>\$ 832,668</u>	<u>\$ 252,409</u>	<u>\$13,895,276</u>
Change in loan balance from previous year	<u>\$ 3,316,067</u>	<u>\$(1,639,351)</u>	<u>\$(106,257)</u>	<u>\$ 1,570,459</u>
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>

- (a) Loans which have been acquired and no allowance brought forward in accordance with acquisition accounting. Acquired-performing loans in pools with fully accreted purchase fair value discounts are reported as originated loans, resulting in changes in classification between periods.
- (b) Loans acquired in an FDIC-assisted transaction. Non-single family loss share agreement expired at 12/31/14. As of 12/31/15 and 12/31/14, \$170.1 million and \$196.7 million, respectively, in loans remain covered by the FDIC single family loss share agreement, 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 2015 and selected prior periods. This discussion and analysis is intended to highlight and supplement financial and operating data and information presented elsewhere in this Report, including the consolidated financial statements and related notes.

FORWARD-LOOKING STATEMENTS

This Report contains "forward-looking statements" within the meaning of section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended, and we intend such forward-looking statements to be covered by the safe harbor provisions therein and are including this statement for purposes of invoking these safe-harbor provisions. Forward-looking statements provide projections of results of operations or of financial condition or state other forward-looking information, such as expectations about future conditions and descriptions of plans and strategies for the future.

Forward-looking statements that we may make include, but may not be limited to, comments with respect to future levels of economic activity in our markets, including the impact of volatility of oil and gas prices on our energy portfolio and associated loan loss reserves and possible charge-offs, and the downstream impact on businesses that support the energy sector, especially in the Gulf Coast region, loan growth expectations, deposit trends, credit quality trends, net interest margin trends, future expense levels, success of revenue-generating initiatives, projected tax rates, future profitability, improvements in expense to revenue (efficiency) ratio, purchase accounting impacts such as net accretion levels, possible repurchases of shares under stock buyback programs, and the financial impact of regulatory requirements. The Company's ability to accurately project results, predict the effects of future plans or strategies, or predict market or economic developments is inherently limited. Although the Company believes that the expectations reflected in its forward-looking statements are based on reasonable assumptions, actual results and performance could differ materially from those set forth in the forward-looking statements. Factors that could cause actual results to differ from those expressed in the Company's forward-looking statements include, but are not limited to, those risk factors outlined in "Item 1A. Risk Factors."

You are cautioned not to place undue reliance on these forward-looking statements. Hancock does not intend, and undertakes no obligation, to update or revise any forward-looking statements, whether as a result of differences in actual results, changes in assumptions or changes in other factors affecting such statements, except as required by law.

NON-GAAP FINANCIAL MEASURES

Throughout Management's Discussion and Analysis of Financial Condition and Results of Operations, management uses several non-GAAP financial measures including operating income, pre-tax, pre-provision profit, core net interest income and core net interest margin. These measures are provided to assist the reader with better understanding the Company's financial condition and results of operations.

We define **Operating Income** as net income less tax-effected nonoperating expense items and securities transactions. Management believes this is a useful financial measure as it enables investors to assess the financial performance of our ongoing operations and compare the Company's fundamental operational performance from period to period. A reconciliation of net income to operating income is included in "Item 6. Selected Financial Data." The components of nonoperating expense are further discussed in the Noninterest Expense section of this item.

We define **Pre-Tax, Pre-Provision Profit** as taxable equivalent (te) net interest income and noninterest income less noninterest expense. Management believes that pre-tax, pre-provision profit is a useful financial measure

because it enables investors and others to assess the Company's ability to generate capital to cover credit losses through a credit cycle. A reconciliation of net income to pre-tax, pre-provision profit is included in "Item 6. Selected Financial Data."

We define **Core Net Interest Income** as net interest income (te) excluding net purchase accounting accretion resulting from the fair market value adjustments related to the purchases of Peoples First in 2009 and Whitney in 2011. We define **Core Net Interest Margin** as reported (te) core net interest income expressed as a percentage of average earning assets. A reconciliation of reported net interest income to core net interest income and reported net interest margin to core net interest margin is included in the net interest income section of this item. Management believes that core net interest income and core net interest margin provide a useful measure to investors regarding the Company's performance period over period as well as providing investors with assistance in understanding the success management has experienced in executing its strategic initiatives.

EXECUTIVE OVERVIEW

Recent Economic and Industry Developments

Energy Industry Impact

The price of WTI Crude Oil has dropped precipitously over the past eighteen months from approximately \$105 per barrel in July 2014 to just over \$37 per barrel on December 31, 2015. Likewise, the price of natural gas has experienced a similar percentage decline. During the second half of 2015 alone, the price of crude oil declined almost 40%. Both crude oil and natural gas prices have declined even further in early 2016 and there are no indications that there will be a quick recovery. The depth and duration of the current energy cycle has been deeper and longer than many industry analysts originally expected. This sustained downturn in crude oil and natural gas prices has had a substantial negative effect on a large number of energy-related companies, including a number of the Company's customers.

At December 31, 2015, the Company's loans to energy-related customers totaled approximately \$1.6 billion, or 10% of its total loan portfolio. Total criticized loans in the energy portfolio increased approximately \$375 million in 2015 to \$451 million, or approximately 29% of the total energy portfolio. Criticized loans are defined as those having potential weaknesses that deserve management's close attention (risk rated special mention, substandard and doubtful), including both accruing and nonaccrual loans. Nonaccruing energy loans totaled approximately \$70 million at December 31, 2015 compared to none at December 31, 2014. The continued decline in oil and gas prices from international economic and geopolitical events with no indication of a quick recovery, coupled with declining collateral values related to specific credits within the energy portfolio, led management to increase the allowance for the energy portfolio during 2015 by \$66.2 million to \$78.2 million, or almost 5% of energy loans at December 31, 2015. At December 31, 2015, the total allowance for loan losses was \$181.2 million compared to \$128.8 million at December 31, 2014. The primary year-over-year increase in the allowance for loan losses was related to the energy portfolio.

Management is working to reduce the Company's concentration in energy-related credits by reducing the balance of energy credits while implementing a number of initiatives to increase its nonenergy-related portfolio. In 2015, the Company increased its total loan portfolio by \$1.8 billion, or 13%, while reducing its energy-related portfolio by approximately \$144 million. We are expecting the continued decrease in the energy-related portfolio in 2016 as anticipated paydowns should more than offset any additional loans or advances.

The Company's energy-related loan portfolio is diversified across a number of industries. It is comprised of loans to customers involved in both exploration and production and support services. Approximately \$1.0 billion, or 64%, of the energy portfolio is with customers who provide transportation and other onshore and offshore services and products to support exploration and production activities. The remaining \$600 million, or 36%, is to customers engaged in oil and gas exploration and production, 90% of which is supported by proved developed producing reserves. These customers are diversified across 12 primary basins in the U.S. and the Gulf of Mexico and by product line with approximately 60% in oil and 40% in gas. Borrowing base redeterminations for the reserve-based loans are completed twice a year and all borrowing bases were reviewed and appropriately adjusted in the second and fourth quarters of 2015.

Management continues to closely monitor the impact that the decrease in oil prices will have on the ability of the Company's energy-related customers to service their debt. Part of the ongoing monitoring includes a review of customers' balance sheets, leverage ratios, collateral values and other critical lending metrics. As new information becomes available, the Company could have additional risk rating downgrades. Management believes that if further risk rating downgrades occur, they could lead to additional loan loss provisions, a higher allowance for loan losses, and additional charge-offs. While management expects additional charge-offs in the portfolio, we continue to believe the impact of the energy cycle on the company will be manageable and capital will remain solid. Based upon information available today, management estimates that net charge-offs from the energy-related credits will approximate \$50 to \$75 million over the duration of the cycle. During 2015, the Company recorded net charge-offs of \$3.8 million on energy-related credits.

Additionally, management is closely monitoring the impact that the depressed oil and gas prices are having on the local economies in the Company's energy-dependent markets, particularly as it relates to our consumer and commercial real estate portfolios. Although the Company has not experienced any significant issues in these portfolios to date, we expect to experience some credit degradation in 2016, particularly in the consumer portfolio, which may require an increase in our allowance for loan losses.

Current Economic Environment

The Federal Reserve publishes its Summary of Commentary on Current Economic Conditions (the "Beige Book") eight times a year, most recently on January 13, 2016. The Beige Book includes summaries from all 12 Banks in the Federal Reserve System. Reports from the Atlanta Bank and the Dallas Bank indicate continued improvement of economic activity throughout most of the Company's market area. However, activity at energy-related businesses, which are concentrated mainly in the Company's south Louisiana and Houston, Texas market areas, reported a decline in activity. This decline is expected to continue until oil prices recover. Tourism and convention activity, which is important to several of the Company's market areas, showed record levels of activity in both leisure and business travel, and is expected to continue to grow in 2016 based on advanced booking reports. However, there was some concern about the strength of the dollar decreasing demand from international customers. Retail sales for the 2015 holiday season were positive, and motor vehicle sales continued to grow. Manufacturing activity has declined, with a decrease in orders of production; however, employment levels increased slightly. Most manufacturers within the Company's footprint expect growth in production, except for the ones in the Houston market, which has had a significant decline in demand for products manufactured for the energy sector.

The real estate market for residential properties was flat to slightly up compared to the prior Beige Book, released November 30, 2015, with the exception of the Houston market, which reported sluggish levels of activity. Home sales are expected to remain flat or increase slightly over the next few months. However, the Houston market is expected to further weaken. New home construction activity has remained flat. Most builders had a positive outlook, expecting new home sales to be flat or show a slight increase. Commercial construction activity has improved modestly, with demand for apartment construction continuing to show robust growth.

Employment levels were mixed. Some areas reported stable or increasing employment, while others reported some scattered layoffs. The energy sector has experienced layoffs and the slowdown is causing layoffs in other supporting industries, including transportation, retail, and financial services. Pricing levels remained stable in most industries. However, some areas reported difficulties hiring and retaining employees for both high-skilled and low-skilled entry level positions. The Beige Book also noted that some companies had to increase pay in order to retain their employees.

Loan demand across most of the markets that the Company serves grew at a slightly lower pace since the last Beige Book report, and competition for quality borrowers remains strong. Both consumer auto lending and business loans to auto dealers increased. Commercial real estate continued to grow as a result of increased demand for multifamily housing. The outlook for increased growth was pessimistic, with markets citing increases

in delinquencies in loans to oil and gas companies, with lower oil prices expected to continue for the foreseeable future.

The overall U.S. economy continued to expand, with almost all regions showing modest to moderate growth rates. Confidence in the prospect of a higher rate of sustained growth decreased slightly in regions with more significant energy presence due to anticipated low oil prices for the foreseeable future. Broader uncertainty surrounding regulation and the health of the international economy have also tapered economic outlooks for 2016.

Highlights of 2015 Financial Results

- Loans increased \$1.8 billion, or 13%
- Deposits increased \$1.8 billion, or 11%
- Total revenue, excluding purchase accounting adjustments, increased \$33.4 million, or 4%
- Allowance for energy loans at December 31, 2015 was \$78.2 million, or approximately 5% of energy loans

Net income for the year ended December 31, 2015 was \$131.5 million, compared to \$175.7 million in 2014. This decrease was mainly due to a \$39 million increase in the provision for loan losses and a \$51 million reduction in purchase accounting adjustments. Diluted earnings per share for 2015 were \$1.64, a \$0.46 decrease from 2014. Operating income, which excludes tax-effected nonoperating expenses and securities gains and losses, totaled \$141.8 million, a \$52 million, or 27%, decrease from 2014 due to the additional provision for loan and lease losses and reduction in purchase accounting adjustments. Diluted earnings per share on operating income were \$1.77 for 2015, a \$0.55 reduction from 2014.

The Company's return on average assets (ROA) for 2015 was 0.62% compared to 0.90% for 2014, while the operating ROA was 0.67% in 2015, compared to 1.00% in 2014.

Reported net interest income (te) in 2015 totaled \$639 million, a \$27 million, or 4%, decrease from 2014, which is mainly the result of a \$57 million decrease in net purchase accounting accretion partially offset by the impact from a \$1.5 billion increase in average loans. The reported net interest margin decreased 54 basis points (bps) to 3.33% in 2015. The core net interest margin, which is calculated excluding total net purchase accounting adjustments, decreased 19 bps to 3.14% in 2015. The decrease in the core net interest margin resulted from a combination of a 10 basis point (bp) decrease in the core loan yield, excluding purchase accounting adjustments, and a 6 bp increase in the Company's cost of funds. The decline in loan yield resulted from management's strategy to increase net interest income and reduce loan concentrations in specific industries by making high quality loans to financially sound customers at competitive interest rates. The increase in the cost of funds was mainly attributable to management's strategy of funding its loan growth primarily with core deposits which resulted in paying slightly higher rates on its interest-bearing deposits.

The provision for loan losses was \$73.0 million in 2015 compared to \$33.8 million in 2014, with the increase mostly attributable to the increase in the allowance for loan losses on energy credits. Net charge-offs from the non-FDIC acquired portfolio during 2015 were \$16.2 million, or 0.11% of average total loans. This compares to the net non-FDIC acquired charge-offs of \$17.1 million, or 0.13% of average total loans, in 2014.

At December 31, 2015, the allowance for loan losses was \$181.2 million, or 1.15% of period-end loans, up \$52 million from the previous year-end. The increase is primarily related to the energy portfolio. At December 31, 2015, loans in the Company's energy segment totaled approximately \$1.6 billion, or 10% of total loans. The energy segment is comprised of credits to both the E&P industry and support industries. At December 31, 2015, the reserve for the energy portfolio was \$78.2 million, or approximately 5% of energy loans outstanding.

Nonperforming assets including nonaccrual loans, restructured loans, other real estate and foreclosed assets totaled \$191.1 million at December 31, 2015, an increase of \$43 million, or 29%, from December 31, 2014. The

net increase in nonperforming loans was mainly due to five large energy-related loans that were downgraded and placed on nonaccrual in 2015. The Company's nonperforming asset ratio representing nonperforming assets as a percentage of total loans, other real estate and foreclosed properties increased 16 basis points to 1.22% between December 31, 2014 and December 31, 2015.

Total assets at December 31, 2015 were \$22.8 billion, up about \$2.1 billion, or 10%, from the prior year-end. Total loans increased \$1.8 billion, or 13%, during 2015. During 2015, net loan growth was experienced in all major products across the Company's entire footprint, except energy, which decreased \$144 million.

At December 31, 2015, total deposits were \$18.3 billion, up approximately 11% from the end of 2014, as all deposit categories, except time deposits, reflected an increase. Noninterest-bearing demand deposits increased 22% to \$7.3 billion, or 40% of total deposits at December 31, 2015. The increase in noninterest-bearing deposits reflects a change to the Company's consumer product offering that resulted in the transfer of \$1.2 billion from interest-bearing transaction and saving accounts during the fourth quarter of 2015. The product offering change included the introduction of a new suite of consumer checking products designed to specifically meet the changing needs of our customers. Total noninterest-bearing and interest-bearing transaction and savings deposits were up \$1.6 billion, or 13%, in 2015.

The Company's tangible common equity ratio was 7.62% at December 31, 2015, down 97 bps from the previous year-end due to asset growth and share repurchases further discussed in the Capital Resources section of this item.

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 2015 totaled \$639 million, a \$27 million, or 4%, decrease from 2014. The decrease resulted from a \$57 million decline in net purchase accounting accretion. The net purchase accounting accretion resulted from the fair market value adjustments related to the purchases of Peoples First in 2009 and Whitney in 2011. This net accretion has decreased annually since 2012, as the purchased portfolios have declined, and is expected to be relatively insignificant going forward. Excluding the purchase accounting accretion, net interest income (te) increased \$31 million, primarily due to \$1.5 billion growth in average loans. Management has implemented a number of strategic initiatives to increase sustainable interest income to replace the decreasing amount of interest income from purchase accounting adjustments. These initiatives include, among other items, hiring experienced middle market commercial lenders in growing markets, expanding the Company's product base in areas such as specialty financing, lease financing and health care, opening business banking centers specifically designed for commercial customers and a number of programs designed to increase our retail and mortgage lending customer base.

The reported net interest margin declined 54 bps to 3.33% in 2015. The net interest margin is the ratio of net interest income (te) to average earnings assets. The core net interest margin was approximately 3.14% in 2015, down 19 bps from 2014. With the December 2015 Federal Open Market Committee's decision to increase the Federal Funds target rate by 25 bps, management currently expects the core net interest margin to increase slightly in 2016 as the Company is marginally asset sensitive which means a greater amount of our interest earning assets are subject to re-pricing sooner than our interest-bearing liabilities. The sections on Asset/Liability Management and Net Interest Income at Risk in this section provide additional information regarding the Company's management of interest rate risk and potential impact from changes in interest rates, respectively.

The overall reported yield on earning assets was 3.62% in 2015, down 47 bps from 2014. The reported loan portfolio yield was 4.13% in 2015 compared to 4.71% in 2014. Excluding the impact from purchase accounting accretion, the loan yield decreased 10 bps to 3.86%. The decrease in the loan yield is partially related to management's desire to increase net interest income and reduce loan concentrations in specific industries by making high quality loans to financially sound customers at competitively attractive interest rates. The reported tax equivalent yield on the investment securities portfolio decreased 12 bps from 2014, reflecting lower yields in mortgage-backed securities and collateralized mortgage obligations (CMOs).

The cost of funding earning assets increased 6 bps to 0.28% in 2015. The overall rate paid on interest-bearing deposits was up 7 bps from 2014 to 0.31% in 2015 as the Company's strategic initiatives implemented during late 2014 and the first half of 2015 to grow deposits to fund loan growth resulted in slightly higher rates paid for its interest-bearing deposits. Borrowing costs increased 29 bps from 1.08% in 2014 to 1.37% in 2015. This increase was attributable to the Company's \$150 million issuance of long-term subordinated debt. The debt was issued on March 9, 2015 at a rate of 5.95% to repurchase a portion of the Company's common stock and to provide additional Tier 2 regulatory capital. Interest-free funding sources, including noninterest-bearing demand deposits, funded approximately 35% of average earnings assets in both 2015 and 2014.

Net interest income (te) for 2014 was down \$26 million, or 4%, from 2013 mainly due to a \$41 million decrease in net purchase accounting adjustments. Excluding purchase accounting adjustments, net interest income (te) increased by \$15.6 million due to a \$752 million increase in average earning assets, an improved earning asset mix, and a 3 bp decrease in the cost of funding earning assets.

The reported net interest margin declined 33 bps to 3.87% in 2014. The core margin was 3.33% in 2014, down 6 bps from 2013.

The overall reported yield on earning assets in 2014 was down 36 bps from 2013 as the reported loan portfolio yield declined 74 bps. Excluding the impact from purchase accounting accretion, the loan yield decreased 26 bps. The reported tax equivalent yield on the investment securities portfolio increased 17 bps from 2013, reflecting higher yields in CMOs and mortgage-backed securities from a decrease in premium amortization as prepayments decreased. The mix of average earning assets improved in 2014, as the proportion of loans increased to 75% of earnings assets compared to 71% in 2013 with corresponding declines in both investment securities and short-term investments.

The cost of funding earning assets declined to 0.22% in 2014, down 3 bps from 2013. The overall rate paid on interest-bearing deposits declined 1 bp from 2013 to 0.24% in 2014 as the Company was able to replace approximately \$212 million of higher cost time deposits and public fund deposits with lower cost interest-bearing transaction and saving deposits. Borrowing costs decreased 37 bps from 1.45% in 2013 to 1.08% in 2014. This decrease was mainly attributable to a June 2014 early redemption of \$115 million in fixed rate repurchase obligations bearing an average rate of 3.43%. The early redemption reduced borrowing costs by approximately \$1.8 million during the second half of 2014. Interest-free funding sources, including noninterest-bearing demand deposits, funded almost 35% of average earnings assets in 2014 and 34% in 2013.

The factors contributing to the changes in net interest income (te) for 2015, 2014, and 2013 are presented in Tables 1 and 2. Table 1 shows average balances and related interest and rates and provides a reconciliation of reported and core net interest income and net interest margin (NIM). Table 2 details the effects of changes in balances (volume) and rates on net interest income in 2015 and 2014.

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

	Years Ended December 31,								
	2015			2014			2013		
(\$ in millions)	Average Balance	Interest	Rate	Average Balance	Interest	Rate	Average Balance	Interest	Rate
Assets									
Interest-Earnings Assets:									
Commercial & real estate loans (TE)	\$10,595.2	\$419.1	3.95%	\$ 9,508.1	\$430.2	4.52%	\$ 8,477.6	\$430.3	5.08%
Residential mortgage loans	1,960.4	81.2	4.14	1,791.9	82.7	4.61	1,637.2	100.9	6.16
Consumer loans	1,877.7	95.4	5.08	1,638.9	94.7	5.78	1,585.4	103.2	6.51
Loan fees & late charges		(.1)			2.4			3.5	
Loans (te) (b)	14,433.3	595.6	4.13	12,938.9	610.0	4.71	11,700.2	637.8	5.45
Loans held for sale	18.1	.7	3.74	16.5	.7	4.28	25.0	.9	3.53
Investment securities:									
U.S. Treasury and government agency securities	197.3	3.1	1.57	145.2	2.3	1.62	28.1	.6	2.16
Mortgage-backed securities and collateralized mortgage obligations	3,804.0	83.5	2.19	3,450.9	79.6	2.31	3,870.2	81.3	2.10
Municipals									
Taxable	108.5	3.7	3.46	101.6	3.6	3.52	87.1	3.3	3.73
Nontaxable (te)	90.9	5.3	5.81	104.8	5.9	5.66	146.2	7.1	4.85
Other securities	7.5	.2	2.76	14.2	0.3	2.22	8.5	.2	2.44
Total investment in securities (te) (c)	4,208.2	95.8	2.28	3,816.7	91.7	2.40	4,140.1	92.5	2.23
Short-term investments	513.7	1.2	.24	423.4	1.0	.23	578.6	1.4	.24
Total earning assets (te)	19,173.3	693.3	3.62%	17,195.5	703.4	4.09%	16,443.9	732.6	4.45%
Nonearning assets:									
Other assets	2,209.8			2,370.9			2,623.0		
Allowance for loan losses	(133.5)			(129.6)			(137.9)		
Total assets	\$21,249.6			\$19,436.8			\$18,929.0		
Liabilities and Stockholders' Equity									
Interest-bearing Liabilities:									
Interest-bearing transaction and savings deposits	\$ 6,877.4	\$ 12.9	.19%	\$ 6,173.7	\$ 6.7	.11%	\$ 5,962.1	\$ 6.0	.10%
Time deposits	2,207.4	15.6	.70	2,053.5	12.8	.62	2,350.5	14.9	.63
Public funds	1,844.8	5.4	.30	1,531.0	3.7	.24	1,410.7	3.3	.23
Total interest-bearing deposits	10,929.6	33.9	.31	9,758.2	23.2	.24	9,723.3	24.2	.25
Repurchase agreements	539.2	0.2	.03	688.7	1.9	.27	763.3	4.4	.58
Other short-term borrowings	486.0	0.9	.19	317.0	0.5	.15	42.7	0.1	.21
Long-term debt	482.7	19.5	4.04	379.7	12.5	3.30	389.2	12.8	3.28
Total interest-bearing liabilities	12,437.4	54.5	.44%	11,143.6	38.1	.34%	10,918.5	41.5	.38%
Noninterest-bearing:									
Noninterest bearing deposits	6,195.2			5,641.8			5,393.9		
Other liabilities	174.2			176.5			230.0		
Stockholders' equity	2,442.8			2,474.9			2,386.6		
Total liabilities & stockholders' equity	\$21,249.6			\$19,436.8			\$18,929.0		
Net interest income and margin (te)		\$638.8	3.33%		\$665.3	3.87%		\$691.1	4.20%
Net earning assets and spread	\$ 6,735.9		3.18%	\$ 6,051.9		3.75%	\$ 5,525.4		4.07%
Interest cost of funding earning assets			.28%			.22%			.25%

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

(b) Includes nonaccrual loans.

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

Reconciliation of Reported to Core Net Interest Income and Margin

(\$ in millions)	Years Ended December 31,		
	2015	2014	2013
Net interest income (te)	\$ 638.8	\$ 665.3	\$ 691.1
Purchase accounting adjustments			
Loan discount accretion	38.9	97.7	144.7
Bond premium amortization	(3.8)	(5.4)	(11.5)
CD premium accretion	—	.2	.7
Total net purchase accounting adjustments	35.1	92.5	133.9
Net interest income (te)—core	\$ 603.7	\$ 572.8	\$ 557.2
Average earning assets	\$19,173.3	\$17,195.5	\$16,443.9
Net interest margin—reported	3.33%	3.87%	4.20%
Net purchase accounting adjustments	.19%	.54%	.81%
Net interest margin—core	3.14%	3.33%	3.39%

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

(in thousands)	2015 Compared to 2014			2014 Compared to 2013		
	Due to Change in		Total Increase (Decrease)	Due to Change in		Total Increase (Decrease)
	Volume	Rate		Volume	Rate	
Interest Income (te)						
Commercial & real estate loans (TE)	\$46,242	\$(57,437)	\$(11,195)	\$49,303	\$(49,366)	\$ (63)
Residential mortgage loans	7,396	(8,896)	(1,500)	8,874	(27,082)	(18,208)
Consumer loans	12,887	(12,202)	685	3,394	(11,857)	(8,463)
Loan fees & late charges	—	(2,533)	(2,533)	—	(1,046)	(1,046)
Loans (te) (c)	66,525	(81,068)	(14,543)	61,571	(89,351)	(27,780)
Loans held for sale	64	(94)	(30)	(337)	163	(174)
Investment securities:						
U.S. Treasury and government agency securities	819	(68)	751	1,931	(189)	1,742
Mortgage-backed securities and collateralized mortgage obligations	7,875	(3,977)	3,898	(9,264)	7,476	(1,788)
Municipals						
Taxable	239	(64)	175	515	(196)	319
Nontaxable (te)	(804)	147	(657)	(2,215)	1,065	(1,150)
Other securities	(172)	64	(108)	127	(20)	107
Total investment in securities (te) (c)	7,957	(3,898)	4,059	(8,906)	8,136	(770)
Short-term investments	216	72	288	(356)	(82)	(438)
Total earning assets (te)	74,762	(84,988)	(10,226)	51,972	(81,133)	(29,162)
Interest-bearing transaction and savings deposits	843	5,303	6,146	218	514	732
Time deposits	1,005	1,743	2,748	(1,855)	(235)	(2,090)
Public funds	837	921	1,758	287	119	406
Total interest-bearing deposits	2,685	7,967	10,652	(1,350)	398	(952)
Repurchase agreements	(338)	(1,375)	(1,713)	(399)	(2,171)	(2,570)
Other interest-bearing liabilities	297	134	431	419	(30)	389
Long-term debt	3,818	3,165	6,983	(312)	85	(227)
Total interest expense	6,462	9,891	16,353	(1,642)	(1,718)	(3,360)
Net interest income (te) variance	\$68,300	\$(94,879)	\$(26,579)	\$53,614	\$(79,416)	\$(25,802)

(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 solely to changes in volume or rate.

(c) Includes nonaccrual loans.

Provision for Loan Losses

The provision for loan losses was \$73.0 million in 2015 compared to a provision of \$33.8 million in 2014. The provision for non-FDIC acquired loans in 2015 was \$76.1 million, compared to \$34.8 million in 2014. The increase from prior year reflects a \$66.2 million increase in the allowance for the energy portfolio as discussed more fully in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Balance Sheet Analysis—Allowance for Loan and Lease Losses.” The provision for the FDIC acquired portfolio was a credit of almost \$3.1 million, compared to a credit of \$0.9 million in 2014. The credits to provision in both years for the FDIC acquired portfolio were primarily due to reductions in expected losses.

“Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Balance Sheet Analysis—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 2015 totaled \$237 million, a \$9.3 million, or 4%, increase from 2014. A \$6.4 million decrease in amortization of the FDIC loss share receivable and an increase in income from secondary mortgage operations were partially offset by a decrease in service charge income.

Table 3 presents the components of noninterest income for the prior three years along with the percentage changes between years:

TABLE 3. Noninterest Income

(\$ in thousands)	2015	% Change	2014	% Change	2013
Service charges on deposit accounts	\$ 72,813	(5)%	\$ 77,006	(3)%	\$ 79,000
Trust fees	45,627	2	44,826	17	38,186
Bank card and ATM fees	46,480	3	45,031	(2)	45,939
Investment and annuity fees	20,669	2	20,291	4	19,574
Secondary mortgage market operations	12,579	57	8,036	(36)	12,543
Insurance commissions and fees	8,567	(10)	9,473	(40)	15,804
Amortization of loss share receivable	(5,747)	53	(12,102)	(441)	(2,239)
Income from bank-owned life insurance	10,881	5	10,314	(8)	11,223
Credit-related fees	11,057	(1)	11,121	27	8,724
Income from derivatives	2,745	67	1,645	(65)	4,675
Gain on sales of assets	186	(85)	1,279	(34)	1,932
Safety deposit box income	1,758	(4)	1,830	(5)	1,923
Other miscellaneous income	9,334	1	9,249	6	8,754
Securities transactions	335	n/m	—	(100)	105
Total noninterest income	\$237,284	4%	\$227,999	(7)%	\$246,143

Amortization of the FDIC loss share receivable amounted to \$5.7 million in 2015 compared to \$12.1 million in 2014. Amortization of the FDIC loss share receivable reflects a reduction in the amount of expected reimbursements under the loss sharing agreements due to lower loss projections for the related FDIC acquired loan pools. Accounting for the loss share receivable is described in Note 1 to the consolidated financial statements. The 2015 amortization decrease is primarily related to the expiration of FDIC coverage on the non-single family portfolio in December 2014. The loss share agreement covering the single family portfolio expires in December 2019.

Fees from secondary mortgage operations totaled \$12.6 million in 2015, up \$4.5 million, or 57%, from a year earlier. The increase is attributable to both an increased level of mortgage loan production and selling a higher percentage of loans in the secondary market. Mortgage loan production increased approximately 24% in 2015 compared to 2014 with the percentage of loan production sold in the secondary market increasing from 25% in 2014 to 38% in 2015. Secondary mortgage operations fee income is generated from selling certain types of originated single-family mortgage loans into the secondary market in an effort to provide mortgage products for our customers while managing interest rate risk and liquidity. These loans are originated by the Company through its branch network. The Company typically sells its longer-term fixed-rate loans while retaining in the portfolio the majority of its adjustable rate loans as well as loans generated through certain programs to support customer relationships including programs for high net worth individuals and non-builder construction loans. The ultimate amount of loans sold in the secondary market relative to the amount retained by the Company is a management decision made as part of the Company's ALCO process. The Company implemented a number of initiatives during the second half of 2015 to increase its mortgage loan production and fee income from secondary mortgage operations in 2016 including an expanded sales force with originators that specialize in loans sold in the secondary market and streamlined operations that will add efficiencies to the mortgage origination process.

Trust and investment and annuity fees totaled \$66.3 million in 2015, a \$1.2 million, or 2%, increase over 2014. The 2015 fee growth came from virtually all product lines.

Bank card and ATM fees totaled \$46.5 million in 2015, up \$1.4 million, or 3% compared to 2014. Bank card and ATM fees include income from credit card, debit card and ATM transactions, and merchant service fees. Growth in both consumer and business card accounts resulting from product and delivery platform enhancements was the primary factor in the 2015 increase. These enhancements, including smart phone payment functionality and improved on-line management tools, as well as additional product enhancements planned in 2016, are expected to result in continued increases in credit card and merchant fees in 2016.

Insurance commissions and fees decreased \$0.9 million, or 10%, from 2014 primarily from the full year impact of selling certain business lines during the second quarter of 2014. Additionally, in the third quarter of 2015, the Company elected to exit its title insurance operation to focus on more profitable areas. The title insurance operation contributed approximately \$1 million in fee income annually. Management expects a slight decrease in insurance commissions and fees in 2016 from the full year impact of this strategic decision.

Service charges on deposit accounts were down \$4.2 million, or 5% from 2014, primarily due to a decrease in overdraft charges related to a decline in overdraft/nonsufficient funds occurrences. This decline was mostly due to an increase in average balances per account in the consumer noninterest-bearing portfolio, a reduction in the number of consumer accounts resulting from branch closings and sales, and higher customer usage of our overdraft protection product. The Company implemented a number of initiatives in late 2014 and throughout 2015 to grow deposit balances and the related service charges as part of its general strategy of growing revenue. Management believes these initiatives will result in an increased level of service charges over time.

Noninterest income for 2014 totaled \$228 million, an \$18.1 million, or 7%, decrease from 2013. Decreases related to increased amortization of the FDIC loss share receivable, reduced fees resulting from the sale of certain insurance business lines in the second quarter, and a decrease in income from secondary mortgage operations were the primary factors in the decline in noninterest income.

Fees from secondary mortgage operations totaled \$8.0 million in 2014, down \$4.5 million, or 36%, from a year earlier. During 2014, single family loan originations decreased 24% as refinancing activity was down almost 57% from 2013, consistent with national trends. The decline in fee income in 2014 reflects a 36% reduction in loans sold into the secondary market from the lower level of originations.

Trust and investment and annuity fees totaled \$65.1 million in 2014, a 7.4 million, or 13%, increase over 2013. Trust revenue was positively impacted by strong sales of our Hancock Horizon mutual funds via national distribution channels and increased new business from our Personal Trust, Institutional Trust and Retirement Services lines of businesses. Revenues from these lines increased \$6.8 million, or 20%, from 2013.

Bank card and ATM fees totaled \$45.0 million in 2014, down 2% compared to 2013. Commercial card fees were up \$2.4 million, or 41% as a result of various strategic initiatives during 2014 to increase card usage, including specific commercial card enhancements. This increase is offset by a decrease in ATM fee income due in part to the closing of approximately 50 branches in 2013 and 2014 as part of the Company's branch rationalization program.

During the second quarter of 2014, the Company sold its property and casualty and group benefits insurance intermediary business. The business lines sold contributed approximately 50% of the Company's 2013 insurance commissions and fees. As a result of the sale, insurance commissions and fees were down \$6.3 million, or 40% compared to 2013.

Service charges on deposit accounts were down \$2.0 million, or 3% from 2013, primarily due to a decrease in overdraft charges.

Credit-related fee income increased \$2.4 million, or 27% in 2014 as compared to 2013. These fees primarily consist of standby letter of credit and unused loan commitment fees. This growth in fee income is primarily a result of additional loan facilities in 2014.

Noninterest Expense

Noninterest expense for 2015 totaled \$620 million, up \$13.0 million, or 2%, compared to 2014. Excluding nonoperating expenses, noninterest expense increased \$22.4 million, or 4%, to \$603 million in 2015 compared to 2014. The largest components of this increase are personnel, data processing, advertising, regulatory, and professional services expense. The increases in these categories are mainly attributable to supporting the revenue and deposit growth initiatives implemented during 2014 and 2015.

During 2014 and 2015, management shifted its strategy regarding expenses. From the time of its acquisition of Whitney in 2011 through 2013, the Company implemented a number of initiatives aimed primarily at expense reductions through improving the Company's infrastructure, streamlining its operation and generally improving its operating efficiency. These strategic initiatives included, among other items, a branch rationalization program that resulted in closing or selling over 50 branches during 2013 and 2014, a bank charter consolidation, selling certain insurance business lines, increasing automation through enhancing systems, and restructuring various support units within the organization to enhance operating efficiency. These initiatives resulted in a \$59 million reduction in operating expenses during 2014 compared to 2013. Although the Company continues to work to improve its efficiencies, management implemented a number of initiatives beginning in the last half of 2014 and throughout 2015 aimed at growing revenue and increasing core deposits. These included hiring additional middle market lenders in growing markets, enhancing our product offering in areas such as equipment and lease financing, card services and private banking, opening new branches designed specifically to attract new commercial customers and tailoring our marketing efforts to grow core business lines. As a result, the Company's 2015 net revenue, excluding purchase accounting adjustments, increased \$33.4 million, or 4%, in 2015 compared to 2014, while operating expenses in personnel, data processing, advertising, and professional services in 2015 increased moderately. Management believes that these initiatives will continue to increase revenue in future periods.

Table 4 presents the components of noninterest expense for the prior three years, along with the percentage changes between years. The first schedule of Table 4 presents operating expenses by component and the second schedule identifies nonoperating expenses by component.

TABLE 4. Noninterest Expense

(\$ in thousands)	<u>2015</u>	<u>% Change</u>	<u>2014</u>	<u>% Change</u>	<u>2013</u>
Employee compensation	\$277,412	3%	\$269,249	(5)%	\$282,420
Employee benefits	54,708	7	51,253	(21)	64,847
Total personnel expense	332,120	4	320,502	(8)	347,267
Net occupancy expense	44,788	3	43,476	(11)	48,847
Equipment expense	15,481	(8)	16,862	(15)	19,885
Data processing expense	55,484	8	51,279	6	48,364
Professional services expense	28,287	10	25,755	(25)	34,114
Amortization of intangibles	24,184	(10)	26,797	(9)	29,470
Telecommunications and postage	14,126	(4)	14,640	(16)	17,432
Deposit insurance and regulatory fees	16,736	41	11,872	(20)	14,914
Other real estate expense, net	2,740	(1)	2,758	(66)	8,036
Advertising	11,211	29	8,702	(15)	10,281
Ad valorem and franchise taxes	10,498	—	10,492	8	9,727
Printing and supplies	4,851	13	4,310	(16)	5,112
Insurance expense	3,482	(11)	3,919	(4)	4,094
Travel	5,329	31	4,057	(13)	4,663
Entertainment and contributions	6,723	17	5,762	9	5,265
Tax credit investment amortization	8,513	(3)	8,817	22	7,219
Other expense	18,861	(10)	20,980	(18)	25,581
Total noninterest expense (excluding nonoperating expense)	603,414	4	580,980	(9)	640,271
Nonoperating expense	16,241	(37)	25,686	(32)	38,003
Total noninterest expense	<u>\$619,655</u>	<u>2%</u>	<u>\$606,666</u>	<u>(11)%</u>	<u>\$678,274</u>

Total personnel expense was up \$11.6 million, or 4%, in 2015 compared to 2014 due to both staff increases and merit raises. The number of full-time equivalent employees grew by 127 in 2015 mostly due to the Company's revenue initiatives. Employee benefits expense was up \$3.5 million, or 7%. The most significant factors contributing to this increase are a \$1.3 million increase in retirement-related expense and a \$0.6 million increase in employee relocation expense.

Data processing expense was up \$4.2 million, or 8%, primarily related to a \$1.2 million increase in debit and credit card processing activity and a \$2.5 million increase in computer processing charges representing the full year impact of infrastructure and delivery channel improvements made during 2014.

Professional services expense increased \$2.5 million, or 10%, from 2014, primarily due to a \$4.4 million increase in consulting fees related to revenue initiatives. Advertising expense increased \$2.5 million, or 29%, in 2015 compared to 2014 as the Company launched a number of marketing campaigns specifically designed to target revenue and deposit growth. Deposit insurance and regulatory fees increased \$4.9 million or 41%, from 2014 primarily due to higher premiums resulting from asset growth and credit deterioration.

Nonoperating expenses decreased \$9.4 million, or 37%, from 2014. These reductions in expenses are primarily related to the Company's expense and efficiency initiative. They include such items, among others, as lease buy-outs, branch and equipment disposition costs and severance packages from the branch rationalization project,

settlement of an FDIC assessment related to loss claim reimbursement amounts, early termination fees on repurchase obligations, and severance costs associated with organizational restructuring.

The components of nonoperating expense:

(in thousands)	<u>2015</u>	<u>2014</u>	<u>2013</u>
Personnel	\$ 1,421	\$ 7,794	\$ 9,215
Net occupancy expense	54	120	7
Equipment expense	13	91	141
Data processing expense	106	90	3
Professional services expense	11,911	7,466	5,243
Telecommunications and postage	1	36	—
Advertising	14	235	118
Printing and supplies	—	240	—
Travel	2	9	53
Tax credit investment amortization	—	—	3,562
Other expense	2,719	9,605	19,661
Total nonoperating expense	<u>\$16,241</u>	<u>\$25,686</u>	<u>\$38,003</u>

Noninterest expense for 2014 totaled \$607 million, down \$72 million, or 11%, compared to 2013. Excluding nonoperating expenses, noninterest expense decreased \$59 million, or 9%, to \$581 million in 2014 compared to 2013. The decrease in expenses was a result of the Company's general expense reduction strategic initiative implemented in early 2013. The focus of the strategic expense initiative was to reduce quarterly operating expense by \$12.5 million (\$50 million annualized) between the first quarter of 2013 and the fourth quarter of 2014. The Company achieved its expense reduction target in the second quarter of 2014. Nonoperating expenses declined \$12.3 million to \$25.7 million in 2014 compared to 2013.

Total personnel expense totaled \$321 million in 2014, a \$27 million, or 8%, decrease from 2013. The \$13.2 million, or 5%, decrease in employee compensation was related to the expense and efficiency initiative as the number of full-time equivalent employees at December 31, 2014 was down by almost 200 to 3,794. In addition to the reduction in salary costs, employee benefits expense was down \$13.6 million, or 21%, primarily from actuarial gains on the pension plan in 2013 related to higher long-term interest rates at year-end 2013 and strong plan asset performance. Also contributing to the reduction in benefit costs was the decrease in the number of full-time equivalent employees.

Occupancy and equipment expenses decreased a combined \$8.4 million, or 12% from 2013, primarily due to the branch closures noted above.

Data processing expense was up \$2.9 million, or 6%, primarily related to increased debit and credit card activity. Professional services expense decreased \$8.4 million, or 25%, from 2013, primarily from a \$2.5 million reduction in legal and other professional fees related to special credits and a \$1 million reduction in outside accounting and auditing expense as the Company began to transition its internal audit function in-house. Deposit insurance and regulatory fees decreased \$3.0 million or 20% from 2013 due, in part, to the charter consolidation.

Other real estate expense decreased \$5.3 million, or 66%, from 2013 as the Company experienced a much lower level of valuation adjustments and losses on disposal of properties as real estate prices stabilized.

Nonoperating expenses decreased \$12.3 million, or 32%, from 2013. These expenses were incurred in connection with the Company's expense and efficiency initiative as described above. The decrease from 2013 to 2014 represents a reduction in these types of expenses as a majority of the initiatives related to the branch rationalization project were completed during 2013 and early 2014, including the cost associated with the closing or selling of approximately 38 branches in 2013, compared to 15 in 2014.

Income Taxes

The Company recorded income tax expense at an effective rate of 23% in 2015, 27% in 2014 and 24% in 2013. Management expects the effective tax rate for 2016 to be in the range of 26% to 28%. Hancock's effective tax rates have varied from the 35% federal statutory rate primarily because of tax-exempt income and tax credits. Interest income on bonds issued by or loans to state and municipal governments and authorities, and earnings from the bank-owned life insurance program are the major components of tax-exempt income. The main source of tax credits has been investments in tax-advantaged securities and tax credit projects. These investments are made primarily in the markets the Company serves and are directed at tax credits issued under the Qualified Zone Academy Bonds (QZAB), Qualified School Construction Bonds (QSCB), as well as Federal and State New Market Tax Credit (NMTC) and Low-Income Housing Tax Credit (LIHTC) programs. The investments generate tax credits which reduce current and future taxes and are recognized when earned as a benefit in the provision for income taxes. Table 5 reconciles reported income tax expense to that computed at the statutory federal tax rate for each year in the three-year period ended December 31.

TABLE 5. Income Taxes

(in thousands)	Years Ended December 31,		
	2015	2014	2013
Taxes computed at statutory rate	\$ 59,418	\$ 84,766	\$ 75,553
Tax credits:			
QZAB/QSCB	(2,983)	(3,171)	(3,176)
NMTC—Federal and State	(9,273)	(12,954)	(10,594)
LIHTC	(129)	(452)	(925)
Other tax credits	(110)	—	(1,048)
Total tax credits	(12,495)	(16,577)	(15,743)
State income taxes, net of federal income tax benefit	2,595	4,649	2,352
Tax-exempt interest	(7,849)	(6,301)	(6,487)
Bank owned life insurance	(3,798)	(3,554)	(3,926)
Goodwill reduction related to asset sale	—	1,112	—
Other, net	433	2,370	761
Income tax expense	<u>\$ 38,304</u>	<u>\$ 66,465</u>	<u>\$ 52,510</u>

During 2008, 2011 and 2013, the Company's Community Development Entity (CDE) was awarded three federal NMTC allocations totaling \$148 million. In addition to investing in federal and state NMTC projects through its own CDE, the Company has invested in projects in other unrelated CDEs. Since 2008, the Company has invested in NMTC projects generating approximately \$101 million in federal and state tax credits. Federal tax credits from NMTC investments are recognized over a seven-year period, while recognition of the benefits from state tax credits vary from three to five years.

The Company intends to continue making investments in tax credit projects and qualified bonds. However, its ability to access new credits will depend upon, among other factors, federal and state tax policies and the level of competition for such credits. Based only on tax credit investments that have been made to date, the Company expects to realize benefits from federal and state tax credits over the next three years totaling \$10.0 million, \$9.0 million and \$7.5 million for 2016, 2017 and 2018, respectively.

BALANCE SHEET ANALYSIS

Investment Securities

Our investment in securities was \$4.5 billion at December 31, 2015, compared to \$3.8 billion at December 31, 2014. The investment security portfolio is managed by ALCO to assist in the management of interest rate risk and liquidity while providing an acceptable rate of return to the Company.

Our securities portfolio consists mainly of residential mortgage-backed securities and CMOs that are issued or guaranteed by U.S. government agencies. 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, 2015, the average expected maturity of the portfolio was 4.90 years with an effective duration of 3.89 and a weighted-average yield of 2.27%. At December 31, 2014, the average expected maturity of the portfolio was 4.38 years with an effective duration of 3.51 and a weighted-average yield of 2.29%.

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-backed securities. 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 AOCI, a separate component of stockholders' equity.

At December 31, 2015, the amortized cost of securities available for sale totaled \$2.1 billion and securities held to maturity totaled \$2.4 billion compared to \$1.6 billion and \$2.2 billion, respectively, at December 31, 2014.

The amortized cost of securities at December 31, 2015 and 2014 was as follows:

TABLE 6. Securities by Type

(in thousands)	December 31,	
	2015	2014
Available for sale securities		
U.S. Treasury and government agency securities	\$ 135	\$ 300,207
Municipal obligations	39,410	13,995
Mortgage-backed securities	1,750,168	1,217,293
CMOs	291,085	88,093
Corporate debt securities	3,500	3,500
Equity securities	2,447	8,673
	<u>\$2,086,745</u>	<u>\$1,631,761</u>
Held to maturity securities		
U.S. Treasury and government agency securities	\$ 50,000	\$ —
Municipal obligations	185,890	180,615
Mortgage-backed securities	1,014,135	899,923
CMOs	1,120,363	1,085,751
	<u>\$2,370,388</u>	<u>\$2,166,289</u>

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 their reported contractual maturities. The expected average maturity years presented in the tables includes scheduled principal payments and assumptions for prepayments.

The amortized cost, yield and fair value of debt securities at December 31, 2015, by final contractual maturity, were as follows:

TABLE 7. Debt Securities Maturities by Type

(in thousands)	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			
Available for sale								
U.S. Treasury and government agency securities	\$ —	\$ 135	\$ —	\$ —	\$ 135	\$ 134	1.53%	2.0
Municipal obligations	7,149	5,552	26,709	—	39,410	39,607	2.85%	6.2
Mortgage-backed securities	85	43,851	296,182	1,410,050	1,750,168	1,758,373	2.52%	5.7
CMOs	34,073	19,804	—	237,208	291,085	289,033	1.92%	3.6
Other debt securities	1,500	2,000	—	—	3,500	3,500	1.81%	0.9
Total debt securities	\$ 42,807	\$ 71,342	\$322,891	\$1,647,258	\$2,084,298	\$2,090,647	2.44%	5.4
Fair Value	\$ 41,901	\$ 72,447	\$330,327	\$1,645,972	\$2,090,647			
Weighted Average Yield	1.72%	2.72%	2.84%	2.37%	2.44%			
Held to maturity								
U.S. Treasury and government agency securities	\$ —	\$ 50,000	\$ —	\$ —	50,000	\$ 49,590	1.67%	4.1
Municipal obligations	13,468	87,291	78,977	6,154	185,890	188,199	3.74%	5.6
Mortgage-backed securities	—	—	16,852	997,283	1,014,135	1,028,131	1.87%	5.2
CMOs	99,828	293,024	41,192	686,319	1,120,363	1,109,931	2.12%	3.6
Total debt securities	\$113,296	\$430,315	\$137,021	\$1,689,756	\$2,370,388	\$2,375,851	2.12%	4.5
Fair Value	\$111,710	\$425,060	\$136,244	\$1,702,837	\$2,375,851			
Weighted Average Yield	2.37%	2.27%	2.62%	2.03%	2.12%			

Loan Portfolio

Total loans at December 31, 2015 were \$15.7 billion, an increase of \$1.8 billion, or 13%, from December 31, 2014. During 2015, net growth occurred in all geographies and significant products, with the exception of energy, which decreased approximately \$144 million, or 8%. The loan growth resulted from a number of initiatives implemented during the second half of 2014 and 2015 designed to increase revenue. These initiatives included, among other items, hiring experienced middle market commercial lenders in growing markets, such as Houston, expanding the Company's product base in specialty and lease financing and healthcare, and opening business banking centers specifically designed for commercial customers. As part of its product base expansion initiative, the Company opened a loan production office in Nashville, Tennessee during the fourth quarter of 2015, hired a team of bankers with significant healthcare lending experience and purchased approximately \$185 million in healthcare loans. The Nashville team is working with lenders throughout the Company to better offer our financial products and services across our footprint to the growing healthcare industry. Management expects loans to increase approximately 5%-7% from December 31, 2015 to December 31, 2016.

The composition of our loan portfolio distinguished among loans originated, acquired and FDIC acquired for the periods indicated, follows:

Table 8. Loans Outstanding by Type

(in thousands)	December 31,				
	2015	2014	2013	2012	2011
Originated loans:					
Commercial non-real estate	\$ 6,930,453	\$ 5,917,728	\$ 4,113,837	\$ 2,713,385	\$ 1,525,409
Construction and land development	1,139,743	1,073,964	752,381	665,673	540,806
Commercial real estate	3,220,509	2,428,195	2,022,528	1,548,402	1,259,757
Residential mortgages	1,887,256	1,704,770	1,196,256	827,985	487,147
Consumer	2,080,626	1,685,542	1,409,130	1,351,776	1,074,611
Total originated loans	<u>\$15,258,587</u>	<u>\$12,810,199</u>	<u>\$ 9,494,132</u>	<u>\$ 7,107,221</u>	<u>\$ 4,887,730</u>
Acquired loans:					
Commercial non-real estate	\$ 59,843	\$ 120,137	\$ 926,997	\$ 1,690,643	\$ 2,236,758
Construction and land development	5,080	21,123	142,931	295,151	603,371
Commercial real estate	176,460	688,045	967,148	1,279,546	1,656,515
Residential mortgages	27	2,378	315,340	486,444	734,669
Consumer	20	985	119,603	202,974	386,540
Total acquired loans	<u>\$ 241,430</u>	<u>\$ 832,668</u>	<u>\$ 2,472,019</u>	<u>\$ 3,954,758</u>	<u>\$ 5,617,853</u>
FDIC acquired loans:					
Commercial non-real estate	\$ 5,528	\$ 6,195	\$ 23,390	\$ 29,260	\$ 38,063
Construction and land development	7,127	11,674	20,229	28,482	118,828
Commercial real estate	15,582	27,808	53,165	95,146	82,651
Residential mortgages	162,241	187,033	209,018	263,515	285,682
Consumer	12,819	19,699	52,864	99,420	146,219
Total FDIC acquired loans	<u>\$ 203,297</u>	<u>\$ 252,409</u>	<u>\$ 358,666</u>	<u>\$ 515,823</u>	<u>\$ 671,443</u>
Total loans:					
Commercial non-real estate	\$ 6,995,824	\$ 6,044,060	\$ 5,064,224	\$ 4,433,288	\$ 3,800,230
Construction and land development	1,151,950	1,106,761	915,541	989,306	1,263,005
Commercial real estate	3,412,551	3,144,048	3,042,841	2,923,094	2,998,923
Residential mortgages	2,049,524	1,894,181	1,720,614	1,577,944	1,507,498
Consumer	2,093,465	1,706,226	1,581,597	1,654,170	1,607,370
Total loans	<u>\$15,703,314</u>	<u>\$13,895,276</u>	<u>\$12,324,817</u>	<u>\$11,577,802</u>	<u>\$11,177,026</u>

Originated loans include all loans not included in the acquired and FDIC acquired 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). Acquired-performing loans are transferred to originated loans at the time the purchase accounting discount is fully accreted. 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. FDIC acquired loans are those purchased in the Peoples First transaction in 2009, which were all classified as acquired impaired. Certain differences in the accounting for originated loans and for acquired performing and acquired impaired loans (which include all FDIC acquired loans) are described in Note 3 to the consolidated financial statements.

Originated commercial non-real estate loans were up \$1.0 billion, or 17%, since December 31, 2014. The \$1.0 billion increase included net loan growth of \$460 million in the municipal loan portfolio, \$55 million in the lease financing portfolio and \$497 million in the commercial and industrial (C&I) portfolio. The net growth in the C&I portfolio included the \$185 million purchase of healthcare related loans and a \$144 million decrease in the energy portfolio. All regions across the footprint reported net growth in commercial non-real estate loans, with the most significant in the Company's market areas in Alabama, central Florida, and Baton Rouge, Louisiana.

The Company's commercial non-real estate customer base is diversified over a range of industries, including energy, wholesale and retail trade in various durable and nondurable products and the manufacture of such products, marine transportation and maritime construction, healthcare, financial and professional services, and agricultural production. Loans outstanding to energy industry customers totaled approximately \$1.58 billion, or 10% of total loans, at December 31, 2015. This represents a decrease of \$144 million from December 31, 2014. Approximately \$1.0 billion, or 64%, of the energy portfolio is with customers who provide transportation and other onshore and offshore services and products to support exploration and production activities. The remaining \$0.6 billion, or 36%, of the portfolio is to customers engaged in oil and gas exploration and production, 90% of which is supported by proved developed producing reserves. These customers are diversified across 12 primary basins in the U.S. and the Gulf of Mexico and by product line with approximately 60% in oil and 40% in gas. Our commercial non-real estate lending is mainly to middle-market and smaller commercial entities, although we do participate in larger shared-credit loan facilities with businesses well known to the relationship officers and generally operating in the Company's market areas. Shared credits funded at December 31, 2015 totaled approximately \$2.0 billion, of which approximately \$1.0 billion was with energy customers.

Originated construction and development (C&D) and commercial real estate (CRE) loans, which include loans on both income-producing and owner-occupied properties, increased a combined \$858 million during 2015. Approximately \$465 million, or 54%, of the growth represents transfers from the acquired-performing portfolio from pools whose discount was fully accreted. The remaining 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.

Originated residential mortgages were up \$182 million during 2015, and originated consumer loans increased \$395 million over this period. The increase in mortgage loans is due to the Company's desire to keep mortgage loans meeting certain criteria, such as private banking loans and one-time close construction loans, in its portfolio. The increase in consumer loans reflects an increase in the direct, indirect and credit card portfolios.

The portfolio of acquired Whitney loans has declined \$591 million since December 31, 2014, with a \$528 million decline in the commercial real estate and C&D categories, \$60 million in commercial non-real estate loans, and \$3 million in the residential mortgage and consumer loans categories. These declines reflect maturities, monthly amortization and transfers of acquired performing loans to the originated category. There were no significant trends underlying the reduction in the commercial non-real estate 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. Other reductions in acquired C&D and CRE categories, as well as the residential mortgage and consumer categories, reflected mainly normal repayment and refinancing activity.

FDIC acquired loans are loans acquired in the December 2009 acquisition of Peoples First, which were covered by loss share agreements between the FDIC and the Company. Total FDIC acquired loans at December 31, 2015 were down \$49 million from December 31, 2014. These reductions reflect repayments, charge-offs and foreclosures. The non-single family loss share agreement expired in December 2014. As of December 31, 2015, \$170.1 million in loans remain covered by the FDIC single family loss share agreement, providing considerable protection against credit risk. The FDIC single family loss share agreement will expire in December 2019. The FDIC acquired portfolio will continue to decline over time.

The following table shows average loans by category for each of the prior three years and the effective taxable-equivalent yield the percentage of total loans:

Table 9. Average Loans

(\$ in thousands)	Years Ended December 31,								
	2015			2014			2013		
	Balance	Yield (te)	Pct of total	Balance	Yield (te)	Pct of total	Balance	Yield (te)	Pct of total
Total loans:									
Commercial non-real estate	\$ 6,250,796	3.56%	43%	\$ 5,401,992	3.68%	41%	\$ 4,613,075	4.08%	39%
Construction and land development	1,105,348	4.43%	8%	1,047,753	6.44%	8%	965,237	8.91%	8%
Commercial real estate	3,239,070	4.56%	22%	3,058,355	5.36%	24%	2,899,317	5.50%	25%
Residential mortgages	1,960,420	4.14%	14%	1,791,859	4.61%	14%	1,637,236	6.16%	14%
Consumer	1,877,733	5.08%	13%	1,638,910	5.78%	13%	1,585,353	6.51%	14%
Total loans	<u>\$14,433,367</u>	<u>4.13%</u>	<u>100%</u>	<u>\$12,938,869</u>	<u>4.71%</u>	<u>100%</u>	<u>\$11,700,218</u>	<u>5.45%</u>	<u>100%</u>

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

TABLE 10. Loans Maturities by Type

December 31, 2015

(in thousands)	Maturity Range			
	Within One Year	After One Through Five Years	After Five Years	Total
Total loans:				
Commercial non-real estate	\$1,794,185	\$3,783,027	\$1,418,612	\$ 6,995,824
Construction and land development	532,459	476,011	143,480	1,151,950
Commercial real estate	401,935	1,630,646	1,379,970	3,412,551
Residential mortgage loans	126,527	53,829	1,869,168	2,049,524
Consumer loans	156,700	770,017	1,166,748	2,093,465
Total loans	<u>\$3,011,806</u>	<u>\$6,713,530</u>	<u>\$5,977,978</u>	<u>\$15,703,314</u>

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

TABLE 11. Loans Sensitivity to Changes in Interest Rates

(in thousands)	December 31, 2015		
	Fixed rate	Floating rate	Total
Total loans:			
Commercial non-real estate	\$2,232,987	\$2,968,652	\$ 5,201,639
Construction and land development	208,192	411,299	619,491
Commercial real estate	1,972,201	1,038,415	3,010,616
Residential mortgage loans	1,153,316	769,681	1,922,997
Consumer loans	1,001,087	935,678	1,936,765
Total loans	<u>\$6,567,783</u>	<u>\$6,123,725</u>	<u>\$12,691,508</u>

Nonperforming Assets

The following table sets forth nonperforming assets by type for the periods indicated, consisting of nonaccrual 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. 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 2012. In these instances, combined information for these categories is provided under the caption “Commercial loans.”

TABLE 12. Nonperforming Assets

(in thousands)	December 31,				
	2015	2014	2013	2012	2011
Loans accounted for on a nonaccrual basis: (a)					
Commercial loans	\$ —	\$ —	\$ —	\$ —	\$ 73,255
Commercial non-real estate loans	83,677	14,248	8,705	21,511	—
Commercial non-real estate loans— restructured	5,066	1,263	4,654	1,756	—
Total commercial non-real estate loans	88,743	15,511	13,359	23,267	73,255
Construction and land development loans	15,993	5,187	8,770	29,623	—
Construction and land development loans— restructured	1,301	2,378	7,930	11,608	—
Total construction and land development loans	17,294	7,565	16,700	41,231	—
Commercial real estate loans	19,066	26,017	37,369	46,969	—
Commercial real estate loans—restructured	1,750	2,602	3,091	1,050	—
Total commercial real estate loans	20,816	28,619	40,460	48,019	—
Residential mortgage loans	23,082	21,348	22,255	17,285	25,043
Residential mortgage loans—restructured	717	746	—	1,364	—
Total residential mortgage loans	23,799	22,094	22,255	18,649	25,043
Consumer loans	9,061	5,748	6,912	6,449	4,972
Total nonaccrual loans	\$159,713	\$ 79,537	\$ 99,686	\$137,615	\$103,270
Restructured loans—still accruing					
Commercial loans	—	—	—	—	12,812
Commercial non-real estate loans	—	424	2,323	6,722	—
Construction and land development loans	20	4,905	3,298	6,236	—
Commercial real estate loans	4,111	3,580	3,144	2,930	—
Residential mortgage loans	106	54	507	549	1,191
Consumer loans	60	8	—	—	—
Total restructured loans—still accruing	4,297	8,971	9,272	16,437	14,003
ORE and foreclosed assets	27,133	59,569	76,979	102,072	159,751
Total nonperforming assets (b)	\$191,143	\$148,077	\$185,937	\$256,124	\$277,024
Loans 90 days past due still accruing	\$ 7,653	\$ 4,825	\$ 10,387	\$ 13,244	\$ 5,880
Total restructured loans	\$ 13,131	\$ 15,960	\$ 24,947	\$ 32,215	\$ 14,003
Ratios:					
Nonperforming assets to loans plus ORE and foreclosed assets	1.22%	1.06%	1.50%	2.19%	2.44%
Allowance for loan losses to nonperforming loans and accruing loans 90 days past due	105.54%	137.96%	111.97%	81.40%	101.40%
Loans 90 days past due still accruing to loans	0.05%	0.03%	0.08%	0.11%	0.05%

(a) Nonaccrual loans and accruing loans past due 90 days or more do not include acquired credit-impaired loans which were written down to fair value upon acquisition and accrete interest income the remaining life of the loan.

(b) Includes total nonaccrual loans, total restructured loans—still accruing and ORE and foreclosed assets.

Nonperforming assets totaled \$191.1 million at December 31, 2015, compared to \$148.1 million at December 31, 2014. The net increase in nonperforming loans was mainly due to five large energy-related loans totaling approximately \$70 million, which were downgraded and placed on nonaccrual during 2015. Nonperforming assets as a percent of total loans, ORE and foreclosed assets was 1.22% at December 31, 2015, compared to 1.06% at December 31, 2014.

Nonaccrual loans were \$159.7 million at December 31, 2015, an increase of \$80.2 million from December 31, 2014. The majority of this increase occurred in commercial non-real estate loans. There were no FDIC acquired loans accounted for using the cost recovery method and reported as nonaccrual at December 31, 2015 and \$2.1 million at December 31, 2014. Acquired-performing loans subsequently placed in nonaccrual status totaled \$3.0 million at December 31, 2015 and \$6.1 million at December 31, 2014.

Loans modified in troubled debt restructurings (TDRs) totaled \$13.1 million at December 31, 2015 compared to \$16.0 million at December 31, 2014. These totals included \$8.8 million and \$7.0 million, respectively, of loans reported in nonaccrual 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 \$32.4 million during 2015 totaling \$27.1 million at year-end. At December 31, 2015, the Company's balance of ORE and foreclosed properties included approximately \$3.5 million from the transfer of branches closed as a result of the Company's branch rationalization initiative and \$1.7 million in properties covered under the FDIC single family loss share agreement. The decrease from the prior year is a result of a stable to improving economy that has allowed the Company to dispose of ORE and foreclosed assets at a rate faster than new foreclosures have occurred.

Allowance for Loan and Lease Losses

Management, with Board of Directors oversight, is responsible for maintaining an effective loan review system, which includes 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. Financial Statements and Supplementary Data."

At December 31, 2015, the allowance for loan losses was \$181.2 million compared with \$128.8 million at December 31, 2014. The increase in the allowance for loan losses was primarily related to the energy portfolio. Pricing pressures on oil that started during the summer of 2014 continued throughout 2015, leading to additional deteriorating performance by industry participants and downward migration of risk ratings. The Company's balance of criticized commercial loans increased by a net \$350.6 million, or approximately 85%, from December 31, 2014, to \$761.0 million at December 31, 2015. Approximately \$375.0 million, or 107%, of the increase was from energy-related credits. As of December 31, 2015, criticized loans in the energy portfolio were \$451 million, or approximately 29% of the energy portfolio. Additionally, nonaccruing energy loans totaled approximately \$70 million at December 31, 2015 compared to none at December 31, 2014. Due to the continued decline in oil and gas prices from international economic and geopolitical events with no indication of a quick recovery, the stress on the Company's energy-related credit metrics and updates to the qualitative factors related to energy, the allowance for the energy portfolio increased approximately \$66.2 million from the beginning of the year to \$78.2 million, or 5% of the energy portfolio at December 31, 2015.

The Company has been lending to the energy sector for over 60 years using disciplined underwriting standards and has enjoyed long-term relationships with many of its customers. These customers have experienced management in place who have demonstrated the ability to successfully manage through previous economic downturns. The Company's reserve-based lending practices are generally limited to "proved reserves" and our customers are diversified across a number of basins in the United States and Gulf of Mexico. Borrowing base redeterminations are completed twice a year and all borrowing bases were reviewed and appropriately adjusted in the second and fourth quarters of 2015. The Company's loans to the energy support sector are typically made to customers with low to moderate leverage, strong balance sheets and experienced management.

The following table provides a breakout of the Company's allowance for loan losses for the energy portfolio, allocated by sector at December 31, 2015.

Energy Allowance for Loan Losses by Sector

<u>(in millions)</u>	<u>Outstanding Balance</u>	<u>Allowance for Loan and Lease Losses</u>	<u>Allowance for Loan and Lease Losses as a % of Loans</u>
Upstream (reserve-based lending)	\$ 567	\$12.7	2.24%
Midstream	105	0.7	0.67%
Support—drilling	258	33.1	12.82%
Support—nondrilling	650	31.7	4.88%
Total	<u>\$1,580</u>	<u>\$78.2</u>	<u>4.95%</u>

Management continues to closely monitor the potential impact that the decrease in oil prices over the past eighteen months will have on the ability of the Company's energy-related loan customers to service their debt. Part of the ongoing monitoring includes a review of customers' balance sheets, leverage ratios, collateral values and other critical lending metrics. As new information becomes available, the Company could have additional risk rating downgrades. Management believes that if further risk rating downgrades occur, they could lead to additional loan loss provisions, a higher allowance for loan losses, and additional charge-offs. However, management does not believe any resulting losses will be significant enough to put our capital levels at risk. Based upon information available today, management estimates that net charge-offs from the energy-related credits will approximate \$50 to \$75 million over the duration of the cycle. During 2015, the Company recorded net charge-offs of \$3.8 million on energy-related credits.

The ratio of the allowance for loan losses as a percent of period-end loans was 1.15% at December 31, 2015, compared to 0.93% at December 31, 2014. The allowance maintained on the originated portion of the loan portfolio totaled \$158.0 million, or 1.04% of related loans, at December 31, 2015, compared to \$97.7 million, or 0.76%, at December 31, 2014.

The Company recorded a total provision for loan losses during 2015 of \$73.0 million, compared to \$33.8 million in 2014. The increase in the provision was mainly from the energy portfolio. The net impact on provision expense from the FDIC acquired portfolio was a \$3.1 million credit in 2015 and a \$0.9 million credit in 2014.

Net charge-offs from the non-FDIC acquired loan portfolio during 2015 were \$16.2 million, or 0.11%, of average total loans. This compares to net non-FDIC acquired charge-offs of \$17.1 million, or 0.13% of average total loans, for the year ended December 31, 2014. Net charge-offs on the FDIC acquired portfolio totaled \$1.6 million in 2015 compared to \$2.5 million in 2014.

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 for years where the detail is not available.

TABLE 13. Summary of Activity in the Allowance for Loan Losses

(in thousands)	At and For The Years Ended December 31,				
	2015	2014	2013	2012	2011
Allowance for loan losses at beginning of period	\$128,762	\$133,626	\$136,171	\$124,881	\$ 81,997
Loans charged-off:					
Non-FDIC acquired loans (a):					
Commercial	—	—	—	42,277	43,654
Commercial non-real estate	6,934	6,813	6,671	—	—
Construction and land development	2,424	4,770	10,312	—	—
Commercial real estate	1,482	3,579	5,525	—	—
Residential mortgages	1,635	2,285	2,297	6,275	2,634
Consumer	16,688	14,055	18,094	16,208	12,500
Total non-FDIC acquired charge-offs	29,163	31,502	42,899	64,760	58,788
FDIC acquired loans:					
Commercial	—	—	—	29,947	11,100
Commercial non-real estate	1,427	221	1,071	—	—
Construction and land development	410	148	1,244	—	—
Commercial real estate	2,743	5,350	4,414	—	—
Residential mortgages	772	1,008	1,532	—	—
Consumer	143	1,270	1,250	1,094	375
Total FDIC acquired charge-offs	5,495	7,997	9,511	31,041	11,475
Total charge-offs	34,658	39,499	52,410	95,801	70,263
Recoveries of loans previously charged-off:					
Non-FDIC acquired loans (a):					
Commercial	—	—	—	5,375	20,006
Commercial non-real estate	3,342	3,047	5,790	—	—
Construction and land development	2,179	4,000	1,676	—	—
Commercial real estate	2,405	1,678	3,359	—	—
Residential mortgages	687	644	1,936	324	1,091
Consumer	4,338	5,014	5,829	4,030	3,887
Total non-FDIC acquired recoveries	12,951	14,383	18,590	9,729	24,984
FDIC acquired loans:					
Commercial	—	—	—	4,894	—
Commercial non-real estate	1,704	485	90	—	—
Construction and land development	910	3,138	735	—	—
Commercial real estate	992	1,441	6,158	—	—
Residential mortgages	84	1	13	—	—
Consumer	196	431	160	78	—
Total FDIC acquired recoveries	3,886	5,496	7,156	4,972	—
Total recoveries	16,837	19,879	25,746	14,701	24,984
Net charge-offs—non-FDIC acquired	16,212	17,119	24,309	55,031	33,804
Net charge-offs—FDIC acquired	1,609	2,501	2,355	26,069	11,475
Total net charge-offs	17,821	19,620	26,664	81,100	45,279
Provision for loan losses—FDIC acquired before FDIC benefit	(5,855)	(20,010)	(1,160)	41,021	52,437
(Benefit) provision attributable to FDIC loss share agreement	2,800	19,084	8,615	(38,198)	(49,431)
Provision for loan losses—non-FDIC acquired loans	76,093	34,766	25,279	51,369	35,726
Provision for loan losses, net	73,038	33,840	32,734	54,192	38,732
Increase (decrease) in FDIC loss share receivable	(2,800)	(19,084)	(8,615)	38,198	49,431
Allowance for loan losses at end of period	\$181,179	\$128,762	\$133,626	\$136,171	\$124,881
Ratios:					
Gross charge-offs—non-FDIC acquired to average loans	0.20%	0.24%	0.37%	0.57%	0.69%
Recoveries—non-FDIC acquired to average loans	0.09%	0.11%	0.16%	0.09%	0.29%
Net charge-offs—non-FDIC acquired to average loans	0.11%	0.13%	0.21%	0.49%	0.40%
Allowance for loan losses to period-end loans	1.15%	0.93%	1.08%	1.18%	1.12%

(a) Non-FDIC acquired loans includes originated and acquired loans.

An allocation of the loan loss allowance by major loan category is set forth in the following table. The increase in the allowance for commercial non-real estate loans is primarily attributable to the energy-related portfolio

discussed above. 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 FDIC acquired loans within these categories.

TABLE 14. Allocation of Loan Loss by Category

	2015		2014		December 31, 2013		2012		2011	
	Allowance for Loan Losses	% of Total Allowance	Allowance for Loan Losses	% of Total Allowance	Allowance for Loan Losses	% of Total Allowance	Allowance for Loan Losses	% of Total Allowance	Allowance for Loan Losses	% of Total Allowance
(\$ in thousands)										
Total loans:										
Commercial	\$ —	—	\$ —	—	\$ —	—	\$ 77,969	72	\$ 78,414	72
Commercial non-real estate	109,428	60	51,169	40	37,017	28	—	—	—	—
Construction and land development	5,642	3	6,421	5	8,845	7	—	—	—	—
Commercial real estate	15,899	9	21,082	16	31,612	23	—	—	—	—
Residential mortgages	25,353	14	28,660	22	34,881	26	39,080	14	13,918	14
Consumer	24,857	14	21,430	17	21,271	16	19,122	14	32,549	14
	<u>\$181,179</u>	<u>100</u>	<u>\$128,762</u>	<u>100</u>	<u>\$133,626</u>	<u>100</u>	<u>\$136,171</u>	<u>100</u>	<u>\$124,881</u>	<u>100</u>

Short-Term Investments

Short-term liquidity investments, including interest-bearing bank deposits and federal funds sold, decreased \$237 million from December 31, 2014 to a total of \$566 million at December 31, 2015. The decrease occurred in interest-bearing bank deposits. Short-term liquidity assets are held to ensure funds are available to meet the cash flow needs of both borrowers and depositors. See the Liquidity section for further discussion regarding the Company's liquidity management process.

Deposits

Total deposits at December 31, 2015 were \$18.3 billion, up \$1.8 billion, or 11%, from December 31, 2014 with increases in several categories as the Bank continued the deposit growth initiatives implemented in the second quarter of 2014. The Company was able to fund its 2015 loan growth almost entirely with deposit growth. In the fourth quarter of 2015, the Company redesigned its deposit product offerings, resulting in a transfer of approximately \$1.2 billion of balances from interest-bearing transaction accounts to noninterest-bearing demand deposits. The Company's product offering changes included a new suite of consumer products designed specifically to meet the changing needs of our customers. The new noninterest-bearing accounts include enhanced features such as identity theft protection, credit file monitoring and more customer-friendly pricing based upon relationship balances and direct deposit activity. Although management anticipates some minor attrition or migration to other interest-bearing products in a rising interest rate environment, we believe that customers will judge that the additional benefits provided in the new product suite offset the interest foregone from these traditionally low-yielding products.

As of December 31, 2015 noninterest-bearing deposits totaled \$7.3 billion. In addition to the \$1.2 billion shift mentioned above, noninterest-bearing deposits increased approximately \$131 million, or 2%, over the prior year. The proportion of noninterest-bearing deposits in the overall deposit mix increased to 40% at year-end 2015 compared to 36% at the end of 2014.

Net of the shift related to the deposit product redesign, interest-bearing transaction and savings accounts increased \$1.4 billion, or 21%, primarily due to an increase in both personal and business money market accounts driven by various

deposit growth initiatives such as product enhancements, delivery channel upgrades and additional marketing efforts. Also driving the increase was a shift of Eurodollar deposits from time deposits to interest-bearing transaction accounts, as the Company discontinued offering that product during the fourth quarter of 2015. Interest-bearing public fund deposits at December 31, 2015 increased \$271 million, or 14%, compared to December 31, 2014 as public fund money market accounts were up over \$200 million. Year-end public fund account balances are subject to annual fluctuations dependent upon a number of factors, including the timing of tax collections. Seasonal cash inflows from public entities in the fourth quarter of each year typically results in higher balances than at other times during the year with subsequent reductions beginning in the first quarter of the following year.

Time deposits at December 31, 2015 decreased \$62 million, or 3%, from December 31, 2014. The decrease is primarily due to the discontinuation of the Eurodollar deposit product, partially offset by the issuance of \$361 million in brokered deposits. The Company will occasionally use brokered deposits as a funding source subject to strict parameters regarding the amount, interest rate and maturity. There were no brokered deposits outstanding at December 31, 2014.

Average total deposits for 2015 compared to the prior year were up \$1.7 billion, or 11%. Trends in average deposits generally followed the same pattern as end-of-period changes. Management expects customers will continue to hold funds in no or low-cost transaction accounts until rates begin to rise significantly, at which time customers may seek higher yielding investments.

Table 15 shows average balances and weighted-average rates paid on deposits for each year in the three-year period ended December 31, 2015 as well as the percentage of total deposits for each category. Table 16 shows the maturities of time certificates of deposits greater than \$250,000 at December 31, 2015.

TABLE 15. Average Deposits

(\$ in millions)	2015			2014			2013		
	Balance	Rate	Mix	Balance	Rate	Mix	Balance	Rate	Mix
Interest-bearing deposits:									
Interest-bearing transaction deposits	\$ 3,454.2	.14%	20%	\$ 3,297.6	.12%	21%	\$ 3,441.1	.13%	22%
Money market deposits	3,529.2	.36	21	2,676.6	.22	17	2,258.5	.18	15
Savings deposits	1,572.7	.01	9	1,619.0	.02	11	1,600.0	.02	11
Overnight treasury management deposits	317.3	.24	2	417.0	.27	3	386.0	.28	3
Time deposits (including Public Funds CDs)	2,056.2	.74	12	1,748.0	.68	11	2,037.7	.69	13
Total interest-bearing deposits	10,929.6	.31%	64	9,758.2	.24%	63	9,723.3	.25%	64
Noninterest bearing demand deposits	6,195.2		36	5,641.8		37	5,394.2		36
Total deposits	\$17,124.8		100%	\$15,400.0		100%	\$15,117.5		100%

TABLE 16. Maturity of Time Certificates of Deposit greater than or equal to \$250,000*

(in thousands)	December 31 2015
Three months	\$147,470
Over three months through six months	147,149
Over six months through one year	121,545
Over one year	158,296
Total	\$574,460

* Includes public fund time deposits

Short-Term Borrowings

Table 17 shows balances of short-term borrowings for each of the past three years, which consist of federal funds purchased, securities sold under agreements to repurchase and borrowings from the FHLB. Customer repurchase agreements are a significant 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 Bank, the amounts available over time can be volatile.

The \$900 million of FHLB borrowings at December 31, 2015 consist of four \$225 million variable-rate term notes, two maturing in 2017 and two maturing in 2020. These notes reprice monthly and may be re-paid at the Company's option, either in whole or in-part, on any monthly re-pricing date subject to a two week advanced notice requirement. All other FHLB borrowings held had stated maturities of three months or less.

The weighted-average interest rate paid on securities sold under agreements to repurchase decreased 24 bps from 0.27% in 2014 to 0.03% in 2015. This decrease is primarily attributable to the June 2014 early redemption of \$115 million in fixed rate repurchase obligations with an average interest rate of 3.43%. The early redemption reduced borrowing costs by approximately \$1.8 million during the second half of 2014, and \$3.9 million in 2015.

TABLE 17. Short-Term Borrowings

(\$ in thousands)	Years Ended December 31,		
	2015	2014	2013
Federal funds purchased:			
Amount outstanding at period-end	\$ 10,100	\$ 12,000	\$ 7,725
Average amount outstanding during period	15,992	12,196	32,960
Maximum amount at any month-end during period	13,675	12,000	37,320
Weighted-average interest at period-end	0.13%	0.13%	0.13%
Weighted-average interest rate during period	0.26%	0.25%	0.22%
Securities sold under agreements to repurchase:			
Amount outstanding at period-end	\$513,544	\$624,573	\$650,235
Average amount outstanding during period	539,169	688,704	763,259
Maximum amount at any month-end during period	609,671	816,617	797,615
Weighted-average interest at period-end	0.03%	0.03%	0.64%
Weighted-average interest rate during period	0.03%	0.27%	0.58%
FHLB borrowings:			
Amount outstanding at period-end	\$900,000	\$515,000	\$ —
Average amount outstanding during period	469,973	304,781	9,863
Maximum amount at any month-end during period	900,000	565,000	—
Weighted-average interest at period-end	0.32%	0.12%	—
Weighted-average interest rate during period	0.18%	0.15%	0.18%

Other Borrowings

In the first quarter of 2015, the Company issued \$150 million of 30-year subordinated debt at a fixed rate of 5.95%. The majority of the proceeds were used to complete a stock repurchase program approved in 2014 with the remainder to be used for general corporate purchases. Subject to prior approval by the Federal Reserve, the Company may redeem the notes in whole or in part on any interest payment date on or after June 15, 2020. This debt qualifies as Tier 2 capital in the calculation of certain regulatory capital ratios.

The Company also entered into a 3-year senior unsecured single draw term-note facility totaling \$125 million in December 2015. This facility bears interest based on LIBOR plus 1.50% per annum and requires quarterly

principal payments of \$4.5 million. The borrowing may be prepaid in whole or in part at any time prior to the December 18, 2018 maturity date without premium or penalty, subject to reimbursement of certain lenders' costs. The proceeds from this facility were used to repay the remaining \$123.2 million balance of the term note payable maturing in December 2015.

Loan Commitments and Letters of Credit

In the normal course of business, the Bank enters 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 Bank 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, which may include the maintenance of sufficient collateral coverage levels, payment and financial performance, and compliance with 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 adjustment or 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 Bank to fulfill a customer's financial commitments to a third party if the customer is unable to perform. The Bank issues 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 Bank 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.

The following table shows the commitments to extend credit and letters of credit at December 31, 2015 and 2014 according to expiration date.

TABLE 18. Loan Commitments and Letters of Credit

(in thousands)	Total	Expiration Date			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
December 31, 2015					
Commitments to extend credit	\$5,937,701	\$2,763,727	\$1,229,194	\$1,252,254	\$692,526
Letters of credit	375,227	216,198	127,362	31,106	561
Total	<u>\$6,312,928</u>	<u>\$2,979,925</u>	<u>\$1,356,556</u>	<u>\$1,283,360</u>	<u>\$693,087</u>
December 31, 2014					
(in thousands)					
Total	Less than 1 year	1-3 years	3-5 years	More than 5 years	
Commitments to extend credit	\$5,700,546	\$2,727,328	\$1,115,936	\$1,311,249	\$546,033
Letters of credit	414,408	254,295	58,490	98,140	3,483
Total	<u>\$6,114,954</u>	<u>\$2,981,623</u>	<u>\$1,174,426</u>	<u>\$1,409,389</u>	<u>\$549,516</u>

ENTERPRISE RISK MANAGEMENT

The Company proactively manages risks to capture opportunities and maximize shareholder value. The Company balances revenue generation and profitability with the inherent risks of its business activities. Enterprise risk management helps protect shareholder value by assessing, monitoring, and managing the risks associated with our businesses. Strong risk management practices enhance decision-making, facilitate successful implementation of new initiatives, and where appropriate, support undertaking greater levels of well-managed 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 product types and continuous corporate monitoring of the levels of risk across the Company. The Company makes changes to its enterprise risk management program and risk governance framework as described here at the direction of senior management and the Board of Directors to capture opportunities and to respond to changes in its strategic, business, and operational environments.

Risk Categories and Definitions

Consistent with other participants in the financial services industry, the primary risk exposures of the Company are credit, market, liquidity, operational, legal, reputational, and strategic. The Company has adopted these seven risk categories as outlined by the Federal Reserve Board and other bank regulators to govern the risk management of banks and bank holding companies. The Company assigns oversight responsibility for these categories within its risk committee governance structure. The risk categories are:

- Credit risk arising from the potential that a borrower or counterparty will fail to perform on an obligation.
- Market risk is the risk to a financial institution's condition resulting from adverse movements in market rates or prices, such as interest rates, foreign exchange rates, or equity prices.
- Liquidity risk is the potential that an institution will be unable to meet its obligations as they come due because of an inability to liquidate assets or obtain adequate funding (referred to as "funding liquidity risk") or that it cannot easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions ("market liquidity risk").
- Operational risk is the potential that inadequate information systems, operational problems, breaches in internal controls, breaches in customer data, fraud, or unforeseen catastrophes will result in unexpected losses. Consistently and interchangeably for the Company, Basel II defines this risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company assesses compliance risk as a subcategory of operational risk.
- Legal risk is the potential that unenforceable contracts, lawsuits, or adverse judgments can disrupt or otherwise negatively affect the operations or condition of a banking organization.
- Reputational risk is the potential that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. The Company also recognizes its reputation with shareholders and associates are important factors of reputational risk.
- Strategic risk is the risk to current or anticipated earnings, capital, or franchise or enterprise value arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the competitive landscape banking and financial services industries and operating environment.

Risk Committee Governance Structure

Effective risk management governance requires active oversight, participation, and interaction by senior management and the Board of Directors. Our enterprise risk management framework uses a tiered risk/reward committee structure to facilitate the timely discussion of significant risks, issues and risk mitigation strategies to

inform management and the Board's decision making. Additionally, the committee structure provides ongoing oversight and facilitates escalation within assigned portfolios. Risk committees exist at the board, governance and asset portfolio levels.

- Board risk committees. The Company's Board of Directors has established a Board Risk Committee and Credit Risk Management Subcommittee to oversee the effective establishment of a risk governance framework, made for independent Credit Review assurance function, ensure the overall corporate risk profile is within its risk appetite, and direct changes or make recommendations to the Board of Directors when determined necessary. Additionally, the Board of Directors has established an Audit Committee to provide independent oversight on the effectiveness of these matters and the Company's internal control environment. The Board Risk Committee is chaired by an independent director who meets the risk management qualifications outlined in the Dodd-Frank Act.
- Governance committees. The Capital Committee (CAPCO) of the Company serves as the senior level management risk/reward committee and oversees the business strategy, organizational structure, capital planning, and liquidity strategies for the Company. CAPCO directly oversees the strategic and reputation risk categories, which include litigation strategy and the development of Stress Testing capabilities within the Company's risk governance framework. 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 committees. The Company has three portfolio risk/reward committees focusing on credit (CREDCO), market and liquidity (ALCO), and operational and legal and compliance (OPCO) 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 and direct changes and escalate issues to CAPCO and Board Risk Committees when needed. 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 risk appetite. Portfolio committees report to CAPCO.

Risk Leadership and Organization

The risk management function of the Company, which includes the Chief Risk Officer, is led by the President of Whitney Bank. The Chief Risk Officer 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, and the Credit Review Manager has the same role with the Credit Risk Management Subcommittee. The functional areas reporting to the Chief Risk Officer are the enterprise risk management program office, operational risk management, model validation, loan review, regulatory relations, legal, corporate insurance 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's Audit Committee to assure independence of the internal audit function. Other risk management functions reporting to the President include the Chief Credit Officer, Chief Credit Risk Officer, and Bank Secrecy Act (BSA) Officer.

Credit Risk

The Bank's primary lending focus is to provide commercial, consumer, and real estate loans to consumers, to small and middle market businesses, to larger corporate clients in their respective market areas, and to state, county, and municipal government entities. Diversification in the loan portfolio is a means to reduce the risks associated with economic fluctuations. The Bank has no significant concentrations of loans to individual borrowers or foreign entities.

Approximately 10% of the Bank's loan portfolio consists of commercial non-real estate loans to the energy and energy-related sectors. These energy-based loans are actively reviewed, reported and managed. This level of lending to the energy sector is expected given our footprint and is an area of specialization and core competency of our organization. Managing collateral is an essential component of managing the Bank's energy-related credit risk exposure. Collateral valuations are obtained at the time of origination, and updated if it is determined that the collateral value has deteriorated or if the loan is deemed to be a problem loan. In light of the current pressure on the energy sector, we continue to manage and reduce our exposure, improve our cross industry diversification, and proactively manage potential impacts to earnings.

The Bank monitors our levels of real estate loans throughout the year, and currently does not have a commercial real estate concentration, as defined by interagency guidelines. In light of the prevailing national housing market recovery, improving local market demand, favorable price appreciation in many markets, and positive (albeit slow) economic growth, the Company increased its exposure to residential construction/development lending during 2015; however, these lending activities will continue to be closely monitored for any potential signs of market weakness.

Managing collateral is an essential component of managing the Bank's real estate-related credit risk exposure. For real estate-secured loans, third party valuations are obtained at the time of origination, and updated if it is determined that the collateral value has deteriorated or if the loan is deemed to be a problem loan. Property valuations are ordered through, and reviewed by, the Bank's appraisal department. The property valuation, along with anticipated selling costs, are used to determine if there is loan impairment, leading to a recommendation for partial charge off or appropriate allowance allocation.

The Bank maintains an active Credit Review function to help ensure that developing credit concerns are identified and addressed in a timely manner. Further, an active watch list review process is in place as part of the Bank's 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 with the goal of recognizing nonperforming loans and determining the appropriate 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 sheet 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.

ALCO manages our IRR exposures through pro-active measurement, monitoring, and management actions. ALCO is responsible for maintaining 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 IRR 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-month 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 24 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

Hancock's primary market risk is interest rate risk that stems from uncertainty with respect to absolute and relative levels of future market interest rates that affect our financial products and services. In an attempt to manage our exposure to interest rate risk, management measures the sensitivity of our net interest income and cash flows under various market interest rate scenarios, establishes interest rate risk management policies and implements asset/liability management strategies designed to produce a relatively stable net interest margin under varying rate environments.

Hancock measures its interest rate sensitivity primarily by running net interest income simulations. Hancock's balance sheet is asset sensitive over a 2 year period to rising interest rates under various shock scenarios. The model measures annual net interest income sensitivity relative to a base case scenario and incorporates assumptions regarding balance sheet growth and the mix of earning assets and funding sources as well as pricing, re-pricing and maturity characteristics of the existing and projected balance sheet.

The following table 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, 2015. Shifts are measured in 100 basis point increments in a range of as much as +500 bps (+ 300 through +100 bps presented in Table 19) 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 24-month forecast period; the instantaneous shocks are performed against that yield curve. These results indicate that we are slightly asset sensitive compared to the stable rate environment assumed for the base case.

TABLE 19. Net Interest Income (te) at Risk

Change in Interest Rates (basis points)	Estimated Increase (Decrease) in NII	
	Year 1	Year 2
+ 100	1.17%	1.82%
+ 200	3.21%	4.48%
+ 300	4.29%	5.76%

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 net interest income 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 Bank and other subsidiaries. Hancock develops its liquidity management strategies and measures and monitors liquidity risk as part of its overall asset/liability management process.

TABLE 20. Liquidity Metrics

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Free securities / total securities	20.29%	14.04%	21.81%
Core deposits / total deposits	94.90	93.95	94.57
Wholesale funds / core deposits	11.02	9.80	7.19
Average loans / average deposits	84.28	84.02	77.56

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. Free securities represent unpledged securities, and include securities assigned to short-term dealer repurchase agreements or to the Federal Reserve Bank discount window. Management has established an internal target for the ratio of free securities to total securities to be 15% or more. As shown in Table 20 above, our ratios of free securities to total securities were 20.29% and 14.04%, respectively, at December 31, 2015 and 2014. The improvement in this metric was due to the \$637 million increase in total securities outpacing the growth in deposits that require pledging. The ratio at December 31, 2014 was below target level, which management allows on a temporary basis, due to security pledging requirements for the seasonal increase in public fund deposits.

The liability portion of the balance sheet provides liquidity through various customers' interest-bearing and noninterest-bearing deposit accounts. At December 31, 2015, deposits totaled \$18.3 billion, an increase of \$1.8 billion, or 11%, from December 31, 2014. Core deposits represent total deposits less CDs of \$250,000 or more, brokered deposits, and overnight treasury management deposits. Core deposits comprised almost 95% of

total deposits at December 31, 2015, compared to 94% a year earlier. Brokered CDs totaled \$361 million as of December 31, 2015. There were no brokered CDs outstanding at December 31, 2014. The Company's use of brokered deposits as a funding source is subject to strict parameters regarding the amount, term, and interest rate.

The Company's loan to deposit ratio (average loans outstanding divided by average deposits) was 84.28% for 2015, essentially stable from 2014. The loan to deposit ratio measures the amount of funds the Company lends out for each dollar of deposits on hand. The Company has established an internal target range for the loan to deposit ratio from 83% to 87%.

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 11.02% of core deposits at December 31, 2015 and 9.80% at December 31, 2014.

In addition to the sources of liquidity discussed above, the Bank has a line of credit with the FHLB that is secured by blanket pledges of certain mortgage loans. At December 31, 2015, the Bank had borrowed \$900 million from the FHLB and had approximately \$2.7 billion available under this line. The Bank also has unused borrowing capacity at the Federal Reserve's discount window of approximately \$1.7 billion. The Company did not have any outstanding borrowings with the Federal Reserve at either December 31, 2015, or December 31, 2014.

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, 2015.

Dividends received from the Bank have been the substantial 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 Bank can distribute to the Company, as described in Note 10 to the consolidated financial statements. It is the Company's policy to maintain cash or other unencumbered liquid assets at the holding company to provide liquidity sufficient to fund six quarters of anticipated stockholder dividends.

CONTRACTUAL OBLIGATIONS

The following table summarizes all significant contractual obligations at December 31, 2015, according to payments due by period. Obligations under deposit contracts and short-term borrowings are not included. The maturities of time deposits are in Table 16. 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 21. Contractual Obligations

(in thousands)	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations	\$781,085	\$ 71,690	\$262,573	\$63,297	\$383,525
Capital lease obligations	1	1	—	—	—
Operating lease obligations	74,491	13,176	23,153	15,028	23,134
Purchase obligations	111,670	57,860	38,052	15,158	600
Total	<u>\$967,247</u>	<u>\$142,727</u>	<u>\$323,778</u>	<u>\$93,483</u>	<u>\$407,259</u>

CAPITAL RESOURCES

The Company currently has a strong capital position, which is vital to continued profitability, promotes depositor and investor confidence and provides a solid foundation for future growth and flexibility in addressing strategic opportunities. Stockholders' equity totaled \$2.4 billion at December 31, 2015, down \$59 million from December 31, 2014. Net income of \$131 million was offset by \$77 million in dividends, \$96 million used to effect stock repurchases as discussed below, and a \$31 million decrease in other comprehensive income related to net actuarial losses in the unfunded pension liability and the market adjustment to the AFS portfolio.

The \$1.8 billion growth in total loans, combined with the decline in stockholders' equity, resulted in a decrease in our tangible common equity ratio to 7.62% at December 31, 2015, compared to 8.59% a year earlier. The Company has established an internal target for the tangible common equity ratio of at least 8.00%. However, management will allow the Company's tangible common equity ratio to drop below 8.00% on a temporary basis if it believes that the shortfall can be replenished through normal operations within a short time frame. Management believes its tangible capital ratio will exceed 8.00% during the second half of 2016.

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). The Federal Reserve Board's final rule implementing the Basel III regulatory capital framework and related Dodd-Frank Act changes was effective for the Company on January 1, 2015. The final rule strengthened the definition of regulatory capital, increased risk-based capital requirements, and made selected changes to the calculation of risk-weighted assets. The rule sets the Basel III minimum regulatory capital requirements for all organizations. It includes a new common equity Tier 1 ratio of 4.5% of risk-weighted assets, raises the minimum Tier 1 capital ratio from 4.0% to 6.0% of risk-weighted assets and sets a new conservation buffer of 2.5% of risk-weighted assets; however, the rule allows for transition periods for certain changes, including the conservation buffer. Based on capital ratios as of December 31, 2015 using Basel III definitions, the Company and the Bank exceeded all capital requirements of the new rule, including the fully phased-in conservation buffer. The Company and the Bank have established internal targets for its total risk-based capital ratio, Tier 1 risk-based capital ratio and leverage ratio of 11.5%, 9.5% and 7.0%, respectively.

At December 31, 2015, our capital balances were in excess of current regulatory minimum requirements and internal targets. Additionally, both the Company and the Bank exceeded regulatory guidelines for being "well capitalized." The following table shows the Company's regulatory ratios for the past five years. Note 10 to the consolidated financial statements provides additional information about the Bank's regulatory capital ratios.

TABLE 22. Risk-Based Capital and Capital Ratios

(in thousands)	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Common equity tier 1 capital	\$ 1,844,992	\$ 1,777,348	\$ 1,685,058	\$ 1,666,042	\$ 1,506,218
Additional tier 1 capital	—	—	—	—	—
Tier 1 capital	1,844,992	1,777,348	1,685,058	1,666,042	1,506,218
Tier 2 capital	350,921	168,362	192,774	215,516	276,819
Total capital	\$ 2,195,913	\$ 1,945,710	\$ 1,877,832	\$ 1,881,558	\$ 1,783,037
Risk-weighted assets	\$18,515,904	\$15,822,448	\$14,325,757	\$13,172,259	\$13,118,693
Ratios					
Leverage (Tier 1 capital to average assets)	8.55%	9.17%	9.34%	9.10%	8.17%
Common equity tier 1 capital to risk-weighted assets*	9.96%	n/a	n/a	n/a	n/a
Tier 1 capital to risk-weighted assets	9.96%	11.23%	11.76%	12.65%	11.48%
Total capital to risk-weighted assets	11.86%	12.30%	13.11%	14.28%	13.59%
Common stockholders' equity to total assets	10.57%	11.92%	12.76%	12.60%	11.97%
Tangible common equity to total assets	7.62%	8.59%	9.00%	8.77%	7.96%

* Common equity tier 1 capital only effective for year ended December 31, 2015.

The Company's regulatory capital ratios remained strong at December 31, 2015 with common equity tier 1, Tier 1 and total risk-weighted asset ratios at 9.96%, 9.96% and 11.86%, respectively. The declines in these ratios compared to 2014 reflect the share repurchase program and the increase in risk-weighted assets resulting from loan growth. The decrease in the leverage ratio was mainly due to total assets growing by 10% during 2015.

STOCK REPURCHASE PROGRAM

On August 28, 2015, the Company's Board of Directors approved a stock repurchase plan that authorizes the repurchase of up to 5%, or approximately 3.9 million shares of its outstanding common stock. The approved plan allows the Company to repurchase its common shares either in the open market in compliance with Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended, or in privately negotiated transactions with non-affiliated sellers or as otherwise determined by the Company from time to time until September 30, 2016. Under this plan, the Company has repurchased 741,393 shares of its common stock at an average price of \$27.44 per share through December 31, 2015. Based upon the economic uncertainty related to the energy sector and its potential impact on the Company's future operations, management has temporarily tabled its stock repurchase until there is reasonable evidence of an emergent recovery in energy.

In March 2015, the Company completed the prior stock repurchase program that had been approved by the Company's Board of Directors on July 16, 2014 which authorized the repurchase of up to 5%, or approximately 4.1 million shares, of its outstanding common stock. Under this plan, the Company repurchased a total of 4.1 million shares of its common stock at an average price of \$30.02 per share.

See "Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" for additional discussion of the Company's common stock buyback program.

FOURTH QUARTER RESULTS

Net income for the fourth quarter of 2015 was \$15.3 million, or \$0.19 per diluted common share, compared to \$41.2 million, or \$0.52, and \$40.1 million, or \$0.48, respectively in the third quarter of 2015 and the fourth quarter of 2014. The following discussion highlights recent factors impacting Hancock's results of operations and financial position.

Highlights of the Company's fourth quarter of 2015 results:

- Increased the allowance for loan losses within the energy portfolio by \$43 million
- Allowance for energy loans at December 31, 2015 was \$78.2 million, or approximately 5% of energy loans
- Loans increased \$940 million, or 6%, linked quarter
- Deposits increased \$909 million, or 5%, linked quarter
- Revenue, excluding purchase accounting, increased \$2.8 million

Total loans at December 31, 2015 were \$15.7 billion, an increase of \$940 million, or 6%, from September 30, 2015. All regions across Hancock's footprint reported net loan growth during the quarter, with growth also noted in various business lines such as equipment finance, private banking, indirect, and mortgage.

Total deposits at December 31, 2015 were \$18.3 billion, up \$909 million, or 5%, from September 30, 2015. The fourth quarter increase reflected year-end seasonality of both commercial and public fund customers. Historically, customers have built deposits at year-end, particularly in demand deposits, with some of those deposits being withdrawn in the first quarter.

Noninterest-bearing demand deposits (DDAs) totaled \$7.3 billion at December 31, 2015, up \$1.2 billion from September 30, 2015. The increase reflects a change in the Company's consumer checking product offering. Excluding this activity, DDA was relatively stable linked-quarter. DDAs comprised 40% of total period-end deposits at December 31, 2015. Interest-bearing transaction and savings deposits totaled \$6.8 billion at year-end 2015, down \$593 million, or 8%, compared to September 30, 2015. The decline reflects, in part, the change in products noted above.

Time deposits of \$2.1 billion decreased \$184 million, or 8%, while interest-bearing public fund deposits increased \$486 million, or 28%, to \$2.3 billion at December 31, 2015. During the fourth quarter of 2015, the Company discontinued its Eurodollar deposit product, resulting in a transfer of funds from the time deposit category to interest-bearing transaction accounts.

Hancock recorded a total provision for loan losses for the fourth quarter of 2015 of \$50.2 million, up \$40.1 million from the third quarter of 2015. The increase from prior quarter reflects increases in the allowance for the energy portfolio as discussed more fully in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Balance Sheet Analysis – Allowance for Loan and Lease Losses." Net charge-offs from the non-FDIC acquired loan portfolio were \$7.9 million, or 0.21% of average total loans on an annualized basis in the fourth quarter of 2015, compared to \$3.5 million, or 0.09% of average total loans, for the third quarter of 2015. Included in the fourth quarter total are \$3.0 million in charge-offs related to energy credits.

Net interest income (te) for the fourth quarter of 2015 was \$163 million, up \$2.5 million from the third quarter of 2015. Average earning assets were \$20.1 billion in the fourth quarter of 2015, up \$707 million, or 4%, from the third quarter of 2015. The net interest margin (te) was 3.21% for the fourth quarter of 2015, down 7 bps from 3.28% in the third quarter of 2015. The core margin of 3.10% decreased 5 bps during the fourth quarter of 2015. The main driver of the decline was a decrease in the core loan yield of 8 bps. This was slightly offset by an increase in the securities portfolio yield of 5 bps. The cost of funds remained relatively stable.

Noninterest income, including securities transactions, totaled \$59.7 million for the fourth quarter of 2015, down \$0.6 million, or less than 1%, from the third quarter of 2015. Included in the total is a \$1.7 million reduction to income related to the amortization of the FDIC indemnification asset, compared to \$1.6 million in amortization in the third quarter of 2015. Excluding the impact of this item and securities transactions, core noninterest income totaled \$61.4 million, down slightly linked-quarter.

Noninterest expense for the fourth quarter of 2015 totaled \$156 million, up \$4.8 million, or 3%, from the third quarter of 2015. There were no nonoperating expenses in either the third or fourth quarters of 2015. Total personnel expense was \$85.3 million, up \$1.2 million, or 1%, from the third quarter of 2015. Occupancy and equipment expense totaled \$14.5 million in the fourth quarter of 2015, down \$0.3 million, or 2%, from the third quarter of 2015. ORE expense totaled \$1.4 million for the fourth quarter of 2015, up \$0.9 million from the third quarter of 2015.

Amortization of intangibles totaled \$5.7 million for the fourth quarter of 2015, down \$0.3 million, or 6%, linked-quarter. Other operating expense totaled \$49.2 million in the fourth quarter of 2015, up \$3.4 million, or 7%, from the third quarter of 2015. The change linked-quarter reflects the impact from \$1.3 million in insurance proceeds received in the third quarter and an increase of \$1.2 million in revenue-related advertising expense in the fourth quarter.

Income tax expense for the fourth quarter of 2015 was impacted by the lower level of earnings and an increase in tax-exempt income, causing the effective tax rate to be unusually low and as a result, the average for the year was lower. The effective rate was 26% in the third quarter of 2015, compared to the full year 2015 rate of 23%. Management expects the effective income tax rate to approximate 26-28% in 2016. The effective income tax rate continues to be less than the federal statutory rate of 35% due primarily to tax-exempt income and tax credits.

The summary of quarterly financial information appearing in “Item 8. Financial Statements and Supplementary Data” provides selected comparative financial information for each of the four quarters on 2015 and 2014.

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. Management evaluates the estimates and assumptions made on an ongoing basis to help ensure 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 management 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 assumptions 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 and Lease 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 that in management's estimation is 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 for originated and acquired performing loans include two primary elements. A loss rate analysis that 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.

The loss rate analysis includes several subjective inputs including portfolio segmentation, portfolio risk ratings, historical look-back and loss emergence periods. Management considers the appropriateness of these critical assumptions as part of its allowance review. The loss rate analysis is supplemented by a review of qualitative factors that considers whether current conditions differ from those existing during the historical-based loss rate analysis. Such factors include, but are not limited to, problem loan trends, changes in loan profiles and volumes, changes in lending policies and procedures, current economic and business conditions and credit concentrations. While qualitative data related for these factors is used where available, there is a high level of judgment applied assumptions that are susceptible to significant change.

The qualitative component of the December 31, 2015 allowance comprised 33% of the total allowance, compared to 10% a year earlier. The increase in the qualitative allowance level is a result of being in the early stages of a severe energy cycle, requiring management's best estimate of the impact to the portfolio with minimal quantitative support. While we believe the level of allowance is sufficient to absorb losses inherent in the portfolio today, actual results could differ significantly depending on the depth and duration of the energy cycle and the overall impact to the portfolio, which remains uncertain.

For loans impaired that are individually evaluated, a specific allowance is calculated as the shortfall between the loan's 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. Values for certain impaired collateral dependent energy-related loans, including loans secured by support services equipment, are impacted by volatile crude oil prices and the related effect to the demand for this type of collateral. These estimates are highly subjective and actual results could differ.

During the second quarter of 2013, management revised the methodology for the loss-rate analysis for the originated and acquired-performing loan portfolios to establish a more granular stratification of the major loan segments to enhance the homogeneity of the loan classes, include portfolio risk ratings in loss-rate analysis, and lengthen the loss emergence period for the commercial lending portfolio. In the fourth quarter of 2014, the

portfolio segmentation was further adjusted to reduce volatility from thin data segments and to be more in line with a revised management structure. These changes did not result in a material impact to the allowance for loan losses.

Goodwill

Goodwill, which represents the excess of cost over the fair value of the net assets of an acquired business, is not amortized but is assessed for impairment on an annual basis, or more often if events or circumstances indicate there may be impairment. The impairment test compares the estimated fair value of a reporting unit with its net book value. The Company has assigned all goodwill to one reporting unit that represents overall banking operations. The fair value of the reporting unit is based on valuation techniques that market participants would use in an acquisition of the whole unit, such as estimated discounted cash flows, the quoted market price of Hancock's stock adjusted for a control premium and observable average price-to-earnings and price-to-book multiples of our competitors. If the unit's fair value is less than its carrying value, an estimate of the implied fair value of the goodwill is compared to the goodwill's carrying value and any impairment recognized.

The Company completed its annual goodwill impairment test as of September 30, 2015 and concluded that there was no impairment of goodwill. However, several events occurred during the fourth quarter which indicated that there may be impairment. These events included the continued decline in crude oil prices, a decline in the Company's stock price and market capitalization, and an unusually large fourth quarter loan loss provision. As a result, management tested for goodwill impairment as of December 31, 2015.

The Company used multiple approaches to measure its fair value at December 31, 2015. These included an income approach using the discounted net present value of estimated future cash flows, a transaction or price-to-book multiple approach using the actual price paid by similar companies in recent acquisition transactions and a market capitalization approach using both the Company's actual market capitalization at December 31, 2015 and an estimated market capitalization using a price-to-earnings multiple based off the Company's 2016 forecast.

The results from each of the approaches were relatively similar with little disparity and were combined and weighted to derive an estimated fair market value for the Company. Equal weightings were given to the income approach, the transaction approach and the market capitalization approach using 2016 forecasted earnings and a lower weighting given to the current market capitalization approach as management believes the Company's current market capitalization is temporarily depressed due to the depressed energy sector. The weighted approach resulted in a fair market value approximately 15% higher than net book value at December 31, 2015.

Each of the valuation techniques used by the Company requires significant assumptions. Depending upon the specific approach, assumptions are made concerning the economic environment, expected net interest margins, growth rates, discount rates for cash flows, control premiums, price-to-earnings multiples, and price-to-book multiples. Also, assumptions are made to determine the appropriate individual weighting to be used for each approach in determining the fair market value. Changes to any one of these assumptions could result in significantly different results. Due to the current uncertainty in the economic environment, particularly related to the energy sector, and its potential impact on the Company's fair value, management intends to update its goodwill impairment testing quarterly in 2016.

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. “Item 8. Financial Statements and Supplementary Data—Note 15” 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. Financial Statements and Supplementary Data.”

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. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and is incorporated here by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's unaudited quarterly results for 2015 and 2014 are presented below.

Summary of Quarterly Results

(Unaudited)

	2015			
	First	Second	Third	Fourth
(in thousands, except per share data)				
Interest income (TE) (a)	\$ 172,043	\$ 168,008	\$ 174,633	\$ 178,550
Interest expense	(10,929)	(13,129)	(14,499)	(15,915)
Net interest income (TE) (a)	161,114	154,879	160,134	162,635
Taxable equivalent adjustment	(2,956)	(3,088)	(3,304)	(4,240)
Net interest income	158,158	151,791	156,830	158,395
Provision for loan losses	(6,154)	(6,608)	(10,080)	(50,196)
Noninterest income	56,546	60,874	60,211	59,653
Operating expense	(146,201)	(149,990)	(151,193)	(156,030)
Nonoperating expense items	(7,314)	(8,927)	—	—
Income before income taxes	55,035	47,140	55,768	11,822
Income tax expense	14,876	12,311	14,602	(3,485)
Net income	\$ 40,159	\$ 34,829	\$ 41,166	\$ 15,307
Nonoperating expense items (net of taxes)	\$ 4,538	\$ 5,802	\$ —	\$ —
Operating income (b)	44,697	40,631	41,166	15,307
Pre-tax, pre-provision (PTPP) profit (TE) (a) (c)	64,145	56,836	69,152	66,258
Period end balance sheet data				
Total assets	\$20,724,511	\$21,538,405	\$21,608,150	\$22,839,459
Earning assets	18,568,037	19,409,963	19,526,150	20,753,095
Loans	13,924,386	14,344,752	14,763,050	15,703,314
Deposits	16,860,485	17,301,788	17,439,948	18,348,912
Stockholders' equity	2,425,098	2,430,040	2,453,561	2,413,143
Average balance sheet data				
Total assets	\$20,443,859	\$20,875,090	\$21,481,410	\$22,176,566
Earning assets	18,315,839	18,780,771	19,433,337	20,140,432
Loans	13,869,397	14,138,904	14,511,474	15,198,232
Deposits	16,485,259	16,862,088	17,313,433	17,821,484
Stockholders' equity	2,447,870	2,430,710	2,439,068	2,453,480
Ratios				
Return on average assets	0.80%	0.67%	0.76%	0.27%
Return on average common equity	6.65%	5.75%	6.70%	2.48%
Net interest margin (TE) (a)	3.55%	3.30%	3.28%	3.21%
Earnings per share:				
Basic	\$ 0.49	\$ 0.44	\$ 0.52	\$ 0.19
Diluted	\$ 0.49	\$ 0.44	\$ 0.52	\$ 0.19
Operating earnings per share (b):				
Basic	\$ 0.55	\$ 0.51	\$ 0.52	\$ 0.19
Diluted	\$ 0.55	\$ 0.51	\$ 0.52	\$ 0.19
Cash dividends per common share	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
Market data:				
High sales price	\$ 31.13	\$ 32.98	\$ 32.47	\$ 30.96
Low sales price	24.96	28.02	25.20	23.35
Period-end closing price	29.86	31.91	27.05	25.17
Trading volume	51,866	40,162	44,705	48,789

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

(b) Net income less tax-effected securities transactions and nonoperating items. Management believes that operating income provides a useful measure of financial performance that helps investors compare the Company's fundamental operations over time.

(c) Net interest income (TE) and noninterest income less noninterest expense. Management believes that PTPP profit is a useful financial measure because it enables investors to assess the Company's ability to generate capital to cover credit losses through a credit cycle.

Summary of Quarterly Results (continued)

(Unaudited)

	2014			
	First	Second	Third	Fourth
(in thousands, except per share data)				
Interest income (TE) (a)	\$ 177,776	\$ 176,555	\$ 175,390	\$ 173,739
Interest expense	(9,578)	(9,223)	(9,160)	(10,158)
Net interest income (TE) (a)	168,198	167,332	166,230	163,581
Taxable equivalent adjustment	(2,636)	(2,554)	(2,689)	(2,768)
Net interest income	165,562	164,778	163,541	160,813
Provision for loan losses	(7,963)	(6,691)	(9,468)	(9,718)
Noninterest income	56,699	56,398	57,941	56,961
Operating expense	(146,982)	(144,727)	(145,192)	(144,080)
Nonoperating expense items	—	(12,131)	(3,887)	(9,667)
Income before income taxes	67,316	57,627	62,935	54,309
Income tax expense	(18,201)	(17,665)	(16,382)	(14,217)
Net income	\$ 49,115	\$ 39,962	\$ 46,553	\$ 40,092
Nonoperating expense items (net of taxes)	\$ —	\$ 9,613	\$ 2,526	\$ 6,284
Operating income (b)	49,115	49,575	49,079	46,376
Pre-tax, pre-provision (PTPP) profit (TE) (a) (c)	77,915	66,872	75,092	66,795
Period end balance sheet data				
Total assets	\$19,004,170	\$19,349,431	\$19,985,950	\$20,747,266
Earning assets	16,622,104	17,023,990	17,748,600	18,544,930
Loans	12,527,937	12,884,056	13,348,574	13,895,276
Deposits	15,274,774	15,245,227	15,736,694	16,572,831
Stockholders' equity	2,462,534	2,492,582	2,509,342	2,472,402
Average balance sheet data				
Total assets	\$19,055,107	\$19,039,264	\$19,549,947	\$20,090,372
Earning assets	16,740,353	16,791,744	17,324,444	17,911,143
Loans	12,379,316	12,680,861	13,102,108	13,578,223
Deposits	15,269,143	15,060,581	15,371,209	15,892,507
Stockholders' equity	2,435,980	2,463,385	2,489,948	2,509,509
Ratios				
Return on average assets	1.05%	0.84%	0.94%	0.79%
Return on average common equity	8.18%	6.51%	7.42%	6.34%
Net interest margin (TE) (a)	4.06%	3.99%	3.81%	3.63%
Earnings per share				
Basic	\$ 0.58	\$ 0.48	\$ 0.56	\$ 0.48
Diluted	\$ 0.58	\$ 0.48	\$ 0.56	\$ 0.48
Operating earnings per share (b):				
Basic	\$ 0.58	\$ 0.59	\$ 0.59	\$ 0.56
Diluted	\$ 0.58	\$ 0.59	\$ 0.59	\$ 0.56
Cash dividends per common share	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
Market data:				
High sales price	\$ 38.50	\$ 37.86	\$ 36.47	\$ 35.67
Low sales price	32.66	32.02	31.25	28.68
Period-end closing price	36.65	35.32	32.05	30.70
Trading volume	31,328	27,432	25,553	36,396

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

(b) Net income less tax-effected securities transactions and nonoperating items. Management believes that operating income provides a useful measure of financial performance that helps investors compare the Company's fundamental operations over time.

(c) Net interest income (TE) and noninterest income less noninterest expense. Management believes that PTPP profit is a useful financial measure because it enables investors to assess the Company's ability to generate capital to cover credit losses through a credit cycle.

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 officer 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 (2013)* 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 financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) and in 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 control over financial reporting as of December 31, 2015 was 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, 2015.

Based on the Company's evaluation under the framework in *Internal Control – Integrated Framework (2013)*, management concluded that internal control over financial reporting was effective as of December 31, 2015.

John M. Hairston
President &
Chief Executive Officer
(Principal Executive Officer)
February 26, 2016

Michael M. Achary
Chief Financial Officer
(Principal Financial Officer)
February 26, 2016

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, 2015 and December 31, 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015 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, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* 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 audit 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 26, 2016

Hancock Holding Company and Subsidiaries
Consolidated Balance Sheets

	December 31,	
	2015	2014
(in thousands, except share data)		
Assets:		
Cash and due from banks	\$ 303,874	\$ 356,455
Interest-bearing bank deposits	564,671	801,576
Federal funds sold	884	1,372
Securities available for sale, at fair value (amortized cost of \$2,086,745 and \$1,631,761)	2,093,404	1,660,165
Securities held to maturity (fair value of \$2,375,851 and \$2,186,340)	2,370,388	2,166,289
Loans held for sale	20,434	20,252
Loans	15,703,314	13,895,276
Less: allowance for loan losses	(181,179)	(128,762)
Loans, net	15,522,135	13,766,514
Property and equipment, net of accumulated depreciation of \$209,763 and \$193,527	377,015	398,384
Prepaid expense	17,560	28,277
Other real estate, net	26,256	58,415
Accrued interest receivable	54,068	47,501
Goodwill	621,193	621,193
Other intangible assets, net	107,538	132,810
Life insurance contracts	434,550	426,617
FDIC loss share receivable	29,868	60,272
Deferred tax asset, net	75,830	74,335
Other assets	219,791	126,839
Total assets	\$22,839,459	\$20,747,266
Liabilities and Stockholders' Equity:		
Deposits:		
Noninterest-bearing	\$ 7,276,127	\$ 5,945,208
Interest-bearing	11,072,785	10,627,623
Total deposits	18,348,912	16,572,831
Short-term borrowings	1,423,644	1,151,573
Long-term debt	495,999	374,371
Accrued interest payable	6,609	4,204
Other liabilities	151,152	171,885
Total liabilities	20,426,316	18,274,864
Stockholders' equity:		
Common stock—\$3.33 par value per share; 350,000,000 shares authorized, 77,496,429 and 80,426,485 outstanding	258,063	267,820
Capital surplus	1,684,101	1,689,291
Treasury shares at cost—9,319,082 and 7,053,028 shares	(226,370)	(158,131)
Retained earnings	777,944	723,496
Accumulated other comprehensive loss, net	(80,595)	(50,074)
Total stockholders' equity	2,413,143	2,472,402
Total liabilities and stockholders' equity	\$22,839,459	\$20,747,266

See accompanying notes to consolidated financial statements.

Hancock Holding Company and Subsidiaries
Consolidated Statements of Income

	<u>Years Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
(in thousands, except share data)			
Interest income:			
Loans, including fees	\$583,751	\$601,466	\$629,882
Loans held for sale	678	708	882
Securities-taxable	90,522	85,806	85,426
Securities-tax exempt	3,447	3,873	4,621
Short-term investments	1,248	960	1,399
Total interest income	<u>679,646</u>	<u>692,813</u>	<u>722,210</u>
Interest expense:			
Deposits	33,876	23,223	24,175
Short-term borrowings	1,078	2,361	4,542
Long-term debt	19,518	12,535	12,762
Total interest expense	<u>54,472</u>	<u>38,119</u>	<u>41,479</u>
Net interest income	625,174	654,694	680,731
Provision for loan losses	73,038	33,840	32,734
Net interest income after provision for loan losses	<u>552,136</u>	<u>620,854</u>	<u>647,997</u>
Noninterest income:			
Service charges on deposit accounts	72,813	77,006	79,000
Trust fees	45,627	44,826	38,186
Bank card and ATM fees	46,480	45,031	45,939
Investment and annuity fees	20,669	20,291	19,574
Secondary mortgage market operations	12,579	8,036	12,543
Insurance commissions and fees	8,567	9,473	15,804
Amortization of loss share receivable	(5,747)	(12,102)	(2,239)
Other income	35,961	35,438	37,231
Securities transactions	335	—	105
Total noninterest income	<u>237,284</u>	<u>227,999</u>	<u>246,143</u>
Noninterest expense:			
Compensation expense	278,661	276,881	291,225
Employee benefits	54,880	51,415	65,257
Personnel expense	333,541	328,296	356,482
Net occupancy expense	44,842	43,596	48,854
Equipment expense	15,494	16,953	20,026
Data processing expense	55,590	51,369	48,367
Professional services expense	40,198	33,221	39,357
Amortization of intangibles	24,184	26,797	29,470
Telecommunications and postage	14,127	14,676	17,432
Deposit insurance and regulatory fees	16,736	11,872	14,914
Other real estate expense, net	2,740	2,758	8,036
Other expense	72,203	77,128	95,336
Total noninterest expense	<u>619,655</u>	<u>606,666</u>	<u>678,274</u>
Income before income taxes	169,765	242,187	215,866
Income taxes	38,304	66,465	52,510
Net income	<u>\$131,461</u>	<u>\$175,722</u>	<u>\$163,356</u>
Earnings per common share-basic	<u>\$ 1.64</u>	<u>\$ 2.10</u>	<u>\$ 1.93</u>
Earnings per common share-diluted	<u>\$ 1.64</u>	<u>\$ 2.10</u>	<u>\$ 1.93</u>

See accompanying notes to consolidated financial statements.

Hancock Holding Company and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
	2015	2014	2013
(in thousands)			
Net income	\$131,461	\$175,722	\$ 163,356
Other comprehensive income before income taxes			
Reclassification of net change in unrealized (loss) gain	(21,270)	14,821	(105,274)
Reclassification of net losses realized and included in earnings	3,010	390	8,527
Valuation adjustment of employee benefit plans	(33,971)	(41,244)	82,653
Amortization of unrealized net loss (gain) on securities transferred to held to maturity	3,530	3,297	(6,371)
Other comprehensive loss before income taxes	(48,701)	(22,736)	(20,465)
Income tax benefit	(18,180)	(8,041)	(8,011)
Other comprehensive loss net of income taxes	(30,521)	(14,695)	(12,454)
Comprehensive income	<u>\$100,940</u>	<u>\$161,027</u>	<u>\$ 150,902</u>

See accompanying notes to consolidated financial statements.

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

(in thousands, except share and per share data)	Common Stock		Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss, net	Treasury Stock	Total
	<u>Shares</u>	<u>Amount</u>	<u>Surplus</u>	<u>Earnings</u>	<u>Loss, net</u>	<u>Stock</u>	<u>Total</u>
Balance, December 31, 2012	84,847,796	\$282,543	\$1,668,517	\$546,022	\$(22,925)	\$ (20,879)	\$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	(21,050)	—	—	37,461	17,101
Purchase of common stock under stock buyback program	<u>(2,817,640)</u>	<u>(9,383)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(105,617)</u>	<u>(115,000)</u>
Balance, December 31, 2013	82,237,162	\$273,850	\$1,647,467	\$628,166	\$(35,379)	\$ (89,035)	\$2,425,069
Net income	—	—	—	175,722	—	—	175,722
Other comprehensive income	—	—	—	—	(14,695)	—	(14,695)
Cash dividends declared (\$0.96 per common share)	—	—	—	(80,392)	—	—	(80,392)
Common stock activity, long-term incentive plan	309,087	1,029	41,824	—	—	(28,537)	14,316
Purchase of common stock under stock buyback program	<u>(2,119,764)</u>	<u>(7,059)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(40,559)</u>	<u>(47,618)</u>
Balance, December 31, 2014	80,426,485	\$267,820	\$1,689,291	\$723,496	\$(50,074)	\$(158,131)	\$2,472,402
Net income	—	—	—	131,461	—	—	131,461
Other comprehensive income	—	—	—	—	(30,521)	—	(30,521)
Cash dividends declared (\$0.96 per common share)	—	—	—	(77,013)	—	—	(77,013)
Common stock activity, long-term incentive plan	374,944	1,248	(5,190)	—	—	16,369	12,427
Purchase of common stock under stock buyback program	<u>(3,305,000)</u>	<u>(11,005)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(84,608)</u>	<u>(95,613)</u>
Balance, December 31, 2015	<u>77,496,429</u>	<u>\$258,063</u>	<u>\$1,684,101</u>	<u>\$777,944</u>	<u>\$(80,595)</u>	<u>\$(226,370)</u>	<u>\$2,413,143</u>

See accompanying notes to consolidated financial statements.

Hancock Holding Company and Subsidiaries
Consolidated Statements of Cash Flows

(in thousands)	Years Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$131,461	\$175,722	\$163,356
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	28,763	30,310	32,063
Provision for loan losses	73,038	33,840	32,734
Loss (gain) on other real estate owned	635	(105)	4,329
Deferred tax expense	16,685	23,537	40,920
Increase in cash surrender value of life insurance contracts	(9,789)	(11,774)	(11,223)
Writedowns on closed branch transfers to other real estate owned	—	2,132	12,809
Loss (gain) on disposal of other assets	1,815	(1,282)	130
Net (increase) decrease in loans held for sale	(289)	18,234	29,103
Net amortization of securities premium/discount	21,105	16,977	31,970
Amortization of intangible assets	24,184	26,798	29,635
Amortization of FDIC loss share receivable	5,747	12,102	2,239
Stock-based compensation expense	12,944	13,958	13,079
(Decrease) increase in interest payable and other liabilities	(8,107)	(15,235)	29,553
Net payments from FDIC	14,051	14,395	61,765
Decrease (increase) in FDIC loss share receivable	6,407	5,723	(9,117)
(Increase) decrease in other assets	(93,950)	11,082	(724)
Other, net	7,645	(3,986)	10,911
Net cash provided by operating activities	232,345	352,428	473,532

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

	Years Ended December 31,		
(in thousands)	2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of securities available for sale	\$ 9,289	\$ 1,455	\$ 178
Proceeds from maturities of securities available for sale	842,114	283,982	592,147
Purchases of securities available for sale	(1,323,853)	(512,088)	(1,074,744)
Proceeds from maturities of securities held to maturity	538,777	442,559	503,654
Purchases of securities held to maturity	(749,102)	(1,031)	(481,513)
Net decrease (increase) in short-term investments	237,393	(534,108)	1,231,348
Net increase in loans	(1,865,015)	(1,622,867)	(834,933)
Purchase of life insurance contracts	—	(30,000)	—
Purchases of property, equipment and intangible assets	(23,804)	(20,449)	(32,029)
Proceeds from sales of property and equipment	14,259	12,235	1,698
Proceeds from sales of other real estate	47,115	59,752	92,662
Other, net	(3,604)	10,101	(2,965)
Net cash used in investing activities	(2,276,431)	(1,910,459)	(4,497)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in deposits	1,776,081	1,212,315	(383,672)
Net increase in short-term borrowings	272,071	493,613	18,827
Repayments of long-term debt	(157,933)	(35,360)	(35,278)
Issuance of long-term debt	273,565	21,000	24,515
Dividends paid	(77,013)	(80,392)	(81,212)
Repurchase of common stock	(95,613)	(47,618)	(115,000)
Proceeds from exercise of stock options	347	2,488	2,734
Net cash provided by (used in) financing activities	1,991,505	1,566,046	(569,086)
NET (DECREASE) INCREASE IN CASH AND DUE FROM BANKS	(52,581)	8,015	(100,051)
CASH AND DUE FROM BANKS, BEGINNING	356,455	348,440	448,491
CASH AND DUE FROM BANKS, ENDING	\$ 303,874	\$ 356,455	\$ 348,440
SUPPLEMENTAL INFORMATION			
Income taxes paid	\$ 31,896	\$ 24,114	\$ 24,052
Interest paid	51,201	38,268	41,996
SUPPLEMENTAL INFORMATION FOR NON-CASH INVESTING AND FINANCING ACTIVITIES			
Assets acquired in settlement of loans	\$ 15,462	\$ 31,371	\$ 51,461
Transfers from available for sale securities to held to maturity securities	—	—	1,039,979

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 (Hancock or the Company) is a financial services company that provides a comprehensive network of full-service financial choices to the Gulf South region through its bank subsidiary, Whitney Bank, a Mississippi state bank. Whitney Bank operates under brands: “Hancock Bank” in Mississippi, Alabama and Florida and “Whitney Bank” in Louisiana and Texas. Whitney Bank operates a loan production office in Nashville, Tennessee under both the Hancock and Whitney Bank brands. Hancock 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 March 31, 2014, Hancock was the parent company of two wholly-owned bank subsidiaries, Hancock Bank and Whitney Bank. On March 31, 2014, Hancock consolidated the legal charters of its two subsidiary banks and renamed the consolidated entity Whitney Bank. Hancock Bank, Whitney Bank, and the consolidated Whitney Bank are referred to collectively as the “Bank” throughout this document.

The Bank offers a broad range of traditional and online 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 Bank also provides trust and investment management services to retirement plans, corporations and individuals.

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. Certain prior period amounts have been reclassified to conform to the current period presentation.

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

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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 ("AOCI") 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 reported as "originated" include both loans originated for investment and acquired-performing loans where the discount (premium) has been fully accreted (amortized). Originated loans are reported at the principal balance outstanding net of unearned income. Interest on loans and accretion of unearned income, including net

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 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

Loans reported as "acquired" are those loans that were purchased in the 2011 Whitney Holding Corporation acquisition. These loans were recorded at estimated fair value at the acquisition date with no carryover of the related allowance for loan losses. The Whitney 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 to facilitate purchase accounting. Acquired-performing loans are accounted for under Accounting Standards Codification (ASC) 310-20 and acquired-impaired loans are accounted for under ASC 310-30.

Acquired-performing loans were segregated into pools based on common risk characteristics such as loan type, credit risk ratings, 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 loans, 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 historical experience and the portfolio characteristics at acquisition as well as available market research. The fair value estimate for each acquired-performing pool was based on the estimate of expected cash flows from the pool discounted at prevailing market rates.

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 reported as nonperforming or past due using the same criteria applied to the originated portfolio.

The acquired-impaired loans were segregated into pools by identifying loans with common credit risk profiles and were based primarily on characteristics such as loan type and market area in which originated. The major loan types included commercial and industrial loans not secured by real estate, real estate construction and land development loans, commercial real estate loans, and residential mortgage loans, with further segregation within certain loan types as needed. The acquired-impaired loans were further disaggregated by geographic region in recognition of the differences in general economic conditions affecting borrowers in certain states. The fair value estimate for each pool of acquired-impaired loans was based on the estimate of expected cash flows from the pool discounted at prevailing market rates.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The excess of estimated cash flows expected 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 expected 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. 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.

FDIC acquired loans and the related loss share receivable

Loans reported as "FDIC acquired" are loans purchased in the 2009 acquisition of Peoples First Community Bank (Peoples First) that were covered by two loss share agreements between the FDIC and the Company. These 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 as impaired 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 covered loan pools change. Increases in expected reimbursements under the loss sharing agreement 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 loss share receivable 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 concurrently 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 are reclassified as held for sale when that decision is made and also carried at the lower of cost or market.

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

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.

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 initially 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 loan’s observable market price 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 and Lease Losses

Originated loans

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 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. For the loss rate analysis, the Company segments loans into commercial non-real estate, construction and land development, commercial real estate, residential mortgage and consumer, with further segmentation as deemed appropriate. Both quantitative and qualitative factors are applied at the detailed portfolio segments. 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. The Company uses loss emergence periods developed based on historical experience, which is currently eighteen-months for commercial loans and twelve-months for retail loans. Historical loss rates are calculated using a weighted average of the most recent three loss emergence periods. As circumstances dictate, management will make adjustments to the overall loss rate 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

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 nonperforming 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 loan's 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 and all loans classified as troubled debt restructurings.

The monitoring of credit risk also extends to unfunded credit commitments, such as unused commercial credit lines and letters of credit, and management establishes reserves as needed for its estimate of probable losses on such commitments.

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 when the loan is 90 days past due for unsecured loans or 120 days past due for secured loans, unless the loan is clearly both well secured and in the process of collection. Loans are charged down to the fair value of the collateral, if any, less estimated selling costs. Loans are charged off against the allowance for loan losses with subsequent recoveries added back to the allowance.

Acquired and FDIC acquired loans

Allowance for acquired-performing loans is evaluated 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, including those acquired in the FDIC-assisted transaction, 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 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

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

to ten years for furniture and equipment. Amortization expense for software is generally charged over three years, or seven years for core systems. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter.

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 Bank's business. These assets are recorded at the estimated fair value less the estimated cost of disposition and carried at the lower of either cost or market. Fair value is based on independent appraisals and other relevant factors. 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. Other real estate is revalued on an annual basis or more often if market conditions necessitate. 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 unit's goodwill is compared to its carrying value. The Company uses a number of techniques to estimate fair value, including an income approach using the present value of future cash flows and a market approach using prices and other information from similar market transactions. Each technique incorporates assumptions that market participants would use in their estimates of fair value. These include assumptions about the economic environment, expected net interest margins, growth rates, interest at which cash flows are discounted, price-to-book multiples and price-to-earnings multiples.

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. These assets are evaluated for impairment similar to long-lived assets.

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.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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, otherwise it is included in other comprehensive income. Note 9 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.

The Company invests in projects that yield tax credits issued under the Qualified Zone Academy Bonds (QZAB), Qualified School Construction Bonds (QSCB), Federal and State New Market Tax Credit (NMTC), and Low-Income Housing Tax Credit (LIHTC) programs. Returns on these investments are generated through the receipt of federal and state tax credits. The tax credits are recorded as a reduction to the income tax provision in the year that they are earned. Tax credits from QZAB and QSCB bonds are generally earned over the life of the bonds in lieu of interest income. Credits on Federal NMTC investments are earned over the 7 year compliance period beginning with the year of investment. Credits on State NMTC investments are generally earned over a 3 to 5 year period depending upon the specific state program. Tax credits are earned over a 10 year period for Low-Income Housing investments beginning with the year in which rental activity begins. These tax credits, if not used in the tax return for the year when the credits are first available for use, can be carried forward for 20 years. For those investments where the return of the principal is not expected, the equity investment is amortized over the life of the tax compliance period as a component of noninterest expense.

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 15 discusses the actuarial assumptions and provides information about the liabilities or assets recognized

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 AOCI.

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 origination fees are recognized over the life of the loan as an adjustment to yield. Other credit-related fees, including letter of credit fees, are recognized in noninterest income when earned. The Company recognizes commission revenue and brokerage, exchange and clearance fees on a trade-date basis. Other types of noninterest 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 can be reasonably determined.

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 stock awards 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 discrete 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. Due to the fact that the Company has one state bank charter and its stated strategy is focused on providing a consistent package of community banking products and services throughout a coherent market area, the Company has identified its

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

overall banking operations as its only reportable segment. Because the overall banking operations comprise substantially all of the consolidated operations, no separate segment disclosures are presented.

Other

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

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2016, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) that improves the recognition and measurement of financial instruments through targeted changes to existing GAAP. It requires equity investments (except those that are accounted for under the equity method of accounting or result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. It also requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently assessing this pronouncement and adoption of this guidance is not expected to have a material impact on the Company’s financial condition or results of operations.

In September 2015, the FASB issued an ASU that eliminates the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The new standard should be applied prospectively to measurement period adjustments that occur after the effective date. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on the Company’s financial condition or results of operations.

In May 2015, the FASB issued an ASU to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on the Company’s financial condition or results of operations.

In April 2015, the FASB issued an ASU to provide guidance to customers about how to account for a cloud computing arrangement depending on whether or not it includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance will not change GAAP for a customer’s accounting for service contracts. For public business entities, the amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted for all entities. The adoption of this guidance is not expected to have a material impact on the Company’s financial condition or results of operations.

In April 2015, the FASB issued an ASU to simplify presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

the carrying amount of that debt liability, consistent with debt discounts. The guidance in this ASU did not address presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements. Therefore, the FASB issued an ASU in August 2015 to clarify the SEC staff position that they would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2015. Early adoption of the amendments in this update is permitted for financial statements that have not been previously issued. The adoption of this guidance is not expected to have a material impact on the Company's financial condition or results of operations.

In February 2015, the FASB issued an ASU to change the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendments in this ASU (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; (2) eliminate the presumption that a general partner should consolidate a limited partnership; (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The amendments in this update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The adoption of this guidance is not expected to have a material impact on the Company's financial condition or results of operations.

In January 2015, the FASB issued an ASU to address the elimination of the concept of extraordinary items. The standard is the first in the FASB's simplification initiative that is aimed at reducing the cost and complexity of financial reporting while improving or maintaining the usefulness of information reported to investors. The amendments in this update are effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted but adoption must occur at the beginning of the year. The Company adopted this guidance in January 2015 and it did not have a material impact on the Company's financial condition or results of operations.

In August 2014, the FASB issued an ASU to address the diversity in practice regarding the classification and measurement of foreclosed loans which were part of a government-sponsored loan guarantee program. The ASU outlines certain criteria that, if met, the loan (residential or commercial) should be derecognized and a separate other receivable should be recorded upon foreclosure at the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. This ASU was effective for annual reporting periods beginning after December 15, 2014, including interim periods within that reporting period. The Company adopted this guidance in January 2015 and it did not have a material impact on the Company's financial condition or results of operations.

In June 2014, the FASB issued an ASU regarding repurchase-to-maturity transactions, repurchase financings, and disclosures. Under the new standard, repurchase-to-maturity transactions will be reported as secured borrowings, and transferors will no longer apply the current "linked" accounting model to repurchase agreements executed contemporaneously with the initial transfer of the underlying financial asset with the same counterparty. Public business entities are generally required to apply the accounting changes and comply with the enhanced disclosure requirements for periods beginning after December 15, 2014 and interim periods beginning after March 15, 2015. A public business entity may not early adopt the standard's provisions. The Company adopted the accounting

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

guidance in January 2015 and it did not have a material impact on the Company's financial condition or results of operations. The new disclosure requirements are included in Note 7 – Short-term Borrowings.

In May 2014, the FASB issued an ASU regarding revenue from contracts with customers affecting any entity that enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of this standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will be effective for the Company for annual reporting periods beginning after December 15, 2017. The Company is currently assessing this pronouncement and adoption of this guidance is not expected to have a material impact on the Company's financial condition or results of operations.

In January 2014, the FASB issued an 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 Company adopted this guidance in January 2015 and it did not have a material impact on the Company's financial condition or results of operations. The new disclosure requirements are included at the end of Note 3 – Loans and Allowance for Loan Losses.

In January 2014, the FASB issued an ASU in order to provide guidance on accounting for investments in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for low-income housing tax credit ("LIHTC"). Through the Company's investments in these entities, the Company receives tax credits and/or tax deductions from operating losses, which are allowable on the Company's filed income tax returns over the life of the project beginning with the first year the tax credits are earned. The Company adopted this guidance in January 2015 and it did not have a material impact on the Company's financial condition or results of operations.

Note 2. Securities

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

Securities Available for Sale

	December 31, 2015				December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
in thousands								
U.S. Treasury and government agency securities	\$ 135	\$ —	\$ 1	\$ 134	\$ 300,207	\$ 372	\$ 71	\$ 300,508
Municipal obligations	39,410	235	38	39,607	13,995	186	5	14,176
Mortgage-backed securities	1,750,168	19,387	11,182	1,758,373	1,217,293	31,094	2,823	1,245,564
Collateralized mortgage obligations	291,085	140	2,192	289,033	88,093	—	1,229	86,864
Corporate debt securities	3,500	—	—	3,500	3,500	—	—	3,500
Equity securities	2,447	358	48	2,757	8,673	891	11	9,553
	\$2,086,745	\$20,120	\$13,461	\$2,093,404	\$1,631,761	\$32,543	\$4,139	\$1,660,165

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Securities (continued)

Securities Held to Maturity

in thousands	December 31, 2015				December 31, 2014			
	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	\$ 50,000	\$ —	\$ 410	\$ 49,590	\$ —	\$ —	\$ —	\$ —
Municipal obligations	185,890	3,475	1,166	188,199	180,615	3,416	1,144	182,887
Mortgage-backed securities	1,014,135	15,585	1,589	1,028,131	899,923	23,897	162	923,658
Collateralized mortgage obligations	1,120,363	2,244	12,676	1,109,931	1,085,751	5,590	11,546	1,079,795
	<u>\$2,370,388</u>	<u>\$21,304</u>	<u>\$15,841</u>	<u>\$2,375,851</u>	<u>\$2,166,289</u>	<u>\$32,903</u>	<u>\$12,852</u>	<u>\$2,186,340</u>

The following table presents the amortized cost and fair value of debt securities at December 31, 2015 by contractual maturity. 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 collateral mortgage obligations.

in thousands	Amortized Cost	Fair Value
Debt Securities Available for Sale		
Due in one year or less	\$ 42,807	\$ 41,901
Due after one year through five years	71,342	72,447
Due after five years through ten years	322,891	330,327
Due after ten years	1,647,258	1,645,972
Total available for sale debt securities	<u>\$2,084,298</u>	<u>\$2,090,647</u>
in thousands	Amortized Cost	Fair Value
Debt Securities Held to Maturity		
Due in one year or less	\$ 113,296	\$ 111,710
Due after one year through five years	430,315	425,060
Due after five years through ten years	137,021	136,244
Due after ten years	1,689,756	1,702,837
Total held to maturity debt securities	<u>\$2,370,388</u>	<u>\$2,375,851</u>

The Company held no securities classified as trading at December 31, 2015 or 2014.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Securities (continued)

The details for securities classified as available for sale with unrealized losses as of December 31, 2015 follow:

Available for sale

in thousands	<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	\$ —	\$ —	\$ 82	\$ 1	\$ 82	\$ 1
Municipal obligations	8,296	38	—	—	8,296	38
Mortgage-backed securities	831,156	8,257	116,126	2,925	947,282	11,182
Collateralized mortgage obligations	208,397	1,257	33,138	935	241,535	2,192
Equity securities	20	1	1,473	47	1,493	48
	<u>\$1,047,869</u>	<u>\$9,553</u>	<u>\$150,819</u>	<u>\$3,908</u>	<u>\$1,198,688</u>	<u>\$13,461</u>

The details for securities classified as available for sale with unrealized losses as of December 31, 2014 follow:

Available for sale

in thousands	<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	\$ 99,950	\$ 70	\$ 121	\$ 1	\$100,071	\$ 71
Municipal obligations	2,995	5	—	—	2,995	5
Mortgage-backed securities	38,955	163	125,641	2,660	164,596	2,823
Collateralized mortgage obligations	—	—	86,864	1,229	86,864	1,229
Equity securities	5,998	10	3	1	6,001	11
	<u>\$147,898</u>	<u>\$248</u>	<u>\$212,629</u>	<u>\$3,891</u>	<u>\$360,527</u>	<u>\$4,139</u>

The details for securities classified as held to maturity with unrealized losses as of December 31, 2015 follow:

Held to maturity

in thousands	<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	\$ 45,590	\$ 410	\$ —	\$ —	\$ 45,590	\$ 410
Municipal obligations	22,652	301	48,727	865	71,379	1,166
Mortgage-backed securities	349,635	1,589	—	—	349,635	1,589
Collateralized mortgage obligations	516,330	2,894	370,756	9,782	887,086	12,676
	<u>\$934,207</u>	<u>\$5,194</u>	<u>\$419,483</u>	<u>\$10,647</u>	<u>\$1,353,690</u>	<u>\$15,841</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Securities (continued)

The details for securities classified as held to maturity with unrealized losses as of December 31, 2014 follow:

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>
in thousands						
Municipal obligations	\$ 4,316	\$ 12	\$ 58,105	\$ 1,132	\$ 62,421	\$ 1,144
Mortgage-backed securities	—	—	95,522	162	95,522	162
Collateralized mortgage obligations	119,222	616	540,607	10,930	659,829	11,546
	<u>\$123,538</u>	<u>\$628</u>	<u>\$694,234</u>	<u>\$12,224</u>	<u>\$817,772</u>	<u>\$12,852</u>

The unrealized losses primarily 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.

Proceeds from sales of securities available for sale were approximately \$6.6 million in 2015, \$1.5 million in 2014, and \$0.2 million in 2013. Realized gross gains and losses, computed through specific identification, were insignificant. The net carrying amount of held to maturity securities that were sold in 2015 was \$2.6 million with an associated realized gain of \$0.2 million. The securities were sold because they were downgraded, and there was a concern that they would fall below the Company's investment grade policy threshold.

Securities with carrying values totaling approximately \$3.5 billion at December 31, 2015 and \$3.2 billion at December 31, 2014 were pledged primarily to secure public deposits or sold under agreements to repurchase.

Note 3. Loans

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 distinction between the originated, acquired and FDIC acquired loans presented here and certain significant accounting policies relevant to each category are discussed in detail in Note 1. Loans acquired in an FDIC-assisted transaction include non-single family loans covered by a loss share agreement that expired at December 31, 2014. As of December 31, 2015, \$170.1 million of FDIC acquired loans remain covered by the single family loss share agreement, providing considerable protection against credit risk.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

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

(in thousands)	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Originated loans:		
Commercial non-real estate	\$ 6,930,453	\$ 5,917,728
Construction and land development	1,139,743	1,073,964
Commercial real estate	3,220,509	2,428,195
Residential mortgages	1,887,256	1,704,770
Consumer	<u>2,080,626</u>	<u>1,685,542</u>
Total originated loans	<u>\$15,258,587</u>	<u>\$12,810,199</u>
Acquired loans:		
Commercial non-real estate	\$ 59,843	\$ 120,137
Construction and land development	5,080	21,123
Commercial real estate	176,460	688,045
Residential mortgages	27	2,378
Consumer	<u>20</u>	<u>985</u>
Total acquired loans	<u>\$ 241,430</u>	<u>\$ 832,668</u>
FDIC acquired loans:		
Commercial non-real estate	\$ 5,528	\$ 6,195
Construction and land development	7,127	11,674
Commercial real estate	15,582	27,808
Residential mortgages	162,241	187,033
Consumer	<u>12,819</u>	<u>19,699</u>
Total FDIC acquired loans	<u>\$ 203,297</u>	<u>\$ 252,409</u>
Total loans:		
Commercial non-real estate	\$ 6,995,824	\$ 6,044,060
Construction and land development	1,151,950	1,106,761
Commercial real estate	3,412,551	3,144,048
Residential mortgages	2,049,524	1,894,181
Consumer	<u>2,093,465</u>	<u>1,706,226</u>
Total loans	<u>\$15,703,314</u>	<u>\$13,895,276</u>

The Bank makes loans in the normal course of business to directors and executive officers of the Company and the Bank 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 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, 2015 and 2014 were approximately \$17.4 million and \$16.2 million, respectively. Related party loan activity for 2015 includes new loans of \$18.3 million, repayments of \$16.5 million, and a net balance reduction of (\$0.6 million) related to changes in directors and executive officers and their associates.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

The following schedules show activity in the allowance for loan losses for 2015 and 2014 by portfolio segment and the corresponding recorded investment in loans as of December 31, 2015 and December 31, 2014.

(in thousands)	Commercial non-real estate	Construction and land development	Commercial real estate	Residential mortgages	Consumer	Total
	Year Ended December 31, 2015					
Originated loans						
Allowance for loan losses:						
Beginning balance	\$ 50,258	\$ 5,413	\$ 16,544	\$ 8,051	\$ 17,435	\$ 97,701
Charge-offs	(6,934)	(2,424)	(1,482)	(1,635)	(16,688)	(29,163)
Recoveries	3,342	2,179	2,405	687	4,338	12,951
Net provision for loan losses	62,316	(183)	(3,408)	587	17,225	76,537
Ending balance	<u>\$ 108,982</u>	<u>\$ 4,985</u>	<u>\$ 14,059</u>	<u>\$ 7,690</u>	<u>\$ 22,310</u>	<u>\$ 158,026</u>
Ending balance:						
Individually evaluated for impairment	\$ 19,031	\$ 392	\$ 1,372	\$ 127	\$ 33	\$ 20,955
Collectively evaluated for impairment	89,951	4,593	12,687	7,563	22,277	137,071
Loans:						
Ending balance:	\$6,930,453	\$1,139,743	\$3,220,509	\$1,887,256	\$2,080,626	\$15,258,587
Individually evaluated for impairment	81,622	14,226	14,191	895	152	111,086
Collectively evaluated for impairment	<u>6,848,831</u>	<u>1,125,517</u>	<u>3,206,318</u>	<u>1,886,361</u>	<u>2,080,474</u>	<u>15,147,501</u>
Acquired loans						
Allowance for loan losses:						
Beginning balance	\$ —	\$ —	\$ 477	\$ —	\$ —	\$ 477
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Net provision for loan losses	—	—	(444)	—	—	(444)
Ending balance	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 33</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 33</u>
Ending balance:						
Individually evaluated for impairment	\$ —	\$ —	\$ 33	\$ —	\$ —	\$ 33
Amounts related to acquired-impaired loans	—	—	—	—	—	—
Collectively evaluated for impairment	—	—	—	—	—	—
Loans:						
Ending balance:	\$ 59,843	\$ 5,080	\$ 176,460	\$ 27	\$ 20	\$ 241,430
Individually evaluated for impairment	—	—	2,340	—	—	2,340
Acquired-impaired loans	6,476	4,976	11,042	27	20	22,541
Collectively evaluated for impairment	<u>53,367</u>	<u>104</u>	<u>163,078</u>	<u>—</u>	<u>—</u>	<u>216,549</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

	Commercial non-real estate	Construction and land development	Commercial real estate	Residential mortgages	Consumer	Total
(in thousands)	Year Ended December 31, 2015					
FDIC acquired loans						
Allowance for loan losses:						
Beginning balance	\$ 911	\$ 1,008	\$ 4,061	\$ 20,609	\$ 3,995	\$ 30,584
Charge-offs	(1,427)	(410)	(2,743)	(772)	(143)	(5,495)
Recoveries	1,704	910	992	84	196	3,886
Net provision for loan losses	(1,018)	(845)	(1,026)	1,147	(1,313)	(3,055)
Increase (decrease) in FDIC loss share receivable	276	(6)	523	(3,405)	(188)	(2,800)
Ending balance	<u>\$ 446</u>	<u>\$ 657</u>	<u>\$ 1,807</u>	<u>\$ 17,663</u>	<u>\$ 2,547</u>	<u>\$ 23,120</u>
Ending balance:						
Individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amounts related to acquired- impaired loans	446	657	1,807	17,663	2,547	23,120
Collectively evaluated for impairment	—	—	—	—	—	—
Loans:						
Ending balance:	\$ 5,528	\$ 7,127	\$ 15,582	\$ 162,241	\$ 12,819	\$ 203,297
Individually evaluated for impairment	—	—	—	—	—	—
Acquired-impaired loans	5,528	7,127	15,582	162,241	12,819	203,297
Collectively evaluated for impairment	—	—	—	—	—	—
Total loans						
Allowance for loan losses:						
Beginning balance	\$ 51,169	\$ 6,421	\$ 21,082	\$ 28,660	\$ 21,430	\$ 128,762
Charge-offs	(8,361)	(2,834)	(4,225)	(2,407)	(16,831)	(34,658)
Recoveries	5,046	3,089	3,397	771	4,534	16,837
Net provision for loan losses	61,298	(1,028)	(4,878)	1,734	15,912	73,038
Increase (decrease) in FDIC loss share receivable	276	(6)	523	(3,405)	(188)	(2,800)
Ending balance	<u>\$ 109,428</u>	<u>\$ 5,642</u>	<u>\$ 15,899</u>	<u>\$ 25,353</u>	<u>\$ 24,857</u>	<u>\$ 181,179</u>
Ending balance:						
Individually evaluated for impairment	\$ 19,031	\$ 392	\$ 1,405	\$ 127	\$ 33	\$ 20,988
Amounts related to acquired- impaired loans	446	657	1,807	17,663	2,547	23,120
Collectively evaluated for impairment	89,951	4,593	12,687	7,563	22,277	137,071
Loans:						
Ending balance:	\$6,995,824	\$1,151,950	\$3,412,551	\$2,049,524	\$2,093,465	\$15,703,314
Individually evaluated for impairment	81,622	14,226	16,531	895	152	113,426
Acquired-impaired loans	12,004	12,103	26,624	162,268	12,839	225,838
Collectively evaluated for impairment	6,902,198	1,125,621	3,369,396	1,886,361	2,080,474	15,364,050

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

	Commercial non-real estate	Construction and land development	Commercial real estate	Residential mortgages	Consumer	Total
(in thousands)	Year Ended December 31, 2014					
Originated loans						
Allowance for loan losses:						
Beginning balance	\$ 33,091	\$ 6,180	\$ 20,649	\$ 6,892	\$ 12,073	\$ 78,885
Charge-offs	(6,813)	(4,770)	(3,579)	(2,285)	(14,055)	(31,502)
Recoveries	3,047	4,000	1,678	644	5,014	14,383
Net provision for loan losses	20,933	3	(2,204)	2,800	14,403	35,935
Ending balance	<u>\$ 50,258</u>	<u>\$ 5,413</u>	<u>\$ 16,544</u>	<u>\$ 8,051</u>	<u>\$ 17,435</u>	<u>\$ 97,701</u>
Ending balance:						
Individually evaluated for impairment	\$ 14	\$ 19	\$ 11	\$ 330	\$ 3	\$ 377
Collectively evaluated for impairment	50,244	5,394	16,533	7,721	17,432	97,324
Loans:						
Ending balance:	\$5,917,728	\$1,073,964	\$2,428,195	\$1,704,770	\$1,685,542	\$12,810,199
Individually evaluated for impairment	3,987	8,250	12,121	2,656	6	27,020
Collectively evaluated for impairment	<u>5,913,741</u>	<u>1,065,714</u>	<u>2,416,074</u>	<u>1,702,114</u>	<u>1,685,536</u>	<u>12,783,179</u>
Acquired loans						
Allowance for loan losses:						
Beginning balance	\$ 1,603	\$ 10	\$ 34	\$ —	\$ —	\$ 1,647
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Net provision for loan losses	(1,603)	(10)	443	—	—	(1,170)
Ending balance	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 477</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 477</u>
Ending balance:						
Individually evaluated for impairment	\$ —	\$ —	\$ 477	\$ —	\$ —	\$ 477
Amounts related to acquired-impaired loans	—	—	—	—	—	—
Collectively evaluated for impairment	—	—	—	—	—	—
Loans:						
Ending balance:	\$ 120,137	\$ 21,123	\$ 688,045	\$ 2,378	\$ 985	\$ 832,668
Individually evaluated for impairment	—	—	2,691	—	—	2,691
Acquired-impaired loans	8,446	19,681	29,777	2,378	985	61,267
Collectively evaluated for impairment	<u>111,691</u>	<u>1,442</u>	<u>655,577</u>	<u>—</u>	<u>—</u>	<u>768,710</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

	Commercial non-real estate	Construction and land development	Commercial real estate	Residential mortgages	Consumer	Total
(in thousands)	Year Ended December 31, 2014					
FDIC acquired loans						
Allowance for loan losses:						
Beginning balance	\$ 2,323	\$ 2,655	\$ 10,929	\$ 27,989	\$ 9,198	\$ 53,094
Charge-offs	(221)	(148)	(5,350)	(1,008)	(1,270)	(7,997)
Recoveries	485	3,138	1,441	1	431	5,496
Net provision for loan losses	(83)	(208)	(139)	(299)	(196)	(925)
Decrease in FDIC loss share receivable	(1,593)	(4,429)	(2,820)	(6,074)	(4,168)	(19,084)
Ending balance	<u>\$ 911</u>	<u>\$ 1,008</u>	<u>\$ 4,061</u>	<u>\$ 20,609</u>	<u>\$ 3,995</u>	<u>\$ 30,584</u>
Ending balance:						
Individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amounts related to acquired- impaired loans	911	1,008	4,061	20,609	3,995	30,584
Collectively evaluated for impairment	—	—	—	—	—	—
Loans:						
Ending balance:	\$ 6,195	\$ 11,674	\$ 27,808	\$ 187,033	\$ 19,699	\$ 252,409
Individually evaluated for impairment	—	—	—	—	—	—
Acquired-impaired loans	6,195	11,674	27,808	187,033	19,699	252,409
Collectively evaluated for impairment	—	—	—	—	—	—
Total loans						
Allowance for loan losses:						
Beginning balance	\$ 37,017	\$ 8,845	\$ 31,612	\$ 34,881	\$ 21,271	\$ 133,626
Charge-offs	(7,034)	(4,918)	(8,929)	(3,293)	(15,325)	(39,499)
Recoveries	3,532	7,138	3,119	645	5,445	19,879
Net provision for loan losses	19,247	(215)	(1,900)	2,501	14,207	33,840
Decrease in FDIC loss share receivable	(1,593)	(4,429)	(2,820)	(6,074)	(4,168)	(19,084)
Ending balance	<u>\$ 51,169</u>	<u>\$ 6,421</u>	<u>\$ 21,082</u>	<u>\$ 28,660</u>	<u>\$ 21,430</u>	<u>\$ 128,762</u>
Ending balance:						
Individually evaluated for impairment	\$ 14	\$ 19	\$ 488	\$ 330	\$ 3	\$ 854
Amounts related to acquired- impaired loans	911	1,008	4,061	20,609	3,995	30,584
Collectively evaluated for impairment	50,244	5,394	16,533	7,721	17,432	97,324
Loans:						
Ending balance:	\$6,044,060	\$1,106,761	\$3,144,048	\$1,894,181	\$1,706,226	\$13,895,276
Individually evaluated for impairment	3,987	8,250	14,812	2,656	6	29,711
Acquired-impaired loans	14,641	31,355	57,585	189,411	20,684	313,676
Collectively evaluated for impairment	<u>6,025,432</u>	<u>1,067,156</u>	<u>3,071,651</u>	<u>1,702,114</u>	<u>1,685,536</u>	<u>13,551,889</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. 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 FDIC acquired 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 loans. The following schedule shows activity in the FDIC loss share receivable for 2015 and 2014:

(in thousands)	<u>Years Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Balance, January 1	\$ 60,272	\$113,834
Amortization	(5,747)	(12,102)
Charge-offs, write-downs and other (recoveries) losses	(8,072)	(2,245)
External expenses qualifying under loss share agreement	2,677	4,532
Changes due to changes in cash flow projections	(2,800)	(19,084)
FDIC resolution of denied claims	(2,411)	(10,268)
Net payments from FDIC	(14,051)	(14,395)
Balance, December 31	<u>\$ 29,868</u>	<u>\$ 60,272</u>

Note 1 to the consolidated financial statements discusses the accounting for the loss share receivable. The loss share agreement covering the non-single family FDIC acquired portfolio expired in December 2014. The loss share agreement covering the single family portfolio expires in December 2019.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

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

(in thousands)	December 31, 2015	December 31, 2014
Originated loans:		
Commercial non-real estate	\$ 88,743	\$15,511
Construction and land development	17,294	6,462
Commercial real estate	17,824	22,047
Residential mortgages	23,799	21,702
Consumer	9,061	5,574
Total originated loans	\$156,721	\$71,296
Acquired loans:		
Commercial non-real estate	\$ —	\$ —
Construction and land development	—	—
Commercial real estate	2,992	6,139
Residential mortgages	—	—
Consumer	—	—
Total acquired loans	\$ 2,992	\$ 6,139
FDIC acquired loans:		
Commercial non-real estate	\$ —	\$ —
Construction and land development	—	1,103
Commercial real estate	—	433
Residential mortgages	—	392
Consumer	—	174
Total FDIC acquired loans	\$ —	\$ 2,102
Total loans:		
Commercial non-real estate	\$ 88,743	\$15,511
Construction and land development	17,294	7,565
Commercial real estate	20,816	28,619
Residential mortgages	23,799	22,094
Consumer	9,061	5,748
Total loans	\$159,713	\$79,537

Nonaccrual loans include loans modified in troubled debt restructurings (TDRs) of \$8.8 million and \$7.0 million, respectively, at December 31, 2015 and 2014. Total TDRs, both accruing and nonaccruing, were \$13.1 million at December 31, 2015 and \$16.0 million at December 31, 2014.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

The table below details the TDRs that occurred during 2015 and 2014 by portfolio segment. Substantially all TDRs during 2015 and 2014 were extended amortization or other modification of payment terms. All are individually evaluated for impairment.

<u>Troubled Debt Restructurings:</u>	Years Ended					
	2015			2014		
	Number of Contracts	Outstanding Recorded Investment		Number of Contracts	Outstanding Recorded Investment	
(\$ in thousands)	Pre- Modification	Post- Modification	Pre- Modification	Post- Modification	Post- Modification	Post- Modification
Originated loans:						
Commercial non-real estate	1	\$4,420	\$4,420	1	\$ 29	\$ 29
Construction and land development	—	—	—	—	—	—
Commercial real estate	1	485	482	3	4,488	4,446
Residential mortgages	4	195	185	7	1,961	1,090
Consumer	1	20	20	1	8	8
Total originated loans	7	\$5,120	\$5,107	12	\$6,486	\$5,573
Acquired loans:						
Commercial non-real estate	—	\$ —	\$ —	—	\$ —	\$ —
Construction and land development	—	—	—	—	—	—
Commercial real estate	—	—	—	—	—	—
Residential mortgages	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total acquired loans	—	\$ —	\$ —	—	\$ —	\$ —
FDIC acquired loans:						
Commercial non-real estate	—	\$ —	\$ —	—	\$ —	\$ —
Construction and land development	—	—	—	—	—	—
Commercial real estate	—	—	—	—	—	—
Residential mortgages	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total FDIC acquired loans	—	\$ —	\$ —	\$—	\$ —	\$ —
Total loans:						
Commercial non-real estate	1	\$4,420	\$4,420	1	\$ 29	\$ 29
Construction and land development	—	—	—	—	—	—
Commercial real estate	1	485	482	3	4,488	4,446
Residential mortgages	4	195	185	7	1,961	1,090
Consumer	1	20	20	1	8	8
Total loans	7	\$5,120	\$5,107	12	\$6,486	\$5,573

No TDRs subsequently defaulted within twelve months of modification in the year ended December 31, 2015. For the year ended December 31, 2014, one originated commercial non-real estate loan with a recorded investment of \$0.9 million and one residential mortgage loan with a recorded investment of \$0.3 million subsequently defaulted within twelve months of modification.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

The tables below present loans that are individually evaluated for impairment disaggregated by class at December 31, 2015 and December 31, 2014. Loans individually evaluated for impairment include TDRs and loans that are determined to be impaired and have aggregate relationship balances of \$1 million or more.

<u>December 31, 2015</u> (in thousands)	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
Originated loans:					
With no related allowance recorded:					
Commercial non-real estate	\$ 34,788	\$ 37,285	\$ —	\$18,860	\$ —
Construction and land development	12,461	12,461	—	2,459	—
Commercial real estate	7,785	8,499	—	10,933	35
Residential mortgages	—	—	—	259	2
Consumer	—	—	—	74	—
	<u>55,034</u>	<u>58,245</u>	<u>—</u>	<u>32,585</u>	<u>37</u>
With an allowance recorded:					
Commercial non-real estate	46,834	47,703	19,031	22,414	11
Construction and land development	1,765	2,323	392	3,049	66
Commercial real estate	6,406	6,413	1,372	12,488	104
Residential mortgages	895	1,405	127	1,359	20
Consumer	152	152	33	45	4
	<u>56,052</u>	<u>57,996</u>	<u>20,955</u>	<u>39,355</u>	<u>205</u>
Total:					
Commercial non-real estate	81,622	84,988	19,031	41,274	11
Construction and land development	14,226	14,784	392	5,508	66
Commercial real estate	14,191	14,912	1,372	23,421	139
Residential mortgages	895	1,405	127	1,618	22
Consumer	152	152	33	119	4
Total originated loans	<u>\$111,086</u>	<u>\$116,241</u>	<u>\$20,955</u>	<u>\$71,940</u>	<u>\$ 242</u>
Acquired loans:					
With an allowance recorded:					
Commercial non-real estate	\$ —	\$ —	\$ —	\$ —	\$ —
Construction and land development	—	—	—	—	—
Commercial real estate	2,340	2,382	33	2,244	—
Residential mortgages	—	—	—	—	—
Consumer	—	—	—	—	—
	<u>2,340</u>	<u>2,382</u>	<u>33</u>	<u>2,244</u>	<u>—</u>
Total:					
Commercial non-real estate	—	—	—	—	—
Construction and land development	—	—	—	—	—
Commercial real estate	2,340	2,382	33	2,244	—
Residential mortgages	—	—	—	—	—
Consumer	—	—	—	—	—
Total acquired loans	<u>\$ 2,340</u>	<u>\$ 2,382</u>	<u>\$ 33</u>	<u>\$ 2,244</u>	<u>\$ —</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

<u>December 31, 2015</u> (in thousands)	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
Total loans:					
With no related allowance recorded:					
Commercial non-real estate	\$ 34,788	\$ 37,285	\$ —	\$18,860	\$ —
Construction and land development	12,461	12,461	—	2,459	—
Commercial real estate	7,785	8,499	—	10,933	35
Residential mortgages	—	—	—	259	2
Consumer	—	—	—	74	—
	<u>55,034</u>	<u>58,245</u>	<u>—</u>	<u>32,585</u>	<u>37</u>
With an allowance recorded:					
Commercial non-real estate	46,834	47,703	19,031	22,414	11
Construction and land development	1,765	2,323	392	3,049	66
Commercial real estate	8,746	8,795	1,405	14,732	104
Residential mortgages	895	1,405	127	1,359	20
Consumer	152	152	33	45	4
	<u>58,392</u>	<u>60,378</u>	<u>20,988</u>	<u>41,599</u>	<u>205</u>
Total:					
Commercial non-real estate	81,622	84,988	19,031	41,274	11
Construction and land development	14,226	14,784	392	5,508	66
Commercial real estate	16,531	17,294	1,405	25,665	139
Residential mortgages	895	1,405	127	1,618	22
Consumer	152	152	33	119	4
Total loans	<u>\$113,426</u>	<u>\$118,623</u>	<u>\$20,988</u>	<u>\$74,184</u>	<u>\$ 242</u>
<u>December 31, 2014</u> (in thousands)	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
Originated loans:					
With no related allowance recorded:					
Commercial non-real estate	\$ 3,003	\$ 3,646	\$ —	\$ 1,209	\$ 51
Construction and land development	3,345	6,486	—	3,330	142
Commercial real estate	8,467	10,575	—	8,461	331
Residential mortgages	—	—	—	88	3
Consumer	—	—	—	—	—
	<u>14,815</u>	<u>20,707</u>	<u>—</u>	<u>13,088</u>	<u>527</u>
With an allowance recorded:					
Commercial non-real estate	984	984	14	5,522	99
Construction and land development	4,905	4,906	19	6,660	137
Commercial real estate	3,654	3,654	11	7,500	109
Residential mortgages	2,656	3,311	330	2,204	50
Consumer	6	6	3	1	—
	<u>12,205</u>	<u>12,861</u>	<u>377</u>	<u>21,887</u>	<u>395</u>
Total:					
Commercial non-real estate	3,987	4,630	14	6,732	150
Construction and land development	8,250	11,392	19	9,990	279
Commercial real estate	12,121	14,229	11	15,961	439
Residential mortgages	2,656	3,311	330	2,292	53
Consumer	6	6	3	1	—
Total originated loans	<u>\$ 27,020</u>	<u>\$ 33,568</u>	<u>\$ 377</u>	<u>\$34,976</u>	<u>\$ 921</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

<u>December 31, 2014</u> (in thousands)	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
Acquired loans:					
With no related allowance recorded:					
Commercial non-real estate	\$ —	\$ —	\$ —	\$ 357	\$ —
Construction and land development	—	—	—	121	—
Commercial real estate	—	—	—	311	—
Residential mortgages	—	—	—	88	—
Consumer	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>877</u>	<u>—</u>
With an allowance recorded:					
Commercial non-real estate	—	—	—	1,059	122
Construction and land development	—	—	—	1,037	56
Commercial real estate	2,691	2,720	477	1,357	75
Residential mortgages	—	—	—	—	—
Consumer	—	—	—	—	—
	<u>2,691</u>	<u>2,720</u>	<u>477</u>	<u>3,453</u>	<u>253</u>
Total:					
Commercial non-real estate	—	—	—	1,416	122
Construction and land development	—	—	—	1,158	56
Commercial real estate	2,691	2,720	477	1,668	75
Residential mortgages	—	—	—	88	—
Consumer	—	—	—	—	—
Total acquired loans	<u>\$ 2,691</u>	<u>\$ 2,720</u>	<u>\$ 477</u>	<u>\$ 4,330</u>	<u>\$ 253</u>
Total loans:					
With no related allowance recorded:					
Commercial non-real estate	\$ 3,003	\$ 3,646	\$ —	\$ 1,566	\$ 51
Construction and land development	3,345	6,486	—	3,451	142
Commercial real estate	8,467	10,575	—	8,772	331
Residential mortgages	—	—	—	176	3
Consumer	—	—	—	—	—
	<u>14,815</u>	<u>20,707</u>	<u>—</u>	<u>13,965</u>	<u>527</u>
With an allowance recorded:					
Commercial non-real estate	984	984	14	6,581	221
Construction and land development	4,905	4,906	19	7,697	193
Commercial real estate	6,345	6,374	488	8,857	184
Residential mortgages	2,656	3,311	330	2,204	50
Consumer	6	6	3	1	—
	<u>14,896</u>	<u>15,581</u>	<u>854</u>	<u>25,340</u>	<u>648</u>
Total:					
Commercial non-real estate	3,987	4,630	14	8,147	272
Construction and land development	8,250	11,392	19	11,148	335
Commercial real estate	14,812	16,949	488	17,629	515
Residential mortgages	2,656	3,311	330	2,380	53
Consumer	6	6	3	1	—
Total loans	<u>\$ 29,711</u>	<u>\$ 36,288</u>	<u>\$ 854</u>	<u>\$39,305</u>	<u>\$1,175</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

The following table presents the age analysis of past due loans at December 31, 2015 and December 31, 2014. FDIC acquired and acquired-impaired loans with an accretable yield are considered to be current in the following delinquency table:

<u>December 31, 2015</u>	<u>30-59 days</u> <u>past due</u>	<u>60-89 days</u> <u>past due</u>	<u>Greater than</u> <u>90 days</u> <u>past due</u>	<u>Total</u> <u>past due</u>	<u>Current</u>	<u>Total</u> <u>Loans</u>	<u>Recorded</u> <u>investment</u> <u>> 90 days</u> <u>and</u> <u>accruing</u>
<i>(in thousands)</i>							
Originated loans:							
Commercial non-real estate	\$17,406	\$ 1,468	\$25,007	\$ 43,881	\$ 6,886,572	\$ 6,930,453	\$3,060
Construction and land development	19,886	436	4,043	24,365	1,115,378	1,139,743	1,230
Commercial real estate	6,754	1,329	12,503	20,586	3,199,923	3,220,509	1,034
Residential mortgages	18,657	4,360	11,840	34,857	1,852,399	1,887,256	163
Consumer	16,309	4,432	8,645	29,386	2,051,240	2,080,626	2,166
Total	<u>\$79,012</u>	<u>\$12,025</u>	<u>\$62,038</u>	<u>\$153,075</u>	<u>\$15,105,512</u>	<u>\$15,258,587</u>	<u>\$7,653</u>
Acquired loans:							
Commercial non-real estate	\$ —	\$ —	\$ —	\$ —	\$ 59,843	\$ 59,843	\$ —
Construction and land development	—	—	—	—	5,080	5,080	—
Commercial real estate	15	76	525	616	175,844	176,460	—
Residential mortgages	—	—	—	—	27	27	—
Consumer	—	—	—	—	20	20	—
Total	<u>\$ 15</u>	<u>\$ 76</u>	<u>\$ 525</u>	<u>\$ 616</u>	<u>\$ 240,814</u>	<u>\$ 241,430</u>	<u>\$ —</u>
FDIC acquired loans:							
Commercial non-real estate	\$ —	\$ —	\$ —	\$ —	\$ 5,528	\$ 5,528	\$ —
Construction and land development	—	—	—	—	7,127	7,127	—
Commercial real estate	—	—	—	—	15,582	15,582	—
Residential mortgages	—	—	—	—	162,241	162,241	—
Consumer	—	—	—	—	12,819	12,819	—
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 203,297</u>	<u>\$ 203,297</u>	<u>\$ —</u>
Total loans:							
Commercial non-real estate	\$17,406	\$ 1,468	\$25,007	\$ 43,881	\$ 6,951,943	\$ 6,995,824	\$3,060
Construction and land development	19,886	436	4,043	24,365	1,127,585	1,151,950	1,230
Commercial real estate	6,769	1,405	13,028	21,202	3,391,349	3,412,551	1,034
Residential mortgages	18,657	4,360	11,840	34,857	2,014,667	2,049,524	163
Consumer	16,309	4,432	8,645	29,386	2,064,079	2,093,465	2,166
Total	<u>\$79,027</u>	<u>\$12,101</u>	<u>\$62,563</u>	<u>\$153,691</u>	<u>\$15,549,623</u>	<u>\$15,703,314</u>	<u>\$7,653</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

<u>December 31, 2014</u>	<u>30-59 days</u>	<u>60-89 days</u>	<u>Greater than</u>	<u>Total</u>	<u>Current</u>	<u>Total</u>	<u>Recorded</u>
(in thousands)	<u>past due</u>	<u>past due</u>	<u>90 days</u>	<u>past due</u>		<u>Loans</u>	<u>> 90 days</u>
							<u>and</u>
							<u>accruing</u>
Originated loans:							
Commercial non-real estate	\$ 4,380	\$ 1,742	\$ 8,560	\$ 14,682	\$ 5,903,046	\$ 5,917,728	\$ 630
Construction and land development	6,620	1,532	4,453	12,605	1,061,359	1,073,964	142
Commercial real estate	6,527	2,964	13,234	22,725	2,405,470	2,428,195	696
Residential mortgages	14,730	3,261	11,208	29,199	1,675,571	1,704,770	1,199
Consumer	8,422	2,450	4,365	15,237	1,670,305	1,685,542	1,897
Total	<u>\$40,679</u>	<u>\$11,949</u>	<u>\$41,820</u>	<u>\$ 94,448</u>	<u>\$12,715,751</u>	<u>\$12,810,199</u>	<u>\$4,564</u>
Acquired loans:							
Commercial non-real estate	\$ —	\$ —	\$ —	\$ —	\$ 120,137	\$ 120,137	\$ —
Construction and land development	111	—	—	111	21,012	21,123	—
Commercial real estate	3,861	282	1,591	5,734	682,311	688,045	261
Residential mortgages	—	—	—	—	2,378	2,378	—
Consumer	—	—	—	—	985	985	—
Total	<u>\$ 3,972</u>	<u>\$ 282</u>	<u>\$ 1,591</u>	<u>\$ 5,845</u>	<u>\$ 826,823</u>	<u>\$ 832,668</u>	<u>\$ 261</u>
FDIC acquired loans:							
Commercial non-real estate	\$ —	\$ —	\$ —	\$ —	\$ 6,195	\$ 6,195	\$ —
Construction and land development	—	—	1,103	1,103	10,571	11,674	—
Commercial real estate	—	—	433	433	27,375	27,808	—
Residential mortgages	—	272	—	272	186,761	187,033	—
Consumer	1	—	34	35	19,664	19,699	—
Total	<u>\$ 1</u>	<u>\$ 272</u>	<u>\$ 1,570</u>	<u>\$ 1,843</u>	<u>\$ 250,566</u>	<u>\$ 252,409</u>	<u>\$ —</u>
Total loans:							
Commercial non-real estate	\$ 4,380	\$ 1,742	\$ 8,560	\$ 14,682	\$ 6,029,378	\$ 6,044,060	\$ 630
Construction and land development	6,731	1,532	5,556	13,819	1,092,942	1,106,761	142
Commercial real estate	10,388	3,246	15,258	28,892	3,115,156	3,144,048	957
Residential mortgages	14,730	3,533	11,208	29,471	1,864,710	1,894,181	1,199
Consumer	8,423	2,450	4,399	15,272	1,690,954	1,706,226	1,897
Total	<u>\$44,652</u>	<u>\$12,503</u>	<u>\$44,981</u>	<u>\$102,136</u>	<u>\$13,793,140</u>	<u>\$13,895,276</u>	<u>\$4,825</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

The following table presents the credit quality indicators of the Company's various classes of loans at December 31, 2015 and December 31, 2014.

Commercial Non-Real Estate Loans

Credit Risk Profile by Internally Assigned Grade

(in thousands)	December 31, 2015				December 31, 2014			
	Originated	Acquired	FDIC acquired	Total	Originated	Acquired	FDIC acquired	Total
Grade:								
Pass	\$6,205,372	\$ 53,381	\$ 2,110	\$6,260,863	\$5,577,827	\$111,847	\$ 2,027	\$5,691,701
Pass-Watch	167,720	—	869	168,589	174,742	715	1,120	176,577
Special Mention	211,230	—	—	211,230	52,962	350	—	53,312
Substandard	346,087	6,462	2,549	355,098	112,153	7,225	3,017	122,395
Doubtful	44	—	—	44	44	—	31	75
Total	\$6,930,453	\$ 59,843	\$ 5,528	\$6,995,824	\$5,917,728	\$120,137	\$ 6,195	\$6,044,060

Construction Loans

Credit Risk Profile by Internally Assigned Grade

(in thousands)	December 31, 2015				December 31, 2014			
	Originated	Acquired	FDIC acquired	Total	Originated	Acquired	FDIC acquired	Total
Grade:								
Pass	\$1,092,299	\$ 910	\$ 2,087	\$1,095,296	\$1,012,128	\$ 14,377	\$ 2,468	\$1,028,973
Pass-Watch	5,709	223	909	6,841	21,516	432	532	22,480
Special Mention	12,017	—	280	12,297	7,097	129	319	7,545
Substandard	29,718	3,947	3,851	37,516	33,223	6,185	8,355	47,763
Total	\$1,139,743	\$ 5,080	\$ 7,127	\$1,151,950	\$1,073,964	\$ 21,123	\$ 11,674	\$1,106,761

Commercial Real Estate Loans

Credit Risk Profile by Internally Assigned Grade

(in thousands)	December 31, 2015				December 31, 2014			
	Originated	Acquired	FDIC acquired	Total	Originated	Acquired	FDIC acquired	Total
Grade:								
Pass	\$3,058,342	\$159,750	\$ 3,117	\$3,221,209	\$2,241,391	\$641,966	\$ 4,139	\$2,887,496
Pass-Watch	41,830	2,355	2,296	46,481	61,589	11,142	4,547	77,278
Special Mention	40,576	5,112	1,364	47,052	21,543	8,113	1,319	30,975
Substandard	79,745	9,243	8,805	97,793	103,651	26,824	17,803	148,278
Doubtful	16	—	—	16	21	—	—	21
Total	\$3,220,509	\$176,460	\$ 15,582	\$3,412,551	\$2,428,195	\$688,045	\$ 27,808	\$3,144,048

Residential Mortgage Loans

Credit Risk Profile Based on Payment Activity and Accrual Status

(in thousands)	December 31, 2015				December 31, 2014			
	Originated	Acquired	FDIC acquired	Total	Originated	Acquired	FDIC acquired	Total
Performing	\$1,863,295	\$ 27	\$162,241	\$2,025,563	\$1,681,868	\$ 2,378	\$186,641	\$1,870,887
Nonperforming	23,961	—	—	23,961	22,902	—	392	23,294
Total	\$1,887,256	\$ 27	\$162,241	\$2,049,524	\$1,704,770	\$ 2,378	\$187,033	\$1,894,181

Consumer Loans

Credit Risk Profile Based on Payment Activity and Accrual Status

(in thousands)	December 31, 2015				December 31, 2014			
	Originated	Acquired	FDIC acquired	Total	Originated	Acquired	FDIC acquired	Total
Performing	\$2,069,399	\$ 20	\$ 12,819	\$2,082,238	\$1,678,069	\$ 985	\$ 19,525	\$1,698,579
Nonperforming	11,227	—	—	11,227	7,473	—	174	7,647
Total	\$2,080,626	\$ 20	\$ 12,819	\$2,093,465	\$1,685,542	\$ 985	\$ 19,699	\$1,706,226

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Loans (continued)

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 - a criticized asset category defined as having potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may, at some future date, result in the deterioration of the repayment prospects for the credit or the institution's credit position. Special mention credits are not considered part of the Classified credit categories and do not expose an institution to sufficient risk to warrant adverse classification.
- Substandard - an asset that is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.
- Doubtful - an asset that has all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make collection nor liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and 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.
- Nonperforming - a nonperforming 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 nonaccrual loans are also classified as nonperforming.

Credit Review uses a risk-focused continuous monitoring program that provides for an independent, objective and timely review of credit risk within the Company.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. 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, 2015 and 2014:

(in thousands)	December 31, 2015				December 31, 2014			
	FDIC acquired		Acquired		FDIC acquired		Acquired	
	Carrying Amount of Loans	Accretable Yield						
Balance at beginning of period	\$252,409	\$112,788	\$ 61,276	\$ 74,668	\$ 358,666	\$122,715	\$ 68,075	\$131,370
Payments received, net	(62,579)	(422)	(53,268)	(21,556)	(125,388)	(1,071)	(50,178)	(32,855)
Accretion	13,467	(13,467)	14,533	(14,533)	19,131	(19,131)	43,379	(43,379)
Decrease in expected cash flows based on actual cash flow and changes in cash flow assumptions	—	(3,537)	—	(701)	—	(1,137)	—	(203)
Net transfers from nonaccretable difference to accretable yield	—	(3,798)	—	46	—	11,412	—	19,735
Balance at end of period	\$203,297	\$ 91,564	\$ 22,541	\$ 37,924	\$ 252,409	\$112,788	\$ 61,276	\$ 74,668

Loans Held for Sale

Loans held for sale totaled \$20.4 million and \$20.3 million, respectively, at December 31, 2015 and 2014. 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 Bank's commitment to the borrower to originate the loan.

Residential Mortgage Loans in Process of Foreclosure

Included in loans are \$7.4 million and \$13.7 million of consumer loans secured by single family residential mortgage real estate that are in process of foreclosure as of December 31, 2015 and December 31, 2014, respectively. Of these loans, \$4.1 million and \$8.1 million, respectively, are covered by an FDIC loss share agreement that provides significant protection against losses. Loans in process of foreclosure include those for which formal foreclosure proceedings are in process according to local requirements of the applicable jurisdiction. In addition to the single family residential real estate loans in process of foreclosure, the Company also held \$9.3 million and \$12.7 million of foreclosed single family residential properties in other real estate owned as of December 31, 2015 and December 31, 2014, respectively. Of these foreclosed properties, \$1.6 million and \$8.2 million as of December 31, 2015 and December 31, 2014, respectively, are also covered by the FDIC loss share agreement.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Property and Equipment

Property and equipment consisted of the following:

(in thousands)	December 31,	
	2015	2014
Land and land improvements	\$ 81,940	\$ 86,039
Buildings and leasehold improvements	339,309	348,450
Furniture, fixtures and equipment	95,364	90,244
Software	65,383	57,305
Assets under development	4,782	9,873
	586,778	591,911
Accumulated depreciation and amortization	(209,763)	(193,527)
Property and equipment, net	\$ 377,015	\$ 398,384

Depreciation and amortization expense was \$28.8 million, \$30.3 million and \$32.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Note 5. 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 carrying amount of goodwill was \$621.2 million at both December 31, 2015 and 2014. The Company completed its annual goodwill impairment test as of September 30, 2015 and concluded that there was no impairment of goodwill. However, several events occurred during the fourth quarter which indicated that there may be impairment. These events included the continued decline in crude oil prices, a decline in the Company's stock price and market capitalization, and an unusually large fourth quarter loan loss provision. As a result, management tested for goodwill impairment as of December 31, 2015.

The Company used multiple approaches to measure its fair value at December 31, 2015. These included an income approach using the discounted net present value of estimated future cash flows, a transaction or price-to-book multiple approach using the actual price paid by similar companies in recent acquisition transactions and a market capitalization approach using both the Company's actual market capitalization at December 31, 2015 and an estimated market capitalization using a price-to-earnings multiple based off the Company's 2016 forecast.

The results from each of the approaches were relatively similar with little disparity and were combined and weighted to derive an estimated fair market value for the Company. Equal weightings were given to the income approach, the transaction approach and the market capitalization approach using 2016 forecasted earnings and a lower weighting given to the current market capitalization approach as management believes the Company's current market capitalization is temporarily depressed due to the depressed energy sector. The weighted approach resulted in a fair market value approximately 15% higher than book at December 31, 2015.

Each of the valuation techniques used by the Company requires significant assumptions. Depending upon the specific approach, assumptions are made concerning the economic environment, expected net interest margins, growth rates, discount rates for cash flows, control premiums, price-to-earnings multiples, and price-to-book multiples. Also, assumptions are made to determine the appropriate individual weighting to be used for each approach in determining the fair market value. Changes to any one of these assumptions could result in significantly different results.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Goodwill and Other Intangible Assets (continued)

No goodwill impairment charges were recognized during 2015, 2014, or 2013.

Identifiable intangible assets with finite lives are amortized over the periods benefited and are evaluated for impairment similar to other long-lived assets. In 2015, the Company eliminated the \$1.1 million remaining carrying value of CDI in conjunction with the sale of four Houston, Texas branches on March 27, 2015. The carrying value of intangible assets subject to amortization was as follows:

(in thousands)	December 31, 2015		
	<u>Purchase Value</u>	<u>Accumulated Amortization</u>	<u>Carrying Value</u>
Core deposit intangibles	\$190,655	\$ 97,026	\$ 93,629
Credit card and trust relationships	22,400	12,735	9,665
Trade name	11,722	11,722	—
Merchant processing relationships	10,000	5,756	4,244
	<u>\$234,777</u>	<u>\$127,239</u>	<u>\$107,538</u>

(in thousands)	December 31, 2014		
	<u>Purchase Value</u>	<u>Accumulated Amortization</u>	<u>Carrying Value</u>
Core deposit intangibles	\$198,002	\$ 85,254	\$112,748
Credit card and trust relationships	22,400	10,366	12,034
Non-compete agreements	400	400	—
Trade name	11,722	9,334	2,388
Merchant processing relationships	10,000	4,360	5,640
	<u>\$242,524</u>	<u>\$109,714</u>	<u>\$132,810</u>

(in thousands)	Years Ended December 31,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Aggregate amortization expense for:			
Core deposit intangibles	\$18,031	\$19,897	\$21,905
Credit card and trust relationships	2,369	2,566	2,819
Value of insurance business acquired	—	34	148
Non-compete agreements	—	100	200
Trade name	2,388	2,605	2,605
Merchant processing relationships	1,396	1,595	1,793
	<u>\$24,184</u>	<u>\$26,797</u>	<u>\$29,470</u>

The weighted-average remaining life of core deposit intangibles is 10 years. The weighted-average remaining life of other identifiable intangibles is 8 years.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Goodwill and Other Intangible Assets (continued)

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):

2016	\$ 19,782
2017	17,814
2018	15,842
2019	13,328
2020	10,529
Thereafter	<u>30,243</u>
	<u>\$107,538</u>

Note 6. Time Deposits

The maturity of time deposits at December 31, 2015 follows:

(in thousands)	
2016	\$1,419,164
2017	557,833
2018	169,604
2019	67,636
2020	17,297
Thereafter	<u>9,750</u>
Total time deposits	<u>\$2,241,284</u>

Certificates of deposits of more than \$250,000 totaled approximately \$574 million at December 31, 2015.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Short-Term Borrowings

The following table presents information concerning short-term borrowings:

(in thousands)	December 31,	
	2015	2014
Federal funds purchased:		
Amount outstanding at period-end	\$ 10,100	\$ 12,000
Average amount outstanding during period	15,992	12,196
Maximum amount at any month-end during period	13,675	12,000
Weighted-average interest at period-end	0.13%	0.13%
Weighted-average interest rate during period	0.26%	0.25%
Securities sold under agreements to repurchase:		
Amount outstanding at period-end	\$513,544	\$624,573
Average amount outstanding during period	539,169	688,704
Maximum amount at any month-end during period	609,671	816,617
Weighted-average interest at period-end	0.03%	0.03%
Weighted-average interest rate during period	0.03%	0.27%
FHLB borrowings:		
Amount outstanding at period-end	\$900,000	\$515,000
Average amount outstanding during period	469,973	304,781
Maximum amount at any month-end during period	900,000	565,000
Weighted-average interest at period-end	0.32%	0.12%
Weighted-average interest rate during period	0.18%	0.15%

Federal funds purchased represent unsecured borrowings from other banks, generally on an overnight basis.

Securities sold under agreements to repurchase (“repurchase agreements”) are funds borrowed on a secured basis by selling securities under agreements to repurchase, mainly in connection with treasury-management services offered to deposit customers. The customer repurchase agreements mature daily and were secured by agency securities. As the Company maintains effective control over assets sold under agreements to repurchase, the securities continue to be carried on the consolidated statements of financial condition. Because the Company acts as borrower transferring assets to the counterparty, and the agreements mature daily, the Company’s risk is very limited.

The \$900 million of FHLB borrowings at December 31, 2015, consist of four \$225 million variable-rate term notes, two maturing in 2017 and two maturing in 2020. These notes re-price monthly. At the Company’s option, the notes may be re-paid, either in whole or in-part, on any monthly re-pricing date subject to a two week advanced notice requirement, and therefore are classified as short-term borrowings. All other FHLB borrowings held had stated maturities of three months or less.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Long-term Debt

Long-term debt consisted of the following:

(in thousands)	<u>December 31,</u> <u>2015</u>	<u>2014</u>
Subordinated notes payable, maturing June 2045	\$150,000	\$ —
Subordinated notes payable, maturing April 2017	98,011	98,011
Term note payable, maturing December 2018	125,000	—
Term note payable, maturing December 2015	—	149,600
Other long-term debt	<u>122,988</u>	<u>126,760</u>
Total long-term debt	<u>\$495,999</u>	<u>\$374,371</u>

On March 9, 2015, the Company completed the issuance of subordinated notes payable with an aggregate principal amount of \$150 million, maturing on June 15, 2045. These notes accrue interest at a fixed rate of 5.95% per annum, with quarterly interest payments which began in June 2015. Subject to prior approval by the Federal Reserve, the Company may redeem the notes in whole or in part on any interest payment date on or after June 15, 2020. This debt qualifies as Tier 2 capital in the calculation of certain regulatory capital ratios.

The subordinated notes payable maturing April 2017 accrue interest at a fixed rate of 5.875% per annum. As of December 31, 2015, 20% of the balance of these notes qualifies as capital in the calculation of certain regulatory capital ratios. The notes will no longer qualify as capital as of April 1, 2016.

On December 18, 2015, the Company entered a senior unsecured single-draw term loan facility totaling \$125 million, all of which was borrowed on the closing date. Amounts borrowed under the loan facility bear interest at a variable rate based on LIBOR plus 1.50% per annum. The loan agreement requires quarterly principal payments of \$4.5 million, and outstanding borrowings may be prepaid in whole or in part at any time prior to the December 18, 2018 maturity date without premium or penalty, subject to reimbursement of certain lenders' costs.

On December 21, 2012, the Company entered into a three-year term loan agreement that provided for a \$220 million term loan facility, all of which was borrowed on the closing date. The agreement also provided for up to \$50 million in additional borrowings under the loan facility, subject to obtaining additional commitments from existing or new lenders and satisfaction of certain other conditions. Amounts borrowed under the loan facility bore interest at a variable rate based on LIBOR plus 1.875% per annum. This facility was paid in full at maturity in December 2015 using the proceeds from the new debt acquired on December 18, 2015.

The Company must satisfy certain financial covenants and is subject to other restrictions customary in financings, none of which are expected to adversely impact the operations of the Company. 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, 2015.

Substantially all of the other long-term debt consists of borrowings associated with tax credit fund activities. Although these borrowings have indicated maturities through 2053, they are expected to be paid off at the end of the seven-year compliance period for the related tax credit investments.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. 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 select pools of variable rate loans. The Bank has also entered into interest rate derivative agreements as a service to certain qualifying customers. The Bank manages a matched book with respect to these customer derivatives in order to minimize their net risk exposure resulting from such agreements. The Bank also enters 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.

Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the notional amounts and fair values of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets as of December 31, 2015 and 2014.

(in thousands)	Type of Hedge	Notional Amounts		Fair Values (1)			
				Assets		Liabilities	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Derivatives designated as hedging instruments:							
Interest rate swaps	Cash Flow	\$ 500,000	\$ 300,000	\$ —	\$ —	\$ 281	\$ 592
		<u>\$ 500,000</u>	<u>\$ 300,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 281</u>	<u>\$ 592</u>
Derivatives not designated as hedging instruments:							
Interest rate swaps (2)	N/A	\$ 780,871	\$ 747,754	\$20,622	\$17,806	\$21,007	\$18,419
Risk participation agreements	N/A	83,430	80,438	83	125	162	208
Forward commitments to sell residential mortgage loans	N/A	55,128	52,238	263	80	336	250
Interest rate-lock commitments on residential mortgage loans	N/A	38,853	33,068	243	111	167	44
Foreign exchange forward contracts	N/A	44,068	89,432	2,040	1,310	2,015	1,347
		<u>\$1,002,350</u>	<u>\$1,002,930</u>	<u>\$23,251</u>	<u>\$19,432</u>	<u>\$23,687</u>	<u>\$20,268</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.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Derivatives (continued)

Cash Flow Hedges of Interest Rate Risk

The Company is party to two interest rate swap agreements – one with a notional amount of \$300 million and the second with a notional amount of \$200 million. For both agreements, the Company receives interest at a fixed rate and pays at a variable rate. The derivative instrument represented by these swap agreements were designated as and qualify as cash flow hedges of the Company’s forecasted variable cash flows for a pool of variable rate loans. The \$300 million swap agreement expires in January, 2017 and the \$200 million swap agreement expires in June, 2017.

During the term of the swap agreements, the effective portion of changes in the fair value of the derivative instruments are recorded in AOCI and subsequently reclassified into earnings in the periods that the hedged forecasted variable-rate interest payments affects earnings. The impact on AOCI is reflected in footnote 10. 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 Bank enters into interest rate derivative agreements, primarily rate swaps, with commercial banking customers to facilitate their risk management strategies. The Bank enters into offsetting agreements with unrelated financial institutions, thereby mitigating its net interest rate 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 Bank also enters into risk participation agreements under which it may either assume or sell credit risk associated with a borrower’s performance under certain interest rate derivative contracts. In those instances where the Bank has assumed credit risk, it is not a direct counterparty to the derivative contract with the borrower and have entered into the risk participation agreement because it is a party to the related loan agreement with the borrower. In those instances in which the Bank has sold credit risk, it is the sole counterparty to the derivative contract with the borrower and has entered into the risk participation agreement because other banks participate in the related loan agreement. The Bank manages its credit risk under risk participation agreements by monitoring the creditworthiness of the borrower, based on the Bank’s normal credit review process.

Mortgage banking derivatives

The Bank also enters 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 Bank enters into foreign exchange forward derivative agreements, primarily forward currency contracts, with commercial banking customers to facilitate their risk management strategies. The Bank manages its 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.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Derivatives (continued)

Effect of Derivative Instruments on the Income Statement

Derivative income consisting primarily of customer interest rate swap fees, net of fair value adjustments, is reflected in the income statement in other noninterest income, totaling \$2.7 million, \$1.6 million and \$4.7 million for the years ended December 31, 2015, 2014 and 2013, respectively. The impact to interest income from cash flow hedges was \$2.1 million and \$0.3 million for the years ended December 31, 2015 and 2014, respectively. There was no impact to interest income from derivatives for the year ended December 31, 2013.

Credit Risk-Related Contingent Features

Certain of the Bank's derivative instruments contain provisions allowing the financial counterparty to terminate the contracts in certain circumstances, such as the downgrade of the Bank's credit ratings below specified levels, a default by the Bank on its indebtedness, or the failure of the 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, 2015, the aggregate fair value of derivative instruments with credit-risk-related contingent features that were in a net liability position was \$20.8 million, for which the Bank had posted collateral of \$23.7 million.

Offsetting Assets and Liabilities

The Bank's derivative instruments to certain counterparties contain legally enforceable netting provisions that allow for net settlement of multiple transactions to a single amount, which may be positive, negative, or zero. Offsetting information in regards to derivative assets and liabilities subject to these master netting agreements at December 31, 2015 and December 31, 2014 is presented in the following tables:

As of December 31, 2015

(in thousands)	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	\$ 224	\$—	\$ 224	\$224	\$ —	\$ —
Derivative Liabilities	\$21,034	\$—	\$21,034	\$224	\$23,482	\$(2,672)

As of December 31, 2014

(in thousands)	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	\$ 650	\$—	\$ 650	\$650	\$ —	\$ —
Derivative Liabilities	\$16,771	\$—	\$16,771	\$650	\$17,343	\$(1,222)

The company has excess collateral compared to total exposure due to initial margin requirements for day-to-day rate volatility.

The information presented in the Offsetting Assets and Liabilities table in the prior year annual report included derivative assets and liabilities for customer swap agreements that were not subject to netting agreements. The prior period balances reflected in the preceding table have been revised to include only derivative instruments subject to netting agreements. The change in the disclosures was not considered material to the previously issued financial statements.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Stockholders' Equity

Stock Repurchase Program

On August 28, 2015, the Company's Board of Directors approved a stock repurchase plan that authorizes the repurchase of up to 5%, or approximately 3.9 million shares of its outstanding common stock. The approved plan allows the Company to repurchase its common shares either in the open market in compliance with Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended, or in privately negotiated transactions with non-affiliated sellers or as otherwise determined by the Company from time to time until September 30, 2016. Under this plan, the Company has repurchased 741,393 shares of its common stock at an average price of \$27.44 per share through December 31, 2015.

In March 2015, the Company completed the prior stock repurchase program that had been approved by the Company's Board of Directors on July 16, 2014 which authorized the repurchase of up to 5%, or approximately 4.1 million shares, of its outstanding common stock. Under this plan, the Company repurchased a total of 4.1 million shares of its common stock at an average price of \$30.02 per share.

Accumulated Other Comprehensive Income (Loss)

A roll forward of the components of AOCI is included as follows:

(in thousands)	<u>Available for Sale Securities</u>	<u>HTM Securities Transferred from AFS</u>	<u>Employee Benefit Plans</u>	<u>Cash Flow Hedges</u>	<u>Total</u>
Balance, December 31, 2012	\$ 38,854	\$ 19,090	\$(80,688)	\$(181)	\$ (22,925)
Net change in unrealized loss	(105,270)	—	—	(4)	(105,274)
Transfer of net unrealized loss from AFS to HTM, net of cumulative tax effect	36,208	(36,208)	—	—	—
Reclassification of net (gain) loss realized and included in earnings	(105)	—	8,331	301	8,527
Valuation adjustment for employee benefit plans	—	—	82,653	—	82,653
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	\$ 8,263	\$(21,189)	\$(22,453)	\$ —	\$ (35,379)
Net change in unrealized gain (loss)	15,413	—	—	(592)	14,821
Reclassification of net loss realized and included in earnings	—	—	390	—	390
Valuation adjustment for employee benefit plans	—	—	(41,244)	—	(41,244)
Amortization of unrealized net loss on securities transferred to held to maturity	—	3,297	—	—	3,297
Income tax expense (benefit)	5,675	1,182	(14,681)	(217)	(8,041)
Balance, December 31, 2014	\$ 18,001	\$(19,074)	\$(48,626)	\$(375)	\$ (50,074)
Net change in unrealized (loss) gain	(21,581)	—	—	311	(21,270)
Reclassification of net (gain) loss realized and included in earnings	(165)	—	3,175	—	3,010
Valuation adjustment for employee benefit plans	—	—	(33,971)	—	(33,971)
Amortization of unrealized net loss on securities transferred to held to maturity	—	3,530	—	—	3,530
Income tax expense (benefit)	(8,013)	1,251	(11,532)	114	(18,180)
Balance, December 31, 2015	<u>\$ 4,268</u>	<u>\$(16,795)</u>	<u>\$(67,890)</u>	<u>\$(178)</u>	<u>\$ (80,595)</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Stockholders' Equity (continued)

AOCI is reported as a component of stockholders' equity. AOCI includes unrealized gains and losses on available for sale ("AFS") securities and unrealized gains (losses) on AFS securities that were transferred to held to maturity ("HTM") securities in the first quarter of 2012 and the third quarter of 2013. Such amounts on the transferred securities 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. Subject to certain thresholds, 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 gains/losses on the cash flow hedge of the variable-rate loans described in Note 9 will be reclassified into income over the life of the hedge. Gains (losses) in AOCI are net of deferred income taxes.

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

<u>Amount reclassified from AOCI (a) (in thousands)</u>	<u>Year Ended December 31,</u>		<u>Increase (decrease) in affected line item in the income statement</u>
	<u>2015</u>	<u>2014</u>	
Gain on sale of AFS securities	\$ 165	\$ —	Securities gains (losses)
Tax effect	(58)	—	Income taxes
Net of tax	<u>107</u>	<u>—</u>	Net income
Amortization of unrealized net loss on securities transferred to HTM	\$(3,530)	\$(3,297)	Interest income
Tax effect	1,236	1,154	Income taxes
Net of tax	<u>(2,294)</u>	<u>(2,143)</u>	Net income
Amortization of defined benefit pension and post-retirement items (b)	\$(3,175)	\$ (390)	Employee benefits expense
Tax effect	1,111	137	Income taxes
Net of tax	<u>(2,064)</u>	<u>(253)</u>	Net income
Total reclassifications, net of tax	<u><u>\$(4,251)</u></u>	<u><u>\$ 2,396</u></u>	Net income

(a) Amounts in parenthesis indicate reduction in net income.

(b) These AOCI components are included in the computation of net periodic pension and post-retirement cost that is reported with employee benefits expense (see footnote 15 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 Common equity tier 1, Tier 1 and Total 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 the Bank subsidiary are required to maintain minimum risk-based capital ratios of 8.0% total capital, 4.5% Tier 1 Common Equity, and 6.0% 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%.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Stockholders' Equity (continued)

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, 6.5% for Tier 1 Common Equity and 8.0% 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, regulators also consider other subjective and quantitative measures of risk associated with an institution. The Bank was 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 the classifications. At December 31, 2015 and 2014, the Company and the Bank 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 Bank together with corresponding regulatory capital requirements at December 31, 2015 and 2014:

	Actual		Required for Minimum Capital Adequacy		Required To Be Well Capitalized	
	Amount	Ratio %	Amount	Ratio %	Amount	Ratio %
(\$ in thousands)						
At December 31, 2015						
Tier 1 leverage capital						
Company	\$1,844,992	8.55	\$ 863,289	4.00	\$1,079,111	5.00
Whitney Bank	1,965,332	9.16	858,551	4.00	1,073,189	5.00
Common equity tier 1 (to risk weighted assets)						
Company	\$1,844,992	9.96	\$ 833,216	4.50	\$1,203,534	6.50
Whitney Bank	1,965,332	10.64	830,985	4.50	1,200,312	6.50
Tier 1 capital (to risk weighted assets)						
Company	\$1,844,992	9.96	\$1,110,954	6.00	\$1,481,272	8.00
Whitney Bank	1,965,332	10.64	1,107,980	6.00	1,477,306	8.00
Total capital (to risk weighted assets)						
Company	\$2,195,913	11.86	\$1,481,272	8.00	\$1,851,590	10.00
Whitney Bank	2,166,253	11.73	1,477,306	8.00	1,846,633	10.00
At December 31, 2014						
Tier 1 leverage capital						
Company	\$1,777,348	9.17	\$ 581,263	3.00	n/a	n/a
Whitney Bank	1,756,813	9.13	577,493	3.00	\$ 962,488	5.00
Tier 1 capital (to risk weighted assets)						
Company	\$1,777,348	11.23	\$ 632,898	4.00	n/a	n/a
Whitney Bank	1,756,813	11.13	631,220	4.00	\$ 946,829	6.00
Total capital (to risk weighted assets)						
Company	\$1,945,710	12.30	\$1,265,796	8.00	n/a	n/a
Whitney Bank	1,925,175	12.20	1,262,439	8.00	\$1,578,049	10.00

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10. Stockholders' Equity (continued)

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 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 Bank may distribute to Hancock without prior regulatory approval, as well as the amount of loans it may make to the Company. Dividends paid by the Bank are subject to approval by the Commissioner of Banking and Consumer Finance of the State of Mississippi.

Note 11. Other Noninterest Income and Other Noninterest Expense

The components of other noninterest income and other noninterest expense are as follows:

(in thousands)	Years Ended December 31,		
	2015	2014	2013
Other noninterest income:			
Income from bank-owned life insurance	\$10,881	\$10,314	\$11,223
Credit-related fees	11,057	11,121	8,724
Income from derivatives	2,745	1,645	4,675
Gain on sales of assets	186	1,279	1,932
Safety deposit box income	1,758	1,830	1,923
Other miscellaneous income	9,334	9,249	8,754
Total other noninterest income	\$35,961	\$35,438	\$37,231
Other noninterest expense:			
Advertising	\$11,225	\$ 8,937	\$10,399
Ad valorem and franchise taxes	10,498	10,492	9,727
Printing and supplies	4,851	4,550	5,112
Insurance expense	3,482	3,919	4,094
Travel	5,331	4,066	4,716
Entertainment and contributions	6,723	5,762	5,265
Tax credit investment amortization	8,513	8,817	10,781
Other miscellaneous expense	21,580	30,585	45,242
Total other noninterest expense	\$72,203	\$77,128	\$95,336

Other miscellaneous expense as shown in the table above includes nonoperating items totaling \$2.7 million in 2015, \$9.6 million in 2014 and \$19.7 million in 2013. These expenses were primarily related to the Company's expense reduction and efficiency initiatives which included closing and selling branches, improving infrastructure and streamlining operations.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Income Taxes

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

(in thousands)	Years Ended December 31,		
	2015	2014	2013
Included in net income			
Current federal	\$ 17,378	\$ 41,441	\$ 14,797
Current state	4,241	1,487	(3,207)
Total current provision	21,619	42,928	11,590
Deferred federal	15,457	21,483	37,403
Deferred state	1,228	2,054	3,517
Total deferred provision	16,685	23,537	40,920
Total included in net income	\$ 38,304	\$ 66,465	\$ 52,510
Included in shareholders' equity			
Deferred tax related to retirement benefits	(11,532)	\$(14,681)	\$ 32,749
Deferred tax related to securities	(6,762)	6,857	(40,876)
Deferred tax related to derivatives and hedging	114	(217)	116
Total included in shareholders' equity	\$(18,180)	\$ (8,041)	\$ (8,011)

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,	
	2015	2014
Deferred tax assets:		
Allowance for loan losses	\$ 72,940	\$ 57,667
Employee compensation and benefits	26,853	50,361
Loan purchase accounting adjustments	18,977	35,094
Tax credit carryforward	42,850	35,553
Securities	5,038	—
State net operating loss	1,910	1,535
Other	10,928	8,472
Gross deferred tax assets	179,496	188,682
State valuation allowance	(1,910)	(1,529)
Subtotal valuation allowance	(1,910)	(1,529)
Net deferred tax assets	177,586	187,153
Deferred tax liabilities:		
Fixed assets & intangibles	(80,389)	(88,062)
Securities	—	(724)
FDIC indemnification asset	(10,688)	(18,769)
Other	(10,679)	(5,263)
Gross deferred tax liabilities	(101,756)	(112,818)
Net deferred tax asset	\$ 75,830	\$ 74,335

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Income Taxes (continued)

Reported income tax expense differed from amounts computed by applying the statutory income tax rate of 35% to earnings before income taxes. The primary differences are due to tax-exempt income and federal and state tax credits. The main source of tax credits has been investments in tax-advantaged securities and tax credit projects. These investments are made primarily in the markets the Company serves and are directed at tax credits issued under the Qualified Zone Academy Bonds (QZAB), Qualified School Construction Bonds (QSCB), as well as Federal and State New Market Tax Credit (NMTC) and Low-Income Housing Tax Credit (LIHTC) programs. The investments generate tax credits which reduce current and future taxes and are recognized when earned as a benefit in the provision for income taxes. A summary of the factors that impacted income tax expense follows:

(\$ in thousands)	Years Ended December 31,					
	2015		2014		2013	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Taxes computed at statutory rate	\$ 59,418	35%	\$ 84,766	35%	\$ 75,553	35%
Increases (decreases) in taxes resulting from:						
State income taxes, net of federal income tax benefit	2,595	2	4,649	2	2,352	1
Tax-exempt interest	(7,849)	(5)	(6,301)	(3)	(6,487)	(3)
Bank owned life insurance	(3,798)	(2)	(3,554)	(1)	(3,926)	(2)
Tax credits	(12,495)	(7)	(16,577)	(7)	(15,743)	(7)
Other, net	433	—	3,482	1	761	—
Income tax expense	<u>\$ 38,304</u>	<u>23%</u>	<u>\$ 66,465</u>	<u>27%</u>	<u>\$ 52,510</u>	<u>24%</u>

As of December 31, 2015, the Company had approximately \$43 million in federal and state tax credit carryforwards that originated in the tax years from 2011 through 2015. The federal and state carryforwards begin expiring in 2031 and 2020, respectively. These carryforwards are primarily from investments in federal and state NMTC projects. The Company had approximately \$37 million in state net operating loss carryforwards that originated in the tax years 2004 through 2015 and that begin expiring in 2019. 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 Company recognized benefits from federal and state NMTC, LIHTC, QZAB, and QSCB.

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, 2015, 2014 and 2013. The Company does not expect the liability for unrecognized tax benefits to change significantly during 2016. Hancock recognizes interest and penalties, if any, related to income tax matters in income tax expense, and the amounts recognized during 2015, 2014 and 2013 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 2011 are no longer subject to examination by taxing authorities.

Note 13. 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.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Earnings Per Share (continued)

A summary of the information used in the computation of earnings per common share follows:

(\$ in thousands, except per share amounts)	Years Ended December 31,		
	2015	2014	2013
<i>Numerator:</i>			
Net income to common shareholders	\$131,461	\$175,722	\$163,356
Net income allocated to participating securities – basic and diluted	\$ 2,895	\$ 3,631	\$ 3,105
Net income allocated to common shareholders – basic and diluted	\$128,566	\$172,091	\$160,251
<i>Denominator:</i>			
Weighted-average common shares – basic	78,197	81,804	83,066
Dilutive potential common shares	110	230	101
Weighted average common shares – diluted	78,307	82,034	83,167
Earnings per common share:			
Basic	\$ 1.64	\$ 2.10	\$ 1.93
Diluted	\$ 1.64	\$ 2.10	\$ 1.93

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 totaled 798,623 for the year ended December 31, 2015, 621,327 for the year ended December 31, 2014, and 916,756 for the year ended December 31, 2013.

Note 14. Segment Reporting

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 discrete 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. On March 31, 2014, the Company combined its two state bank charters into one charter. Due to the charter change and consistent with its stated strategy that is focused on providing a consistent package of community banking products and services across all markets, the Company has identified its overall banking operations as its only reportable segment. Because the overall banking operations comprise substantially all of the consolidated operations, no separate segment disclosures are presented.

Note 15. Retirement Benefit Plans

The Company offers a qualified defined benefit pension plan covering all eligible associates. Eligibility is based on minimum age and service-related requirements. The Company makes contributions to this pension plan 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. The Company does not anticipate making a contribution to the pension plan during 2016.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Retirement Benefit Plans (continued)

Certain associates who were designated executive officers of Whitney Holding Company and/or Whitney National Bank before the acquisition by the Company are also covered by an unfunded nonqualified defined benefit pension plan. The benefits under this nonqualified plan were designed to supplement amounts to be paid under the defined benefit plan previously maintained for employees of Whitney Holding Company and/or Whitney National Bank (the "Whitney Pension Plan"), and are calculated using the Whitney Pension Plan's formula, but without applying the restrictions imposed on qualified plans by certain provisions of the Internal Revenue Code. Accrued benefits under this plan were frozen as of December 31, 2012 in connection with the merger of the Whitney Pension Plan into the Company's qualified defined benefit pension plan, and no future benefits will be accrued under this plan.

The Company also offers a defined contribution retirement benefit plan (401(k) plan) that covers substantially all associates who have been employed 60 days and meet a minimum age requirement and employment classification criteria. The Company matches 100% of the first 1% of compensation saved by a participant, and 50% of the next 5% of compensation saved. 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 \$7.4 million in 2015, \$7.1 million in 2014, and \$7.0 million in 2013.

The Company also sponsors defined benefit postretirement plans for certain associates. The Hancock postretirement plans are available only to associates hired by the Company prior to January 1, 2000. The Hancock plans provide health care and life insurance benefits to retiring associates who participate in medical and/or group life insurance benefit plans for active associates and have reached 55 years of age with ten years of service, at the time of retirement. The postretirement health care plan is contributory, with retiree contributions adjusted annually and subject to certain employer contribution maximums.

The Whitney postretirement plans are available only to former employees of Whitney Holding Company and/or Whitney National Bank who meet the eligibility requirements, and offer health care and life insurance benefits for eligible retirees and their eligible dependents. Participant contributions are required under the health plan. 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 (i.e., were age 55 with ten years of credited service). Life insurance benefits are currently only available to associates who retired before December 31, 2007.

The Company assumed certain trends in health care costs in the determination of the benefit obligations. At December 31, 2015, the plans assumed a 7.5% increase in the pre- and post-Medicare age health costs for 2016, declining over a period of five years to a 5.0% annual rate. At December 31, 2015, the mortality assumption was based on the Adjusted RP -2014 Bottom Quartile Table, with improvement using Scale MP-2015 Fully Generational Projection. In 2014, the mortality assumption was based on the RP RP-2014 Bottom Quartile Table, with improvement using Scale MP-2014 projected 7 years beyond the valuation date.

The following tables detail the changes in the benefit obligations and plan assets of the defined benefit for the years ended December 31, 2015 and 2014 as well as the funded status of the plans at each year end and the

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Retirement Benefit Plans (continued)

amounts recognized in the Company's balance sheets. The Company uses a December 31 measurement date for all defined benefit pension plans and other postretirement benefit plans.

	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
(in thousands)	<u>Pension Benefits</u>		<u>Other Post-retirement Benefits</u>	
Change in benefit obligation				
Benefit obligation:				
at beginning of year	\$456,911	\$412,608	\$ 28,368	\$ 31,592
Service cost	13,511	12,920	117	126
Interest cost	18,635	19,251	891	1,140
Net actuarial (gain) loss	(8,154)	29,738	(5,905)	(3,467)
Plan participants' contributions	—	—	1,334	1,300
Benefits paid	(18,084)	(17,606)	(2,524)	(2,323)
Benefit obligation, end of year	<u>462,819</u>	<u>456,911</u>	<u>22,281</u>	<u>28,368</u>
Change in plan assets				
Fair value of plan assets:				
at beginning of year	438,708	437,829	—	—
Actual return on plan assets	(14,421)	17,826	—	—
Employer contributions	86,123	1,123	1,190	1,023
Plan participants' contributions	—	—	1,334	1,300
Benefit payments	(18,084)	(17,606)	(2,524)	(2,323)
Expenses	(776)	(464)	—	—
Fair value of plan assets, end of year	<u>491,550</u>	<u>438,708</u>	<u>—</u>	<u>—</u>
Funded status at end of year—net asset (liability)	<u>\$ 28,731</u>	<u>\$ (18,203)</u>	<u>\$(22,281)</u>	<u>\$(28,368)</u>
Amounts recognized in accumulated other comprehensive loss				
Unrecognized loss:				
at beginning of year	\$ 72,858	\$ 28,285	\$ 3,358	\$ 7,189
Net actuarial loss (gain)	36,707	44,573	(5,911)	(3,831)
Unrecognized loss at end of year	<u>\$109,565</u>	<u>\$ 72,858</u>	<u>\$ (2,553)</u>	<u>\$ 3,358</u>
Projected benefit obligation	\$462,819	\$456,911		
Accumulated benefit obligation	429,338	426,073		
Fair value of plan assets	491,550	438,708		

The net funded status of \$28.7 million for pension benefits plans includes an excess of plan assets over the benefit obligation of \$44.0 million on the defined benefit pension plan, offset by an unfunded benefit obligation of \$15.3 million for the nonqualified retirement plan.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Retirement Benefit Plans (continued)

The following table shows net periodic benefit cost included in expense and the changes in the amounts recognized in AOCI during 2015, 2014, and 2013.

(\$ in thousands)	Years Ended December 31,					
	2015			2014		
	2015	2014	2013	2015	2014	2013
	Pension benefits			Other post-retirement benefits		
Net periodic benefit cost						
Service cost	\$ 13,511	\$ 12,920	\$ 16,118	\$ 117	\$ 126	\$ 215
Interest cost	18,635	19,251	16,678	891	1,140	1,317
Expected return on plan assets	(32,833)	(32,222)	(27,928)	—	—	—
Amortization of net loss/ prior service cost	3,169	26	6,570	6	364	1,761
Net periodic benefit cost	<u>2,482</u>	<u>(25)</u>	<u>11,438</u>	<u>1,014</u>	<u>1,630</u>	<u>3,293</u>
Other changes in plan assets and benefit obligations recognized in other comprehensive income, before taxes						
Net (loss) gain recognized during the year	(3,169)	(26)	(6,570)	(6)	(364)	(1,761)
Net actuarial loss (gain)	39,876	44,599	(76,939)	(5,905)	(3,467)	(5,563)
Total recognized in other comprehensive income	<u>36,707</u>	<u>44,573</u>	<u>(83,509)</u>	<u>(5,911)</u>	<u>(3,831)</u>	<u>(7,324)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ 39,189</u>	<u>\$ 44,548</u>	<u>\$(72,071)</u>	<u>\$(4,897)</u>	<u>\$(2,201)</u>	<u>\$(4,031)</u>
Discount rate for benefit obligations	4.40%	4.11%	4.73%	4.32%	4.02%	4.58%
Discount rate for net periodic benefit cost	4.11%	4.73%	3.82%	4.02%	4.58%	3.69%
Expected long-term return on plan assets	7.50%	7.50%	7.50%	n/a	n/a	n/a
Rate of compensation increase	scaled*	scaled*	4.00%	n/a	n/a	n/a

* Graded scale, declining from 7.00% at age 20 to 2.00% at age 60

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, 2015, 2014, and 2013 the discount rate was calculated by matching expected future cash flows to the Wells Fargo Pension Discount Curve Liability Index.

The following shows expected plan benefit payments over the next ten years:

(in thousands)	Pension	Post-retirement	Total
2016	\$ 18,997	\$ 1,318	\$ 20,315
2017	19,992	1,289	21,281
2018	20,942	1,276	22,218
2019	21,750	1,290	23,040
2020	22,764	1,251	24,015
2021-2025	129,722	6,245	135,967
	<u>\$234,167</u>	<u>\$12,669</u>	<u>\$246,836</u>

The expected benefit payments are estimated based on the same assumptions used to measure the Company's benefit obligations at December 31, 2015.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Retirement Benefit Plans (continued)

The estimated amounts of actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year is \$5.5 million.

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, 2015:

(in thousands)	<u>1% Decrease in Rates</u>	<u>Assumed Rates</u>	<u>1% Increase in Rates</u>
Aggregated service and interest cost	\$ 886	\$ 1,008	\$ 1,159
Postretirement benefit obligation	19,820	22,281	25,287

The fair values of pension plan assets at December 31, 2015 and 2014, by asset category, are shown in the following tables. The fair value is presented based on a the Financial Accounting Standards Board's fair value hierarchy that prioritizes inputs into the valuation techniques used to measure fair value, with Level 1 using quoted prices in active markets for identical assets, Level 2 using significant observable inputs, and Level 3 using significant unobservable inputs.

<u>Fair Value Measurements by Asset Category / Fund</u>	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
(in thousands)				
Fair Value Measurements at December 31, 2015				
Cash and cash-equivalents:				
Cash and equivalents	\$ 44,224	\$ 44,224	\$ —	\$ —
Total cash and cash-equivalents	<u>44,224</u>	<u>44,224</u>	<u>—</u>	<u>—</u>
Fixed income:				
US government and agency securities	11,192	—	11,192	—
Municipal securities	31,190	—	31,190	—
Emerging market debt fund	24,482	—	—	24,482
Foreign bonds, notes and debentures	1,743	—	1,743	—
Hancock Horizon Core Bond Fund	47,453	—	47,453	—
Corporate debt	61,481	—	61,481	—
Other fixed income	186	—	125	61
Total fixed income	<u>177,727</u>	<u>—</u>	<u>153,184</u>	<u>24,543</u>
Real assets:				
Real assets fund	<u>24,653</u>	<u>24,653</u>	<u>—</u>	<u>—</u>
Total real assets	<u>24,653</u>	<u>24,653</u>	<u>—</u>	<u>—</u>
Equity:				
Hancock Horizon Quantitative Long/Short Fund	5,620	5,620	—	—
Hancock Horizon Diversified International Fund	73,478	73,478	—	—
Hancock Horizon Burkenroad Small Cap Fund	9,129	9,129	—	—
Hancock Horizon Growth Fund	29,447	29,447	—	—
Hancock Horizon Value Fund	29,378	29,378	—	—
Equity securities	97,894	97,894	—	—
Total equity	<u>244,946</u>	<u>244,946</u>	<u>—</u>	<u>—</u>
Total	<u>\$491,550</u>	<u>\$313,823</u>	<u>\$153,184</u>	<u>\$24,543</u>

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Retirement Benefit Plans (continued)

<u>Fair Value Measurements by Asset Category / Fund</u>	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
(in thousands)				
Fair Value Measurements at December 31, 2014				
Cash and cash-equivalents:				
Cash and equivalents	\$ 10,243	\$ 10,243	\$ —	\$ —
Total cash and cash-equivalents	<u>10,243</u>	<u>10,243</u>	<u>—</u>	<u>—</u>
Fixed income:				
US government and agency securities	15,518	1,082	14,436	—
Municipal securities	33,980	—	33,980	—
Emerging market debt fund	19,505	—	—	19,505
Foreign bonds, notes and debentures	2,588	—	2,588	—
Hancock Horizon Core Bond Fund	51,529	—	51,529	—
Corporate debt	<u>62,429</u>	<u>—</u>	<u>62,429</u>	<u>—</u>
Total fixed income	<u>185,549</u>	<u>1,082</u>	<u>164,962</u>	<u>19,505</u>
Real assets:				
Real assets fund	<u>24,151</u>	<u>24,151</u>	<u>—</u>	<u>—</u>
Total real assets	<u>24,151</u>	<u>24,151</u>	<u>—</u>	<u>—</u>
Equity:				
Hancock Horizon Quantitative Long/Short Fund	5,603	5,603	—	—
Hancock Horizon Diversified International Fund	62,750	62,750	—	—
Hancock Horizon Burkenroad Small Cap Fund	9,296	9,296	—	—
Hancock Horizon Growth Fund	26,469	26,469	—	—
Hancock Horizon Value Fund	30,321	30,321	—	—
Equity securities	<u>84,325</u>	<u>84,325</u>	<u>—</u>	<u>—</u>
Mineral Interests	<u>1</u>	<u>—</u>	<u>—</u>	<u>1</u>
Total equity	<u>218,765</u>	<u>218,764</u>	<u>—</u>	<u>1</u>
Total	<u><u>\$438,708</u></u>	<u><u>\$254,240</u></u>	<u><u>\$164,962</u></u>	<u><u>\$19,506</u></u>

For all investments, the plan attempts to use quoted market prices of identical assets on active exchanges, or Level 1 measurements. Where such quoted market prices are not available, the plan will use quoted prices for similar instruments or discounted cash flows to estimate the value, reported as Level 2. Level 3 measurements for the plan are common trust funds that are valued based on pricing obtained from the funds' investment companies. Changes in Level 3 valuation adjustments are not material.

The percentage allocations of the plan assets by asset category and corresponding target allocations at December 31, 2015 and 2014 follow:

Asset category	<u>Plan Assets</u> <u>at December 31,</u>		<u>Target Allocation at</u> <u>December 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Equity securities	50%	50%	30 - 60%	30 - 60%
Fixed income securities	36	42	25 - 65%	25 - 65%
Real assets	5	6	0 - 10%	0 - 10%
Cash equivalents	<u>9</u>	<u>2</u>	0 - 5%	0 - 5%
	<u>100%</u>	<u>100%</u>		

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Retirement Benefit Plans (continued)

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 benefits investment committee meets periodically to review the policy, strategy, and performance of the plans.

Note 16. Share-Based Payment Arrangements

Hancock maintains incentive compensation plans that incorporate share-based payment arrangements for associates and directors. The current plan under which share-based awards may be granted, the 2014 Long Term Incentive Plan (the "2014 Plan"), was approved by the Company's stockholders at the 2014 annual meeting as a successor to the Company's 2005 Long-Term Incentive Plan (the "2005 Plan"). Certain share-based awards remain outstanding under the 2005 Plan and prior equity incentive compensation plans, but no future awards may be granted thereunder.

The Compensation Committee of the Company's Board of Directors administers the equity incentive plans, makes determinations with respect to participation by employees or directors and authorizes the share-based awards. Under the 2014 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 under the 2014 Plan and the prior equity incentive plans.

Under the 2014 Plan, future awards may be granted for the issuance of an aggregate of 1,796,357 shares of the Company's common stock, plus the number of any shares of the Company's common stock for which awards under the 2005 Plan are cancelled, expired, forfeited or settled in cash. The 2014 Plan limits the number of shares for which awards may be granted to any participant during any calendar year to 100,000 shares. The Company may use authorized unissued shares or shares held in treasury to satisfy awards under the 2014 Plan.

At December 31, 2015 there were 1.3 million shares available for future issuance under equity compensation plans (including 143,940 shares under the Company's 2010 Employee Stock Purchase Plan).

For the years ended December 31, 2015, 2014 and 2013 total share-based compensation recognized in income was \$12.9 million, \$14.0 million and \$13.1 million, respectively. The total recognized tax benefit related to the share-based compensation was \$4.8 million, \$4.9 million and \$4.6 million for 2015, 2014 and 2013, respectively.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Share-Based Payment Arrangements (continued)

A summary of option activity for 2015 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, 2015	939,393	\$37.21		
Exercised	(11,577)	29.94		
Cancelled/Forfeited	(70,586)	36.15		
Expired	(111,424)	34.79		
Outstanding at December 31, 2015	<u>745,806</u>	<u>\$37.55</u>	<u>3.6</u>	<u>\$—</u>
Exercisable at December 31, 2015	<u>675,880</u>	<u>\$38.35</u>	<u>3.4</u>	<u>\$—</u>

The number of shares subject to the outstanding options reflected above includes shares to be issued upon the exercise of options that were assumed by the Company in the acquisition of Whitney Holding Corporation.

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 2015 was \$0.02 million. The total intrinsic value of options exercised during 2014 and 2013 was \$0.4 million, and \$0.6 million, respectively.

A summary of the status of the Company's nonvested restricted and performance shares as of December 31, 2015 and changes during 2015 are presented below:

	<u>Number of Shares</u>	<u>Weighted- Average Grant-Date Fair Value (\$)</u>
Nonvested at January 1, 2015	2,040,299	\$32.27
Granted	715,622	28.40
Vested	(399,850)	32.40
Cancelled/Forfeited	(159,926)	32.54
Nonvested at December 31, 2015	<u>2,196,145</u>	<u>\$30.97</u>

As of December 31, 2015, there was \$45.8 million of total unrecognized compensation expense related to nonvested restricted shares expected to vest. This compensation is expected to be recognized in expense over a weighted-average period of 3.6 years. The total fair value of shares which vested during 2015 and 2014 was \$12.2 million and \$12.8 million, respectively.

In 2015, Hancock granted 59,312 performance shares with a grant date fair value of \$25.77 per share to key members of executive and senior management. The number of 2015 performance shares that ultimately vest, if any, 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

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

Note 16. Share-Based Payment Arrangements (continued)

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 17. Commitments and Contingencies

Credit Related

In the normal course of business, the Bank enters 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 Bank 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 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 Bank to fulfill a customer's financial commitments to a third party if the customer is unable to perform. The Bank issues 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>2015</u>	<u>2014</u>
Commitments to extend credit	\$5,937,701	\$5,700,546
Letters of credit	375,227	414,408

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.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Commitments and Contingencies (continued)

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, 2015:

(in thousands)	<u>Operating Leases</u>
2016	\$13,176
2017	12,411
2018	10,742
2019	8,815
2020	6,213
Thereafter	<u>23,134</u>
Total minimum lease payments	<u>\$74,491</u>

Rental expense approximated \$13.3 million, \$11.4 million and \$12.9 million for the years ended December 31, 2015, 2014, and 2013, respectively.

Note 18. 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 18. 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.

(in thousands)	<u>Level 1</u>	<u>December 31, 2015</u> <u>Level 2</u>	<u>Total</u>
Assets			
Available for sale debt securities:			
U.S. Treasury and government agency securities	\$ —	\$ 134	\$ 134
Municipal obligations	—	39,607	39,607
Corporate debt securities	—	3,500	3,500
Mortgage-backed securities	—	1,758,373	1,758,373
Collateralized mortgage obligations	—	289,033	289,033
Equity securities	<u>2,757</u>	<u>—</u>	<u>2,757</u>
Total available for sale securities	<u>2,757</u>	<u>2,090,647</u>	<u>2,093,404</u>
Derivative assets (1)	<u>—</u>	<u>23,251</u>	<u>23,251</u>
Total recurring fair value measurements – assets	<u>\$2,757</u>	<u>\$2,113,898</u>	<u>\$2,116,655</u>
Liabilities			
Derivative liabilities (1)	<u>\$ —</u>	<u>\$ 23,968</u>	<u>\$ 23,968</u>
Total recurring fair value measurements – liabilities	<u>\$ —</u>	<u>\$ 23,968</u>	<u>\$ 23,968</u>

(1) For further disaggregation of derivative assets and liabilities, see Note 9 – Derivatives

(in thousands)	<u>Level 1</u>	<u>December 31, 2014</u> <u>Level 2</u>	<u>Total</u>
Assets			
Available for sale debt securities:			
U.S. Treasury and government agency securities	\$ —	\$ 300,508	\$ 300,508
Municipal obligations	—	14,176	14,176
Corporate debt securities	—	3,500	3,500
Mortgage-backed securities	—	1,245,564	1,245,564
Collateralized mortgage obligations	—	86,864	86,864
Equity securities	<u>9,553</u>	<u>—</u>	<u>9,553</u>
Total available for sale securities	<u>9,553</u>	<u>1,650,612</u>	<u>1,660,165</u>
Derivative assets (1)	<u>—</u>	<u>19,432</u>	<u>19,432</u>
Total recurring fair value measurements – assets	<u>\$9,553</u>	<u>\$1,670,044</u>	<u>\$1,679,597</u>
Liabilities			
Derivative liabilities (1)	<u>\$ —</u>	<u>\$ 20,860</u>	<u>\$ 20,860</u>
Total recurring fair value measurements – liabilities	<u>\$ —</u>	<u>\$ 20,860</u>	<u>\$ 20,860</u>

(1) For further disaggregation of derivative assets and liabilities, see Note 9 – Derivatives

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Fair Value of Financial Instruments (continued)

Securities classified as level 1 within the valuation hierarchy include U.S. Treasury securities and certain other debt and equity securities. Level 2 classified securities include obligations of U.S. Government agencies and U.S. Government-sponsored agencies, residential mortgage-backed securities, 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. Company policies generally limit investments to agency securities and municipal securities determined to be investment grade according to an internally generated score which generally includes 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, Overnight Index swap rate curves, and Eurodollar futures contracts. 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 Bank’s 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 18. 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 on a nonrecurring basis:

(in thousands)	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Collateral dependent impaired loans	\$—	\$93,602	\$ —	\$ 93,602
Other real estate owned	—	—	17,206	17,206
Total nonrecurring fair value measurements	<u>\$—</u>	<u>\$93,602</u>	<u>\$17,206</u>	<u>\$110,808</u>

(in thousands)	December 31, 2014			Total
	Level 1	Level 2	Level 3	
Collateral dependent impaired loans	\$—	\$30,204	\$ —	\$30,204
Other real estate owned	—	—	29,715	29,715
Total nonrecurring fair value measurements	<u>\$—</u>	<u>\$30,204</u>	<u>\$29,715</u>	<u>\$59,919</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 – The fair value measurement for securities available for sale was discussed earlier in the note. 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 in the note. For the remaining portfolio, fair values were generally determined 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.

Loans Held For Sale – These loans are recorded at fair value and carried at the lower of cost or market. The carrying amount is considered a reasonable estimate of fair value.

Deposits – The accounting guidance requires that the fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits and 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 in the note.

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Fair Value of Financial Instruments (continued)

The following tables present the estimated fair values of the Company's financial instruments by fair value hierarchy levels and the corresponding carrying amount at December 31, 2015 and 2014.

(in thousands)	<u>Level 1</u>	<u>December 31, 2015</u>		<u>Total</u>	<u>Carrying</u>
		<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Amount</u>
Financial assets:					
Cash, interest-bearing bank deposits, and federal funds sold	\$869,429	\$ —	\$ —	\$ 869,429	\$ 869,429
Available for sale securities	2,757	2,090,647	—	2,093,404	2,093,404
Held to maturity securities	—	2,375,851	—	2,375,851	2,370,388
Loans, net	—	93,602	15,334,201	15,427,803	15,522,135
Loans held for sale	—	20,434	—	20,434	20,434
Derivative financial instruments	—	23,251	—	23,251	23,251
Financial liabilities:					
Deposits	\$ —	\$ —	\$18,327,425	\$18,327,425	\$18,348,912
Federal funds purchased	10,100	—	—	10,100	10,100
Securities sold under agreements to repurchase	513,544	—	—	513,544	513,544
FHLB Borrowings	900,000	—	—	900,000	900,000
Long-term debt	—	494,565	—	494,565	495,999
Derivative financial instruments	—	23,968	—	23,968	23,968

(in thousands)	<u>Level 1</u>	<u>December 31, 2014</u>		<u>Total</u>	<u>Carrying</u>
		<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Amount</u>
Financial assets:					
Cash, interest-bearing bank deposits, and federal funds sold	\$1,159,403	\$ —	\$ —	\$ 1,159,403	\$ 1,159,403
Available for sale securities	9,553	1,650,612	—	1,660,165	1,660,165
Held to maturity securities	—	2,186,340	—	2,186,340	2,166,289
Loans, net	—	30,204	13,672,427	13,702,631	13,766,514
Loans held for sale	—	20,252	—	20,252	20,252
Derivative financial instruments	—	19,432	—	19,432	19,432
Financial liabilities:					
Deposits	\$ —	\$ —	\$16,398,878	\$16,398,878	\$16,572,831
Federal funds purchased	12,000	—	—	12,000	12,000
Securities sold under agreements to repurchase	624,573	—	—	624,573	624,573
FHLB Borrowings	515,000	—	—	515,000	515,000
Long-term debt	—	346,379	—	346,379	374,371
Derivative financial instruments	—	20,860	—	20,860	20,860

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Condensed Parent Company Information

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

Condensed Balance Sheets

(in thousands)	December 31,	
	2015	2014
Assets:		
Cash	\$ 36,364	\$ 44,771
Securities available for sale	83,835	97,423
Investment in bank subsidiaries	2,534,299	2,452,529
Investment in non-bank subsidiaries	3,051	3,202
Due from subsidiaries and other assets	31,168	24,896
	\$2,688,717	\$2,622,821
Liabilities and Stockholders' Equity:		
Long term debt	\$ 275,000	\$ 149,600
Other liabilities	574	819
Stockholders' equity	2,413,143	2,472,402
	\$2,688,717	\$2,622,821

Condensed Statements of Income

(in thousands)	Years Ended December 31,		
	2015	2014	2013
Operating Income			
From subsidiaries			
Cash dividends received from bank subsidiaries	\$ 31,000	\$124,000	\$249,000
Dividends received from non-bank subsidiaries	—	—	2,990
Equity in earnings of subsidiaries greater than (less than) dividends received	111,424	58,358	(82,203)
Total operating income	142,424	182,358	169,787
Other expense, net	(17,297)	(10,035)	(10,335)
Income tax benefit	(6,334)	(3,399)	(3,904)
Net income	\$131,461	\$175,722	\$163,356

HANCOCK HOLDING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Condensed Parent Company Information (continued)

Condensed Statements of Cash Flows

(in thousands)	Years Ended December 31,		
	2015	2014	2013
Cash flows from operating activities—principally dividends received from subsidiaries	\$ 30,527	\$ 126,491	\$ 257,251
Net cash provided by operating activities	30,527	126,491	257,251
Cash flows from investing activities			
Contribution of capital to subsidiary	(90)	—	(870)
Proceeds from principal paydowns of securities available for sale	12,863	12,664	18,685
Other, net	1,629	—	(5,630)
Net cash provided by investing activities	14,402	12,664	12,185
Cash flows from financing activities:			
Proceeds from issuance of long term debt	269,004	—	—
Repayment of long term debt	(149,600)	(35,200)	(35,200)
Dividends paid to stockholders	(77,474)	(80,392)	(81,673)
Stock transactions, net	(95,266)	(45,130)	(112,266)
Net cash used in financing activities	(53,336)	(160,722)	(229,139)
Net (decrease) increase in cash	(8,407)	(21,567)	40,297
Cash, beginning of year	44,771	66,338	26,041
Cash, end of year	\$ 36,364	\$ 44,771	\$ 66,338

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 our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management, including our principal executive officer and principal financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures and based on that evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of December 31, 2015.

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 13a-15(f) under the Exchange Act, 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. The Company’s management, with the participation of its principal executive and principal financial officers, evaluated the effectiveness of the Company’s internal control over financial reporting as of December 31, 2015 based on the framework set forth in *Internal Control – Integrated Framework (2013)* 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 in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form Y-9 C) and compliance with specific 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.

PricewaterhouseCoopers, LLP, the independent registered public accounting firm that audited the Company’s financial statements included in “Item 8. Financial Statements and Supplementary Data,” has issued an attestation report on the Company’s internal control over financial reporting, which is included in Item 8.

Based on the foregoing evaluation, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2015.

There was no change in the Company’s internal control over financial reporting that occurred during the fourth quarter of 2015 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Hancock Holding Company (the Company) will hold its Annual Meeting of Shareholders of common stock on Thursday, April 21, 2016, 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

Information concerning our directors will appear in our definitive proxy statement to be filed with the Securities and Exchange Commission for our 2016 annual meeting of shareholders under the caption “Information About 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 – Board Committees – Audit Committee.” The information set forth under each such caption is incorporated herein by reference. The information required by Item 10 of this Report regarding our executive officers appears in a separately captioned heading in Item 1 of this Report.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning our executive and director compensation will appear in our definitive proxy statement relating to our 2016 annual meeting of shareholders under the caption “Executive Compensation,” “Compensation of Directors,” “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Potential Payments Upon Termination or Change in Control” and “Shareholder Proposals for the 2017 Annual Meetings.” 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 definitive proxy statement relating to our 2016 annual meeting of shareholders under the caption “Security Ownership of Certain Beneficial Owners and Management.” The information set forth under each such caption is incorporated herein by reference.

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights (b)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (3) (c)</u>
Equity compensation plans approved by security holders	914,766(1)	35.66(2)	1,260,964
Equity compensation plans not approved by security holders	51,542(4)	62.98(4)	—
Total	966,308	—	1,260,964

- (1) Includes 73,384 shares potentially issuable upon the vesting of outstanding restricted share units and 31,825 shares potentially issuable upon the vesting of outstanding performance share units that represent awards deferred into our Nonqualified Deferred Compensation Plan. This includes 115,293 performance stock awards at 100% of target. If the highest level of performance conditions is met, the total performance shares would be 226,138 and the total performance shares units would be 63,650.

- (2) The weighted average exercise price relates only to the exercise of outstanding options included in column (a)
- (3) Includes 1,117,024 shares remaining available for issuance under the 2014 Long-Term Incentive Plan and 143,940 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 definitive proxy statement relating to our 2016 annual meeting of shareholders 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." The information set forth under each such caption is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning principal accountant fees and services will appear in our definitive proxy statement relating to our 2016 annual meeting of shareholders 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, 2015 and 2014

Consolidated statements of income – Years ended December 31, 2015, 2014, and 2013

Consolidated statements of other comprehensive income – Years ended December 31, 2015, 2014, and 2013

Consolidated statements of changes in stockholders’ equity– Years ended December 31, 2015, 2014, and 2013

Consolidated statements of cash flows –Years ended December 31, 2015, 2014, and 2013

Notes to consolidated financial statements – December 31, 2015 (pages 78 to 133)

2. Financial schedules required to be filed by Item 8 of this Report, 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>
3.1	Composite Articles of Incorporation of the Company (filed as Exhibit 2.1 to the Company's Form 10-K for the year ended December 31, 2014 and incorporated herein by reference).
3.2	Amended and Restated bylaws, dated October 29, 2015 (filed as Exhibit 3.2 to the Company's Form 8-K (File No. 0-13089) filed with the Commission on November 4, 2015 and incorporated herein by reference).
4.1	Specimen stock certificate of the Company (reflecting change in par value from \$10.00 to \$3.33, effective March 6, 1989) (filed as Exhibit 4 to the Company's registration statement on Form S-8 (File No. 333-11831) filed with the Commission on September 12, 1996 and incorporated herein by reference).
4.2	By executing this Form 10-K, the Company hereby agrees to deliver to the Commission upon request copies of instruments defining the rights of holders of long-term debt of the Company 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 the Company and its subsidiaries on a consolidated basis.
4.3	Shareholder Rights Agreement, dated February 21, 1997, between the Company and Hancock Bank, as Rights Agent (filed as Exhibit 1 to the Company's registration statement on Form 8-A12G (File No. 0-13089) 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 the Company and Hancock Bank (filed with the Commission as Exhibit 4.1 to the Company's Form 8-K (File No. 0-13089) 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 the Company's Definitive Proxy Statement on Schedule 14A (File No. 0-13089) filed with the Commission on January 23, 1996 and incorporated herein by reference).
*10.2	Amended and Restated 2005 Long-Term Incentive Plan dated December 18, 2008 and effective January 1, 2009 (filed as Exhibit 10.2 to the Company's Form 10-K for the year ended December 31, 2012 (File No. 0-13089) filed with the Commission and incorporated herein by reference).
*10.3	Amendment to Amended and Restated 2005 Long-Term Incentive Plan dated May 24, 2012 and effective January 1, 2012 (filed as Exhibit 10.3 to the Company's Form 10-K for the year ended December 31, 2012 (File No. 0-13089) filed with the Commission and incorporated herein by reference).
*10.4	2014 Long Term Incentive Plan (filed as Exhibit 10.1 to the Company's Form 8-K (File No. 0-13089) filed with the Commission on April 21, 2014 and incorporated herein by reference).
*10.5	Form of 2011 Performance Stock Award Agreement (filed as Exhibit 10.4 to the Company's Form 10-K for the year ended December 31, 2012 (File No. 0-13089) filed with the Commission and incorporated herein by reference).
*10.6	Form of 2011 Incentive Stock Option Agreement for Section 16 individuals (filed as Exhibit 10.5 to the Company's Form 10-K for the year ended December 31, 2012 (File No. 0-13089) filed with the Commission and incorporated herein by reference).
*10.7	Form of 2011 Restricted Stock Award Agreement for Section 16 individuals (filed as Exhibit 10.6 to the Company's Form 10-K for the year ended December 31, 2012 (File No. 0-13089) filed with the Commission and incorporated herein by reference).

<u>Exhibit Number</u>	<u>Description</u>
*10.8	Form of 2012 and 2013 Restricted Stock Agreement (filed as Exhibit 10.2 to the Company's Form 8-K (File No. 0-13089) filed with the Commission on February 14, 2013 and incorporated herein by reference).
*10.9	Form of 2014 Restricted Stock Award Agreement (filed as Exhibit 10.4 to the Company's Form 10-Q for the quarter ended June 30, 2014 (File No. 0-13089) filed with the Commission and incorporated herein by reference).
*10.10	Form of Performance Stock Award Agreement for 2012, 2013 and 2014 (filed as Exhibit 10.3 to the Company's Form 8-K (File No. 0-13089) filed with the Commission on February 14, 2013 and incorporated herein by reference).
*10.11	Nonqualified Deferred Compensation Plan, amended and restated effective January 1, 2015 (filed as Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 2014 (File No. 0-13089) filed with the Commission on February 27, 2015 and incorporated herein by reference).
10.12	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 Bank and the Federal Deposit Insurance Corporation acting in its corporate capacity (filed as Exhibit 10.8 to the Company's Form 10-K for the year ended December 31, 2009 (File No. 0-13089) filed with the Commission and incorporated herein by reference).
*10.13	2010 Employee Stock Purchase Plan (filed as Exhibit 99.1 to the Company's Form 8-K filed with the Commission on January 5, 2011 (File No. 0-13089) and incorporated herein by reference).
*10.14	Amendment to 2010 Employee Stock Purchase Plan, dated December 15, 2011 and effective January 1, 2011 (filed as Exhibit 10.15 to the Company's Form 10-K for the year ended December 31, 2012 (File No. 0-13089) filed with the Commission and incorporated herein by reference).
10.15	Term Loan Agreement, dated December 21, 2012, among the Company, 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 the Company's Form 8-K (File No. 0-13089) filed with the Commission on December 28, 2012 and incorporated herein by reference).
*10.16	Retention Agreement, dated March 1, 2011, between Whitney Bank (as successor in interest to Hancock Bank of Louisiana) and Joseph S. Exnicios (filed as Exhibit 10.13 to the Company's Form 10-K for the year ended December 31, 2011 (File No. 0-13089) filed with the Commission and incorporated herein by reference).
*10.17	Retention Agreement, dated March 31, 2011, between Whitney Bank (as successor in interest to Hancock Bank of Louisiana) and Suzanne Thomas (filed as Exhibit 10.14 to the Company's Form 10-K for the year ended December 31, 2011 (File No. 0-13089) filed with the Commission and incorporated herein by reference).
*10.18	Executive Incentive Plan (filed as Exhibit 10.20 to the Company's Form 10-K for the year ended December 31, 2013 (File No. 0-13089) filed with the Commission and incorporated herein by reference).
*10.19	Form of Change in Control Employment Agreement between the Company and each of Messrs. Chaney, Hairston, Achary, Hill, Loper and Saik effective June 16, 2014 (filed as Exhibit 10.1 to the Company's Form 8-K (File No. 0-13089) filed with the Commission on June 20, 2014 and incorporated herein by reference).

<u>Exhibit Number</u>	<u>Description</u>
*10.20	Term Life Insurance Plan and Summary Plan Description, adopted by the Company effective July 1, 2014 (filed as Exhibit 10.20 to the Company's Form 10-K for the year ended December 31, 2014 (File No. 0-13089) filed with the Commission on February 27, 2015 and incorporated herein by reference).
*10.21	Retirement and Restrictive Covenant Agreement between Carl J. Chaney and the Company, dated as of November 13, 2014 (filed as Exhibit 10.1 to the Company's Form 8-K (File No. 0-13089) filed with the Commission on November 14, 2014 and incorporated herein by reference).
10.22	Credit Agreement, dated December 18, 2015, among Hancock Holding Company, the lenders named therein and U.S. Bank National Association, as administrative agent (filed as Exhibit 10.1 to the Company's Form 8-K (File No. 0-13089) filed with the Commission on December 23, 2015 and incorporated herein by reference).
10.23	Retirement and Restrictive Covenant Agreement, between the Company and Clifton J. Saik, dated June 29, 2015 (Filed as Exhibit 10.6 to Hancock's Form 10-Q filed with the Commission on August 7, 2015 and incorporated herein by reference).
**10.24	Form of Restricted Stock Award Agreement (approved in 2015).
**10.25	Form of Performance Stock Award Agreement (TSR) (approved in 2015).
**10.26	Form of Performance Stock Award Agreement (EPS) (approved in 2015).
**21.1	Subsidiaries of the Company.
**23.1	Consent of PricewaterhouseCoopers, LLP.
**31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
**31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
**32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**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 26, 2016

Date

By: /s/ John M. Hairston

John M. Hairston
President & Chief Executive Officer
(Principal Executive Officer)

February 26, 2016

Date

By: /s/ Michael M. Achary

Michael M. Achary
Chief Financial Officer
(Principal 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.

<u>/s/ James B. Estabrook, Jr</u> James B. Estabrook, Jr.	Chairman of the Board, Director	February 26, 2016
<u>/s/ Frank E. Bertucci</u> Frank E. Bertucci	Director	February 26, 2016
<u>/s/ Hardy B. Fowler</u> Hardy B. Fowler	Director	February 26, 2016
<u>/s/ Terence E. Hall</u> Terence E. Hall	Director	February 26, 2016
<u>/s/ Randall W. Hanna</u> Randall W. Hanna	Director	February 26, 2016
<u>/s/ James H. Horne</u> James H. Horne	Director	February 26, 2016
<u>/s/ Jerry L. Levens</u> Jerry L. Levens	Director	February 26, 2016
<u>/s/ Eric J. Nickelsen</u> Eric J. Nickelsen	Director	February 26, 2016

(signatures continued)

<u>/s/ Thomas H. Olinde</u> Thomas H. Olinde	Director	February 26, 2016
<u>/s/ Christine L. Pickering</u> Christine L. Pickering	Director	February 26, 2016
<u>/s/ Robert W. Roseberry</u> Robert W. Roseberry	Director	February 26, 2016
<u>Anthony J. Topazi</u> Anthony J. Topazi	Director	February 26, 2016

Hancock Holding Company

One Hancock Plaza
Post Office Box 4019
Gulfport, Mississippi 39502
1-855-404-5465

Re: Award of Restricted Common Stock (“Award”)

The Board of Directors of Hancock Holding Company (the “Company”) is pleased to inform you of your grant of Restricted Common Stock of the Company, upon the terms and subject to the conditions of this Award Agreement.

1. Award. This Award grants you the number of shares of Restricted Common Stock of the Company set forth above (the “Restricted Shares”). The specifics of the grant, including the grant date, vesting schedule (the “Vesting Period”) and other terms and conditions, as applicable, are also set forth in this notification of your grant and are incorporated herein by this reference and constitute a part of this Award Agreement. Upon your acceptance of this grant, you will become entitled to receive dividends on the Restricted Shares from and after the grant date and to vote the Restricted Shares.

2. Plan/Committee. This Award of Restricted Shares is made pursuant to the Hancock Holding Company 2014 Long Term Incentive Plan (the “Plan”). The Plan is administered by the Compensation Committee of the Board of Directors of the Company (the “Committee”) which has authority to make certain determinations as to the terms of and to interpret the provisions of awards granted under the Plan. Any interpretation of this Award by the Committee and any decision made by it with respect to this Award are final and binding on all persons.

In addition to this Award Agreement, the Award granted to you hereunder is subject to the terms and conditions set forth in the Plan; and in the event of any conflict between the provisions of this Award Agreement and the Plan, the Plan shall control. Your Award is also subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan has the same meaning when used in this Award Agreement.

3. Escrow/Custodian. The Restricted Shares will be issued in your name, but will be held in escrow until they become vested or are forfeited and during Post Vest Holding Period (as defined in Section 8). The Committee has designated the Corporate Trust Department of Whitney Bank (the “Custodian”) to serve as custodian of the escrowed Restricted Shares under the Plan. By your acceptance of this Award Agreement, you hereby appoint the Custodian as your attorney-in-fact with full power and authority to transfer, assign and convey to the Company any Restricted Shares held by the Custodian that are forfeited under the terms of this Award or reclaimed pursuant to the Company’s clawback policy. Upon vesting, the “net” Restricted Shares shall continue to be held in escrow during the Post Vest Holding Period, until such shares become distributable as provided in Section 8 below. For this purpose, “net” Restricted Shares shall mean the number of shares of Restricted Stock in which you have become vested, reduced by the number of such shares, if any, withheld by the Company to cover the withholding taxes as set forth in Section 4.

4. Tax Withholding. Upon the vesting of the Restricted Shares pursuant to this Award, you (or your estate or beneficiary in the event of your death) must remit to the Company an amount equal to the Company's federal, state and local tax withholding obligation applicable thereto or, alternatively, instruct the Committee to withhold a portion of such shares to cover the Company's withholding obligation. In the event no such remittance or instruction is received prior to the date the shares vest (or such earlier date as may be set by the Committee), the Company shall automatically withhold a portion of the shares with a fair market value equal to the Company's withholding obligation.

5. Restrictions on Transfer. During the Vesting Period and the Post Vest Holding Period (as defined in Section 8), you may not encumber or sell the Restricted Shares and you may not transfer the Restricted Shares except by will, the laws of descent and distribution or pursuant to a domestic relations order. Notwithstanding the preceding, however, you may transfer your right to the Restricted Shares to a member of your immediate family or to a trust or similar vehicle for the benefit of your immediate family members subject to the same terms and conditions applicable to you. You must notify the Company of any transfer of your right to the Restricted Shares.

6. Vesting/Forfeiture. The Restricted Shares will vest in accordance with the vesting schedule set forth in this notification. You must remain employed with the Company or one of its subsidiaries through each of the dates in the vesting schedule (or to the end of the Vesting Period if your Award is subject to a single vesting date) in order to vest in the number of shares scheduled to vest on that date. Except as otherwise provided in this Section with respect to your death or Disability or in connection with a Change in Control as provided in Section 7, if you terminate employment with the Company and its subsidiaries, whether voluntarily or involuntarily, at any time prior to the end of the Vesting Period, your unvested Restricted Shares will be forfeited and such unvested Restricted Shares will be delivered by the Custodian to, and become the sole property of, the Company. Notwithstanding the preceding provisions, however, in the event your service with the Company and all of its subsidiaries is involuntary terminated without Cause in connection with a reduction in force (RIF) of the Company and/or a subsidiary, upon such termination, the remaining unvested Restricted Shares shall become vested in a percentage equal to the number of your full months of service with the Company and/or its subsidiaries since the last vesting date (or since the grant date if your Award is subject to a single vesting date) divided by the number of full months of service you would have completed since that date if you had remained employed through the end of the applicable Vesting Period.

The vesting schedule applicable to your Restricted Shares shall be accelerated and your Restricted Shares will immediately become one hundred percent (100%) vested in the event of your death or your Disability provided the following conditions are met at the time of your death or Disability:

- (a) You are an active employee of the Company or one of its subsidiaries;
 - (b) You are in good standing with the Company (i.e., meeting expectations performance rating as established by the Company);
- and
- (c) You have at least ten years of service with the Company or its subsidiaries. For this purpose, years of service with any entity (the "Acquired Entity") acquired by the Company or its subsidiaries in a merger, stock exchange or similar transaction shall be counted as years of service with the Company, provided you were employed by the Acquired Entity on the effective date of the merger with or other acquisition by the Company and/or its subsidiary. The number of years of service with the Acquired Entity to be taken into account for this purpose shall be the maximum years credited for seniority time in accordance with the policies and procedures of the Acquired Entity prior to such merger or acquisition.

For purposes of this Agreement, Disability shall have the same meaning as provided in the long-term disability plan or policy maintained (or most recently maintained) for your benefit by the Company or any subsidiary of the Company. If no such plan or policy has ever been maintained on your behalf, Disability shall be the condition as described in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

7. Change in Control. In addition to the acceleration of vesting as provided in Section 6, if within the two-year period commencing on the closing date of a Change in Control (as defined in the Plan and Prospectus) your employment with the Company and its subsidiaries is involuntarily terminated for any reason other than “Cause” or if you terminate your employment for “Good Reason”, all restrictions on ownership are lifted and the Restricted Shares will become one hundred percent (100%) vested. For purposes of this provision, the following definitions shall apply:

(a) “Cause” shall mean (1) your commitment of an intentional act of fraud, embezzlement, or theft in the course of your employment or other engagement in any intentional misconduct or gross negligence which is materially injurious to Company’s business, financial condition or business reputation; (2) your commitment of intentional damage to the property of Company or your intentional wrongful disclosure of confidential information which is materially injurious to Company’s business, financial condition or business reputation; (3) your intentional refusal to perform the material duties of your position, without cure, or the beginning of cure, within five (5) days of written notice from Company; (4) your commitment of a material breach of your employment agreement with the Company (if any); (5) your failure to show up at Company’s offices on a daily basis, subject to permitted vacations and absences for illness, without cure, or the beginning of cure, within five (5) days of written notice from Company; or (6) your entry of a guilty plea or a plea of no contest with regard to any felony. Any reference to Company in the preceding sentence includes each of its subsidiaries.

(b) “Good Reason” shall mean a reduction of more than 10% in your base salary, a transfer to a position with a pay grade more than two pay grades below your current position or a transfer to a jobsite more than 35 miles from your current jobsite.

(c) In the event a Change in Control Employment Agreement between you and the Company is in effect at the time of the Change in Control, “Cause” and “Good Reason” shall have the same respective meanings as provided in such Change in Control Employment Agreement in lieu of the definitions contained herein.

Notwithstanding the preceding, in the event the surviving entity in a Change in Control does not assume the Company’s obligations under the Plan and this Agreement or convert your rights hereunder into equivalent rights to equity in the surviving entity in connection with such Change in Control, the Board of Directors of the Company may, in its discretion, lift all ownership restrictions and provide for all Restricted Shares to become one hundred percent (100%) vested immediately upon such Change in Control whether or not your employment with the Company and its subsidiaries is terminated. In either event, you will have the option of either receiving shares of Common Stock of the Company or a lump-sum cash payment equal to the fair market value thereof.

8. Post Vest Holding Period/Distribution.

(a) Except as otherwise provided in this Section, the “net” Restricted Shares in which you become vested in accordance with the provisions of this Award Agreement shall continue to be held in escrow by the custodian as provided in Section 3 and subject to the transfer restrictions as provided in Section 5 until the second anniversary of the vesting date of such shares (the “Post Vest Holding Period”).

(b) The Post Vest Holding Period shall not apply, or shall terminate, as applicable, under the following circumstances:

(i) If the Restricted Shares vest in accordance with Section 6 due to your death or Disability.

(ii) Upon your death or Disability during the Post Vest Holding Period.

(iii) Upon a Change in Control which occurs during the Post Vest Holding Period.

(iv) If the Restricted Shares vests in connection with your termination of employment with the Company and its subsidiaries following a Change in Control as provided in Section 7.

The “net” Restricted Shares will be released from escrow and delivered/issued to you within thirty (30) days of the earlier of (i) the second anniversary of the vesting date of such shares or (ii) the occurrence of an event under (b) above. The “net” Restricted Shares will be issued in your name in a Direct Registration System (DRS) book entry. However, you may request that all “net” Restricted Shares be issued in a certificate and forwarded to you in lieu of a DRS book entry.

9. Clawback. The Restricted Shares awarded hereunder are subject to the Company's Clawback Policy and, as a result, all or any portion thereof, may be forfeited by you, if invested, or recovered (whether or not still held in escrow), together with any gain that you may have realized thereon, by the Company if, in the opinion of the independent directors of the Company, (1) the financial statements of the Company are restated, in whole or in part, due to the intentional fraud or misconduct of the Company's executive officers, and (2) you were engaged in such misconduct.

10. Grantee's Covenants. This grant is conditioned upon your agreement to the covenants set forth in this Section 10 and your acceptance of this grant indicates your acknowledgement and acceptance of, and agreement to be bound by, such covenants.

(a) Non-Solicitation of Customers. You covenant and agree that during the term of your employment by the Company or any of its subsidiaries and for a period of twelve (12) months thereafter (the "Covenant Period") within the counties and/or parishes in which the Company or a subsidiary thereof engages in business and has customers, which includes those in which there is a branch or office and any contiguous county or parish, which counties and parishes are specifically identified in Exhibit I hereto, (the "Covenant Territory"), you will not divert or attempt to divert business from the Company or any of its subsidiaries by influencing or attempting to influence, soliciting or attempting to solicit, accepting business from, engaging in business with, or otherwise communicating about potential or actual business with any customers of the Company or any of its subsidiaries or any particular customer with whom the Company or any subsidiary thereof had business contacts at any time during the one-year period immediately preceding your termination of employment or with whom you may have dealt at any time during your employment by the Company or a subsidiary thereof.

(b) Non-Solicitation of Employees. You further covenant and agree that during the Covenant Period, you will not recruit, solicit, hire, attempt to hire or assist any other person to hire any employee of the Company or any subsidiary thereof or any person who was an employee of the Company or any subsidiary thereof during the one-year period immediately preceding your termination of employment.

(c) Confidentiality. During your employment with the Company or any of its subsidiaries, you will have access to Confidential Information of the Company and its subsidiaries. For this purpose, "Confidential Information" shall include, without limitation, the identity of customers, personal customer data, strategic plans, sales data and sales strategy, methods, products, procedures, processes, techniques, financial information, vendor and supplier lists, pricing policies, and other confidential, business, competitive, and proprietary information concerning or related to the Company and/or its subsidiaries and their respective businesses, operations, financial conditions, results of operations, competitive positions and prospects (collectively "Confidential Information"). By your acceptance of this grant, you acknowledge your understanding that (i) such Confidential Information and the ability of the Company and its subsidiaries to reserve such Confidential Information for their respective and exclusive knowledge and use is of great competitive importance and commercial value to the Company and its subsidiaries; (ii) the Company has taken and will continue to take actions to protect the Confidential Information; and (iii) the provisions of this Section are reasonable and necessary to prevent the improper use or disclosure of such Confidential Information. Accordingly, you agree that during the term of your employment with the Company or any of its subsidiaries and, following the termination of such employment, until such time as the Confidential Information becomes generally available to the public through no fault of your own or other person under a duty of confidentiality to the Company thereof, you will not, except as required by law or legal process, in any capacity, use or disclose, or cause to be used or disclosed, any Confidential Information you acquired while employed by the Company or any of its subsidiaries. Nothing in this Award Agreement, however, shall be construed to limit or negate the law of torts or trade secrets where it provides the Company with broader protection than that provided herein.

(d) Remedies. In the event of any breach by you of any of the covenants under this Section 10, any Restricted Shares which have not become vested shall be immediately forfeited to the Company. In addition, the Company shall be entitled to injunctive and other equitable relief (without the necessity of showing actual monetary damages or of posting any bond or other security): (i) restraining and enjoining any act which would constitute a breach, or (ii) compelling the performance of any obligation which, if not performed, would constitute a breach, as well as any other remedies available to the Company, including monetary damages. You agree to provide, upon the Company's request, reasonable assurances and evidence of compliance with the restrictive covenants set forth herein. If any court of competent jurisdiction shall deem any provision of the covenants too restrictive, the other

provisions shall stand, and the court shall modify the unduly restrictive provision to the point of greatest restriction permissible by law. The restrictive covenants set forth in this Section shall survive the termination of this Award Agreement, the forfeiture of any Restricted Shares, and the termination of your employment with the Company and all of its subsidiaries for any reason.

11. Miscellaneous Provisions. Before accepting this Award, you should review the Plan and the Prospectus for the Plan, copies of which may be accessed through the link provided in this notification. You should pay particular attention to the Plan since it sets forth other provisions which cover your Award of Restricted Shares. Also, you should note that the acceptance of your Award means that you have agreed to take any reasonable action required to meet the requirements imposed by federal and state securities and other laws, rules or regulations and by any regulatory agencies having jurisdiction and you have agreed to allow the Company to withhold from any payments made to you, or to collect as a condition of payment, any taxes required by law to be withheld because of this Award. The Prospectus contains an explanation of certain federal income tax consequences and is current as of the date of the Prospectus. However, since tax laws often change, you should consult your tax advisor for current information at any given time.

This Award Agreement is required by the Plan. This Award Agreement is binding upon, and inures to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. Your rights hereunder are personal to you and may not be assigned to any other person or persons. This Award Agreement is binding on you and your beneficiaries, heirs and personal representatives.

Your electronic acceptance of this Award of Restricted Shares indicates your express agreement to be bound by the covenants, including the non-solicitation provisions in Section 10 of this Award Agreement, acceptance of this Award Agreement and the terms and provisions of this grant.

Again, we congratulate you on your Award. Thank you for your service to Hancock Holding Company.

EXHIBIT I

COVENANT TERRITORY FOR NON-SOLICITATION COVENANTS

- Acadia Parish, Louisiana
- Allen Parish, Louisiana
- Ascension Parish, Louisiana
- Assumption Parish, Louisiana
- Avoyelles Parish, Louisiana
- Bay Parish, Louisiana
- Beauregard Parish, Louisiana
- Bienville Parish, Louisiana
- Bossier Parish, Louisiana

- Caddo Parish, Louisiana
- Calcasieu Parish, Louisiana
- Caldwell Parish, Louisiana
- Cameron Parish, Louisiana
- Catahoula Parish, Louisiana
- Claiborne Parish, Louisiana
- Concordia Parish, Louisiana
- De Soto Parish, Louisiana
- East Baton Rouge Parish, Louisiana
- East Carroll Parish, Louisiana
- East Feliciana Parish, Louisiana
- Evangeline Parish, Louisiana
- Franklin Parish, Louisiana
- Grant Parish, Louisiana
- Iberia Parish, Louisiana
- Iberville Parish, Louisiana
- Jackson Parish, Louisiana
- Jefferson Davis Parish, Louisiana
- Jefferson Parish, Louisiana
- Lafayette Parish, Louisiana
- Lafourche Parish, Louisiana
- La Salle Parish, Louisiana
- Lincoln Parish, Louisiana
- Livingston Parish, Louisiana
- Madison Parish, Louisiana
- Morehouse Parish, Louisiana
- Natchitoches Parish, Louisiana
- Orleans Parish, Louisiana

- Ouachita Parish, Louisiana
- Plaquemines Parish, Louisiana
- Pointe Coupee Parish, Louisiana
- Rapides Parish, Louisiana
- Red River Parish, Louisiana
- Richland Parish, Louisiana
- Sabine Parish, Louisiana
- St. Bernard Parish, Louisiana
- St. Charles Parish, Louisiana
- St. Helena Parish, Louisiana
- St. James Parish, Louisiana
- St. John The Baptist Parish, Louisiana
- St. Landry Parish, Louisiana
- St. Martin Parish, Louisiana
- St. Mary Parish, Louisiana
- St. Tammany Parish, Louisiana
- Tangipahoa Parish, Louisiana
- Tensas Parish, Louisiana
- Terrebonne Parish, Louisiana
- Union Parish, Louisiana
- Vermilion Parish, Louisiana
- Vernon Parish, Louisiana
- Ville Platte Parish, Louisiana
- Washington Parish, Louisiana
- Walthall Parish, Louisiana
- Webster Parish, Louisiana
- West Baton Rouge Parish, Louisiana
- West Carroll Parish, Louisiana

- West Feliciana Parish, Louisiana
- Winn Parish, Louisiana
- Forrest County, Mississippi
- George County, Mississippi
- Hancock County, Mississippi
- Harrison County, Mississippi
- Hinds County, Mississippi
- Jackson County, Mississippi
- Jefferson Davis County, Mississippi
- Lamar County, Mississippi
- Lauderdale County, Mississippi
- Lawrence County, Mississippi
- Lee County, Mississippi
- Madison County, Mississippi
- Pearl River County, Mississippi
- Rankin County, Mississippi
- Stone County, Mississippi
- Autauga County, Alabama
- Baldwin County, Alabama
- Butler County, Alabama
- Crenshaw County, Alabama
- Elmore County, Alabama
- Houston County, Alabama
- Jefferson County, Alabama
- Maron County, Alabama
- Mobile County, Alabama
- Montgomery County, Alabama
- Pike County, Alabama

- Shelby County, Alabama
- Bay County, Florida
- Duval County, Florida
- Escambia County, Florida
- Flagler County, Florida
- Hillsborough County, Florida
- Jackson County, Florida
- Jefferson County, Florida
- Leon County, Florida
- Manatee County, Florida
- Okaloosa County, Florida
- Pasco County, Florida
- Pinellas County, Florida
- Polk County, Florida
- Santa Rosa County, Florida
- Sarasota County, Florida
- Volusia County, Florida
- Walton County, Florida
- Williamson County, Tennessee
- Brazos County, Texas
- Dallas County, Texas
- Fort Bend, Texas
- Harris County, Texas
- Montgomery County, Texas

Hancock Holding Company

One Hancock Plaza
Post Office Box 4019
Gulfport, Mississippi 39502
1-855-404-5465

Re: Performance Stock Award

The Board of Directors of Hancock Holding Company (the “Company”) is pleased to inform you of your grant of a Performance Stock Award (“Award”), upon the terms and subject to the conditions of this Award Agreement and Appendix A which is attached hereto and made a part hereof by this reference.

1. **Award.** This Award grants you the opportunity to receive the number of shares of Common Stock of the Company set forth above as Performance Shares Awarded (the “Target Shares”). The number of shares actually payable to you under this Award is contingent on the results of the relative Performance Factor (as defined in Appendix A) during the Performance Period, as measured against the comparator “Peer Group” and on any Negative Discretion factor applied in the Committee’s discretion, as further explained in this Agreement and in Appendix A. The grant date, the Performance Period and other applicable terms of your Performance Stock Award constitute a part of this Award Agreement and are set forth and described in Appendix A.

2. **Plan/Committee.** This Award is made under the Hancock Holding Company 2014 Long Term Incentive Plan (the “Plan”). The Plan is administered by the Compensation Committee of the Board of Directors of the Company (the “Committee”), which has authority to make certain determinations as to the terms of the awards granted under the Plan. Any interpretation of this Award by the Committee and any decision made by it with respect to this Award are final and binding on all persons.

In addition to this Award Agreement and Appendix A, the Award granted to you hereunder is subject to the terms and conditions set forth in the Plan; and in the event of any conflict between the provisions of this Award Agreement, including Appendix A, and the Plan, the Plan shall control. Your Award is also subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan has the same meaning when used in this Award Agreement.

3. **Awarded Shares/Issuance of Shares.** At the end of the Performance Period, the number of the Target Shares to be awarded to you (the “Awarded Shares”) will be determined by the Committee based on the Performance Factor and in accordance with the methodology set forth in Appendix A and shall become vested. Except to the extent you elected prior to the granting of this Award to defer all or any portion of the Awarded Shares pursuant to the provisions of the Hancock Holding Company Nonqualified Deferred Compensation Plan, the Awarded Shares shall be issued in your name upon such vesting, but the “net” Awarded Shares shall be held in escrow during the Post Vest Holding Period, until such shares become distributable as provided in Section 8 below. For this purpose, “net” Awarded Shares shall mean the number of Awarded Shares in which you have become vested, reduced by the number of such shares, if any, withheld by the Company to cover the withholding taxes as set forth in Section 5. You will not be required to pay an issue price to the Company in exchange for the Awarded Shares.

The Committee has designated the Corporate Trust Department of Whitney Bank (the “Custodian”) to serve as custodian of the “net” Awarded Shares during the Post Vest Holding Period. By your acceptance of this Award Agreement, you hereby appoint the Custodian as your attorney-in-fact with full power and authority to transfer, assign and convey to the Company any of the Awarded Shares forfeited during the Post Vest Holding Period as provided herein.

4. **Termination of Service.** Except as otherwise specifically provided in this Section, you must remain in the service of the Company or one of its subsidiaries either as an associate, if this Award was granted to you as an associate, or as a member of the Board of Directors, if the Award is granted to you as a director, throughout the Performance Period to vest in and be entitled to receive the shares of Common Stock under this Award. This Award shall automatically terminate in the event of your termination of employment or other service with the Company, for any reason other than (a) due to your death, Disability or normal retirement or (b) following a Change in Control as provided in 7(b) below, at any time prior to the end of the Performance Period. In the event of such termination, all Target Shares shall be forfeited and all obligations of the Company to you under this Award shall become void and of no further effect.

In the event your employment or other service with the Company and its subsidiaries is terminated due to your Disability or normal retirement during the Performance Period, you will vest in and be entitled to a pro rata portion of the Awarded Shares as determined at the end of the Performance Period as provided in Appendix A, based on your number of full months of service during the Performance Period prior to your termination. Said shares shall be issued to you as provided in Section 8(c) within two and one-half (2 1/2) months following the close of the Performance Period as if you had remained employed or otherwise in the service of the Company until the end of the Performance Period, and the shares issued to you shall be subject to the withholding provisions of Section 5 hereof, if applicable.

In the event of your death during the Performance Period, your beneficiary, or your estate if you have not designated a beneficiary, shall be entitled to a pro rata portion of the number of Target Shares awarded under this Agreement, based on your number of full months of service during the Performance Period prior to your death. Said shares shall be issued to your beneficiary or estate in accordance with the provisions of Section 8(c) as soon as practicable following your death, but in no event more than ninety (90) days thereafter, and shall be subject to the withholding provisions of Section 5 hereof, if applicable.

Disability for purposes of this Section shall have the same meaning as in Section 7(b) below. Normal retirement for purposes of this Award shall mean your termination of employment or other service with the Company and each of its subsidiaries, for any reason except termination for "Cause," after you have attained the age of sixty-five (65). For this purpose, "Cause" shall have the same meaning as provided in Section 7(b) below.

5. **Tax Withholding.** Upon the vesting of the Awarded Shares under the terms of this Award Agreement, you (or your estate or beneficiary in the event of your death) must remit to the Company an amount equal to the Company's federal, state and local tax withholding obligation applicable thereto or, alternatively, instruct the Committee to withhold a portion of such shares to cover the Company's withholding obligation. In the event no such remittance or instruction is received prior to the date the shares vest (or such earlier date as may be set by the Committee), the Company shall automatically withhold a portion of the shares with a fair market value equal to the Company's withholding obligation.

6. **Shareholder Rights/Restrictions on Transfer.** You have no rights as a shareholder with respect to the shares of Common Stock subject to this Award during the Performance Period or at any time until you become vested in the Target Shares, or any portion thereof. You shall not be entitled to any dividends or dividend equivalents and shall not be entitled to vote any portion of the Target Shares unless and until such time as the Target Shares, or any portion thereof become vested.

Once you become vested in the Awarded Shares, you will become entitled to receive dividends on and to vote the Awarded Shares from and after the date on which such Awarded Shares become vested. However, during the Post Vest Holding Period (as defined in Section 8 below) you may not encumber or sell the Awarded Shares and you may not transfer the Awarded Shares except pursuant to your will or under the laws of descent and distribution.

7. **Change in Control.** Notwithstanding any other provision of this Award Agreement, in the event of the occurrence of a Change in Control (as defined in the Plan and Prospectus) during the Performance Period and while you are employed by the Company, the following provisions shall determine the extent, if any, to which you are entitled to receive any portion of the Target Shares:

(a) If a Change in Control occurs during the one-year period beginning on the first day of the Performance Period, this Award shall terminate, no portion of the Target Shares will be vested and awarded to you, and all obligations of the Company to you under this Award Agreement shall be void and of no further effect.

(b) If a Change in Control occurs at any other time during the Performance Period, you shall be entitled to a pro-rata portion of the Awarded Shares determined under the provisions of Appendix A based on actual performance results for the portion of the Performance Period ending on the date of the Change in Control. Such shares will vest at the end of the Performance Period as otherwise provided herein, provided you remain in the service of the Company or its subsidiaries (or the surviving entity in such Change in Control) either as an associate or as a member of the Board of Directors, as applicable, throughout the Performance Period. However, if within the two-year period commencing on the closing date of such Change in Control your employment is involuntarily terminated for any reason other than "Cause," or is terminated due to your Disability, or if you terminate your employment for "Good Reason," such shares will be issued to you as soon as feasible following your termination of employment, but in no event more than ninety (90) days after the date of your termination of employment, subject to the withholding provisions of Section 5. For purposes of this provision, the following definitions shall apply:

- (1) "Cause" shall mean (i) your commitment of an intentional act of fraud, embezzlement, or theft in the course of your employment or other engagement in any intentional misconduct or gross negligence which is materially injurious to Company's business, financial condition or business reputation; (ii) your commitment of intentional damage to the property of Company or your intentional wrongful disclosure of confidential information which is materially injurious to Company's business, financial condition or business reputation; (iii) your intentional refusal to perform the material duties of your position, without cure, or the beginning of cure, within five (5) days of written notice from Company; (iv) commitment of a material breach of an employment agreement with the Company (if any); (v) your failure to show up at Company's offices on a daily basis, subject to permitted vacations and absences for illness, without cure, or the beginning of cure, within five (5) days of written notice from Company; or (vi) your entry of a guilty plea or a plea of no contest with regard to any felony. Any reference to Company in the preceding sentence includes each of its subsidiaries.
- (2) "Good Reason" shall mean a reduction of more than 10% in your base salary, a transfer to a position with a pay grade more than two pay grades below your current position or a transfer to a jobsite more than 35 miles from your current jobsite. However, none of such actions shall constitute "Good Reason" unless (i) you provide the Company notice of the existence of such condition within ninety (90) days of the initial existence thereof specifically identifying the acts or omissions constituting the grounds for Good Reason and a period of at least thirty (30) days following such notice within which to remedy such condition, and (ii) your termination occurs within the two-year period following the initial existence of such condition.
- (3) "Disability" shall mean such disability as defined in the long-term disability plan or policy maintained (or most recently maintained) for your benefit by the Company or any subsidiary of the Company. If no such plan or policy has ever been maintained on your behalf, Disability shall be the condition as described in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.
- (4) In the event a Change in Control Employment Agreement between you and the Company is in effect at the time of the Change in Control, "Cause", "Good Reason" and "Disability" shall have the same respective meanings as provided in such Change in Control Employment Agreement in lieu of the definitions contained herein.

Notwithstanding the preceding, in the event the surviving entity in a Change in Control does not assume the Company's obligations under the Plan and this Agreement or convert your rights hereunder into equivalent rights to equity in the surviving entity in connection with such Change in Control, the Board of Directors of the Company may, in its discretion, provide for the "net" Awarded Shares to be issued to you within ninety (90) days of the closing date of such Change in Control whether or not your employment with the Company and its subsidiaries is terminated.

8. Post Vest Holding Period/Distribution.

(a) Except as otherwise provided in this Section, the “net” Awarded Shares in which you become vested in accordance with the provisions of this Award Agreement shall be held in escrow by the custodian as provided in Section 3 and subject to the transfer restrictions as provided in Section 6 for the two-year period beginning on the last day of the Performance Period and ending on the second anniversary thereof (the “Post Vest Holding Period”). However, the Post Vest Holding Period shall be earlier terminated upon the occurrence of the following events:

- (i) Upon your death or Disability during the Post Vest Holding Period.
- (ii) Upon a Change in Control which occurs during the Post Vest Holding Period.

The “net” Awarded Shares will be released from escrow and delivered to you within the thirty (30) day period immediately following the close of the Post Vest Holding Period, or the early termination thereof, if applicable.

(b) The Post Vest Holding Period shall not apply, under the following circumstances:

- (i) If the Awarded Shares vest and are issued in accordance with Section 4 due to your death, Disability or normal retirement during the Performance Period.
- (ii) If the Awarded Shares vests in connection with your termination of employment with the Company and its subsidiaries, or in the Company’s discretion based on the surviving entity’s failure to assume the obligations hereunder, following a Change in Control which occurs during the Performance Period as provided in Section 7.

(c) All shares issued to you pursuant to this Award, whether upon termination of the Post Vest Holding Period as provided in 9 (a) or upon the occurrence of any of the events under 8(b) above, shall be issued in your name in a Direct Registration System (DRS) book entry. However, you may request that all “net” Awarded Shares be issued in a certificate and forwarded to you in lieu of a DRS book entry.

9. **Clawback.** The Awarded Shares awarded hereunder are subject to the Company’s Clawback Policy and, as a result, all or any portion thereof, may be forfeited by you, if unvested, or recovered (whether or not still held in escrow), together with any gain that you may have realized thereon, by the Company if, in the opinion of the independent directors of the Company, (a) the financial statements of the Company are restated, in whole or in part, due to the intentional fraud or misconduct of the Company’s executive officers, and (b) you were engaged in such misconduct. In addition, the Awarded Shares are also subject to any clawback policies the Company may adopt in order to conform to the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any resulting rules issued by the SEC or national securities exchanges thereunder, if applicable.

10. **Section 409A.** Except as otherwise may be affected by the provisions of Section 4 regarding normal retirement and Disability, any amounts that may be earned pursuant to this Award Agreement are intended to be exempt from the application of Section 409A of the Internal Revenue Code of 1986, as amended, by reason of the short-term deferral exemption under applicable Treasury Regulations. This Award shall be administered, interpreted and construed to carry out such intention, including amending the terms of the Award and this Award Agreement without your consent if deemed necessary, and any provision hereof that cannot be so administered, interpreted and construed shall be disregarded.

With respect to shares to be issued hereunder in the event of your normal retirement or Disability, the provisions hereof regarding such issuance are intended to comply with the provisions of Section 409A and shall be administered, interpreted and construed to carry out such intention, including amending the terms of the Award and this Award Agreement without your consent if deemed necessary, and any provision hereof that cannot be so administered, interpreted and construed shall be disregarded. In no event shall the issuance of such shares be accelerated or deferred, except as may be allowed in accordance with the provisions of Section 409A.

In no event, however, does the Company represent, warrant or guarantee that any amount that may be earned hereunder will not be includible in your gross income pursuant to Section 409A of the Code, nor does the Company make any other representation, warranty or guaranty to you as to the tax consequences of this Award.

11. **Restrictive Covenants.** This grant is conditioned upon your agreement to the covenants set forth in this Section 11 and your acceptance of this grant indicates your acknowledgement and acceptance of, and agreement to be bound by, such covenants.

(a) **Non-Solicitation of Customers.** You covenant and agree that during the term of your employment by the Company or any of its subsidiaries and for a period of twelve (12) months thereafter (the "Covenant Period") within the counties and/or parishes in which the Company or a subsidiary thereof engages in business and has customers, which includes those in which there is a branch or office and any contiguous county or parish, which counties and parishes are specifically identified in Exhibit I hereto, (the "Covenant Territory"), you will not divert or attempt to divert business from the Company or any of its subsidiaries by influencing or attempting to influence, soliciting or attempting to solicit, accepting business from, engaging in business with, or otherwise communicating about potential or actual business with any customers of the Company or any of its subsidiaries or any particular customer with whom the Company or any subsidiary thereof had business contacts at any time during the one-year period immediately preceding your termination of employment or with whom you may have dealt at any time during your employment by the Company or a subsidiary thereof.

(b) **Non-Solicitation of Employees.** You further covenant and agree that during the Covenant Period, you will not recruit, solicit, hire, attempt to hire or assist any other person to hire any employee of the Company or any subsidiary thereof or any person who was an employee of the Company or any subsidiary thereof during the one-year period immediately preceding your termination of employment.

(c) **Confidentiality.** During your employment with the Company or any of its subsidiaries, you will have access to Confidential Information of the Company and its subsidiaries. For this purpose, "Confidential Information" shall include, without limitation, the identity of customers, personal customer data, strategic plans, sales data and sales strategy, methods, products, procedures, processes, techniques, financial information, vendor and supplier lists, pricing policies, and other confidential, business, competitive, and proprietary information concerning or related to the Company and/or its subsidiaries and their respective businesses, operations, financial conditions, results of operations, competitive positions and prospects (collectively "Confidential Information"). By your acceptance of this grant, you acknowledge your understanding that (i) such Confidential Information and the ability of the Company and its subsidiaries to reserve such Confidential Information for their respective and exclusive knowledge and use is of great competitive importance and commercial value to the Company and its subsidiaries; (ii) the Company has taken and will continue to take actions to protect the Confidential Information; and (iii) the provisions of this Section are reasonable and necessary to prevent the improper use or disclosure of such Confidential Information. Accordingly, you agree that during the term of your employment with the Company or any of its subsidiaries and, following the termination of such employment, until such time as the Confidential Information becomes generally available to the public through no fault of your own or other person under a duty of confidentiality to the Company thereof, you will not, except as required by law or legal process, in any capacity, use or disclose, or cause to be used or disclosed, any Confidential Information you acquired while employed by the Company or any of its subsidiaries. Nothing in this Award Agreement, however, shall be construed to limit or negate the law of torts or trade secrets where it provides the Company with broader protection than that provided herein.

(d) **Remedies.** In the event of any breach by you of any of the covenants under this Section 11, any Restricted Shares which have not become vested shall be immediately forfeited to the Company. In addition, the Company shall be entitled to injunctive and other equitable relief (without the necessity of showing actual monetary damages or of posting any bond or other security): (i) restraining and enjoining any act which would constitute a breach, or (ii) compelling the performance of any obligation which, if not performed, would constitute a breach, as well as any other remedies available to the Company, including monetary damages. You agree to provide, upon the Company's request, reasonable assurances and evidence of compliance with the restrictive covenants set forth herein. If any court of competent jurisdiction shall deem any provision of the covenants too

restrictive, the other provisions shall stand, and the court shall modify the unduly restrictive provision to the point of greatest restriction permissible by law. The restrictive covenants set forth in this Section shall survive the termination of this Award Agreement, the forfeiture of any Restricted Shares, and the termination of your employment with the Company and all of its subsidiaries for any reason.

12. **Miscellaneous Provisions.** Before accepting this Award, you should review the Plan and Prospectus. You may access copies of these documents from the link provided in this notification. You should pay particular attention to the Plan since it sets forth other provisions which cover your Award. Also, you should note that the acceptance of your Award means that you have agreed to take any reasonable action required to meet the requirements imposed by federal and state securities and other laws, rules or regulations and by any regulatory agencies having jurisdiction and you have agreed to allow the Company to withhold from any payments made to you, or to collect as a condition of payment, any taxes required by law to be withheld because of this Award. The Prospectus contains an explanation of certain federal income tax consequences and is current as of the date of the Prospectus. However, since tax laws often change, you should consult your tax advisor for current information at any given time.

This Award Agreement is required by the Plan. This Award Agreement is binding upon, and inures to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. Your rights hereunder are personal to you and may not be assigned to any other person or persons. This Award Agreement is binding on you and your beneficiaries, heirs and personal representatives.

Your electronic acceptance of this Performance Stock Award indicates your express agreement to be bound by the covenants, including the non-solicitation provisions in Section 11 of the Award Agreement, and the terms and provisions of this grant.

Again, we congratulate you on your Award. Thank you for your service to Hancock Holding Company.

APPENDIX A
PERFORMANCE STOCK AWARD AGREEMENT
(Relative Total Shareholder Return Performance Measure)

Grant Date: January 2, 2015

Performance Period: January 1, 2016 through December 31, 2018

Relative Factors for Determining Amount Payable Pursuant to Performance Stock Award

The number of actual shares of Common Stock payable under the Performance Stock Award (the “Awarded Shares”) will be based on the results of the following relative performance factor (“Performance Factor”) during the Performance Period, as measured against the comparator “Peer Group,” and as reduced, in the Committee’s sole discretion, by Negative Discretion:

Total Shareholder Return (TSR). Total Shareholder Return means the trailing 30-trading day average stock price for the period ending December 31, 2015 compared to the trailing 30-trading day average stock price for the period ending December 31, 2018 for the Company and each company in the Peer Group, computed assuming the reinvestment of all dividends paid during the Performance Period. The trailing 30-trading day average stock price will be determined by averaging the closing stock price for each day during the trailing 30-trading day period ending on the applicable December 31.

Peer Group. The “Peer Group” is made up of the following:

<u>Company</u>	<u>Ticker</u>	<u>Company</u>	<u>Ticker</u>
Associated Banc-Corp	ASBC	KeyCorp.	KEY
BancorpSouth, Inc.	BXS	M&T Bank Corporation	MTB
Bank of Hawaii Corporation	BOH	MB Financial Inc.	MBFI
BankUnited, Inc.	BKU	New York Community Bancorp Inc.	NYCB
BOK Financial Corporation	BOKF	Old National Bancorp.	ONB
Capitol Federal Financial, Inc.	CFFN	People’s United Financial Inc.	PBCT
CIT Group Inc.	CIT	PrivateBancorp, Inc.	PVTB
Comerica Incorporated	CMA	Prosperity Bancshares Inc.	PB
Commerce Bancshares, Inc.	CBSH	Signature Bank	SBNY
Cullen/Frost Bankers, Inc.	CFR	SVB Financial Group	SIVB
East West Bancorp, Inc.	EWBC	Synovus Financial Corporation	SNV
Federal Agricultural Mortgage Corp.	AGM	TCF Financial Corporation	TCB
First Citizens Bancshares Inc.	FCNCA	Texas Capital BancShares Inc.	TCBI
First Horizon National Corporation	FHN	TFS Financial Corp	TFSL
First Midwest Bancorp Inc.	FMBI	Trustmark Corporation	TRMK
First Republic Bank	FRC	UMB Financial Corporation	UMBF
FirstMerit Corporation	FMER	Umpqua Holdings Corporation	UMPQ
Flagstar Bancorp Inc.	FBC	Valley National Bancorp	VLV
Fulton Financial Corporation	FULT	Washington Federal Inc.	WAFD
Huntington Bancshares Incorporated	HBAN	Webster Financial Corp.	WBS
IberiaBank Corp.	IBKC	Wintrust Financial Corporation	WTFC
International Bancshares Corporation	IBOC	Zions Bancorporation	ZION

n = 44

A Peer Group member shall be removed if it is acquired during the Performance Period.

Calculation of Performance

For the Performance Factor, the performance for the Company and the Peer Group members will be determined and then the percentile ranking of the Company shall be determined as compared to the Peer Group. The Company's Percentile Rank will be used to determine the percentage, if any, of the Shares earned under the Performance Stock Award.

The table below shows the percentage of Shares to be issued with respect to each Performance Stock Award at various performance levels:

<u>Average Percentile Rank vs. Peer Group</u>	<u>% of Shares Earned</u>	<u>Performance Level</u>
< 25 th	0%	
25 th	50%	Threshold
50 th	100%	Target
≥ 75 th	200%	Maximum

The number of performance shares earned will be interpolated on a linear basis between threshold-target and target-maximum performance. For example, if the

- Company's relative TSR is at the 40th percentile, 80% of the shares subject to the target award will be issued
- Company's relative TSR is at the 60th percentile, 140% of the shares subject to the target award will be issued

Determination of Award Shares/Application of Negative Discretion

The number of Awarded Shares shall be equal to the performance shares earned as determined above, as such earned shares may be reduced by the Committee, in its discretion, by Negative Discretion (as defined in the Plan). Negative Discretion factors that may be considered by the Committee in determining the Awarded Shares include the actual shareholder experience over the Performance Period, such as, an actual negative return on an investment.

For example, if the actual TSR for the performance period was -5.0%, but based on relative performance among the Peer Group, the Company ranked at the 91st percentile, the target award would vest at 200%. The Committee may be uncomfortable with this level of payout given the negative shareholder experience over the Performance Period. The Committee in such a case may exercise its discretion to apply Negative Discretion to reduce the number of shares that vest to, for example, 150% of target to show an understanding of both executive performance (significantly better relative performance in tough economic cycles) and shareholder experience (actual negative return on investment over period).

Timing of Award Determination and Distribution

Once performance results for the Company are known and approved by the auditors, the Committee will review and approve the final performance results for the Performance Factor and determine the number of performance shares earned and the number of the Awarded Shares. The Awarded Shares will be distributed in accordance with the timing set forth in the Performance Stock Award Agreement.

EXHIBIT I

COVENANT TERRITORY FOR NON-SOLICITATION COVENANTS

- Acadia Parish, Louisiana
- Allen Parish, Louisiana
- Ascension Parish, Louisiana
- Assumption Parish, Louisiana
- Avoyelles Parish, Louisiana
- Bay Parish, Louisiana
- Beauregard Parish, Louisiana
- Bienville Parish, Louisiana
- Bossier Parish, Louisiana
- Caddo Parish, Louisiana
- Calcasieu Parish, Louisiana
- Caldwell Parish, Louisiana
- Cameron Parish, Louisiana
- Catahoula Parish, Louisiana
- Claiborne Parish, Louisiana
- Concordia Parish, Louisiana
- De Soto Parish, Louisiana
- East Baton Rouge Parish, Louisiana
- East Carroll Parish, Louisiana
- East Feliciana Parish, Louisiana
- Evangeline Parish, Louisiana
- Franklin Parish, Louisiana
- Grant Parish, Louisiana
- Iberia Parish, Louisiana
- Iberville Parish, Louisiana

- Jackson Parish, Louisiana
- Jefferson Davis Parish, Louisiana
- Jefferson Parish, Louisiana
- Lafayette Parish, Louisiana
- Lafourche Parish, Louisiana
- La Salle Parish, Louisiana
- Lincoln Parish, Louisiana
- Livingston Parish, Louisiana
- Madison Parish, Louisiana
- Morehouse Parish, Louisiana
- Natchitoches Parish, Louisiana
- Orleans Parish, Louisiana
- Ouachita Parish, Louisiana
- Plaquemines Parish, Louisiana
- Pointe Coupee Parish, Louisiana
- Rapides Parish, Louisiana
- Red River Parish, Louisiana
- Richland Parish, Louisiana
- Sabine Parish, Louisiana
- St. Bernard Parish, Louisiana
- St. Charles Parish, Louisiana
- St. Helena Parish, Louisiana
- St. James Parish, Louisiana
- St. John The Baptist Parish, Louisiana
- St. Landry Parish, Louisiana
- St. Martin Parish, Louisiana
- St. Mary Parish, Louisiana

- St. Tammany Parish, Louisiana
- Tangipahoa Parish, Louisiana
- Tensas Parish, Louisiana
- Terrebonne Parish, Louisiana
- Union Parish, Louisiana
- Vermilion Parish, Louisiana
- Vernon Parish, Louisiana
- Ville Platte Parish, Louisiana
- Washington Parish, Louisiana
- Walthall Parish, Louisiana
- Webster Parish, Louisiana
- West Baton Rouge Parish, Louisiana
- West Carroll Parish, Louisiana
- West Feliciana Parish, Louisiana
- Winn Parish, Louisiana
- Forrest County, Mississippi
- George County, Mississippi
- Hancock County, Mississippi
- Harrison County, Mississippi
- Hinds County, Mississippi
- Jackson County, Mississippi
- Jefferson Davis County, Mississippi
- Lamar County, Mississippi
- Lauderdale County, Mississippi
- Lawrence County, Mississippi
- Lee County, Mississippi
- Madison County, Mississippi

- Pearl River County, Mississippi
- Rankin County, Mississippi
- Stone County, Mississippi
- Autauga County, Alabama
- Baldwin County, Alabama
- Butler County, Alabama
- Crenshaw County, Alabama
- Elmore County, Alabama
- Houston County, Alabama
- Jefferson County, Alabama
- Maron County, Alabama
- Mobile County, Alabama
- Montgomery County, Alabama
- Pike County, Alabama
- Shelby County, Alabama
- Bay County, Florida
- Duval County, Florida
- Escambia County, Florida
- Flagler County, Florida
- Hillsborough County, Florida
- Jackson County, Florida
- Jefferson County, Florida
- Leon County, Florida
- Manatee County, Florida
- Okaloosa County, Florida
- Pasco County, Florida
- Pinellas County, Florida

- Polk County, Florida
- Santa Rosa County, Florida
- Sarasota County, Florida
- Volusia County, Florida
- Walton County, Florida
- Williamson County, Tennessee
- Brazos County, Texas
- Dallas County, Texas
- Fort Bend, Texas
- Harris County, Texas
- Montgomery County, Texas

Hancock Holding Company

One Hancock Plaza
Post Office Box 4019
Gulfport, Mississippi 39502
1-855-404-5465

Re: Performance Stock Award

The Board of Directors of Hancock Holding Company (the “Company”) is pleased to inform you of your grant of a Performance Stock Award (“Award”), upon the terms and subject to the conditions of this Award Agreement and Appendix A which is attached hereto and made a part hereof by this reference.

1. **Award.** This Award grants you the opportunity to receive the number of shares of Common Stock of the Company set forth above as Performance Shares Awarded (the “Target Shares”). The number of shares actually payable to you under this Award is contingent on the results of the Performance Factor (as defined in Appendix A) during the Performance Period, as further explained in this Agreement and in Appendix A. The grant date, the Performance Period, the Vesting Period, and other applicable terms of your Performance Stock Award constitute a part of this Award Agreement and are set forth and described in Appendix A.

2. **Plan/Committee.** This Award is made under the Hancock Holding Company 2014 Long Term Incentive Plan (the “Plan”). The Plan is administered by the Compensation Committee of the Board of Directors of the Company (the “Committee”), which has authority to make certain determinations as to the terms of the awards granted under the Plan. Any interpretation of this Award by the Committee and any decision made by it with respect to this Award are final and binding on all persons.

In addition to this Award Agreement and Appendix A, the Award granted to you hereunder is subject to the terms and conditions set forth in the Plan; and in the event of any conflict between the provisions of this Award Agreement, including Appendix A, and the Plan, the Plan shall control. Your Award is also subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan has the same meaning when used in this Award Agreement.

3. **Awarded Shares.** At the end of the Performance Period, the number of the Target Shares to be awarded to you (the “Awarded Shares”) will be determined by the Committee based on the Performance Factor and in accordance with the methodology set forth in Appendix A. However, you will not become entitled to such Awarded Shares until you become vested in such shares as provided in Section 4 and such shares become distributable as provided in Section 10 below.

4. **Vesting.** You will become vested in the Awarded Shares at the end of the Vesting Period set forth in Appendix A, provided you remain in the service of the Company or one of its subsidiaries either as an associate, if this Award was granted to you as an associate, or as a member of the Board of Directors, if the Award is granted to you as a director, throughout the Performance Period and the Vesting Period, except as otherwise specifically provided in this Section. This Award shall automatically terminate in the event of your termination of employment or other service with the Company, for any reason other than (a) due to your death, Disability or normal retirement as provided in Section 6 below or (b) following a Change in Control as provided in Section 9(b) below, at any time prior to the end of the Performance Period or the Vesting Period. In the event of such termination, all Target Shares and/or Awarded Shares shall be forfeited and all obligations of the Company to you under this Award shall become void and of no further effect.

5. **Issuance of Shares.** Upon the vesting of the Awarded Shares as provided in Section 4 above, except to the extent you elected prior to the granting of this Award to defer all or any portion of the Awarded Shares pursuant to the provisions of the Hancock Holding Company Nonqualified Deferred Compensation Plan, the Awarded Shares shall be issued in your name. However, the “net” Awarded Shares shall be held in escrow during the Post Vest Holding Period, until such shares become distributable as provided in Section 10 below. For this purpose, “net” Awarded Shares shall mean the number of Awarded Shares in which you have become vested, reduced by the number of such shares, if any, withheld by the Company to cover the withholding taxes as set forth in Section 7. You will not be required to pay an issue price to the Company in exchange for the Awarded Shares.

The Committee has designated the Corporate Trust Department of Whitney Bank (the “Custodian”) to serve as custodian of the “net” Awarded Shares during the Post Vest Holding Period. By your acceptance of this Award Agreement, you hereby appoint the Custodian as your attorney-in-fact with full power and authority to transfer, assign and convey to the Company any of the Awarded Shares forfeited during the Post Vest Holding Period as provided herein.

6. **Death/Disability/Retirement.** Notwithstanding the provisions for the vesting and issuance of Awarded Shares under Sections 4 and 5 above, in the event of the termination of your employment or other service with the Company and its subsidiaries during the Performance Period or the Vesting Period due to your death, Disability or normal retirement, the provisions of this Section shall apply with respect to your Award under this Agreement.

(a) *Disability or Normal Retirement.* In the event your employment or other service with the Company and its subsidiaries is terminated due to your Disability or normal retirement you will vest in and be entitled to:

- (i) If such termination occurs during the during the Performance Period, a pro rata portion of the Awarded Shares as determined at the end of the Performance Period as provided in Appendix A, based on your number of full months of service during the Performance Period prior to your termination. Said shares shall be issued to you within two and one-half (2 1/2) months following the close of the Performance Period as if you had remained employed or otherwise in the service of the Company until the end of the Performance Period.
- (ii) In the event such termination occurs following the Performance Period but prior to the end of the Vesting Period, a pro rata portion of your Awarded Shares, as determined at the end of the Performance Period, based on your number of full months of service during the Vesting Period.

(b) *Death.* In the event of the termination of you employment of other service with the Company and its subsidiaries due to your death during the Performance Period or the Vesting Period , your beneficiary, or your estate if you have not designated a beneficiary, will vest in and be entitled to:

- (i) If your death occurs during the Performance Period, a pro rata portion of the number of Target Shares awarded under this Agreement, based on your number of full months service during the Performance Period prior to your death.
- (ii) In the event your death occurs following the Performance Period but prior to the end of the Vesting Period, a pro rata portion of your Awarded Shares, as determined at the end of the Performance Period, based on your number of full months of service during the Vesting Period. Said shares shall be issued to your beneficiary or estate as soon as practicable following your death, but in no event more than ninety (90) days thereafter.

All distributions under this Section 6 due to your termination for death, Disability or normal retirement shall be made in accordance with the provisions of Section 10(c) and shall be subject to the withholding provisions of Section 7 hereof, if applicable.

Disability for purposes of this Section shall have the same meaning as in Section 9(b) below. Normal retirement for purposes of this Award shall mean your termination of employment or other service with the Company and each of its subsidiaries, for any reason except termination for “Cause,” after you have attained the age of sixty-five (65). For this purpose, “Cause” shall have the same meaning as provided in Section 9(b) below.

7. **Tax Withholding**. Upon the vesting of the Awarded Shares under the terms of this Award Agreement, you (or your estate or beneficiary in the event of your death) must remit to the Company an amount equal to the Company's federal, state and local tax withholding obligation applicable thereto or, alternatively, instruct the Committee to withhold a portion of such shares to cover the Company's withholding obligation. In the event no such remittance or instruction is received prior to the date the shares vest (or such earlier date as may be set by the Committee), the Company shall automatically withhold a portion of the shares with a fair market value equal to the Company's withholding obligation.

8. **Shareholder Rights/Restrictions on Transfer**. You have no rights as a shareholder with respect to the shares of Common Stock subject to this Award during the Performance Period and/or the Vesting Period or at any time until you become vested in the Target Shares, or any portion thereof. You shall not be entitled to any dividends or dividend equivalents and shall not be entitled to vote any portion of the Target Shares or Awarded Shares unless and until such time as the Target Shares or Awarded Shares, or any portion thereof become vested.

Once you become vested in the Awarded Shares, you will become entitled to receive dividends on and to vote the Awarded Shares from and after the date on which such Awarded Shares become vested. However, during the Post Vest Holding Period (as defined in Section 10 below) you may not encumber or sell the Awarded Shares and you may not transfer the Awarded Shares except pursuant to your will or under the laws of descent and distribution.

9. **Change in Control**. Notwithstanding any other provision of this Award Agreement, in the event of the occurrence of a Change in Control (as defined in the Plan and Prospectus) during the Performance Period or Vesting Period and while you are employed by the Company, the following provisions shall determine the extent, if any, to which you are entitled to receive any portion of the Target Shares and the vesting thereof:

(a) If a Change in Control occurs during the one-year period beginning on the first day of the Performance Period, this Award shall terminate, no portion of the Target Shares will be vested and awarded to you, and all obligations of the Company to you under this Award Agreement shall be void and of no further effect.

(b) If a Change in Control occurs at any other time during the Performance Period, you shall be entitled to a pro-rata portion of the Awarded Shares determined under the provisions of Appendix A based on actual performance results for the portion of the Performance Period ending on the date of the Change in Control. Such shares will vest at the end of the Vesting Period as otherwise provided herein, provided you remain in the service of the Company or its subsidiaries (or the surviving entity in such Change in Control) either as an associate or as a member of the Board of Directors, as applicable, throughout the Vesting Period. However, if within the two-year period commencing on the closing date of such Change in Control your employment is involuntarily terminated for any reason other than "Cause," or is terminated due to your Disability, or if you terminate your employment for "Good Reason," such shares will vest and will be issued to you as soon as feasible following your termination of employment, but in no event more than ninety (90) days after the date of your termination of employment, subject to the withholding provisions of Section 7. For purposes of this provision, the following definitions shall apply:

- (1) "Cause" shall mean (i) your commitment of an intentional act of fraud, embezzlement, or theft in the course of your employment or other engagement in any intentional misconduct or gross negligence which is materially injurious to Company's business, financial condition or business reputation; (ii) your commitment of intentional damage to the property of Company or your intentional wrongful disclosure of confidential information which is materially injurious to Company's business, financial condition or business reputation; (iii) your intentional refusal to perform the material duties of your position, without cure, or the beginning of cure, within five (5) days of written notice from Company; (iv) commitment of a material breach of an employment agreement with the Company (if any); (v) your failure to show up at Company's offices on a daily basis, subject to permitted vacations and absences for illness, without cure, or the beginning of cure, within five (5) days of written notice from Company; or (vi) your entry of a guilty plea or a plea of no contest with regard to any felony. Any reference to Company in the preceding sentence includes each of its subsidiaries.

- (2) “Good Reason” shall mean a reduction of more than 10% in your base salary, a transfer to a position with a pay grade more than two pay grades below your current position or a transfer to a jobsite more than 35 miles from your current jobsite. However, none of such actions shall constitute “Good Reason” unless (i) you provide the Company notice of the existence of such condition within ninety (90) days of the initial existence thereof specifically identifying the acts or omissions constituting the grounds for Good Reason and a period of at least thirty (30) days following such notice within which to remedy such condition, and (ii) your termination occurs within the two-year period following the initial existence of such condition.
- (3) “Disability” shall mean such disability as defined in the long-term disability plan or policy maintained (or most recently maintained) for your benefit by the Company or any subsidiary of the Company. If no such plan or policy has ever been maintained on your behalf, Disability shall be the condition as described in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.
- (4) In the event a Change in Control Employment Agreement between you and the Company is in effect at the time of the Change in Control, “Cause”, “Good Reason” and “Disability” shall have the same respective meanings as provided in such Change in Control Employment Agreement in lieu of the definitions contained herein.

(c) The provisions of Section 9(b) above regarding the vesting and issuance of Awarded Shares in connection with certain terminations occurring within the two-year period commencing on the closing date of a Change in Control shall also apply with respect to a Change in Control occurring following the Performance Period but before the end of the Vesting Period.

Notwithstanding the preceding, in the event the surviving entity in a Change in Control does not assume the Company’s obligations under the Plan and this Agreement or convert your rights hereunder into equivalent rights to equity in the surviving entity in connection with such Change in Control, the Board of Directors of the Company may, in its discretion, provide for the “net” Awarded Shares to be issued to you within ninety (90) days of the closing date of such Change in Control whether or not your employment with the Company and its subsidiaries is terminated.

10. Post Vest Holding Period/Distribution.

(a) Except as otherwise provided in this Section, the “net” Awarded Shares in which you become vested in accordance with the provisions of this Award Agreement shall be held in escrow by the custodian as provided in Section 5 and subject to the transfer restrictions as provided in Section 8 for the two-year period beginning on the last day of the Vesting Period and ending on the second anniversary thereof (the “Post Vest Holding Period”). However, the Post Vest Holding Period shall be earlier terminated upon the occurrence of the following events:

- (i) Upon your death or Disability during the Post Vest Holding Period.
- (ii) Upon a Change in Control which occurs during the Post Vest Holding Period.

The “net” Awarded Shares will be released from escrow and delivered to you within the thirty (30) day period immediately following the close of the Post Vest Holding Period, or the early termination thereof, if applicable.

(b) The Post Vest Holding Period shall not apply, under the following circumstances:

- (i) If the Awarded Shares vest and are issued in accordance with Section 6 due to your death, Disability or normal retirement during the Performance Period or the Vesting Period.
- (ii) If the Awarded Shares vests in connection with your termination of employment with the Company and its subsidiaries, or in the Company’s discretion based on the surviving entity’s failure to assume the obligations hereunder, following a Change in Control which occurs during the Performance Period or Vesting Period as provided in Section 9.

(c) All shares issued to you pursuant to this Award, whether upon termination of the Post Vest Holding Period as provided in 10 (a) or upon the occurrence of any of the events under 10(b) above, shall be issued in your name in a Direct Registration System (DRS) book entry. However, you may request that all “net” Awarded Shares be issued in a certificate and forwarded to you in lieu of a DRS book entry.

11. **Clawback.** The Awarded Shares awarded hereunder are subject to the Company’s Clawback Policy and, as a result, all or any portion thereof, may be forfeited by you, if unvested, or recovered (whether or not still held in escrow), together with any gain that you may have realized thereon, by the Company if, in the opinion of the independent directors of the Company, (a) the financial statements of the Company are restated, in whole or in part, due to the intentional fraud or misconduct of the Company’s executive officers, and (b) you were engaged in such misconduct. In addition, the Awarded Shares are also subject to any clawback policies the Company may adopt in order to conform to the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any resulting rules issued by the SEC or national securities exchanges thereunder, if applicable.

12. **Section 409A.** Except as otherwise may be affected by the provisions of Section 6 regarding normal retirement and Disability, any amounts that may be earned pursuant to this Award Agreement are intended to be exempt from the application of Section 409A of the Internal Revenue Code of 1986, as amended, by reason of the short-term deferral exemption under applicable Treasury Regulations. This Award shall be administered, interpreted and construed to carry out such intention, including amending the terms of the Award and this Award Agreement without your consent if deemed necessary, and any provision hereof that cannot be so administered, interpreted and construed shall be disregarded.

With respect to shares to be issued hereunder in the event of your normal retirement or Disability, the provisions hereof regarding such issuance are intended to comply with the provisions of Section 409A and shall be administered, interpreted and construed to carry out such intention, including amending the terms of the Award and this Award Agreement without your consent if deemed necessary, and any provision hereof that cannot be so administered, interpreted and construed shall be disregarded. In no event shall the issuance of such shares be accelerated or deferred, except as may be allowed in accordance with the provisions of Section 409A.

In no event, however, does the Company represent, warrant or guarantee that any amount that may be earned hereunder will not be includible in your gross income pursuant to Section 409A of the Code, nor does the Company make any other representation, warranty or guaranty to you as to the tax consequences of this Award.

13. **Restrictive Covenants.** This grant is conditioned upon your agreement to the covenants set forth in this Section 13 and your acceptance of this grant indicates your acknowledgement and acceptance of, and agreement to be bound by, such covenants.

(a) **Non-Solicitation of Customers.** You covenant and agree that during the term of your employment by the Company or any of its subsidiaries and for a period of twelve (12) months thereafter (the “Covenant Period”) within the counties and/or parishes in which the Company or a subsidiary thereof engages in business and has customers, which includes those in which there is a branch or office and any contiguous county or parish, which counties and parishes are specifically identified in Exhibit I hereto, (the “Covenant Territory”), you will not divert or attempt to divert business from the Company or any of its subsidiaries by influencing or attempting to influence, soliciting or attempting to solicit, accepting business from, engaging in business with, or otherwise communicating about potential or actual business with any customers of the Company or any of its subsidiaries or any particular customer with whom the Company or any subsidiary thereof had business contacts at any time during the one-year period immediately preceding your termination of employment or with whom you may have dealt at any time during your employment by the Company or a subsidiary thereof.

(b) **Non-Solicitation of Employees.** You further covenant and agree that during the Covenant Period, you will not recruit, solicit, hire, attempt to hire or assist any other person to hire any employee of the Company or any subsidiary thereof or any person who was an employee of the Company or any subsidiary thereof during the one-year period immediately preceding your termination of employment.

(c) Confidentiality. During your employment with the Company or any of its subsidiaries, you will have access to Confidential Information of the Company and its subsidiaries. For this purpose, "Confidential Information" shall include, without limitation, the identity of customers, personal customer data, strategic plans, sales data and sales strategy, methods, products, procedures, processes, techniques, financial information, vendor and supplier lists, pricing policies, and other confidential, business, competitive, and proprietary information concerning or related to the Company and/or its subsidiaries and their respective businesses, operations, financial conditions, results of operations, competitive positions and prospects (collectively "Confidential Information"). By your acceptance of this grant, you acknowledge your understanding that (i) such Confidential Information and the ability of the Company and its subsidiaries to reserve such Confidential Information for their respective and exclusive knowledge and use is of great competitive importance and commercial value to the Company and its subsidiaries; (ii) the Company has taken and will continue to take actions to protect the Confidential Information; and (iii) the provisions of this Section are reasonable and necessary to prevent the improper use or disclosure of such Confidential Information. Accordingly, you agree that during the term of your employment with the Company or any of its subsidiaries and, following the termination of such employment, until such time as the Confidential Information becomes generally available to the public through no fault of your own or other person under a duty of confidentiality to the Company thereof, you will not, except as required by law or legal process, in any capacity, use or disclose, or cause to be used or disclosed, any Confidential Information you acquired while employed by the Company or any of its subsidiaries. Nothing in this Award Agreement, however, shall be construed to limit or negate the law of torts or trade secrets where it provides the Company with broader protection than that provided herein.

(d) Remedies. In the event of any breach by you of any of the covenants under this Section 13, any Restricted Shares which have not become vested shall be immediately forfeited to the Company. In addition, the Company shall be entitled to injunctive and other equitable relief (without the necessity of showing actual monetary damages or of posting any bond or other security): (i) restraining and enjoining any act which would constitute a breach, or (ii) compelling the performance of any obligation which, if not performed, would constitute a breach, as well as any other remedies available to the Company, including monetary damages. You agree to provide, upon the Company's request, reasonable assurances and evidence of compliance with the restrictive covenants set forth herein. If any court of competent jurisdiction shall deem any provision of the covenants too restrictive, the other provisions shall stand, and the court shall modify the unduly restrictive provision to the point of greatest restriction permissible by law. The restrictive covenants set forth in this Section shall survive the termination of this Award Agreement, the forfeiture of any Restricted Shares, and the termination of your employment with the Company and all of its subsidiaries for any reason.

12. Miscellaneous Provisions. Before accepting this Award, you should review the Plan and Prospectus. You may access copies of these documents from the link provided in this notification. You should pay particular attention to the Plan since it sets forth other provisions which cover your Award. Also, you should note that the acceptance of your Award means that you have agreed to take any reasonable action required to meet the requirements imposed by federal and state securities and other laws, rules or regulations and by any regulatory agencies having jurisdiction and you have agreed to allow the Company to withhold from any payments made to you, or to collect as a condition of payment, any taxes required by law to be withheld because of this Award. The Prospectus contains an explanation of certain federal income tax consequences and is current as of the date of the Prospectus. However, since tax laws often change, you should consult your tax advisor for current information at any given time.

This Award Agreement is required by the Plan. This Award Agreement is binding upon, and inures to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. Your rights hereunder are personal to you and may not be assigned to any other person or persons. This Award Agreement is binding on you and your beneficiaries, heirs and personal representatives.

Your electronic acceptance of this Performance Stock Award indicates your express agreement to be bound by the covenants, including the non-solicitation provisions in Section 13 of the Award Agreement, and the terms and provisions of this grant.

Again, we congratulate you on your Award. Thank you for your service to Hancock Holding Company.

APPENDIX A
PERFORMANCE STOCK AWARD AGREEMENT
(Collective Core Earnings Per Share Performance Measure)

Grant Date: January 2, 2016

Performance Period: January 1, 2016 through December 31, 2017

Vesting Period: January 1, 2016 through December 31, 2018

Factors for Determining Amount Payable Pursuant to Performance Stock Award

The number of actual shares of Common Stock payable under the Performance Stock Award (the “Awarded Shares”) will be based on the results of the following performance factor (“Performance Factor”) during the Performance Period and determined as of the last day of the Performance Period, as measured against the targeted goal:

Collective Core Earnings Per Share (Core EPS). The total of the Core EPS for each of the calendar years in the Performance Period. Core EPS means the Company’s earnings excluding the impact of any purchase accounting adjustments as well as any non-operating costs.

<u>Category</u>	<u>Weight</u>	<u>Performance Factor</u>		<u>Maximum</u>
		<u>Threshold</u>	<u>Target</u>	
Collective Core EPS	100.00%	80%	100%	120%

Calculation of Performance

For the Performance Factor, the performance for the Company will be determined as of the last day of the Performance Period and then the % of target achieved by the Company shall be determined. The Company’s % of target achieved will be used to determine the percentage, if any, of the shares of Common Stock earned under the Performance Stock Award.

The table below shows the percentage of shares of Common Stock to be issued with respect to each Performance Stock Award at various performance levels:

<u>% of Target Achieved</u>	<u>% of Shares Earned</u>	<u>Performance Level</u>
< 80%	0%	
80%	50%	Threshold
100%	100%	Target
≥ 120%	200%	Maximum

The number of performance shares earned will be interpolated on a linear basis between threshold-target and target-maximum performance. For example,

- If the Company’s Collective Core EPS is at the 90th percentile, 75% of the shares subject to the target award will be issued
- If the Company’s Collective Core EPS is at the 110th percentile, 150% of the shares subject to the target award will be issued

Timing of Award Determination and Distribution

Once performance results for the Company are known and approved by the auditors, the Committee will review and approve the final performance results for the Performance Factor and determine the number of performance shares earned and the number of the Awarded Shares. The Awarded Shares will vest and will be distributed in accordance with the timing set forth in the Performance Stock Award Agreement.

EXHIBIT I

COVENANT TERRITORY FOR NON-SOLICITATION COVENANTS

- Acadia Parish, Louisiana
- Allen Parish, Louisiana
- Ascension Parish, Louisiana
- Assumption Parish, Louisiana
- Avoyelles Parish, Louisiana
- Bay Parish, Louisiana
- Beauregard Parish, Louisiana
- Bienville Parish, Louisiana
- Bossier Parish, Louisiana
- Caddo Parish, Louisiana
- Calcasieu Parish, Louisiana
- Caldwell Parish, Louisiana
- Cameron Parish, Louisiana
- Catahoula Parish, Louisiana
- Claiborne Parish, Louisiana
- Concordia Parish, Louisiana
- De Soto Parish, Louisiana
- East Baton Rouge Parish, Louisiana
- East Carroll Parish, Louisiana
- East Feliciana Parish, Louisiana
- Evangeline Parish, Louisiana
- Franklin Parish, Louisiana
- Grant Parish, Louisiana
- Iberia Parish, Louisiana
- Iberville Parish, Louisiana

- Jackson Parish, Louisiana
- Jefferson Davis Parish, Louisiana
- Jefferson Parish, Louisiana
- Lafayette Parish, Louisiana
- Lafourche Parish, Louisiana
- La Salle Parish, Louisiana
- Lincoln Parish, Louisiana
- Livingston Parish, Louisiana
- Madison Parish, Louisiana
- Morehouse Parish, Louisiana
- Natchitoches Parish, Louisiana
- Orleans Parish, Louisiana
- Ouachita Parish, Louisiana
- Plaquemines Parish, Louisiana
- Pointe Coupee Parish, Louisiana
- Rapides Parish, Louisiana
- Red River Parish, Louisiana
- Richland Parish, Louisiana
- Sabine Parish, Louisiana
- St. Bernard Parish, Louisiana
- St. Charles Parish, Louisiana
- St. Helena Parish, Louisiana
- St. James Parish, Louisiana
- St. John The Baptist Parish, Louisiana
- St. Landry Parish, Louisiana
- St. Martin Parish, Louisiana
- St. Mary Parish, Louisiana
- St. Tammany Parish, Louisiana

- Tangipahoa Parish, Louisiana
- Tensas Parish, Louisiana
- Terrebonne Parish, Louisiana
- Union Parish, Louisiana
- Vermilion Parish, Louisiana
- Vernon Parish, Louisiana
- Ville Platte Parish, Louisiana
- Washington Parish, Louisiana
- Walthall Parish, Louisiana
- Webster Parish, Louisiana
- West Baton Rouge Parish, Louisiana
- West Carroll Parish, Louisiana
- West Feliciana Parish, Louisiana
- Winn Parish, Louisiana
- Forrest County, Mississippi
- George County, Mississippi
- Hancock County, Mississippi
- Harrison County, Mississippi
- Hinds County, Mississippi
- Jackson County, Mississippi
- Jefferson Davis County, Mississippi
- Lamar County, Mississippi
- Lauderdale County, Mississippi
- Lawrence County, Mississippi
- Lee County, Mississippi
- Madison County, Mississippi
- Pearl River County, Mississippi
- Rankin County, Mississippi

- Stone County, Mississippi
- Autauga County, Alabama
- Baldwin County, Alabama
- Butler County, Alabama
- Crenshaw County, Alabama
- Elmore County, Alabama
- Houston County, Alabama
- Jefferson County, Alabama
- Maron County, Alabama
- Mobile County, Alabama
- Montgomery County, Alabama
- Pike County, Alabama
- Shelby County, Alabama
- Bay County, Florida
- Duval County, Florida
- Escambia County, Florida
- Flagler County, Florida
- Hillsborough County, Florida
- Jackson County, Florida
- Jefferson County, Florida
- Leon County, Florida
- Manatee County, Florida
- Okaloosa County, Florida
- Pasco County, Florida
- Pinellas County, Florida
- Polk County, Florida
- Santa Rosa County, Florida
- Sarasota County, Florida

- Volusia County, Florida
- Walton County, Florida
- Williamson County, Tennessee
- Brazos County, Texas
- Dallas County, Texas
- Fort Bend, Texas
- Harris County, Texas
- Montgomery County, Texas

Subsidiaries of Hancock Holding Company

<u>Name</u>	<u>Jurisdiction</u>
Whitney Bank	Mississippi
The Gulfport Building, Inc.	Mississippi
Harrison Finance Company	Mississippi
Harrison Loan Company	Mississippi
Town Properties, Inc.	Mississippi
Hancock Insurance Agency	Mississippi
Hancock Bank Securities Corporation II	Mississippi
Hancock Investment Services, Inc.	Mississippi
Hancock Investment Services of MS, Inc.	Mississippi
Hancock Investment Services of LA, Inc.	Louisiana
Hancock Investment Services of FL, Inc.	Florida
Hancock Investment Services of AL, Inc.	Alabama
Whitney Investment Services of Texas, Inc.	Texas
Whitney New Markets Fund, L.L.C.	Louisiana
Lighthouse Services Corporation	Mississippi
Invest-Sure Inc.	Florida
Community First Inc.	Florida
Peoples First Transportation, Inc.	Florida
Berwick LLC	Louisiana
Key Investment Securities, Inc.	Louisiana
Common Street Corp.	Louisiana

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements No. 333-171518, 333-11831 (amended by 333-113262), 333-05081, 333-53452, 2-99863 and 333-195698 on Form S-8, Nos. 33-31782, 333-162560, 333-197635, and 333-202407 on Form S-3 and No. 333-171882 on Form S-4 of Hancock Holding Company of our Report dated February 26, 2016 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
New Orleans, Louisiana
February 26, 2016

CERTIFICATION

I, John M. Hairston, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hancock Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 26, 2016

Date

By: /s/ John M. Hairston

John M. Hairston
President & Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Michael M. Achary, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hancock Holding Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 26, 2016

Date

By: /s/ Michael M. Achary

Michael M. Achary
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of the Hancock Holding Company (the "Company") for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), John M. Hairston, as Chief Executive Officer of the Company hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

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

February 26, 2016
Date

By: /s/ John M. Hairston
John M. Hairston
President & Chief Executive Officer
(Principal Executive Officer)

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

This certification shall not be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of the Hancock Holding Company (the "Company") for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael M. Achary, as Chief Financial Officer of the Company hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

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

February 26, 2016
Date

By: /s/ Michael M. Achary
Michael M. Achary
Chief Financial Officer
(Principal Financial Officer)

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

This certification shall not be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.