

**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, 2019

OR

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

Commission file number 001-36872

Hancock Whitney Corporation

(Exact name of registrant as specified in its charter)

Mississippi
(State or other jurisdiction of incorporation or organization)

64-0693170
(I.R.S. Employer Identification Number)

**Hancock Whitney Plaza, 2510 14th Street,
Gulfport, Mississippi**
(Address of principal executive offices)

39501
(Zip Code)

(228) 868-4727
Registrant's telephone number, including area code

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

Title of Each Class	Trading Symbol	Name of Exchange on Which Registered
COMMON STOCK, \$3.33 PAR VALUE	HWC	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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Emerging growth company

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

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

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 14, 2020 was \$3.5 billion based upon the closing market price on NASDAQ on June 30, 2019. 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, 2020, the registrant had 87,236,434 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.

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Hancock Whitney Corporation Glossary of Defined Terms

Entities:

Hancock Whitney Corporation – a financial holding company registered with the Securities and Exchange Commission

Hancock Whitney Bank – a wholly-owned subsidiary of Hancock Whitney Corporation through which Hancock Whitney Corporation conducts its banking operations

Company – Hancock Whitney Corporation and its consolidated subsidiaries

Parent – Hancock Whitney Corporation, exclusive of its subsidiaries

Bank – Hancock Whitney Bank

Other terms:

ACL – Allowance for credit losses

AFS – Available for sale securities

ALCO – Asset Liability Management Committee

AOCI – accumulated other comprehensive income or loss

ALLL – allowance for loan and lease losses

AMT – Alternative Minimum Tax

ASC – Accounting Standards Codification

ASR - Accelerated Share Repurchase

ASU - Accounting standard update

ATM - automated teller machine

Basel II - Basel Committee's 2004 Regulatory Capital Framework (Second Accord)

Basel III - Basel Committee's 2010 Regulatory Capital Framework (Third Accord)

Basel Committee - Basel Committee on Banking Supervision

BOLI - Bank-owned life insurance

BSA – Bank Secrecy Act

bp(s) – basis point(s)

C&I – commercial and industrial loans

Capital One - Capital One, National Association, from which the Company acquired a trust and asset management business in 2018

CD – certificate of deposit

CDE – Community Development Entity

CECL – Current Expected Credit Losses

CEO – Chief Executive Officer

CET1 – common equity tier 1 capital as defined by Basel III capital rules

CFO – Chief Financial Officer

CFPB – Consumer Finance Protection Bureau

COSO – Committee of Sponsoring Organizations of the Treadway Commission

CMO – Collateralized Mortgage Obligation

CRA – Community Reinvestment Act of 1977

CRE – commercial real estate

DIF – Deposit Insurance Fund

Dodd-Frank Act – The Dodd-Frank Wall Street Reform and Consumer Protection Act

FASB – Financial Accounting Standards Board

FDIC – Federal Deposit Insurance Corporation

FDICIA – Federal Deposit Insurance Corporation Improvement Act of 1991

Federal Reserve Board – The 7-member Board of Governors that oversees the Federal Reserve System, establishes monetary policy (interest rates, credit, etc.), and monitors the economic health of the country. Its members are appointed by the President subject to Senate confirmation, and serve 14-year terms.

Federal Reserve System – The 12 Federal Reserve Banks, with each one serving member banks in its own district. This system, supervised by the Federal Reserve Board, has broad regulatory powers over the money supply and the credit structure. They implement the policies of the Federal Reserve Board and also conduct economic research.

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FFIEC – Federal Financial Institutions Examination Council

FHA – Federal Housing Administration

FHLB – Federal Home Loan Bank

GAAP – Generally Accepted Accounting Principles in the United States of America

IRS – Internal Revenue Service

LIBOR – London Interbank Offered Rate

LIHTC – Low Income Housing Tax Credit

LTIP – long-term incentive plan

MBS – mortgage-backed securities

MD&A – management’s discussion and analysis of financial condition and results of operations

MidSouth - MidSouth Bancorp, Inc., an entity the Company acquired on September 21, 2019

MDBC – Mississippi Department of Banking and Consumer Finance

NAICS – North American Industry Classification System

n/m – not meaningful

NSF – non-sufficient funds

OCI – other comprehensive income

OD - Overdraft

ORE – other real estate

PCI – Purchased credit impaired

PPNR – pre-provision net revenue

SEC – U.S. Securities and Exchange Commission

Securities Act – Securities Act of 1933, as amended

SOFR – Secured Overnight Financing Rate

Tax Act – Tax Cuts and Jobs Act of 2017

TDR – troubled debt restructuring (as defined in ASC 310-40)

TSR – Total shareholder return

te – taxable equivalent, or a term used to indicate that a financial measure is presented on a fully taxable equivalent basis

USA Patriot – Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001

U.S. Treasury – The United States Department of the Treasury

Volcker Rule – section 619 of the Dodd-Frank Act and regulations promulgated thereunder, as applicable

PART I

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning and protections of section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this annual report are set forth in this Annual Report on Form 10-K and in other reports or documents that we file from time to time with the SEC and include, but are not limited to, the following:

- balance sheet and revenue growth expectations may differ from actual results;
- the risk that our provision for loan losses may be inadequate or may be negatively affected by credit risk exposure;
- loan growth expectations;
- management's predictions about charge-offs, including energy-related credits, the impact of changes in oil and gas prices on our energy portfolio, and the downstream impact on businesses that support that sector, especially in the Gulf Coast Region;
- the risk that our enterprise risk management framework may not identify or address risks adequately, which may result in unexpected losses;
- the impact of the MidSouth transaction, the trust and asset management transaction or future business combinations on our performance and financial condition including our ability to successfully integrate the businesses;
- deposit trends;
- credit quality trends;
- changes in interest rates;
- net interest margin trends;
- future expense levels;
- success of revenue-generating initiatives;
- the effectiveness of derivative financial instruments and hedging activities to manage risks;
- risks related to our reliance on third parties to provide key components of our business infrastructure, including the risks related to disruptions in services or financial difficulties of a third-party vendor;
- risks related to the ability of our operational framework to manage risks associated with our business such as credit risk and operation risk, including third-party vendors and other service providers, which could among other things, result in a breach of operating or security systems as a result of a cyber-attack or similar act;
- projected tax rates;
- future profitability;
- purchase accounting impacts, such as accretion levels;
- our ability to identify and address potential cybersecurity risks, including data security breaches, credential stuffing, malware, "denial-of-service" attacks, "hacking" and identify theft, a failure of which could disrupt our business and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information, disruption or damage to our systems, increased costs, losses, or adverse effects to our reputation;
- our ability to receive dividends from Hancock Whitney Bank could affect our liquidity, including our ability to pay dividends or take other capital actions;
- the impact on our financial results, reputation, and business if we are unable to comply with all applicable federal and state regulations or other supervisory actions or directives and any necessary capital initiatives;
- our ability to effectively compete with other traditional and non-traditional financial services companies, some of whom possess greater financial resources than we do or are subject to different regulatory standards than we are;
- our ability to maintain adequate internal controls over financial reporting;
- potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation, regulatory proceedings and enforcement actions;
- the financial impact of future tax legislation;

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- changes in laws and regulations affecting our businesses, including legislation and regulations relating to bank products and services, as well as changes in the enforcement and interpretation of such laws and regulations by applicable governmental and self-regulatory agencies, which could require us to change certain business practices, increase compliance risk, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses; and
- other risks and risk factors described in Item 1A. “Risk Factors” herein and those identified from time to time in reports we file with the SEC.

Also, any statement that does not describe historical or current facts is a forward-looking statement. These statements often include the words “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “forecast,” “goals,” “targets,” “initiatives,” “focus,” “potentially,” “probably,” “projects,” “outlook” or similar expressions or future conditional verbs such as “may,” “will,” “should,” “would,” and “could.” Forward-looking statements are based upon the current beliefs and expectations of management and on information currently available to management. Our statements speak as of the date hereof, and we do not assume any obligation to update these statements or to update the reasons why actual results could differ from those contained in such statements in light of new information or future events. 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. We do not intend, and undertake 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.

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ITEM 1. BUSINESS

ORGANIZATION

Hancock Whitney Corporation is a financial services company 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 to engage in financial activities. The Company, headquartered in Gulfport, Mississippi, provides comprehensive financial services through its bank subsidiary, Hancock Whitney Bank (the “Bank”), a Mississippi state bank, and other bank and nonbank affiliates.

At December 31, 2019, our balance sheet had grown to \$30.6 billion, with loans totaling \$21.2 billion and deposits totaling \$23.8 billion, and we had 4,136 employees on a full time equivalent basis.

NATURE OF BUSINESS AND MARKETS

The Bank offers a broad range of traditional and online banking services to commercial, small business and retail customers, providing a variety of transaction and savings deposit products, treasury management 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 offer other services through bank and nonbank subsidiaries. Our nonbank subsidiary of the holding company, Hancock Whitney Investment Services, Inc., provides investment brokerage services, annuity and life insurance products, and participates in select underwriting transactions, primarily for banking clients with which we have an existing relationship. Our bank’s subsidiaries Hancock Whitney Equipment Finance, LLC and Hancock Whitney Equipment Finance and Leasing, LLC, provide commercial finance products to middle market and corporate clients, including loans, leases and related structures. We have other subsidiaries of the bank for purposes such as facilitating investments in new market tax credit activities and holding certain foreclosed assets.

We operate primarily in the Gulf South region of the U.S., comprised of southern Mississippi; southern and central Alabama; southern, central and northwest Louisiana; the northern, central, and panhandle regions of Florida; and certain areas of east and northeast Texas, including the Houston, Beaumont and Dallas areas, among others. We also operate a loan production office in Nashville, Tennessee and separate trust and investment management offices in Texas, New York and New Jersey.

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

Some of the most common forms of commerce along the Gulf Coast and other areas we serve are energy and related services, petrochemical refining, military and government related activities, educational and medical complexes, transportation services and port facilities, tourism and gaming.

Our priority is to grow revenue in our existing markets with controlled expenses while providing five-star service through enhanced technology and processes that make banking simpler for our clients. We have and will continue to invest in promoting new and enhanced products that contribute to the goals of continuing to diversify our sources of revenue and increasing core deposit funding. Our September 2019 acquisition of MidSouth Bancorp, Inc. strengthened our footprint in some of our existing markets and provided entry into new markets in Louisiana and Texas. 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.

Additional information regarding the Company and the Bank is available at <https://www.hancockwhitney.com> using 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, small and middle market businesses, and 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. 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. We continually work to ensure consistency of the 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 position the Bank to meet the credit needs of businesses and consumers in the markets we serve while pursuing a balanced strategy of loan profitability, growth and credit quality.

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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 lending and credit review approach. Our underwriting standards address the following criteria:

- 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, our loan concentration policy sets limits and manages our exposures within specified concentration tolerances, including those to particular borrowers, foreign entities, industries, and property types for commercial real estate. This policy sets standards 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, health care and energy-related loans to ensure the mix is consistent with our risk tolerance. We define concentration as the total of funded and unfunded commitments as a percentage of total Bank capital (as defined for risk-based capital ratios). Portfolio segment concentrations (shown as a percentage of risk-based capital) as of December 31, 2019 are as follows:

Portfolio Segment Concentrations

- Commercial non-real estate — 451%
- Commercial real estate - owner occupied — 118%
- Commercial real estate-income producing and construction — 166%
- Residential mortgage — 122%
- Consumer real estate secured — 80%
- Consumer other — 64%

The following details the more significant industry concentrations for commercial non-real estate and owner occupied real estate included above (shown as a percentage of risk-based capital) as of December 31, 2019:

Significant Industry Concentrations

- Manufacturing — 56%
- Healthcare and social service — 49%
- Construction — 48%
- Real estate — 47%
- Mining, oil and gas — 46%
- Finance and insurance — 43%
- Wholesale trade – 42%
- Retail trade – 40%
- Transportation and warehousing — 36%
- Professional, scientific and technology services — 30%
- Government and public administration – 26%

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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 sizes of loans and relationships must be approved by either one of the Bank's centralized underwriting units or by Regional or Senior Regional Commercial Credit Officers, either individually or jointly with either the Chief Credit Officer or Chief Credit Approval Officer, depending upon the overall size of the borrowing relationship.

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 timely debt service payments, 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 timely debt service payments 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.

The following briefly describes the composition of our loan portfolio by segment:

Commercial and industrial

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 and industrial loans are made available to businesses for working capital (including financing of inventory and receivables), business expansion, to facilitate the acquisition of a business, and the purchase of equipment and machinery, including equipment leasing.

Commercial non-real estate loans may be secured by the assets being financed or other tangible or intangible business assets such as accounts receivable, inventory, enterprise value, or commodity interests, 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. Asset-based loans, such as accounts receivables and commodity interest secured loans, may have limits on borrowing that are based on the collateral values. 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.

Commercial real estate – owner occupied loans consist of commercial mortgages on properties where repayment is generally dependent on the cash flow from the ongoing operations and activities of the borrower. Like commercial non-real estate, these loans are primarily made based on the identified cash flows of the borrower, but also have the added strength of the value of underlying real estate collateral.

Commercial real estate – income producing

Commercial real estate – income producing loans consist of loans secured by commercial mortgages on properties where the loan is made to real estate developers or investors and repayment is dependent on the sale, refinance or income generated from the operation of the property. Properties financed include retail, office, multifamily, senior housing, hotel/motel, skilled nursing facilities and other commercial properties.

Repayment of commercial real estate – income producing loans is generally dependent on the successful operation of the 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 commercial real estate – income producing portfolios are diverse in terms of type and geographic location. We monitor and evaluate these loans based on collateral, geography and risk grade criteria. This portfolio has experienced minimal losses in the last few years; however, past experience has shown that commercial real estate conditions can be volatile, so we actively monitor concentrations within this portfolio segment.

Construction and land development

Construction and land development loans are made to facilitate the acquisition, development, improvement and construction of both commercial and residential-purpose properties. Such loans are made to builders and investors where repayment is expected to be made from the sale, refinance or operation of the property or to businesses to be used in their business operations.

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

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interest rate changes, governmental regulation of real property, general economic conditions, and the availability of long-term financing to repay the construction loan in full.

Owner occupied loans for the development and improvement of real property to commercial customers to be used in their business operations are underwritten subject to normal commercial and industrial credit standards and are generally subject to project tracking processes, similar to those required for commercial real estate – income producing loans.

This portfolio also includes residential construction loans and loans secured by raw land not yet under development.

Residential Mortgages

Residential mortgages consist of closed-end loans secured by first liens on 1- 4 family residential properties. The portfolio includes both fixed and adjustable rate loans, although most longer-term, fixed-rate loans originated are sold in the secondary mortgage market. 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 lien mortgage home loans, home equity lines of credit and nonresidential consumer purpose loans. Nonresidential consumer loans include both direct and indirect loans. Direct nonresidential 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. Indirect nonresidential loans include automobile financing provided to the consumer through an agreement with automobile dealerships. Consumer loans also include a small portfolio of credit card receivables issued on the basis of applications received through referrals from the Bank's branches, online 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. Consideration is also given to whether the borrower is located in the Bank's primary market areas.

Securities Portfolio

The investment portfolio primarily consists of U.S. agency debt securities, U.S. agency mortgage-related securities and obligations of states and municipalities classified as either available for sale or held to maturity. We consider the available for sale portfolio as one of many sources of liquidity available to fund our operations. Investments are made in accordance with an investment policy approved by the Board Risk Committee. 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 organization. The investment portfolio is tested monthly 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 and a half years.

A significant portion of the securities portfolio is used to secure certain deposits and other liabilities requiring collateralization. We limit the percentage of securities that can be pledged in order to keep a portion of securities available to support liquidity. The securities portfolio can also be pledged to increase our line of credit available at the Federal Home Loan Bank (FHLB) of Dallas, although we have not had to do so historically.

The investments subcommittee of the asset/liability committee (ALCO) is responsible for the oversight, monitoring and 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. Interest paid on deposits represents the largest component of our interest expense. 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 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

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flows are controlled 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.

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 strategies 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 and Federal Home Loan Bank letters of credit. 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 than other core deposits because they tend to be price sensitive and have large 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.

Brokered deposits of \$166 million at December 31, 2019 represent less than 1% of total deposits. Brokered deposits are 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 deposit 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"), the Bank may continue to accept brokered deposits as long as it is 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. At December 31, 2019, the trust department of the Bank had approximately \$24.1 billion of assets under administration, comprised of investment management and investment advisory agency accounts of \$5.9 billion and other custody and safekeeping accounts of \$9.0 billion, corporate trust accounts of \$3.9 billion, and personal, employee benefit, estate and other trust accounts totaling \$5.2 billion.

COMPETITION

The financial services industry is highly competitive in our market areas. The principal factors in the competition 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, securities brokerage firms, mutual funds and insurance companies, and other financial and non-financial institutions offering similar products.

AVAILABLE INFORMATION

We make available free of charge, on or through our investor relations website www.hancockwhitney.com/investors, 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. 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. We include our website address throughout this filing only as textual references. The information contained on our website is not incorporated in this document by reference.

Also available on our investor relations website are our corporate governance documents, including Corporate Governance Guidelines, Code of Business Ethics for Officers and Associates, Whistleblower Policy, Code of Ethics for Financial Officers, Code of Ethics for Directors and Committee Charting. These documents are also available in print to any stockholder who requests a copy.

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SUPERVISION AND REGULATION

Bank holding companies and banks are extensively regulated under federal and state law. This discussion is a summary and is qualified in its entirety by reference to the particular statutory and regulatory provisions described below and is not intended to be an exhaustive description of the statutes or regulations applicable to the Company or the Bank.

Changes in laws and regulations may alter the structure, regulation and competitive relationships of financial institutions. In addition, bank regulatory agencies may issue enforcement actions, policy statements, interpretive letters and similar written guidance applicable to us or the Bank. It cannot be predicted whether and in what form new laws and regulations, or interpretations thereof, may be adopted or the extent to which the business of the Company and the Bank may be affected thereby, but they may have a material adverse effect on our business, operations, and earnings.

Supervision, regulation, and examination of the Company, the Bank, and our respective subsidiaries by the appropriate regulatory agencies, as described herein, are intended primarily for the protection of consumers, bank depositors and the Deposit Insurance Fund (“DIF”) of the FDIC, and the U.S. banking and financial system, rather than holders of our capital stock.

Bank Holding Company Regulation

The Company is subject to extensive supervision and 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”). We are required to file with the Federal Reserve periodic reports and such other information as the Federal Reserve may request. Ongoing supervision is provided through regular examinations by the Federal Reserve and other means that allow the regulators to gauge management’s ability to identify, assess and control risk in all areas of operations in a safe and sound manner and to ensure compliance with laws and regulations. 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, and to supervision by the Mississippi Department of Consumer Finance (the “MDBCF”). The Federal Reserve may also examine our non-bank subsidiaries. Various federal and state bodies regulate and supervise our brokerage, investment advisory and insurance agency operations. These include, but are not limited to, the SEC, the Financial Industry Regulatory Authority (“FINRA”), federal and state banking regulators and various state regulators of insurance and brokerage activities.

Violations of laws and regulations, or other unsafe and unsound practices, may result in regulatory agencies imposing fines or penalties, cease and desist orders, or taking other enforcement actions. Under certain circumstances, these agencies may enforce these remedies directly against officers, directors, employees and other parties participating in the affairs of a bank or bank holding company. Under federal and state laws and regulations pertaining to the safety and soundness of insured depository institutions, federal and state banking regulators have the authority to compel or restrict certain actions on our part if they determine that we have insufficient capital or other resources, or are otherwise operating in a manner that may be deemed to be inconsistent with safe and sound banking practices. Under this authority, our bank regulators can require us or our subsidiaries to enter into informal or formal supervisory agreements, including board resolutions, memoranda of understanding, written agreements and consent or cease and desist orders, pursuant to which we would be required to take identified corrective actions to address cited concerns and to refrain from taking certain actions.

If we become subject to and are unable to comply with the terms of any future regulatory actions or directives, supervisory agreements, or orders, then we could become subject to additional, heightened supervisory actions and orders, possibly including consent orders, prompt corrective action restrictions and/or other regulatory actions, including prohibitions on the payment of dividends on our common stock and preferred stock. If our regulators were to take such additional supervisory actions, then we could, among other things, become subject to significant restrictions on our ability to develop any new business, as well as restrictions on our existing business, and we could be required to raise additional capital, dispose of certain assets and liabilities within a prescribed period of time, or both. The terms of any such supervisory action could have a material negative effect on our business, reputation, operating flexibility, financial condition, and the value of our common stock and preferred stock.

Activity Limitations. 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. Bank holding companies generally are limited to the business of banking, managing or controlling banks, and other activities that the Federal Reserve determines to be closely related to banking, or managing or controlling banks as to be a proper incident thereto. Bank holding companies are prohibited from acquiring or obtaining control of more than five percent (5%) of the outstanding voting interests of any company that engages in activities other than those activities permissible for bank holding companies. Examples of activities that the Federal Reserve has determined to be permissible are making, acquiring, brokering, 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 other insurance products in certain locations; and performing certain insurance underwriting activities. The Bank Holding Company Act does not place geographic limits on permissible non-banking 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.

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As a financial holding company, we are permitted to engage directly or indirectly in a broader range of activities than those permitted for a bank holding company that has not elected to be a financial holding company. Financial holding companies may also engage in activities that are considered to be financial in nature, as well as those incidental or, if determined by the Federal Reserve, complementary to financial activities. We and the Bank must each remain “well-capitalized” and “well-managed” and the Bank must receive a Community Reinvestment Act (“CRA”) rating of at least “Satisfactory” at its most recent examination in order for us to maintain our status as a financial holding company. If the Company or the Bank ceases to be “well capitalized” or “well managed” under applicable regulatory standards, or if the Bank receives a rating of less than satisfactory under the CRA, the Federal Reserve Board may, among other things, place limitations on our ability to conduct these broader financial activities or, if the deficiencies persist, require us to divest the banking subsidiary or the businesses engaged in activities permissible only for financial holding companies.

In addition, the Federal Reserve has the power to order a bank holding company or its subsidiaries to terminate any nonbanking activity or terminate its ownership or control of any nonbank subsidiary, when it has reasonable cause to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that bank holding company. As further described below, each of the Company and the Bank is well-capitalized under applicable regulatory standards as of December 31, 2019, and the Bank has a rating of “Satisfactory” in its most recent CRA evaluation.

Source of Strength Obligations. A bank holding company is required to act as a source of financial and managerial strength to its subsidiary bank and to maintain resources adequate to support its bank. The term “source of financial strength” means the ability of a company, such as us, that directly or indirectly owns or controls an insured depository institution, such as the Bank, to provide financial assistance to such insured depository institution in the event of financial distress. The appropriate federal banking agency for the depository institution (in the case of the Bank, this agency is the FDIC) may require reports from us to assess our ability to serve as a source of strength and to enforce compliance with the source of strength requirements by requiring us to provide financial assistance to the Bank in the event of financial distress. If we were to enter bankruptcy or become subject to the orderly liquidation process established by the Dodd-Frank Act, any commitment by us to a federal bank regulatory agency to maintain the capital of the Bank would be assumed by the bankruptcy trustee or the FDIC, as appropriate, and entitled to a priority of payment. In addition, the FDIC provides that any insured depository institution generally will be liable for any loss incurred by the FDIC in connection with the default of, or any assistance provided by the FDIC to, a commonly controlled insured depository institution. The Bank is an FDIC-insured depository institution and thus subject to these requirements.

Acquisitions. 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 five percent (5%) of the voting shares of such bank, (2) acquires all of the assets of a bank, or (3) merges with any other bank holding company. In reviewing a proposed covered acquisition, among other factors, the Federal Reserve considers (1) the financial and managerial resources of the companies involved, including pro forma capital ratios; (2) the risk to the stability of the United States banking or financial system; (3) the convenience and needs of the communities to be served, including performance under the CRA; and (4) the effectiveness of the companies in combatting money laundering. The Federal Reserve also reviews any indebtedness to be incurred by a bank holding company in connection with a proposed acquisition to ensure that the bank holding company can service such indebtedness without adversely affecting its ability to serve as a source of strength to its bank subsidiaries. Well capitalized and well managed bank holding companies are permitted 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, 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. Federal banking regulators are also required to take into account compliance with the CRA in evaluating any proposal for interstate bank acquisitions.

Change in Control. Federal law restricts the amount of voting stock of a bank holding company or a bank that a person may acquire without the prior approval of banking regulators. Under the federal Change in Bank Control Act and the regulations thereunder, a person or group must give advance notice to and obtain approval from the Federal Reserve before acquiring control of any bank holding company, such as the Company. The Change in Bank Control Act creates a rebuttable presumption of control if a member or group acquires a certain percentage or more of a bank holding company’s voting stock. As a result, a person or entity generally must provide prior notice to the Federal Reserve before acquiring the power to vote 10% or more of our outstanding common stock. The overall effect of such laws is to make it more difficult to acquire a bank holding company by tender offer or similar means than it might be to acquire control of another type of corporation. Consequently, shareholders of the Company may be less likely to benefit from the rapid increases in stock prices that may result from tender offers or similar efforts to acquire control of other companies. Investors should be aware of these requirements when acquiring shares of our stock.

Anti-tying rules. A bank holding company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with extensions of credit, leases or sales of property, or furnishing of services.

Volcker Rule. The Volcker Rule generally prohibits us and our subsidiaries from (i) engaging in proprietary trading for our own account, and (ii) acquiring or retaining an ownership interest in or sponsoring a “covered fund,” all subject to certain exceptions. The Volcker Rule also specifies certain limited activities in which we and our subsidiaries may continue to engage, and required us to

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implement a compliance program. On October 8, 2019, the federal banking agencies issued changes to the Volcker Rule intended to simplify compliance with the Rule's "proprietary trading" restrictions. Under the revised rules, firms that do not have significant trading activities will have simplified and streamlined compliance requirements, while firms with significant trading activity will have more stringent compliance requirements. The revisions continue to prohibit proprietary trading, while providing greater clarity and certainty for activities allowed under the law. With the changes, the agencies expect that the universe of trades that are considered prohibited proprietary trading will remain generally the same as under the agencies' 2013 rule. The rules will be effective on January 1, 2020, with a compliance date of January 1, 2021.

Capital Requirements

The Company and the Bank are required under federal law to maintain certain minimum capital levels based on ratios of capital to total assets and capital to risk-weighted assets. The required capital ratios are minimums, and the federal banking agencies may determine that a banking organization, based on its size, complexity or risk profile, must maintain a higher level of capital in order to operate in a safe and sound manner. Risks such as concentration of credit risks and the risk arising from non-traditional activities, as well as the institution's exposure to a decline in the economic value of its capital due to changes in interest rates, and an institution's ability to manage those risks are important factors that are to be taken into account by the federal banking agencies in assessing an institution's overall capital adequacy. The following is a brief description of the relevant provisions of these capital rules and their potential impact on our capital levels.

The Company and the Bank are subject to the following risk-based capital ratios: a common equity Tier 1 ("CET1") risk-based capital ratio, a Tier 1 risk-based capital ratio, which includes CET1 and additional Tier 1 capital, and a total capital ratio, which includes Tier 1 and Tier 2 capital. CET1 is primarily comprised of the sum of common stock instruments and related surplus net of treasury stock, retained earnings, and certain qualifying minority interests, less certain adjustments and deductions, including with respect to goodwill, intangible assets, mortgage servicing assets and deferred tax assets subject to temporary timing differences. Additional Tier 1 capital is primarily comprised of noncumulative perpetual preferred stock, tier 1 minority interests and grandfathered trust preferred securities. Tier 2 capital consists of instruments disqualified from Tier 1 capital, including qualifying subordinated debt, other preferred stock and certain hybrid capital instruments, and a limited amount of loan loss reserves up to a maximum of 1.25% of risk-weighted assets, subject to certain eligibility criteria. The capital rules also define the risk-weights assigned to assets and off-balance sheet items to determine the risk-weighted asset components of the risk-based capital rules, including, for example, certain "high volatility" commercial real estate, past due assets, structured securities and equity holdings.

The leverage capital ratio, which serves as a minimum capital standard, is the ratio of Tier 1 capital to quarterly average assets net of goodwill, certain other intangible assets, and certain required deduction items. The required minimum leverage ratio for all banks and bank holding companies is 4%.

In addition, effective January 1, 2019, the capital rules required a capital conservation buffer of CET1 capital of 2.5% above each of the minimum capital ratio requirements (CET1, Tier 1, and total risk-based capital), which is designed to absorb losses during periods of economic stress. These buffer requirements must be met for a bank or bank holding company to be able to pay dividends, engage in share buybacks or make discretionary bonus payments to executive management without restriction.

Failure to be well-capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our operations or financial condition. For example, only a well-capitalized depository institution may accept brokered deposits without prior regulatory approval. Failure to be well-capitalized or to meet minimum capital requirements could also result in restrictions on the Company's or the Bank's ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications or other restrictions on its growth.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), among other things, requires the federal bank regulatory agencies to take "prompt corrective action" regarding depository institutions that do not meet minimum capital requirements. FDICIA establishes five regulatory capital tiers: "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized", and "critically undercapitalized". A depository institution's capital tier will depend upon how its capital levels compare to various relevant capital measures and certain other factors, as established by regulation. FDICIA generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. FDICIA imposes progressively more restrictive restraints on operations, management and capital distributions, depending on the category in which an institution is classified. Undercapitalized depository institutions are subject to restrictions on borrowing from the Federal Reserve System. In addition, undercapitalized depository institutions may not accept brokered deposits absent a waiver from the FDIC, are subject to growth limitations and are required to submit capital restoration plans for regulatory approval. A depository institution's holding company must guarantee any required capital restoration plan, up to an amount equal to the lesser of 5 percent of the depository institution's assets at the time it becomes undercapitalized or the amount of the capital deficiency when the institution fails to comply with the plan. Federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. All of the federal bank regulatory agencies have

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adopted regulations establishing relevant capital measures and relevant capital levels for federally insured depository institutions. The Bank was well capitalized at December 31, 2019, and brokered deposits are not restricted.

To be well-capitalized, the Bank must maintain at least the following capital ratios:

- 6.5% CET1 to risk-weighted assets;
- 8.0% Tier 1 capital to risk-weighted assets;
- 10.0% Total capital to risk-weighted assets; and
- 5.0% leverage ratio.

The Federal Reserve has not yet revised the well-capitalized standard for bank holding companies to reflect the higher capital requirements imposed under the current capital rules. For purposes of the Federal Reserve's Regulation Y, including determining whether a bank holding company meets the requirements to be a financial holding company, bank holding companies, such as the Company, must maintain a Tier 1 risk-based capital ratio of 6.0% or greater and a total risk-based capital ratio of 10.0% or greater to be well-capitalized. If the Federal Reserve were to apply the same or a very similar well-capitalized standard to bank holding companies as that applicable to the Bank, the Company's capital ratios as of December 31, 2019 would exceed such revised well-capitalized standard. Also, the Federal Reserve may require bank holding companies, including the Company, to maintain capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and a bank holding company's particular condition, risk profile and growth plans.

In 2019, the Company's and the Bank's regulatory capital ratios are above the applicable well-capitalized standards and met the capital conservation buffer requirements. Based on current estimates, we believe that the Company and the Bank will continue to exceed all applicable well-capitalized regulatory capital requirements and the capital conservation buffer in 2020. Risk-based capital ratios and the leverage capital ratio at December 31, 2019 under currently applicable capital adequacy rules for the Company and the Bank were as follows:

	Minimum		Well-Capitalized Under Prompt Corrective Action*	Minimum Capital Plus Capital Conservation Buffer		Company		Bank
Tier 1 leverage capital ratio	4.00	%	5.00	N/A	%	8.76	%	8.96 %
Risk-based capital ratios								
Common Equity Tier 1 capital	4.50	%	6.50	7.00	%	10.50	%	10.74 %
Tier 1 capital	6.00	%	8.00	8.50	%	10.50	%	10.74 %
Total risk-based capital (Tier 1 plus Tier 2)	8.00	%	10.00	10.50	%	11.90	%	11.53 %

*Applies to Bank

In December 2018, the federal banking agencies issued a joint final rule to revise their regulatory capital rules to address the implementation of Accounting Standards Update No. 2016-13, "Current Expected Credit Losses," commonly referred to as CECL, effective January 1, 2020 for the Bank and Company. The final rule allows for an optional three-year phase-in period for the day-one adverse regulatory capital effects that banking organizations are expected to experience upon adopting CECL. The Company has elected to use the optional three-year phase in method and has sufficient capital to cover the day one impact of CECL. See further discussion of CECL and the impact of adoption in Note 1 – Summary of Significant Accounting Policies and Recent Accounting Pronouncements in Item 8 – "Financial Statements and Supplementary Data" of this document.

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Payment of Dividends

Hancock Whitney Corporation is a legal entity separate and distinct from Hancock Whitney Bank and other subsidiaries. Its primary source of cash, other than securities offerings, is dividends from the Bank. Under the Federal Deposit Insurance Act, no dividends may be paid by an insured bank if the bank is in arrears in the payment of any insurance assessment due to the FDIC. The payment of dividends by the Bank may also be affected by other regulatory requirements and policies, such as the maintenance of adequate capital. If, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in, or is about to engage in, an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice. The FDIC has formal and informal policies which provide that insured banks should generally pay dividends only out of current operating earnings.

Under a Federal Reserve policy adopted in 2009, the board of directors of a bank holding company must consider certain factors to ensure that its dividend level is prudent relative to maintaining a strong financial position, and is not based on overly optimistic earnings scenarios, such as potential events that could affect its ability to pay, while still maintaining a strong financial position. As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company should consult with the Federal Reserve and eliminate, defer or significantly reduce the bank holding company's dividends if:

- its net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends;
- its prospective rate of earnings retention is not consistent with its capital needs and overall current and prospective financial condition; or
- it will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

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. Violations of laws and regulations, or other unsafe and unsound practices, may result in these agencies imposing fines or penalties, cease and desist orders, or taking other enforcement actions. Under certain circumstances, these agencies may enforce these remedies directly against officers, directors, employees and other parties participating in the affairs of a bank or bank holding company.

Safety and Soundness. The Federal Deposit Insurance Act requires the federal prudential bank regulatory agencies, such as the FDIC, to prescribe, by regulation or guideline, operational and managerial standards for all insured depository institutions relating to: (1) internal controls; (2) information systems and audit systems; (3) loan documentation; (4) credit underwriting; (5) interest rate risk exposure; and (6) asset quality. The agencies also must prescribe standards for asset quality, earnings, and stock valuation, as well as standards for compensation, fees and benefits. The federal banking agencies have adopted regulations and Interagency Guidelines Establishing Standards for Safety and Soundness to implement these required standards. These guidelines set forth the safety and soundness standards used to identify and address problems at insured depository institutions before capital becomes impaired. Under the regulations, if a regulator determines that a bank fails to meet any standards prescribed by the guidelines, the regulator may require the bank to submit an acceptable plan to achieve compliance, consistent with deadlines for the submission and review of such safety and soundness compliance plans.

Examinations. The Bank is subject to regulation, reporting, and periodic examinations by the FDIC, the Mississippi Department of Banking and Consumer Finance (the "MDBCFC"), and the CFPB. 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. The FDIC has adopted the Federal Financial Institutions Examination Council's ("FFIEC") rating system and assigns each financial institution a confidential composite rating based on an evaluation and rating of six essential components of an institution's financial condition and operations, including Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk ("CAMELS"), as well as the quality of risk management practices.

Consumer Protection. The Dodd-Frank Act established the CFPB, an independent regulatory authority housed within the Federal Reserve having centralized authority, including examination and enforcement authority, for consumer protection in the banking industry. The CFPB has rule writing, examination, and enforcement authority with regard to the Bank's (and the Company's) compliance with a wide array of consumer financial protection laws, including the Truth in Lending Act, the Real Estate Settlement Procedures Act, 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

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Collection Practices Act, and the Gramm-Leach-Bliley Act (sections 502 through 509 relating to privacy), among others. The CFPB has broad authority to enforce a prohibition on unfair, deceptive, or abusive acts and practice. The Bank is subject to direct supervision and examination by the CFPB. The CFPB also may examine our other direct or indirect subsidiaries that offer consumer financial products or services. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the CFPB, and state attorneys general are permitted to enforce consumer protection rules adopted by the CFPB against certain institutions.

Branching. 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.

Deposit Insurance Assessments. The Deposit Insurance Fund (“DIF”) of the FDIC insures the deposits of the Bank generally up to a maximum of \$250,000 per depositor, per insured bank, for each account ownership category. The FDIC charges insured depository institutions quarterly premiums to maintain the DIF. Deposit insurance assessments are based on average total consolidated assets minus its average tangible equity. For larger institutions, such as the Bank, the FDIC uses a performance score and a loss-severity score to calculate an initial assessment. In calculating these scores, the FDIC uses a bank’s capital level and supervisory ratings (its “CAMELS ratings”) and certain financial measures to assess the institution’s ability to withstand asset-related stress and funding-related stress. The FDIC has the ability to make discretionary adjustments to the total score based upon significant risk factors that are not adequately captured in the calculations. The assessment rate schedule can change from time to time, at the discretion of the FDIC, subject to certain limits.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. The Bank does not believe that it is taking or is subject to any action, condition or violation that could lead to termination of its deposit insurance. In addition, the Federal Deposit Insurance Act provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution, including those of the parent bank holding company.

Insider Transactions. In addition to regulating capital, federal banking agencies have broad authority to prevent the development or continuance of unsafe or unsound banking practices. Pursuant to this authority, the Federal Reserve 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.

Mergers, Subsidiaries. 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.

Reserves. 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). These reserve requirements are subject to annual adjustment by the Federal Reserve.

Anti-Money Laundering. Under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (“USA PATRIOT”) Act of 2001, financial institutions are subject to prohibitions against specified financial transactions and account relationships as well as enhanced due diligence and “know your customer” standards in their dealings with foreign financial institutions and foreign customers. The USA PATRIOT Act requires financial institutions to establish anti-money laundering programs with minimum standards that include:

- a system of internal policies, procedures, and controls to ensure ongoing compliance;
- the designation of an individual responsible for coordinating and monitoring compliance;
- an ongoing employee training program;
- an independent audit function to test the programs; and
- appropriate risk-based procedures for conducting ongoing customer due diligence.

Bank regulators routinely examine institutions for compliance with these anti-money laundering obligations and recently have been active in imposing “cease and desist” and other regulatory orders and money penalty sanctions against institutions found to be in violation of these requirements. In addition, the Financial Crimes Enforcement Network has adopted new regulations that became effective on May 11, 2018, that require, subject to certain exclusions and exemptions, covered financial institutions to identify and verify the identity of beneficial owners of legal entity customers.

Economic Sanctions. The Office of Foreign Assets Control (“OFAC”) is responsible for helping to ensure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and acts of Congress. OFAC publishes,

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and routinely updates, lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts, including the Specially Designated Nationals and Blocked Persons List. If we find a name on any transaction, account or wire transfer that is on an OFAC list, we must undertake certain specified activities, which could include blocking or freezing the account or transaction requested, and we must notify the appropriate authorities.

Concentrations in Lending. During 2006, the federal bank regulatory agencies released guidance on “Concentrations in Commercial Real Estate Lending” (the “Guidance”) and advised financial institutions of the risks posed by CRE lending concentrations. The Guidance requires that appropriate processes be in place to identify, monitor and control risks associated with real estate lending concentrations. Higher allowances for loan losses and capital levels may also be required. The Guidance is triggered when CRE loan concentrations exceed either:

- Total reported loans for construction, land development, and other land of 100% or more of a bank’s total risk based capital; or
- Total reported loans secured by multifamily and nonfarm nonresidential properties and loans for construction, land development, and other land of 300% or more of a bank’s total risk based capital.

The Guidance also applies when a bank has a sharp increase in CRE loans or has significant concentrations of CRE secured by a particular property type.

Community Reinvestment Act. The Bank is subject to the provisions of the CRA, which imposes a continuing and affirmative obligation, consistent with their safe and sound operation, to help meet the credit needs of entire communities where the bank accepts deposits, including low- and moderate-income neighborhoods. The FDIC’s assessment of the Bank’s CRA record is made available to the public. Further, a less than satisfactory CRA rating will slow, if not preclude, expansion of banking activities and prevent a company from becoming or remaining a financial holding company. Federal CRA regulations require, among other things, that evidence of discrimination against applicants on a prohibited basis, and illegal or abusive lending practices be considered in the CRA evaluation. The Bank has a rating of “Satisfactory” in its most recent CRA evaluation.

Consumer Regulation. Activities of the Bank are subject to a variety of statutes and regulations designed to protect consumers. These laws and regulations include, among numerous other things, provisions that:

- limit the interest and other charges collected or contracted for by the Bank, including rules respecting the terms of credit cards and of debit card overdrafts;
- govern the Bank’s disclosures of credit terms to consumer borrowers;
- require the Bank to provide information to enable the public and public officials to determine whether it is fulfilling its obligation to help meet the housing needs of the communities it serves;
- prohibit the Bank from discriminating on the basis of race, creed or other prohibited factors when it makes decisions to extend credit;
- govern the manner in which the Bank may collect consumer debts; and
- prohibit unfair, deceptive or abusive acts or practices in the provision of consumer financial products and services.

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, comply with integrated mortgage disclosure rules, and follow specific rules regarding the compensation of loan originators and the servicing of residential mortgage loans.

Risk-retention rules. Banks that sponsor the securitization of asset-backed securities are generally required to retain not less than 5% of the credit risk of any loan they securitize, except for residential mortgages that meet certain low-risk standards.

Transactions with affiliates. 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, banks are subject to certain restrictions under Section 23A and B of the Federal Reserve Act on certain transactions, including any extension of credit to its bank holding company or any of its other affiliates, on investments in the securities thereof, and on the taking of such securities as collateral for loans to any borrower.

Privacy, Credit Reporting and Cybersecurity. The Bank is subject to federal and state banking regulations that limit its ability to disclose non-public information about consumers to non-affiliated third parties and prescribe standards for the protection of consumer information. These limitations require us to periodically disclose our privacy policies to consumers and allow consumers to prevent disclosure of certain personal information to a non-affiliated third party under certain circumstances. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services. Banking institutions are required to implement a comprehensive information

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security program that includes administrative, technical, and physical safeguards to ensure the security and confidentiality of customer records and information, as well as maintain procedures for notifying customers in the event of a security breach. These security and privacy policies and procedures for the protection of confidential and personal information are in effect across our lines of business. The Company has adopted and implemented our Comprehensive Information Security Policy to comply with these federal requirements.

The Bank uses credit bureau data in underwriting activities. Use of such data is regulated under the Fair Credit Reporting Act and Regulation V on a uniform, nationwide basis, including credit reporting, prescreening, and sharing of information between affiliates and the use of credit data. The Fair and Accurate Credit Transactions Act, which amended the Fair Credit Reporting Act, permits states to enact identity theft laws that are not inconsistent with the conduct required by the provisions of that Act.

Furthermore, the federal banking regulators regularly issue guidance regarding cybersecurity intended to enhance cyber risk management. A financial institution is expected to implement multiple lines of defense against cyber-attacks and ensure that their risk management procedures address the risk posed by potential cyber threats. A financial institution is further expected to maintain procedures to effectively respond to a cyber-attack and resume operations following any such attack. The Company has adopted and implemented an Information Security Program to comply with the regulatory cybersecurity guidance.

Debit Interchange Fees. Interchange 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 arrangements requiring that debit card transactions be processed on a single network or only two affiliated networks, and allows merchants to determine transaction routing.

Nonbanking Subsidiaries

The Company's nonbanking subsidiaries may also be subject to a variety of state and federal laws. For example, Hancock Whitney Investment Services, Inc. is subject to supervision and regulation by the SEC, FINRA and the State of Mississippi.

Compensation

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, 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.

In 2016, the Federal Reserve, FDIC and SEC proposed rules that would, depending upon the assets of the institution, directly regulate incentive compensation arrangements and would require enhanced oversight and recordkeeping. As of December 31, 2019, these rules had not been implemented. We have instituted measures to ensure that our incentive compensation plans do not encourage inappropriate risks, consistent with three key principles—that incentive compensation arrangements should appropriately balance risk and financial rewards, be compatible with effective controls and risk management, and be supported by strong corporate governance.

Accounting and Controls

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. For example, we are required to comply with various corporate governance and financial reporting requirements under the Sarbanes-Oxley Act of 2002, as well as rules and regulations adopted by the SEC, the Public Company Accounting Oversight Board, and Nasdaq. In particular, we are required to include management and independent registered public accounting firm reports on internal controls over financial reporting as part of our Annual Report on Form 10-K in order to comply with Section 404 of the Sarbanes-Oxley Act. We have evaluated our controls, including compliance with the SEC rules on internal controls. The assessments of our financial reporting controls as of December 31, 2019 are included in this report under Item 9A. "Controls and Procedures." Our failure to comply with these internal control rules may materially adversely affect our reputation, ability to obtain the necessary certifications to financial statements, and the value of our securities.

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Corporate Governance

The Dodd-Frank Act addresses many investor protection, corporate governance, and executive compensation matters that affect most U.S. publicly traded companies. The Dodd-Frank Act (1) grants shareholders of U.S. publicly traded companies an advisory vote on executive compensation; (2) enhances independence requirements for Compensation Committee members; and (3) requires companies listed on national securities exchanges to adopt incentive-based compensation clawback policies for executive officers.

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.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The names, ages, positions and business experience of our executive officers as of February 24, 2020:

Name	Age	Position
John M. Hairston	56	President of the Company since 2014; Chief Executive Officer since 2008 and Chief Operating Officer from 2008 to 2014; Director since 2006.
Michael M. Achary	59	Sr. Executive Vice President since 2017; Executive Vice President from 2008 to 2016; Chief Financial Officer since 2007.
Joseph S. Exnicios	64	Sr. Executive Vice President since 2017; Executive Vice President from 2011 to 2016; President of Hancock Whitney Bank since 2011.
D. Shane Loper	54	Sr. Executive Vice President since 2017; Executive Vice President from 2008 to 2016; 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.
Stephen E. Barker	63	Executive Vice President since 2016; Senior Accounting and Finance Executive since 2019; Chief Accounting Officer since 2011.
Cecil W. Knight Jr.	56	Executive Vice President since 2016; Chief Banking Officer since 2016; President and owner of Alidade partners, LLC from 2012 to 2016.
Joy Lambert Phillips	64	Executive Vice President since 2009; Corporate Secretary since 2011; General Counsel since 1999.
Christopher S. Ziluca	58	Executive Vice President since 2018; Chief Credit Officer since 2018; Senior Vice President and Chief Credit Officer of Webster Bank from 2010 to 2018.

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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.

Our financial performance may be adversely affected by macroeconomic factors that affect the U.S. economy. Unfavorable economic conditions, particularly in the Gulf South region, 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.

Volatility in global financial markets may have a spillover effect that would ultimately impair the performance of the U.S. economy and, in turn, our results of operations and financial condition.

We are subject to lending concentration risk.

Our loan portfolio contains several industry and collateral concentrations including, but not limited to, commercial and residential real estate, energy and healthcare. Due to the exposure in these concentrations, disruptions in markets, economic conditions, changes in laws or regulations or other events could cause a significant impact on the ability of borrowers to repay and may have a material adverse effect on our business, financial condition and results of operations.

A substantial portion of our loan portfolio is secured by real estate. 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 credit 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.

At December 31, 2019, energy or energy-related loans comprised approximately 4.5% of our loan portfolio. Weakness in the oil and gas sector continues to impact many energy-related entities' profitability, liquidity and/or enterprise value. Global markets for oil and gas have and may continue to be impacted by the coronavirus pandemic and/or other events beyond our control. Further volatility in commodity prices could have a negative impact on the U.S. economy and, in particular, the economies of energy-dominant states such as Texas and Louisiana, two of our core markets. Such circumstances could have a material adverse effect on the performance of energy-related businesses and other commercial segments in these markets, and, in turn, on our financial condition and results of operations.

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.

In addition, loan originations, and potentially loan revenues, could be adversely impacted by sharply rising interest rates. If market rates of interest 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.

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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.

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. An increase in inflation could cause our operating costs related to salaries and benefits, technology, and supplies to increase at a faster pace than revenues.

Although management believes it has implemented an effective asset and liability management strategy to manage the potential effects of changes in interest rates, including the use of adjustable rate and/or short-term assets, and FHLB advances or longer term repurchase agreements, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of our operation and our strategies may not always be successful in managing the risk associated with changes in interest rates.

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

Interest rates and our financial performance are 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.

The Federal Reserve raised rates nine times during 2015-2018, and reduced rates three times in 2019. Further rate changes reportedly are dependent on the Federal Reserve's assessment of economic data as it becomes available. If interest rates continue to decline, our net interest income may decrease. In addition, a decrease in interest rates could negatively impact our margins and profitability. As the Federal Reserve Board increases the Fed Funds rate, overall interest rates have also risen, which may negatively impact the U.S. economy. Further, changes in monetary policy, including changes in interest rates, could influence (i) the amount of interest we receive on loans and securities, (ii) the amount of interest we pay on deposits and borrowings, (iii) our ability to originate loans and obtain deposits, (iv) the fair value of our assets and liabilities, and (v) the reinvestment risk associated with changes in the duration of our mortgage-backed securities portfolio. When interest-bearing liabilities reprice or mature more quickly than interest-earning assets, an increase in interest rates generally would tend to result in a decrease in net interest income.

Changes in U.S. trade policies and other factors beyond the Company's control, including the imposition of tariffs and retaliatory tariffs, may adversely impact its business, financial condition and results of operations.

In recent years, there has been discussion and dialogue regarding potential changes to U.S. trade policies, legislation, treaties and tariffs, including trade policies and tariffs affecting other countries, including China, the European Union, Canada and Mexico and retaliatory tariffs by such countries. Tariffs and retaliatory tariffs have been imposed, and additional tariffs and retaliation tariffs have been proposed. Such tariffs, retaliatory tariffs or other trade restrictions on products and materials that the Company's customers import or export, including among others, agricultural products, could cause the prices of its customers' products to increase, which could reduce demand for such products, or reduce its customer margins, and adversely impact their revenues, financial results and ability to service debt. This, in turn, could adversely affect the Company's financial condition and results of operations.

In addition, to the extent changes in the political environment have a negative impact on the Company or on the markets in which the Company operates its business, results of operations and financial condition could be materially and adversely impacted in the future. It remains unclear what the U.S. Administration or foreign governments will or will not do with respect to tariffs already imposed, additional tariffs that may be imposed, or international trade agreements and policies. A trade war or other governmental action related to tariffs or international trade agreements or policies has the potential to negatively impact the Company's and/or its customers' costs, demand for its customers' products, and/or the U.S. economy or certain sectors thereof and, thus, adversely impact the Company's business, financial condition and results of operations.

United Kingdom's exit from the European Union ("Brexit") could adversely affect financial markets generally.

The uncertainty regarding Brexit could adversely affect financial markets generally. While the Company has limited direct loans to or deposits from foreign entities, the uncertain impact of Brexit on British and European businesses, financial markets, and related businesses in the United States could also adversely affect financial markets generally. The commercial soundness of many financial institutions may be closely interrelated as a result of relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other

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institutions. The Company's business could be adversely affected directly by the default of another institution or if the financial services industry experiences significant market-wide liquidity and credit problems.

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 with 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.

We may be adversely impacted by the transition from LIBOR

In July 2017, the United Kingdom Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to USD-LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD-LIBOR and organizations are currently considering industry wide and company-specific transition plans as it relates to derivatives and cash markets exposed to USD-LIBOR.

If LIBOR ceases to exist or if the methods of calculating LIBOR change from current methods for any reason, interest rates on our floating rate obligations, loans, derivatives, and other financial instruments tied to LIBOR rates, as well as the revenue and expenses associated with those financial instruments, may be adversely affected. Any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the value of our floating rate obligations, loans, derivatives, and other financial instruments tied to LIBOR rates.

A substantial portion of our variable rate loans are indexed to LIBOR. While many of these loans contain either provisions for the designation of an alternate benchmark rate or "fallback" provisions providing for alternative rate calculations in the event LIBOR is unavailable, not all of our loans, derivatives or financial instruments contain such provisions, and the existing provisions and/or recent modifications to our documents to address transition may not adequately address the actual changes to LIBOR or the financial impact of successor benchmark rates. We may not be able to successfully amend these loans, derivatives and financial instruments to provide for alternative benchmarks or alternative rate calculations and such amendments could prove costly and may impact our ability to maintain hedge accounting treatment on certain cash flow hedges. Even with provisions allowing for designation of alternative benchmarks or "fallback" provisions, changes to or the discontinuance of LIBOR could result in customer uncertainty and disputes arising as a consequence of the transition from LIBOR. All of this could result in damage to our reputation, loss of customers and additional costs to us, all of which could be material.

Tax law and regulatory changes could adversely affect our financial condition and results of operations.

The Tax Cuts and Jobs Act enacted in 2017 provided significant changes to U.S. corporate and individual tax laws. Future changes to tax laws, including a repeal of all or part of this Act, could significantly impact our business in the form of greater than expected income tax expense. Such changes may also negatively impact the financial condition of our customers and/or overall economic conditions.

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

Congress and financial regulators may implement measures designed to stabilize financial markets in periods of disruption. The overall impact of these efforts on the financial markets may be unclear and could adversely affect our business.

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

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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 costs 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 to 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 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 credit losses may not be sufficient to cover actual credit 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, to adjust for changes in resolution strategies, or as a result of any deterioration in the quality of our loan and lease 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

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materially adversely affect our financial condition and results of operations. Future provisions for loan losses may vary materially from the amounts of past provisions.

Effective January 1, 2020, the Company was required to and has adopted Accounting Standards Update 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” (commonly referred to as Current Expected Credit Losses, or CECL) that changed the approach to recognizing credit losses from an “incurred loss” methodology. Under the incurred loss methodology, credit losses were recognized only when the losses were probable or had been incurred; under CECL, entities are required to recognize the full amount of expected credit losses for the lifetime of the financial assets, based on historical experience, current conditions and reasonable and supportable forecasts. While the standard does not impact actual losses, it does accelerate the timing of the recognition of losses and adds additional uncertainty and potential volatility with added length of forecast period and additional assumptions such as prepayment speeds and funding of lending commitments not previously impacting the allowance. Changes in forecast assumptions may result in an unfavorable impact to our results of operations and our capital level.

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

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. We have recently and plan to continue to make investments in new technologies for sales and service, including mobile and online banking, as well as teller, customer service and loan origination platforms. These new technologies and/or operational changes may lead to increased operational risk. 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 to be appropriate 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.

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Our operational and communications systems and infrastructure may fail or may be the subject of a breach or cyber-attack that, if successful, could adversely affect our business and disrupt business continuity.

We depend on our ability to process, record and monitor a large number of client transactions and to communicate with clients and other institutions on a continuous basis. Our clients depend on us for access to their assets and account information. As client, industry, public and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure continue to be safeguarded and monitored for potential failures, disruptions and breakdowns, whether as a result of events beyond our control or otherwise.

Our online, business, financial, accounting, data processing, or other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control. For example, there could be sudden increases in client transaction volume; electrical or telecommunications outages; natural disasters such as earthquakes, tornadoes, floods, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; occurrences of employee error, fraud, or malfeasance; and, as described below, cyber-attacks.

Although we have response plans, business continuity plans and other safeguards in place, our operations and communications may be adversely affected by significant and widespread disruption to our systems and infrastructure that support our businesses and clients. While we continue to evolve and modify our response and business continuity plans, there can be no assurance in an escalating threat environment that they will be effective in avoiding disruption and business impacts. Our insurance may not be adequate to compensate us for all resulting losses, and the cost to obtain adequate coverage may increase for us or the industry.

Security risks for financial institutions such as ours have dramatically increased in recent years, in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication, resources and activities of hackers, terrorists, activists, organized crime, and other external parties, including nation state actors. In addition, clients may use devices or software to access our products and services that are beyond our control environment, which may provide additional avenues for attackers to gain access to confidential information. Although we have information security procedures and controls in place, certain of our technologies, systems, networks, and clients' devices and software have in the past and in the future likely will continue to be the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, use, loss, change or destruction of our or our clients' confidential, proprietary and other information (including personal identifying information of individuals), or otherwise disrupt our or our clients' or other third parties' business operations. Further, U.S. financial institutions and financial services companies will continue to face breaches in security of their websites or other systems, including attempts to shut down access to their networks and systems in an attempt to extract compensation from them to regain control. Financial institutions have also experienced, and will continue to be the target of, distributed denial-of-service attacks, a sophisticated and targeted attack intended to disable or degrade internet service or to sabotage systems.

We and others in our industry are, and will continue to be, regularly the subject of attempts by attackers to gain unauthorized access to our networks, systems, data and other infrastructure, or to obtain, change, or destroy confidential data (including personal identifying information of individuals) through a variety of means, including computer hacking, acts of vandalism or theft, malware, computer viruses or other malicious codes, phishing, employee error or malfeasance, catastrophes, unforeseen events or other cyber-attacks. In the future, these attacks may result in unauthorized individuals obtaining access to our confidential information or that of our clients, or otherwise accessing, damaging, or disrupting our systems or infrastructure.

To date, we have seen no material impact on our business or operations from cyber attacks or events. Any future significant compromise or breach of our data security, whether external or internal, or misuse of customer, associate, supplier or Company data, could result in significant disruption of our operations, reimbursement and other costs, lost sales, fines, lawsuits and other legal exposure, a loss of trust in us on the part of our clients, vendors or other counterparties, client attrition and damage to our reputation. Any of these could materially and adversely affect our results of operations, our financial condition, and/or our share price. However, the ever-evolving threats mean we and our third-party service providers and vendors must continually evaluate and adapt our respective systems and processes and overall security environment, as well as those of any companies we acquire. We are continuously enhancing our controls, processes and practices designed to protect our networks, systems, data and other infrastructure from attack, damage or unauthorized access. This continued enhancement will require us to expend additional resources, including to investigate and remediate any information security vulnerabilities that may be detected. Despite our ongoing investments in security resources, talent, and business practices, there is no guarantee that these measures will be adequate to safeguard against all data security breaches, system compromises or misuses of data.

We, or third-parties from whom we license critical information technology systems, may be alleged to have infringed upon intellectual property rights owned by others.

Competitors or other third parties may allege that we, or consultants or other third parties retained or indemnified by us or from whom we license critical information technology systems, infringe on their intellectual property rights. Given the complex, rapidly changing and competitive technological and business environment in which we operate, and the potential risks and uncertainties of intellectual property-related litigation, an assertion of an infringement claim against us or our vendors may cause us to spend significant amounts

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to defend the claim (even if we ultimately prevail); to pay significant money damages; to lose significant revenues; to be prohibited from using the relevant systems, processes, technologies or other intellectual property; to cease offering certain products or services or to incur significant license, royalty or technology development expenses. Moreover, it has become common in recent years for individuals and groups to purchase intellectual property assets for the sole purpose of making claims of infringement and attempting to extract settlements from companies like ours. Even in instances where we believe that claims and allegations of intellectual property infringement against us are without merit, defending against such claims is time consuming and expensive and could result in the diversion of time and attention of our management and employees. In addition, although in some cases a third party may have agreed to indemnify us for such costs, such indemnifying party may refuse, or be unable, to uphold its contractual obligations.

We must attract and retain skilled personnel.

Our success depends, in substantial part, on our ability to attract and retain skilled, experienced personnel in key positions within the organization. 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.

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

Our market areas are susceptible to hurricanes. Natural disasters, such as hurricanes and flooding 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. Climate change may be increasing the nature, severity and frequency of adverse weather conditions, making the impact from these types of natural disasters on us or our customers worse.

We rely on the existence of, and ability of private and public insurance programs to provide coverage for these types of events. The unavailability of these types of coverage or the inability of these entities to perform could have a materially adverse impact on our operations.

Societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers.

Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of these concerns. The Company and its customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions, operating process changes, and the like. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to the Company could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Our efforts to take these risks into account may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.

We are exposed to reputational risk.

Negative public opinion can result from our actual or alleged improper activities, such as lending practices, data security breaches, corporate governance policies and decisions, and acquisitions, any of which may damage our reputation. Negative public opinion can also result from action or inaction related to environmental, social and corporate governance matters. 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.

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Employee misconduct could expose us to significant legal liability and reputational harm.

We are vulnerable to reputational harm because we operate in an industry in which integrity and the confidence of our customers are of critical importance. Our employees could engage in fraudulent, illegal, wrongful or suspicious activities, and/or activities resulting in consumer harm that adversely affects our customers and/or our business. The precautions we take to detect and prevent such misconduct may not always be effective and regulatory sanctions and/or penalties, serious harm to our reputation, financial condition, customer relationships and ability to attract new customers. In addition, improper use or disclosure of confidential information by our employees, even if inadvertent, could result in serious harm to our reputation, financial condition and current and future business relationships. The precautions we take to detect and prevent such misconduct may not always be effective.

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 to the defined benefit pension plan.

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 significant loss of core deposits, customer relationships acquired in our trust and asset management transaction, losses of acquired 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. While an impairment charge does not impact regulatory capital, it 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, 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 offer products and services that provide convenience to customers and create additional efficiencies in our operations. The widespread adoption of new technologies has and will continue to require us to make substantial capital expenditures to modify or adapt our systems to remain competitive and offer new products and services. Our ability to effectively implement new technologies to improve our operations and systems will impact our competitive position in the financial services industry. Furthermore, 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.

The implementation of other new lines of business or new products and services may subject us to additional risk.

We continuously evaluate our service offerings and may implement new lines of business or offer new products and services within existing lines of business in the future. There are substantial risks and uncertainties associated with these efforts. In developing and marketing new lines of business and/or new products and services, we undergo a new product process to assess the risks of the initiative, and invest significant time and resources to build internal controls, policies and procedures to mitigate those risks, including hiring experienced management to oversee the implementation of the initiative. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not

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prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business and/or a new product or service. Furthermore, any new line of business and/or new product or service could require the establishment of new key and other controls and have a significant impact on our existing system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business and/or new products or services could have a material adverse effect on our business and, in turn, our financial condition and results of operations.

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 and, as the number of appropriate targets decreases, the prices for potential acquisitions could increase which could reduce our potential returns, and reduce the attractiveness of these opportunities to us. 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, in order to execute most acquisition transactions. 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 and stockholders' equity per share of common stock. 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 may explore *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.

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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 e-commerce, 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 or other 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.

For additional information regarding laws and 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.

In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

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 FASB, requires management to make significant estimates and assumptions that impact 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, we may 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 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

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disclosure controls and procedures or other relief. 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. We have been and in the future could become subject to claims based on this or other evolving legal theories.

Risks Related to Our Common Stock

Future issuances of equity securities could dilute the interests of holders of our common stock, and our common stock ranks junior to indebtedness.

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. 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 subsidiary Bank, 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.

Mississippi law, and anti-takeover provisions in our amended articles of incorporation and bylaws 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.

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 shares of our common stock. 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.

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Shares of our common stock are not insured deposits and may lose value.

Shares of our common stock are not savings accounts, deposits or other obligations of any depository institution and are not insured or guaranteed by the FDIC or any other governmental agency or instrumentality, any other deposit insurance fund or by any other public or private entity, and are subject to investment risk, including the possible loss of principal.

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

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

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 Hancock Whitney 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 217 full service banking and financial services offices and 288 automated teller machines across our market, primarily in the Gulf south corridor, including southern Mississippi; southern and central Alabama; southern, central and northwest Louisiana; the northern, central, and panhandle regions of Florida; and certain areas of east Texas, including Houston, Beaumont and Dallas, among others. Additionally, the Company operates a loan production office in Nashville, Tennessee and five trust and asset management offices in New York, New Jersey, Mississippi and Texas. The Company owns approximately 48% 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 on our balance sheet and reflected a net gain of \$0.1 million in our operating results in 2019.

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

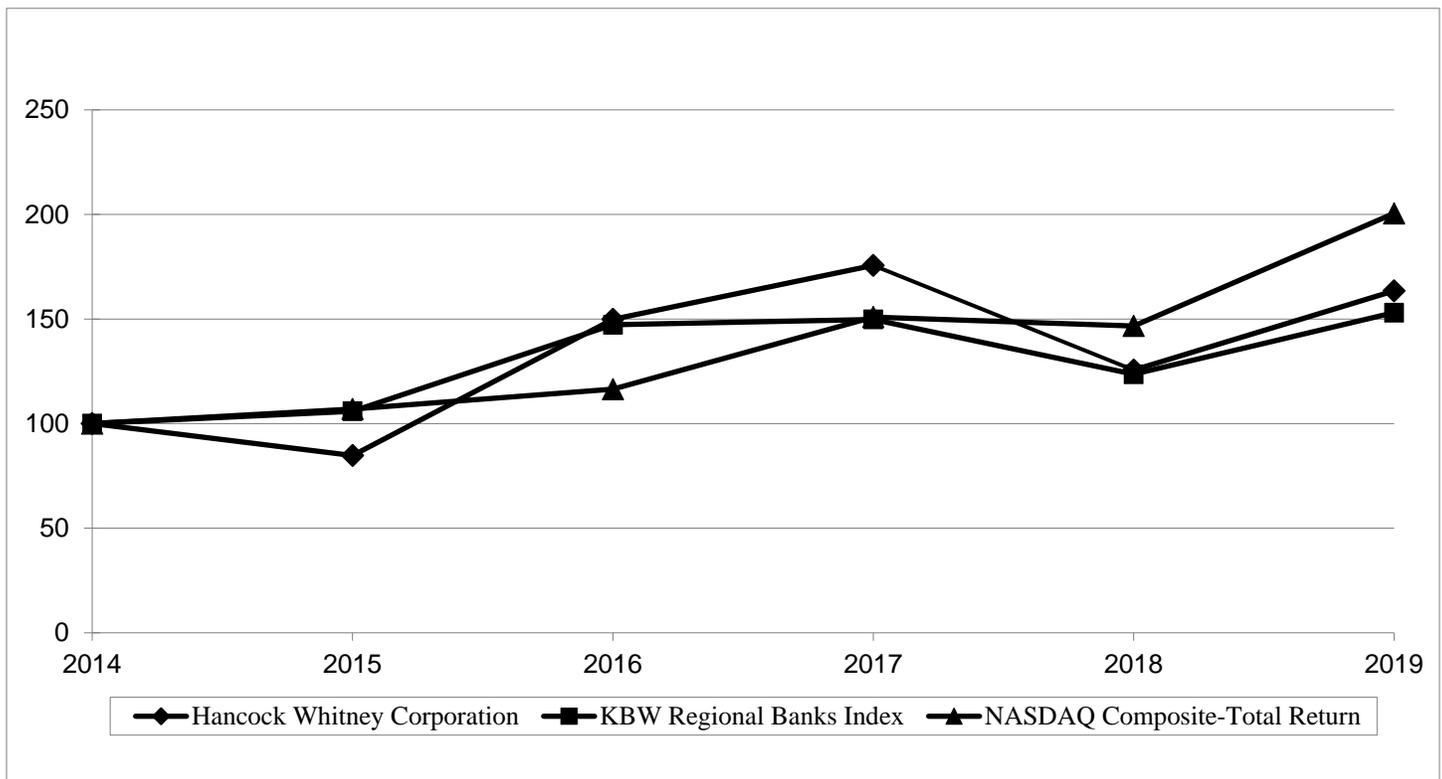
Market Information

The Company’s common stock trades on the NASDAQ Global Select Market under the ticker symbol “HWC.” There were 8,754 active holders of record of the Company’s common stock at January 31, 2020 and 87,236,434 shares outstanding.

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, 2014 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.



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Equity Compensation Plan Information

The following table provides information as of December 31, 2019 with respect to shares of common stock that may be issued under the Company's equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	214,006 ⁽¹⁾	\$ 30.84 ⁽²⁾	399,831
Equity compensation plans not approved by security holders	6,891 ⁽³⁾	46.04 ⁽³⁾	—
Total	220,897		399,831

(1) Includes 67,426 shares potentially issuable upon the vesting of outstanding restricted share units and 11,826 shares potentially issuable upon the vesting of outstanding performance share units that represent awards deferred into the Company's Nonqualified Deferred Compensation Plan. Also includes 113,100 performance share awards at 100% of target. If the highest level of performance conditions is met, the total performance shares issued would be 220,700 and the total performance share units issued would be 23,652.

(2) The weighted average exercise price relates only to the exercise of outstanding options included in column (a)

(3) Represents securities to be issued upon the exercise of options that were assumed by the Company in the acquisition of MidSouth Bancorp, Inc.

Issuer Purchases of Equity Securities

On September 23, 2019, the Company's board of directors approved a new stock buyback program that authorizes the Company to repurchase up to 5.5 million shares of our common stock through the expiration date of December 31, 2020. The program allows the Company to repurchase its common shares in the open market, by block purchase, through accelerated share repurchase programs, in privately negotiated transactions, or as otherwise determined by the Company in one or more transactions. The Company is not obligated to purchase any shares under this program, and the board of directors may terminate or amend the program at any time prior to the expiration date.

On October 18, 2019, the Company entered into an accelerated share repurchase ("ASR") agreement with Morgan Stanley & Co. LLC ("Morgan Stanley") to repurchase \$185 million of the Company's common stock. Pursuant to the ASR agreement, the Company made a \$185 million payment to Morgan Stanley on October 21, 2019, and received from Morgan Stanley an initial delivery of approximately 3.6 million shares of our common stock, which represented 75% of the estimated total number of shares to be repurchased based on the October 18, 2019 closing price of our common stock. The final number of shares to be repurchased will be based generally on the volume-weighted average price per share of common stock during the term of the ASR agreement, less a discount, and subject to possible adjustments in accordance with the terms of the ASR agreement. Final settlement of the ASR agreement is scheduled to occur no later than the third quarter of 2020.

Under a prior Board approved stock buyback program in place from May 2018 to September 2019, the Company repurchased 200,000 shares of its common stock at an average price of \$41.30 per share.

Common stock repurchase activity during the fourth quarter of 2019 was as follows:

	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, 2019 - Oct 31, 2019	3,611,870	\$ 38.42	3,611,870	1,888,130
Nov 1, 2019 - Nov 30, 2019	—	—	—	1,888,130
Dec 1, 2019 - Dec 31, 2019	—	—	—	1,888,130
Total	3,611,870	\$ 38.42	3,611,870	

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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 in Item 8. “Financial Statements and Supplementary Data.” An overview of non-GAAP measures and the reasons why management believes they are useful is included in Item 7. “Reconciliation of non-GAAP measures.” Appear later in this item.

<i>(in thousands, except per share data)</i>	Years Ended December 31,				
	2019	2018	2017	2016	2015
Income Statement:					
Interest income	\$ 1,125,782	\$ 1,028,268	\$ 900,581	\$ 732,167	\$ 679,646
Interest income (te) (a) (b)	1,140,556	1,044,445	934,971	758,006	693,234
Interest expense	230,565	179,430	108,269	73,051	54,472
Net interest income (te) (a) (b)	909,991	865,015	826,702	684,955	638,762
Provision for credit losses	47,708	36,116	58,968	110,659	73,038
Noninterest income	315,907	285,140	267,781	250,781	237,284
Noninterest expense	770,677	715,746	692,691	612,315	619,655
Income before income taxes	392,739	382,116	308,434	186,923	169,765
Income tax expense	65,359	58,346	92,802	37,627	38,304
Net income	<u>\$ 327,380</u>	<u>\$ 323,770</u>	<u>\$ 215,632</u>	<u>\$ 149,296</u>	<u>\$ 131,461</u>
For informational purposes only:					
Nonoperating items, pretax					
Nonoperating noninterest (income)	\$ —	\$ 541	\$ (4,352)	\$ —	\$ (333)
Merger-related costs	32,666	6,187	19,370	—	—
Other nonoperating expense	—	22,756	9,103	4,978	16,241
Impact of re-measurement of deferred tax asset (c)	—	—	19,520	—	—
Common Share Data:					
Earnings per share:					
Basic earnings per share	\$ 3.72	\$ 3.72	\$ 2.49	\$ 1.87	\$ 1.64
Diluted earnings per share	3.72	3.72	2.48	1.87	1.64
Cash dividends paid	1.08	1.02	0.96	0.96	0.96
Book value per share (period-end)	39.62	35.98	33.86	32.29	31.14
Tangible book value per share (period-end)	28.63	25.62	24.05	23.87	21.74

- (a) Interest income includes the net impact of discount accretion and premium amortization arising from business combinations totaling \$23.2 million, \$23.1 million, \$28.3 million, \$19.3 million and \$35.1 million for the years ended December 31, 2019, 2018, 2017, 2016 and 2015, respectively.
- (b) For analytical purposes, management adjusts interest income and net interest income for tax-exempt items to a taxable equivalent basis using a federal income tax rate of 21% for the years 2019 and 2018 and 35% for all other periods presented.
- (c) Income tax expense resulting from re-measurement of the net deferred tax asset following the enactment of the Tax Act.

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(in thousands)	At and For the Years Ended December 31,				
	2019	2018	2017	2016	2015
Period-End Balance Sheet Data:					
Total loans, net of unearned income (a)	\$ 21,212,755	\$ 20,026,411	\$ 19,004,163	\$ 16,752,151	\$ 15,703,314
Loans held for sale	55,864	28,150	39,865	34,064	20,434
Securities	6,243,313	5,670,584	5,888,380	5,017,128	4,463,792
Short-term investments	110,229	111,094	92,384	78,177	565,555
Total earning assets	<u>27,622,161</u>	<u>25,836,239</u>	<u>25,024,792</u>	<u>21,881,520</u>	<u>20,753,095</u>
Allowance for loan losses	(191,251)	(194,514)	(217,308)	(229,418)	(181,179)
Goodwill and other intangible assets	962,260	887,123	836,163	708,950	728,731
Other assets	2,207,587	1,707,059	1,692,439	1,614,250	1,532,958
Total assets	<u>\$ 30,600,757</u>	<u>\$ 28,235,907</u>	<u>\$ 27,336,086</u>	<u>\$ 23,975,302</u>	<u>\$ 22,833,605</u>
Noninterest-bearing deposits	\$ 8,775,632	\$ 8,499,027	\$ 8,307,497	\$ 7,658,203	\$ 7,276,127
Interest-bearing transaction and savings deposits	8,845,097	8,000,093	8,181,554	6,910,466	6,767,881
Interest-bearing public fund deposits	3,364,416	3,006,516	3,040,318	2,563,758	2,253,645
Time deposits	2,818,430	3,644,549	2,723,833	2,291,839	2,051,259
Total interest-bearing deposits	15,027,943	14,651,158	13,945,705	11,766,063	11,072,785
Total deposits	23,803,575	23,150,185	22,253,202	19,424,266	18,348,912
Short-term borrowings	2,714,872	1,589,128	1,703,890	1,225,406	1,423,644
Long-term debt	233,462	224,993	305,513	436,280	490,145
Other liabilities	381,163	190,261	188,532	169,582	157,761
Stockholders' equity	3,467,685	3,081,340	2,884,949	2,719,768	2,413,143
Total liabilities & stockholders' equity	<u>\$ 30,600,757</u>	<u>\$ 28,235,907</u>	<u>\$ 27,336,086</u>	<u>\$ 23,975,302</u>	<u>\$ 22,833,605</u>
Average Balance Sheet Data:					
Total loans, net of unearned income (a)	\$ 20,380,027	\$ 19,378,428	\$ 18,280,885	\$ 16,064,593	\$ 14,433,367
Loans held for sale	41,680	25,710	21,920	28,777	18,101
Securities (b)	5,864,228	6,020,947	5,442,829	4,706,482	4,208,195
Short-term investments	190,965	163,287	363,077	380,294	513,659
Total earning assets	26,476,900	25,588,372	24,108,711	21,180,146	19,173,322
Allowance for loan losses	(196,125)	(214,452)	(223,416)	(217,550)	(133,470)
Goodwill and other intangible assets	906,775	859,498	806,900	718,592	740,666
Other assets	1,937,899	1,522,390	1,548,556	1,497,445	1,464,502
Total assets	<u>\$ 29,125,449</u>	<u>\$ 27,755,808</u>	<u>\$ 26,240,751</u>	<u>\$ 23,178,633</u>	<u>\$ 21,245,020</u>
Noninterest-bearing deposits	\$ 8,255,859	\$ 8,095,256	\$ 7,777,652	\$ 7,232,221	\$ 6,195,234
Interest-bearing transaction and savings deposits	8,274,604	7,946,765	7,746,220	6,772,364	6,877,394
Interest-bearing public fund deposits	3,078,073	2,849,297	2,664,929	2,261,659	1,844,802
Time deposits	3,690,768	3,275,680	2,642,781	2,390,081	2,207,359
Total interest-bearing deposits	15,043,445	14,071,742	13,053,930	11,424,104	10,929,555
Total deposits	23,299,304	22,166,998	20,831,582	18,656,325	17,124,789
Short-term borrowings	1,942,144	2,190,772	2,006,896	1,412,194	1,025,133
Long-term debt	233,539	266,870	384,127	469,064	478,078
Other liabilities	347,766	198,905	211,278	177,983	174,233
Stockholders' equity	3,302,696	2,932,263	2,806,868	2,463,067	2,442,787
Total liabilities & stockholders' equity	<u>\$ 29,125,449</u>	<u>\$ 27,755,808</u>	<u>\$ 26,240,751</u>	<u>\$ 23,178,633</u>	<u>\$ 21,245,020</u>

(a) Includes nonaccrual loans.

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

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(\$ in thousands)	Years Ended December 31,				
	2019	2018	2017	2016	2015
Performance Ratios:					
Return on average assets	1.12%	1.17%	0.82%	0.64%	0.62%
Return on average common equity	9.91%	11.04%	7.68%	6.06%	5.38%
Return on average tangible common equity	13.66%	15.62%	10.78%	8.56%	7.72%
Earning asset yield (te)	4.31%	4.08%	3.88%	3.58%	3.62%
Total cost of funds	0.87%	0.70%	0.45%	0.34%	0.28%
Net interest margin (te)	3.44%	3.38%	3.43%	3.23%	3.33%
Noninterest income to total revenue (te)	25.77%	24.79%	24.47%	26.80%	27.09%
Efficiency ratio (a)	58.50%	57.77%	58.87%	62.79%	66.12%
Average loan/deposit ratio	87.47%	87.42%	87.76%	86.11%	84.28%
FTE employees (period-end)	4,136	3,933	3,887	3,724	3,921
Capital Ratios:					
Common stockholders' equity to total assets	11.33%	10.91%	10.55%	11.34%	10.57%
Tangible common equity ratio (b)	8.45%	8.02%	7.73%	8.64%	7.62%
Tier 1 leverage	8.76%	8.67%	8.43%	9.56%	8.55%
Tier 1 risk-based capital	10.50%	10.48%	10.21%	11.26%	9.96%
Total risk-based capital	11.90%	11.99%	11.90%	13.21%	11.86%
Asset Quality Information:					
Nonaccrual loans (c)	\$ 245,833	\$ 187,295	\$ 252,800	\$ 317,970	\$ 159,713
Restructured loans – still accruing	61,265	139,042	120,493	39,818	4,297
Total nonperforming loans	307,098	326,337	373,293	357,788	164,010
Other real estate (ORE) and foreclosed assets	30,405	26,270	27,542	18,943	27,133
Total nonperforming assets	\$ 337,503	\$ 352,607	\$ 400,835	\$ 376,731	\$ 191,143
Accruing loans 90 days past due (d)	\$ 6,582	\$ 5,589	\$ 27,766	\$ 3,039	\$ 7,653
Net charge-offs	\$ 46,997	\$ 52,262	\$ 68,552	\$ 58,463	\$ 17,821
Allowance for loan losses	\$ 191,251	\$ 194,514	\$ 217,308	\$ 229,418	\$ 181,179
Reserve for unfunded commitments	3,974	—	—	—	—
Allowance for credit losses	\$ 195,225	\$ 194,514	\$ 217,308	\$ 229,418	\$ 181,179
Total provision for credit losses	\$ 47,708	\$ 36,116	\$ 58,968	\$ 110,659	\$ 73,038
Ratios:					
Nonperforming assets to loans + ORE and foreclosed assets	1.59%	1.76%	2.11%	2.25%	1.22%
Accruing loans 90 days past due as a percent of loans	0.03%	0.03%	0.15%	0.02%	0.05%
Nonperforming assets + accruing loans 90 days past due to loans + foreclosed assets	1.62%	1.79%	2.25%	2.26%	1.26%
Net charge-offs to average loans	0.23%	0.27%	0.38%	0.37%	0.11%
Allowance for loan losses to period-end loans	0.90%	0.97%	1.14%	1.37%	1.15%
Allowance for loan losses to nonperforming loans and accruing loans 90 days past due	60.97%	58.60%	54.18%	63.58%	105.54%

- (a) The efficiency ratio is noninterest expense to total net interest (te) and noninterest income, excluding amortization of purchased intangibles and nonoperating items.
- (b) The tangible common equity ratio is common shareholders' equity less intangible assets divided by total assets less intangible assets.
- (c) Included in nonaccrual loans are \$132.5 million, \$85.5 million, \$99.2 million, \$81.9 million and \$8.8 million of nonaccruing restructured loans at December 31, 2019, 2018, 2017, 2016 and 2015, respectively. Nonaccrual loans and accruing loans past due 90 days or more do not include purchased credit impaired loans, which were written down to fair value upon acquisition and accrete interest income over the remaining life of the loan.
- (d) Excludes 90+ accruing troubled debt restructured loans already reflected in total nonperforming loans of \$8.7 million at December 31, 2018.

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Reconciliation of Non-GAAP measures:

Operating revenue (te) and operating pre-provision net revenue (te)

<i>(in thousands)</i>	Years Ended December 31,				
	2019	2018	2017	2016	2015
Net interest income	\$ 895,217	\$ 848,838	\$ 792,312	\$ 659,116	\$ 625,174
Noninterest income	315,907	285,140	267,781	250,781	237,284
Total revenue	\$ 1,211,124	\$ 1,133,978	\$ 1,060,093	\$ 909,897	\$ 862,458
Taxable equivalent adjustment (a)	14,774	16,177	34,390	25,839	13,588
Nonoperating revenue	—	541	(4,352)	—	—
Operating revenue (te)	\$ 1,225,898	\$ 1,150,696	\$ 1,090,131	\$ 935,736	\$ 876,046
Noninterest expense	(770,677)	(715,746)	(692,691)	(612,315)	(619,655)
Nonoperating expense	32,666	28,943	28,473	4,978	15,908
Operating pre-provision net revenue (te)	\$ 487,887	\$ 463,893	\$ 425,913	\$ 328,399	\$ 272,299

Operating earnings per share - diluted

<i>(in thousands, expect per share amounts)</i>	Years Ended December 31				
	2019	2018	2017	2016	2015
Net Income	\$ 327,380	\$ 323,770	\$ 215,632	\$ 149,296	\$ 131,461
Net income allocated to participating securities	(5,546)	(5,930)	(4,670)	(3,598)	(3,128)
Net income available to common shareholders	\$ 321,834	\$ 317,840	\$ 210,962	\$ 145,698	\$ 128,333
Nonoperating items, net of income tax	25,806	23,546	15,679	3,236	10,340
Income tax resulting from re-measurement of deferred tax	—	—	19,520	—	—
Nonoperating items allocated to participating securities	(435)	(439)	(731)	(82)	(233)
Operating earnings available to common shareholders	\$ 347,205	\$ 340,947	\$ 245,430	\$ 148,852	\$ 138,440
Weighted average common shares - diluted	86,599	85,521	84,963	77,949	78,307
Earnings per share - diluted	\$ 3.72	\$ 3.72	\$ 2.48	\$ 1.87	\$ 1.64
Operating earnings per share - diluted	\$ 4.01	\$ 3.99	\$ 2.89	\$ 1.91	\$ 1.77

(a) Taxable equivalent (te) amounts are calculated using a federal income tax rate of 21% for 2019 and 2018, and 35% for all other periods presented.

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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 Whitney Corporation and subsidiaries during the year ended December 31, 2019 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. The discussion contains forward-looking statements, which are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, our actual results may differ from those expressed or implied by the forward-looking statements. See Forward-Looking Statements in Part I of this Annual Report.

Non-GAAP Financial Measures

Management's Discussion and Analysis of Financial Condition and Results of Operations include non-GAAP measures used to describe our performance. A reconciliation of those measures to GAAP measures are provided in Item 6. "Selected Financial Data." The following is an overview of the non-GAAP measures used and the reasons why management believes they are useful and important in understanding the Company's financial condition and results of operations are included below.

Consistent with Securities and Exchange Commission Industry Guide 3, we present net interest income, net interest margin and efficiency ratios on a fully taxable equivalent ("te") basis. The te basis adjusts for the tax-favored status of net interest income from certain loans and investments using the statutory federal tax rate (21% for 2019 and 2018 and 35% for all other periods presented) to increase tax-exempt interest income to a taxable-equivalent basis. We believe this measure to be the preferred industry measurement of net interest income and it enhances comparability of net interest income arising from taxable and tax-exempt sources.

We present certain additional non-GAAP financial measures to assist the reader with a better understanding of the Company's performance period over period, as well as to provide investors with assistance in understanding the success management has experienced in executing its strategic initiatives. We use the term "operating" to describe a financial measure that excludes income or expense considered to be nonoperating in nature. Items identified as nonoperating are those that, when excluded from a reported financial measure, provide management or the reader with a measure that may be more indicative of forward-looking trends in the Company's business. However, these non-GAAP financial measures have inherent limitations and should not be considered in isolation or as a substitute for analysis of results or capital position under U.S. GAAP.

We define **Operating Revenue** as net interest income (te) and noninterest income less nonoperating revenue. We define **Operating Pre-Provision Net Revenue** as operating revenue (te) less noninterest expense, excluding nonoperating items. Management believes that operating pre-provision net revenue 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.

We define **Operating Earnings** as reported net income excluding nonoperating items net of income tax. We define **Operating Earnings per Share** as operating earnings expressed as an amount available to each common shareholder on a diluted basis.

EXECUTIVE OVERVIEW

Our 2019 results reflect another year of growth and strong performance as year-over-year earnings increased, assets exceeded \$30 billion, and both commercial criticized and total nonperforming loans declined. Capital remains strong with our tangible common equity ratio up 43 bps for the year to 8.45%. Loans at December 31, 2019 totaled \$21.2 billion, up \$1.2 billion or 6%, in line with guidance and net of a strategic reduction in energy lending. Deposits totaled \$23.8 billion, up \$653.4 million or 3% for the year. Our net interest margin for 2019 was up 6 bps to 3.44%, as management focused on improving loan yields and reducing deposit costs. We have invested in technology that enhanced digital platforms for both online and mobile banking, aimed at improving client retention and sales efficiencies. We remain focused on building upon the positive momentum from 2019 while also looking to capitalize on opportunities in our markets.

Acquisitions and Divestiture

On September 21, 2019, we completed the acquisition of MidSouth Bancorp, Inc. ("MidSouth") (NYSE: MSL), parent company of MidSouth Bank, N.A, with simultaneous operational conversion. We acquired net assets of approximately \$130 million, including loans totaling \$788 million, net of a \$42 million discount; cash, short-term investments and securities available for sale totaling \$581 million; and deposits of \$1.3 billion, which includes \$390 million of noninterest-bearing deposits.

In consideration for the net assets acquired, each outstanding share of MidSouth common stock converted to 0.2952 shares of our common stock. As such, we issued approximately 5.0 million shares resulting in a transaction value of approximately \$194 million.

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The transaction resulted in goodwill of \$63 million. Upon acquisition, we closed or consolidated 20 MidSouth branches. The Company incurred acquisition-related expenses of \$33 million, or \$0.29 per diluted share. The transaction was accretive to income beginning in the fourth quarter of 2019. The transaction provides the opportunity for both enhanced growth in several of our current markets, such as MidSouth's home market of Lafayette, Louisiana, as well as opportunities for expansion into new markets in Louisiana and Texas.

On July 13, 2018, we completed the acquisition of the trust and asset management business from Capital One, National Association ("Capital One"). The combination increased our assets under administration at the merger date to \$26 billion and our assets under management to \$10 billion. In addition, we assumed approximately \$217 million of customer deposit liabilities.

On March 9, 2018, we sold our consumer finance subsidiary, Harrison Finance Company, due to a change in corporate strategy. We received cash of approximately \$79 million and recorded a loss on the sale of \$1 million.

For additional information on these transactions, refer to Note 2 – Acquisitions and Divestitures in Item 8. "Financial Statements and Supplementary Data."

Current Economic Environment and Near Term Outlook

Most of our market areas experienced a modest to moderate expansion in economic activity during 2019, according to the Federal Reserve's *Summary of Commentary on Current Economic Conditions* ("Beige Book").

Manufacturing reported moderate to decelerating demand, however, optimism for the future increased. The demand for commercial real estate was strong to steady during 2019 in most of our footprint. Most of our sectors experienced positive metrics as rents continued to grow and vacancies trended downward at a modest pace, however, activity in the office market in Houston was mixed.

Activity in the energy sector expanded at the beginning of the year, began to slow during the year, and ended the year with a slight uptick. The industry remains distressed, and access to capital is limited, especially for smaller firms, and bankruptcies are likely to rise. However, U.S. crude oil production is projected to grow in 2020. The Company continues to proactively reduce its energy exposure in light of current conditions.

The residential real estate market experienced growth during 2019, with lower mortgage rates during the year driving increases in demand, firm price appreciation, and higher single-family sales than the previous year.

Retail sales and consumer spending activity for 2019 ended somewhat positive in most of our footprint, with an increase in retail sales and flat to improving auto sales. Online sales continue to dominate overall sales activity. Tourism was strong over the holiday season and the outlook remains positive with healthy advance bookings. Overall, the retail outlook improved towards the end of the year.

Financial services in our markets reported healthy loan demand and overall improving asset quality, consistent with trends in most of our portfolios. Reduced uncertainty related to tariffs and trade generally increased optimism for the future. We believe we are positioned for continued growth in 2020.

Highlights of 2019 Financial Results

Net income for the year ended December 31, 2019 was \$327.4 million compared to \$323.8 million in 2018, with earnings per diluted common share unchanged at \$3.72. Following are financial highlights for the year ended December 31, 2019:

- Net income increased \$3.6 million, or 1% over 2018, to \$327.4 million and included \$32.7 million of merger-related expenses; net income of \$323.8 million for 2018 included merger related expenses of \$6.2 million and \$23.3 of other nonoperating items
- Earnings per diluted common share was \$3.72 for 2019, unchanged from 2018; excluding nonoperating items, earnings per diluted common share was \$4.01 for 2019 and \$3.99 for 2018
- Operating pre-provision net revenue was up \$24 million, with an increase in operating revenue (te) of \$75 million, partially offset by an increase in operating expense of \$51 million, compared to 2018
- Net interest margin for 2019 was 3.44%, an increase of 6 bps from 2018
- Tangible common equity ratio was up 43 bps to 8.45%, compared to 8.02% at year-end 2018
- Loans totaled \$21.2 billion, up \$1.2 billion, 6%, and in line with guidance; deposits totaled \$23.8 billion, up \$653 million, or 3%
- Criticized commercial loans declined \$45 million, or 7%; nonperforming loans declined by \$19 million, or 6%
- Total assets at December 31, 2019 were \$30.6 billion, up \$2.4 billion, or 8%, from December 31, 2018
- Completed the acquisition of Midsouth Bancorp, Inc. ("MSL") on September 21, 2019, with a simultaneous systems conversion

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- Board approved increased buyback authorization to 5.5 million shares and executed an accelerated share repurchase agreement in October 2019

RESULTS OF OPERATIONS

The following is a discussion of results from operations for the year ended December 31, 2019 compared to December 31, 2018. Refer to previously filed Annual Reports on Form 10-K Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations for discussion of prior year variances.

Net Interest Income

Net interest income was \$895 million for the year ended December 31, 2019, up from \$849 million in 2018. Net interest income 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 (te) using the statutory federal tax rate (21% for both 2019 and 2018, and 35% for 2017) on tax exempt items (primarily interest on municipal securities and loans).

Net interest income (te) for 2019 totaled \$910 million, a \$45 million, or 5%, increase from 2018. The increase in 2019 net interest income was largely volume driven, with a \$0.9 billion, or 3%, increase in average earning assets partially offset by a \$0.7 billion, or 4%, increase in interest-bearing liabilities, and also reflects an improved net interest margin.

The net interest margin is the ratio of net interest income (te) to average earning assets. The net interest margin increased 6 basis points (bps) to 3.44% in 2019 from 3.38% in 2018, primarily due to an improving mix in average earning assets, with a higher level of loans to earnings assets and a proactive strategy to remix our loan book towards more granular higher-yielding production, as well as the late 2018 sale of lower-yielding securities available for sale as part of an investment portfolio restructure. The improving margin also reflects our efforts to control deposit costs. Further, net interest recoveries increased \$2.2 million in 2019, improving the net interest margin by 1 bp. The discussions of Asset/Liability Management and Net Interest Income at Risk in this item provide additional information regarding our management of interest rate risk and the potential impact from changes in interest rates, respectively

The overall yield on earning assets was 4.31% in 2019, up 23 bps from 2018, driven primarily by a 23 bps increase in loan yield to 4.81% in 2019. The tax-equivalent yield on the investment securities portfolio increased 9 bps from 2018 to 2.62%. The securities yield reflects a continued shift in the mix of the portfolio to a higher concentration of higher-yielding commercial mortgage-backed securities. Average commercial mortgage-backed securities totaled approximately \$1.6 billion for the year ended December 31, 2019 compared to \$1.1 billion in 2018.

The cost of funding earning assets increased 17 bps to 0.87% in 2019 from 0.70% in 2018 due largely to the Federal Reserve interest rate increases during 2018, and to a lesser extent, promotional pricing campaigns aimed at attracting and retaining deposits. However, the cost of funding earning assets began to decrease during the second half of 2019 as the Federal Reserve lowered rates three times during that period. Total borrowing costs decreased 2 bps to 1.96% in 2019 with increased use of promotional rate federal home loan bank borrowings. Interest-free funding sources, including noninterest-bearing deposits, funded 35% of average earning assets in 2019, down from 36% in 2018.

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

(\$ in millions)	Years Ended December 31,								
	2019			2018			2017		
	Average Balance	Interest (d)	Rate	Average Balance	Interest (d)	Rate	Average Balance	Interest (d)	Rate
Assets									
Interest-Earnings Assets:									
Commercial & real estate loans (te) (a)	\$ 15,289.6	\$ 739.0	4.83 %	\$ 14,487.3	\$ 655.0	4.52 %	\$ 13,751.0	\$ 584.6	4.25 %
Residential mortgage loans	2,974.1	121.7	4.09	2,794.8	114.5	4.10	2,445.8	95.0	3.89
Consumer loans	2,116.3	121.5	5.74	2,096.3	117.4	5.60	2,084.1	115.1	5.52
Loan fees & late charges	—	(1.2)	0.0	—	1.3	0.0	—	(0.4)	0.0
Loans (te) (b)	20,380.0	981.0	4.81	19,378.4	888.2	4.58	18,280.9	794.3	4.35
Loans held for sale	41.7	1.9	4.50	25.7	0.9	3.68	21.9	0.9	3.88
Investment securities:									
U.S. Treasury and government agency securities	134.1	3.1	2.30	142.6	3.2	2.22	128.1	2.7	2.11
Mortgage-backed securities and collateralized mortgage obligations	4,821.6	122.3	2.54	4,927.2	119.1	2.42	4,327.8	96.2	2.22
Municipals (te)	904.4	28.2	3.12	947.6	30.1	3.18	968.1	37.0	3.82
Other securities	4.1	0.1	3.79	3.6	0.1	2.62	18.8	0.4	1.92
Total investment securities (te) (c)	5,864.2	153.7	2.62	6,021.0	152.5	2.53	5,442.8	136.3	2.50
Short-term investments	191.0	4.0	2.07	163.3	2.8	1.70	363.1	3.5	0.95
Total earning assets (te)	26,476.9	1,140.6	4.31 %	25,588.4	1,044.4	4.08 %	24,108.7	935.0	3.88 %
Nonearning assets:									
Other assets	2,844.6			2,381.9			2,355.5		
Allowance for loan losses	(196.1)			(214.5)			(223.4)		
Total assets	\$ 29,125.4			\$ 27,755.8			\$ 26,240.8		
Liabilities and Stockholders' Equity									
Interest-bearing Liabilities:									
Interest-bearing transaction and savings deposits	\$ 8,274.6	\$ 60.1	0.73 %	\$ 7,946.8	\$ 41.7	0.52 %	\$ 7,746.2	\$ 29.4	0.38 %
Time deposits	3,690.8	73.7	2.00	3,275.7	51.9	1.59	2,642.8	28.0	1.06
Public funds	3,078.0	54.2	1.76	2,849.3	37.1	1.30	2,664.9	19.2	0.72
Total interest-bearing deposits	15,043.4	188.0	1.25	14,071.8	130.7	0.93	13,053.9	76.6	0.59
Repurchase agreements	493.3	2.6	0.52	456.0	1.1	0.23	501.7	0.6	0.12
Other short-term borrowings	1,448.9	28.6	1.98	1,734.8	35.0	2.02	1,505.2	15.1	1.01
Long-term debt	233.5	11.4	4.87	266.9	12.6	4.73	384.1	16.0	4.16
Total interest-bearing liabilities	17,219.1	230.6	1.34 %	16,529.5	179.4	1.09 %	15,444.9	108.3	0.70 %
Noninterest-bearing:									
Noninterest-bearing deposits	8,255.9			8,095.2			7,777.7		
Other liabilities	347.8			198.9			211.3		
Stockholders' equity	3,302.6			2,932.2			2,806.9		
Total liabilities and stockholders' equity	\$ 29,125.4			\$ 27,755.8			\$ 26,240.8		
Net interest income (te) and margin		\$ 910.0	3.44		\$ 865.0	3.38		\$ 826.7	3.43
Net earning assets and spread	\$ 9,257.8		2.97	\$ 9,058.9		3.00	\$ 8,663.8		3.18
Interest cost of funding earning assets			0.87 %			0.70 %			0.45 %

(a) Taxable equivalent (te) amounts are calculated using federal income tax rate of 21% for 2019 and 2018 and 35% for 2017.

(b) Includes nonaccrual loans.

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

(d) Included in interest income is net purchase accounting accretion of \$23.2 million, \$23.1 million and \$28.3 million for the years December 31, 2019, 2018, and 2017, respectively.

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

(in thousands)	2019 Compared to 2018			2018 Compared to 2017		
	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) (a)	\$ 37,389	\$ 46,643	\$ 84,032	\$ 32,215	\$ 38,107	\$ 70,322
Residential mortgage loans	7,337	(197)	7,140	14,101	5,430	19,531
Consumer loans	(174)	4,292	4,118	(14,823)	17,108	2,285
Loan fees & late charges	—	(2,502)	(2,502)	—	1,626	1,626
Loans (te) (c)	44,552	48,236	92,788	31,493	62,271	93,764
Loans held for sale	683	247	930	142	(47)	95
Investment securities:						
U.S. Treasury and government agency securities	(59)	(20)	(79)	318	152	470
Mortgage-backed securities and collateralized mortgage obligations	(1,628)	4,806	3,178	14,010	8,906	22,916
Municipals	(1,357)	(590)	(1,947)	(676)	(6,150)	(6,826)
Other securities	16	46	62	(367)	98	(269)
Total investment in securities (te) (d)	(3,028)	4,242	1,214	13,285	3,006	16,291
Short-term investments	515	664	1,179	(2,515)	1,838	(677)
Total earning assets (te)	42,722	53,389	96,111	42,405	67,068	109,473
Interest-bearing transaction and savings deposits						
Time deposits	1,784	16,587	18,371	778	11,565	12,343
Public funds	7,142	14,683	21,825	7,785	16,165	23,950
Other securities	3,173	13,904	17,077	1,414	16,462	17,876
Total interest-bearing deposits	12,099	45,174	57,273	9,977	44,192	54,169
Repurchase agreements	95	1,405	1,500	(59)	539	480
Other interest-bearing liabilities	(5,610)	(790)	(6,400)	2,665	17,215	19,880
Long-term debt	(1,615)	378	(1,237)	(5,339)	1,971	(3,368)
Total interest expense	4,969	46,167	51,136	7,244	63,917	71,161
Net interest income (te) variance	<u>\$ 37,753</u>	<u>\$ 7,222</u>	<u>\$ 44,975</u>	<u>\$ 35,161</u>	<u>\$ 3,151</u>	<u>\$ 38,312</u>

(a) Taxable equivalent (te) amounts are calculated using a federal income tax rate of 21% for 2019 and 2018 and 35% for 2017.

(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.

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

Provision for Credit Losses

The provision for credit losses was \$48 million in 2019 compared to \$36 million in 2018. The 2019 provision includes net charge-offs of \$47 million, or 0.23% of average loans outstanding, and a build of a \$4 million reserve for unfunded lending commitments, partially offset by a \$3 million release of the allowance for funded loan losses. The provision in 2018 was comprised of net charge-offs of \$52 million, or 0.27% of average loans outstanding, partially offset by a reduction in the allowance for loan losses, primarily related to the reserve for energy-related loans. The \$5 million year over year decrease in net charge-offs is primarily attributable to an \$8 million decrease in energy net charge-offs. Non-energy net charge-offs increased \$3 million from the prior period, including a \$9 million fraud-related net charge-off of a lease financing facility in 2019.

Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Balance Sheet Analysis—Allowance for Credit Losses” provides additional information on changes in the allowance for credit losses and general credit quality.

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Noninterest Income

Noninterest income for 2019 totaled \$316 million, a \$31 million, or 11%, increase from 2018. Nearly all noninterest income categories experienced increases in 2019, with significant increases in income from derivatives, bank card fees, trust fees, and secondary mortgage fees. There was no nonoperating income in 2019. Nonoperating income for 2018 included a \$1.1 million loss on the disposition of our consumer finance business and the net impact of a portfolio restructure that included a \$33.2 million gain on the sale of Visa Class B common shares, offset by losses on sales of lower yielding securities of \$25.5 million and loans of \$7.1 million. Nonoperating income for 2017 included \$4.4 million gain on the sale of selected Hancock Horizon funds.

Table 3 presents, for each of the three years ended December 31, 2019, 2018 and 2017, the components of noninterest income, along with the percentage changes between years. Table 4 presents nonoperating income by component for the years ended December 31, 2018 and 2017.

TABLE 3. Noninterest Income

<i>(\$ in thousands)</i>	<u>2019</u>	<u>% Change</u>	<u>2018</u>	<u>% Change</u>	<u>2017</u>
Service charges on deposit accounts	\$ 86,364	1 %	\$ 85,272	3 %	\$ 83,166
Trust fees	61,609	11	55,488	25	44,538
Bank card and ATM fees	66,976	11	60,440	12	53,779
Investment and annuity fees and insurance commissions	26,574	5	25,348	7	23,741
Secondary mortgage market operations	19,853	27	15,632	3	15,209
Net gains on sale of assets	593	(98)	24,654	230	7,478
Securities transactions	—	100	(25,480)	n/m	—
Income from bank-owned life insurance	14,946	20	12,424	8	11,473
Credit-related fees	11,399	3	11,065	(1)	11,140
Income from derivatives	12,958	141	5,368	(9)	5,870
Other miscellaneous income	14,635	(2)	14,929	31	11,387
Total noninterest income	<u>315,907</u>	<u>11</u>	<u>285,140</u>	<u>6</u>	<u>267,781</u>

n/m = not meaningful

TABLE 4. Nonoperating Income

<i>(in thousands)</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Gain (loss) on portfolio restructure			
Gain on sale of Visa Class B common shares	\$ —	33,229	—
Loss on sale of investment securities	—	(25,480)	—
Loss on sale of loans	—	(7,145)	—
Total net gain on portfolio restructure	—	604	—
Gain (loss) on sale of assets	—	(1,145)	4,352
Total nonoperating noninterest income	<u>\$ —</u>	<u>(541)</u>	<u>4,352</u>

Service charges on deposit accounts were up \$1.1 million, or 1%, from 2018 with increases in both business service charges and consumer overdrafts, primarily due to the impact of MidSouth.

Trust fees totaled \$61.6 million in 2019, a \$6.1 million, or 11%, increase from 2018. The increase in trust fees is primarily due to the acquisition of the trust and asset management business on July 13, 2018, partially offset by changes in market conditions. Trust assets under management totaled \$9.4 billion at December 31, 2019, compared to \$8.6 billion at December 31, 2018.

Bank card and ATM fees totaled \$67.0 million in 2019, up \$6.5 million, or 11%, compared to 2018. Bank card and ATM fees include income from credit card, debit card and ATM transactions, and merchant service fees. The growth over 2018 is the result of increased card activity during 2019, due in part to the MidSouth acquisition late in the third quarter.

Investment and annuity fees and insurance commissions totaled \$26.6 million in 2019 compared to \$25.3 million in 2018. The \$1.2 million, or 5%, increase is primarily due to increased investment sales, partially offset by a decrease in annuity sales.

Income from secondary mortgage operations totaled \$19.9 million in 2019, up \$4.2 million, or 27%, from a year earlier. Mortgage loan production increased by approximately 7% in 2019 compared to 2018, and the percentage of loan production sold in the secondary market increased 28%. We offer a full range of mortgage products to our customers and sell those that do not fit the rate and liquidity risk profile of our held for investment portfolio. We typically sell longer-term fixed rate loans while retaining the

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majority of adjustable rate loans, as well as loans generated through 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 ALCO process.

Net gains on sales of assets were \$0.6 million in 2019 compared to net gains of \$24.7 million in 2018. Gains on sales of assets in 2018 included a gain of \$33.2 million on the sale of Visa B shares, partially offset by a loss of \$7.1 million on the sale of lower-yielding loans. We had no net losses on securities transactions in 2019 compared to a loss of \$25.5 million in 2018 on the sale of lower-yielding securities as part of our securities portfolio restructure.

Income from bank-owned life insurance (“BOLI”) increased \$2.5 million, or 20%, to \$14.9 million. The increase was mainly due to the income earned from a \$37.9 million year-over-year increase in the average balance of insurance contracts outstanding, as well as an increase in mortality benefits.

Income from our customer interest rate derivative program totaled \$13.0 million in 2019, compared to \$5.4 million in 2018. Increased derivative income reflects increased customer interest rate swap sales due to the low rate environment. Derivative income can be volatile and is dependent upon the composition of the portfolio, customer sales activity and market value adjustments due to market interest rate movement.

Other miscellaneous income was \$14.6 million in 2019, down \$0.3 million, or 2%, compared to 2018. Other miscellaneous income is comprised of various items, including \$4.7 million of income from small business investment companies and FHLB stock dividends, and syndication fees of \$1.4 million.

Noninterest Expense

Noninterest expense for 2019 totaled \$771 million, up \$55 million, or 8%, compared to 2018. The largest individual components of the increase in operating expense were personnel expense, data processing and other miscellaneous expense. These increases were partially offset by a decrease in deposit insurance and regulatory fees. Explanations of the variances are discussed in more detail below. Noninterest expense for 2019 includes \$32.7 million in nonoperating expenses associated with the MidSouth acquisition. Noninterest expense for 2018 includes \$28.9 million in nonoperating expenses, including \$12.0 million in brand consolidation expenses, \$6.2 million related to the trust and asset management acquisition, \$3.3 million related to a bank-owned life insurance restructure and a \$3.5 million one-time incentive bonus.

Table 5 presents, for each of the three years ended December 31, 2019, 2018 and 2017, noninterest expense, along with the percentage changes between years. Table 6 presents nonoperating expenses, included in noninterest expense (Table 5) by component for the same periods.

TABLE 5. Noninterest Expense

<i>(\$ in thousands)</i>	<u>2019</u>	<u>% Change</u>	<u>2018</u>	<u>% Change</u>	<u>2017</u>
Compensation expense	\$ 362,083	9 %	\$ 330,968	3 %	\$ 320,096
Employee benefits	77,796	6	73,727	3	71,817
Personnel expense	439,879	9	404,695	3	391,913
Net occupancy expense	50,936	7	47,795	(0)	47,869
Equipment expense	18,393	12	16,367	10	14,841
Data processing expense	82,981	12	74,129	12	66,385
Professional services expense	45,007	8	41,579	3	40,235
Amortization of intangibles	20,844	(5)	22,050	(2)	22,417
Deposit insurance and regulatory fees	19,512	(38)	31,423	6	29,627
Other real estate and foreclosed assets (income) expense	671	(122)	(2,985)	12	(2,669)
Advertising	15,251	24	12,334	(18)	15,031
Corporate value and franchise taxes	15,949	17	13,595	6	12,797
Entertainment and contributions	10,777	(5)	11,359	38	8,260
Telecommunications and postage	14,588	—	14,659	—	14,686
Printing and supplies	4,947	(11)	5,548	8	5,138
Travel expenses	5,278	(1)	5,338	6	5,043
Tax credit investment amortization	4,943	(4)	5,166	7	4,850
Other retirement expense	(16,561)	(11)	(18,661)	22	(15,249)
Other miscellaneous expense	37,282	19	31,355	(1)	31,517
Total noninterest expense	<u>\$ 770,677</u>	<u>8</u>	<u>\$ 715,746</u>	<u>3</u>	<u>\$ 692,691</u>

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TABLE 6. Nonoperating Expense

<i>(in thousands)</i>	2019	2018	2017
Personnel expense	\$ 7,506	\$ 5,413	\$ 3,662
Net occupancy expense	789	1,172	452
Equipment expense	675	1,782	325
Data processing expense	1,092	3,572	974
Professional services expense	7,075	7,236	9,681
Other real estate (income) expense	130	2	(1,511)
Advertising	2,581	756	1,389
Printing and supplies	538	1,184	183
Other expense:			
Loss on restructuring of bank-owned life insurance contracts	—	3,302	—
Write-down related to termination of FDIC loss share agreement	—	—	6,603
Other miscellaneous	12,280	4,523	6,715
Total other expenses	12,280	7,825	13,318
Total nonoperating expense	<u>\$ 32,666</u>	<u>\$ 28,943</u>	<u>\$ 28,473</u>

Total personnel expense was up \$35.2 million, or 9%, in 2019 compared to 2018 primarily due to merit increases, higher production incentives, and additional operating and nonoperating personnel expense from the MidSouth acquisition and a full year of the trust and asset management business that was acquired on July 13, 2018.

Total occupancy and equipment expenses increased \$5.2 million, or 8%, in 2019 compared to 2018. This increase was primarily due to higher costs in 2019 related to the MidSouth acquisition.

Data processing expense in 2019 was up \$8.9 million, or 12%, from 2018. Excluding nonoperating items, data processing expense was up \$11.3 million, or 16%, primarily related to cost associated with new technology investments and higher card transaction processing costs resulting from increased card activity and expenses related to MidSouth.

Professional services expense increased \$3.4 million, or 8%, from 2018, primarily due to consulting and other professional fees related to the implementation of new technology aimed at becoming more scalable, effective and efficient as well as additional expenses related to MidSouth including transaction expenses and costs associated with integration.

Amortization of intangibles in 2019 totaled \$20.8 million, a \$1.2 million, or 5%, decrease from 2018 as a result of the accelerated amortization methods used, offset by \$1.0 million of core deposit intangible amortization related to the MidSouth acquisition and \$0.9 million of customer intangibles related to a full year of the wealth and asset management business acquired July 13, 2018.

Deposit insurance and regulatory fees decreased \$11.9 million, or 38%, from 2018 mainly due to a reduction in the risk-based deposit insurance assessment fees and the elimination of the quarterly deposit insurance fund surcharge fees beginning with the fourth quarter of 2018.

Other real estate and foreclosed asset expense was \$0.7 million in 2019, compared to net gains on other real estate dispositions of \$3.0 million in 2018. The 2018 gain was primarily related to the sale of one property.

Business development-related expenses (including advertising, travel, entertainment and contributions) were up \$2.3 million, or 8% from 2018. The increase was primarily related to the MidSouth acquisition.

Corporate value and franchise taxes were up \$2.4 million, or 17%, to \$15.9 million in 2019, also due to asset growth.

Noninterest expense in both 2019 and 2018 was reduced by a net credit in other retirement expense. The net credit was \$2.1 million, or 11%, lower in 2019, based on performance of pension plan assets.

All other expenses increased \$5.0 million, or 9%, from 2018 primarily due to costs associated with the acquisition of MidSouth, partially offset by higher 2018 losses of \$3.3 million associated with the restructure of bank-owned life insurance contracts.

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Income Taxes

We recorded income tax expense at an effective rate of 16.6% in 2019 and 15.3% in 2018. The effective tax rate in 2019 compared to 2018 was higher because 2018 included a \$9.9 million income tax benefit from return to provision adjustments associated with various tax reform related initiatives. We are currently forecasting an effective tax rate for both the first quarter and full year 2020 of approximately 18%-19%.

Our effective tax rate has historically varied from the federal statutory rate primarily due to 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 life insurance contract program are the major components of tax-exempt income.

Table 7 reconciles reported income tax expense to that computed at the statutory tax rate of 21% for the years ended December 31, 2019 and 2018, and 35% for the year ended December 31, 2017.

TABLE 7. Income Taxes

<i>(in thousands)</i>	Years Ended December 31,		
	2019	2018	2017
Taxes computed at statutory rate	\$ 82,475	\$ 80,244	\$ 107,952
Tax credits:			
QZAB/QSCB	(2,840)	(3,038)	(2,570)
NMTC - Federal and State	(6,953)	(7,941)	(6,716)
LIHTC and other tax credits	(500)	(365)	—
Total tax credits	(10,293)	(11,344)	(9,286)
State income taxes, net of federal income tax benefit	7,204	8,770	4,288
Tax-exempt interest	(10,435)	(10,803)	(18,870)
Life insurance contracts	(3,901)	(2,019)	(5,360)
Employee share-based compensation	(842)	(1,380)	(5,824)
FDIC assessment disallowance	1,895	2,818	—
Return to provision adjustment	(1,459)	(9,942)	(120)
Impact of deferred tax asset re-measurement	—	—	19,520
Other, net	715	2,002	502
Income tax expense	\$ <u>65,359</u>	\$ <u>58,346</u>	\$ <u>92,802</u>

The main source of tax credits has been investments in tax-advantage securities and tax credit projects. These investments are made primarily in the markets we serve and 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. The Tax Act repealed the provisions related to tax credit bonds effective for bonds issued after December 31, 2017.

We have invested in NMTC projects through investments in our own CDEs, as well as other unrelated CDEs. Federal tax credits from NMTC investments are recognized over a seven-year period, while recognition of the benefits from state tax credits varies from three to five years.

Based only on tax credit investments that have been made through 2019, we expect to realize benefits from federal and state tax credits over the next three years totaling \$7.5 million, \$7.8 million and \$8.6 million for 2020, 2021 and 2022, respectively. We intend to continue making investments in tax credit projects. However, our ability to access new credits will depend upon, among other factors, federal and state tax policies and the level of competition for such credits.

At December 31, 2019, we had a net deferred tax liability of \$38 million, which is comprised of \$148 million of deferred tax liabilities offset against \$110 million in deferred tax assets (net of state valuation allowance). Several factors are considered in determining the recoverability of the deferred tax asset components, such as the history of taxable earnings, reversal of taxable temporary differences, future taxable income and tax planning strategies. Based on our review of these factors, we have established a \$1.4 million valuation allowance for state net operating losses.

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BALANCE SHEET ANALYSIS

Investment Securities

Our investment in securities was \$6.2 billion at December 31, 2019, compared to \$5.7 billion at December 31, 2018. The investment securities portfolio is managed by ALCO to assist in the management of interest rate risk and liquidity while providing an acceptable rate of return. At December 31, 2019, the amortized cost of securities available for sale totaled \$4.6 billion and securities held to maturity totaled \$1.6 billion, compared to \$2.8 billion and \$3.0 billion, respectively, at December 31, 2018. During the fourth quarter of 2019, we adopted Accounting Standards Update 2019-04 which permits, among other things, a one-time reclassification of debt securities eligible to be hedged under the last-of-layer-method from held to maturity to available for sale. Upon adoption, we transferred investment securities with an amortized cost of approximately \$1.2 billion from the held to maturity portfolio to available for sale portfolio. With this change, the investment portfolio allocation is 75% available for sale and 25% held to maturity.

Our securities portfolio consists mainly of residential and commercial mortgage-backed securities and collateralized mortgage-backed securities that are issued or guaranteed by U.S. government agencies. We invest only in high quality investment grade securities and manage the investment portfolio duration generally between two and five and a half years. At December 31, 2019, the average expected maturity of the portfolio was 5.47 years with an effective duration of 4.16 years and a nominal weighted-average yield of 2.49%. Management simulations indicate that the effective duration would increase to 4.32 years with a 100 bp increase in the yield curve and increase to 4.47 years with a 200 bp increase. At December 31, 2018, the average expected maturity of the portfolio was 5.67 years with an effective duration of 4.67 years and a nominal weighted-average yield of 2.75%. The change in expected maturity, effective duration, and nominal weighted-average yield is primarily related to reinvestment of securities portfolio cash flow and growth during 2019. During 2019, we invested approximately \$470 million in fixed rate commercial mortgage backed securities and simultaneously entered into last-of-layer swaps on these assets.

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, while held to maturity securities are carried at amortized cost. Unrealized holding gains (losses) 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.

The amortized cost of securities at December 31, 2019 and 2018 was as follows:

TABLE 8. Debt Securities by Type

<i>(in thousands)</i>	December 31,	
	2019	2018
Available for sale securities		
U.S. Treasury and government agency securities	\$ 98,320	\$ 74,339
Municipal obligations	242,016	246,713
Residential mortgage-backed securities	1,910,909	1,468,912
Commercial mortgage-backed securities	1,570,765	799,060
Collateralized mortgage obligations	807,600	163,282
Corporate debt securities	8,000	3,500
	<u>\$ 4,637,610</u>	<u>\$ 2,755,806</u>
Held to maturity securities		
U.S. Treasury and government agency securities	\$ 50,000	\$ 50,000
Municipal obligations	641,019	688,201
Residential mortgage-backed securities	29,687	640,393
Commercial mortgage-backed securities	539,371	357,175
Collateralized mortgage obligations	307,932	1,243,778
	<u>\$ 1,568,009</u>	<u>\$ 2,979,547</u>

The amortized cost, fair value and yield of debt securities at December 31, 2019, by final contractual maturity, are presented in the table below. 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 following table presents debt securities maturities by type at December 31, 2019:

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TABLE 9. 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	\$ —	\$ —	\$ —	\$ 98,320	\$ 98,320	\$ 98,672	2.54%	6.6
Municipal obligations	—	1,817	33,168	207,031	242,016	249,805	3.09%	6.0
Residential mortgage-backed securities	356	48,155	470,631	1,391,767	1,910,909	1,924,157	2.50%	4.9
Commercial mortgage-backed securities	—	98,399	1,222,068	250,298	1,570,765	1,586,467	2.58%	7.5
Collateralized mortgage obligations	—	—	33,908	773,692	807,600	808,215	2.01%	2.7
Other debt securities	—	3,500	4,500	—	8,000	7,988	4.32%	3.4
Total debt securities	\$ 356	\$ 151,871	\$ 1,764,275	\$ 2,721,108	\$ 4,637,610	\$ 4,675,304	2.48%	5.5
Fair Value	<u>\$ 363</u>	<u>\$ 154,646</u>	<u>\$ 1,778,398</u>	<u>\$ 2,741,897</u>	<u>\$ 4,675,304</u>			
Weighted Average Yield	3.65%	2.79%	2.41%	2.51%	2.48%			
Held to maturity								
U.S. Treasury and government agency securities	\$ 50,000	\$ —	\$ —	\$ —	\$ 50,000	\$ 50,003	1.68%	0.1
Municipal obligations	—	37,908	221,556	381,555	641,019	668,096	3.15%	5.8
Residential mortgage-backed securities	—	—	—	29,687	29,687	30,570	3.22%	4.7
Commercial mortgage-backed securities	—	102,101	437,270	—	539,371	551,264	2.70%	7.2
Collateralized mortgage obligations	—	—	13,268	294,664	307,932	311,071	2.86%	2.8
Total debt securities	\$ 50,000	\$ 140,009	\$ 672,094	\$ 705,906	\$ 1,568,009	\$ 1,611,004	2.89%	5.5
Fair Value	<u>\$ 50,003</u>	<u>141,929</u>	<u>694,992</u>	<u>724,080</u>	<u>\$ 1,611,004</u>			
Weighted Average Yield	1.68%	2.67%	2.87%	3.04%	2.89%			

Loan Portfolio

Total loans at December 31, 2019 were \$21.2 billion, compared to \$20.0 billion at December 31, 2018. The \$1.2 billion, or 6%, increase is primarily attributable to the MidSouth transaction, as well as organic growth. We saw a \$164 million decrease in legacy energy loans during 2019 and have targeted a continued reduction of our energy portfolio to a range of 2% to 4% of our total loan portfolio, with a focus on retaining our full relationship clients. Management expects full year end of period growth percentage for 2020 to be in the mid-single digits.

The composition of our loan portfolio was as follows:

TABLE 10. Loans Outstanding by Type

(in thousands)	2019	2018	December 31, 2017	2016	2015
Total loans:					
Commercial non-real estate	\$ 9,166,947	\$ 8,620,601	\$ 8,297,937	\$ 7,613,917	\$ 6,995,824
Commercial real estate - owner occupied	2,738,460	2,457,748	2,142,439	1,906,821	1,859,469
Total commercial & industrial	<u>11,905,407</u>	<u>11,078,349</u>	<u>10,440,376</u>	<u>9,520,738</u>	<u>8,855,293</u>
Commercial real estate - income producing	2,994,448	2,341,779	2,384,599	2,013,890	1,553,082
Construction and land development	1,157,451	1,548,335	1,373,421	1,010,879	1,151,950
Residential mortgages	2,990,631	2,910,081	2,690,472	2,146,713	2,049,524
Consumer	2,164,818	2,147,867	2,115,295	2,059,931	2,093,465
Total loans	\$ 21,212,755	\$ 20,026,411	\$ 19,004,163	\$ 16,752,151	\$ 15,703,314

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The commercial and industrial (“C&I”) loan portfolio includes both commercial non-real estate and commercial real estate – owner occupied loans. C&I loans totaled \$11.9 billion, or 56% of the total loan portfolio, at December 31, 2019, an increase of \$0.8 billion from December 31, 2018. Approximately half of the growth is related to the MidSouth transaction, with the remaining growth across the entire footprint and in most specialty lines.

Our commercial and industrial customer base is diversified over a range of industries, including wholesale and retail trade in various durable and nondurable products and the manufacture of such products, marine transportation and maritime construction, energy, healthcare, financial and professional services, and agricultural production. We lend 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 our market areas. Shared national credits funded at December 31, 2019 totaled approximately \$2.2 billion, or 10% of total loans. Approximately \$475 million of our shared national credits at December 31, 2019 were with energy-related borrowers.

Loans outstanding to customers in energy-related industries totaled \$1.0 billion at December 31, 2019, or 4.5% of total loans, down \$96 million compared to \$1.1 billion at December 31, 2018. The decrease in energy-related loans resulted from net payoffs and charge-offs, partially offset by new originations and \$69 million of MidSouth acquired loans that are mostly comprised of customers in the support service sector. At December 31, 2019, approximately \$467 million, or 48%, of the energy portfolio was comprised of customers engaged in exploration and production, transportation and storage activities. The remaining \$496 million, or 52%, of the portfolio was comprised of customers engaged in onshore and offshore services and products to support exploration and production activities. As noted previously, we expect to continue to reduce our energy portfolio and have targeted a concentration level between 2% and 4% of the total loan portfolio. The reduction in the energy portfolio is expected to be offset with organic growth across our entire footprint and in other specialty lines of business.

Commercial real estate – income producing loans totaled \$3.0 billion at December 31, 2019, an increase of \$652.7 million, or 28%, from December 31, 2018. The increase reflects construction loans converting to permanent financing, coupled with \$171 million loans from the MidSouth acquisition, as well as organic growth. The increase was partially offset by approximately \$595 million in paydowns.

Construction and land development loans totaled approximately \$1.2 billion at December 31, 2019, compared to \$1.5 billion at December 31, 2018, a decrease of \$390.9 million, or 25%. The decrease was primarily due to construction and land development loans converting to permanent financing.

Residential mortgages were up \$80.6 million, or 3%, from December 31, 2018. The increase in mortgage loans is due primarily to the transfer of loans from construction and land development, as well as the addition of approximately \$35 million in MidSouth loans. The increase was partially offset by increased paydowns and \$45 million in loan sales during second quarter of 2019. Consumer loans totaled \$2.2 billion at December 31, 2019, an increase of \$17.0 million, or 1%, compared to December 31, 2018.

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The following tables provide detail of the more significant industry concentrations for our commercial and industrial loan portfolio, which is based on NAICS codes, and property type concentrations of our commercial real estate - income producing portfolios.

TABLE 11. Commercial & Industrial Loans by Industry Concentration

(\$ in thousands)	December 31,			
	2019		2018	
	Balance	Pct of Total	Balance	Pct of Total
Commercial & industrial loans:				
Real estate and rental and leasing	\$ 1,420,736	12 %	\$ 1,326,146	12 %
Health care and social assistance	1,144,369	10	1,120,799	10
Retail trade (a)	1,098,787	9	937,971	8
Manufacturing (a)	1,008,904	8	877,950	8
Mining, quarrying, and oil and gas extraction (a)	842,644	7	1,016,870	9
Transportation and warehousing (a)	833,739	7	717,746	7
Public administration	774,401	7	814,442	7
Wholesale trade (a)	754,547	6	602,052	6
Construction	724,646	6	643,932	6
Finance and insurance	677,500	6	605,663	6
Professional, scientific, and technical services (a)	520,990	4	462,984	4
Accommodation and food services	456,141	4	385,958	3
Other services (except public administration)	452,702	4	436,390	4
Educational services	342,544	3	359,997	3
Other (a)	852,757	7	769,449	7
Total commercial & industrial loans	\$ 11,905,407	100 %	\$ 11,078,349	100 %

(a) The Company's energy-related lending portfolio includes loans within each of these selected industry categories as the definition is based on source of revenue. The energy-related lending portfolio totaled \$1.0 billion and \$1.1 billion at December 31, 2019 and 2018, respectively.

TABLE 12. Commercial Real Estate – Income Producing by Property Type Concentration

(\$ in thousands)	December 31,			
	2019		2018	
	Balance	Pct of Total	Balance	Pct of Total
Commercial real estate - income producing loans:				
Retail	\$ 670,042	22 %	\$ 507,129	22 %
Office	533,569	18	444,973	19
Industrial	430,517	14	311,933	13
Multifamily	407,068	14	332,145	14
Hotel/motel	374,350	13	374,430	16
Other	578,902	19	371,169	16
Total commercial real estate - income producing loans	\$ 2,994,448	100 %	\$ 2,341,779	100 %

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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 13. Average Loans

(\$ in thousands)	Years Ended December 31,								
	2019			2018			2017		
	Balance	Yield (te)	Pct of Total	Balance	Yield (te)	Pct of Total	Balance	Yield (te)	Pct of Total
Total loans:									
Commercial & real estate loans	\$ 15,289,645	4.83 %	75 %	\$ 14,487,335	4.52 %	75 %	\$ 13,751,022	4.25 %	75 %
Residential mortgages	2,974,094	4.09	15	2,794,804	4.10	14	2,445,787	3.89	13
Consumer	2,116,288	5.74	10	2,096,289	5.60	11	2,084,076	5.52	12
Total loans	\$ 20,380,027	4.81 %	100 %	\$ 19,378,428	4.58 %	100 %	\$ 18,280,885	4.35 %	100 %

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

TABLE 14. Loan Maturities by Type

December 31, 2019 (in thousands)	Maturity Range			
	Within One Year	After One Through Five Years	After Five Years	Total
Total loans:				
Commercial non-real estate	\$ 2,341,282	\$ 4,816,513	\$ 2,009,152	\$ 9,166,947
Commercial real estate - owner occupied	198,623	991,857	1,547,980	2,738,460
Total commercial & industrial	<u>2,539,905</u>	<u>5,808,370</u>	<u>3,557,132</u>	<u>11,905,407</u>
Commercial real estate - income producing	502,113	1,741,356	750,979	2,994,448
Construction and land development	274,357	409,377	473,717	1,157,451
Residential mortgages	63,699	43,613	2,883,319	2,990,631
Consumer	131,832	643,938	1,389,048	2,164,818
Total loans	\$ 3,511,906	\$ 8,646,654	\$ 9,054,195	\$ 21,212,755

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

TABLE 15. Loan Sensitivity to Changes in Interest Rates

(\$ in thousands)	December 31, 2019		
	Fixed Rate	Floating Rate	Total
Total loans:			
Commercial non-real estate	\$ 3,018,102	\$ 3,807,563	\$ 6,825,665
Commercial real estate - owner occupied	1,751,380	788,457	2,539,837
Total commercial & industrial	<u>4,769,482</u>	<u>4,596,020</u>	<u>9,365,502</u>
Commercial real estate - income producing	940,142	1,552,193	2,492,335
Construction and land development	470,121	412,973	883,094
Residential mortgages	1,855,098	1,071,834	2,926,932
Consumer	811,633	1,221,353	2,032,986
Total loans	\$ 8,846,476	\$ 8,854,373	\$ 17,700,849

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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.

TABLE 16. Nonperforming Assets

<i>(in thousands)</i>	2019	2018	December 31, 2017	2016	2015
Loans accounted for on a nonaccrual basis: (a)					
Commercial non-real estate loans	\$ 49,628	\$ 26,617	\$ 63,387	\$ 170,703	\$ 83,677
Commercial non-real estate loans - restructured	129,050	84,036	89,476	78,334	5,066
Total commercial non-real estate loans	178,678	110,653	152,863	249,037	88,743
Commercial real estate - owner occupied	7,413	16,682	23,549	13,433	8,841
Commercial real estate - owner occupied - restructured	295	213	2,440	981	1,160
Total commercial real estate - owner occupied loans	7,708	16,895	25,989	14,414	10,001
Commercial real estate - income producing loans	2,489	4,991	9,054	13,147	10,225
Commercial real estate - income producing loans - restructured	105	—	5,520	807	590
Total commercial real estate - income producing loans	2,594	4,991	14,574	13,954	10,815
Construction and land development loans	1,051	2,134	3,791	3,651	15,993
Construction and land development loans - restructured	166	12	16	898	1,301
Total construction and land development loans	1,217	2,146	3,807	4,549	17,294
Residential mortgage loans	36,638	34,594	38,703	22,815	23,082
Residential mortgage loans - restructured	2,624	1,272	1,777	851	717
Total residential mortgage loans	39,262	35,866	40,480	23,666	23,799
Consumer loans	16,159	16,744	15,087	12,350	9,061
Consumer loans -restructured	215	—	—	—	—
Total consumer loans	16,374	16,744	15,087	12,350	9,061
Total nonaccrual loans	\$ 245,833	\$ 187,295	\$ 252,800	\$ 317,970	\$ 159,713
Restructured loans - still accruing:					
Commercial non-real estate loans	\$ 59,136	\$ 130,075	\$ 114,224	\$ 32,887	\$ —
Commercial real estate loans - owner occupied	—	7,286	1,578	493	1,638
Commercial real estate loans - income producing	373	398	3,827	5,939	2,473
Construction and land development loans	111	9	—	—	20
Residential mortgage loans	514	546	480	259	106
Consumer loans	1,131	728	384	240	60
Total restructured loans - still accruing	61,265	139,042	120,493	39,818	4,297
Total nonperforming loans	307,098	326,337	373,293	357,788	164,010
ORE and foreclosed assets	30,405	26,270	27,542	18,943	27,133
Total nonperforming assets (b)	\$ 337,503	\$ 352,607	\$ 400,835	\$ 376,731	\$ 191,143
Loans 90 days past due still accruing (c)	\$ 6,582	\$ 5,589	\$ 27,766	\$ 3,039	\$ 7,653
Total restructured loans	\$ 193,720	\$ 224,575	\$ 219,722	\$ 121,689	\$ 13,131
Ratios:					
Nonperforming assets to loans plus ORE and foreclosed assets	1.59 %	1.76 %	2.11 %	2.25 %	1.22 %
Allowance for loan losses to nonperforming loans and accruing loans 90 days past due	60.97 %	58.60 %	54.18 %	63.58 %	105.54 %
Loans 90 days past due still accruing to loans	0.03 %	0.03 %	0.15 %	0.02 %	0.05 %

(a) Nonaccrual loans and accruing loans past due 90 days or more do not include purchased 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.

(c) Excludes 90+ accruing troubled debt restructured loans already reflected in total nonperforming loans of \$8.7 million at December 31, 2018.

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Nonperforming assets decreased \$15.1 million, or 4%, in 2019 to \$337.5 million at December 31, 2019. Nonperforming loans, which include nonaccrual loans and TDRs still accruing, decreased \$19.2 million from December 31, 2018. The decrease was primarily due to a reduction in restructured accruing loans as a result of several paydowns of energy-related loans, partially offset by the downgrades of few large energy-related and other non-energy C&I loans to nonaccrual status.

Loans modified in TDRs totaled \$193.7 million at December 31, 2019 compared to \$224.6 million at December 31, 2018, including \$132.5 million and \$85.5 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 when the individual facts and circumstances of the borrower indicate that we will collect all amounts due. Accruing TDRs totaled \$61.3 million, or 20% of nonperforming loans at December 31, 2019, down from \$139.0 million, or 43% of nonperforming loans at December 31, 2018. The \$77.8 million decrease is mainly attributable to paydowns of energy-related loans.

Nonenergy-related nonperforming loans totaling \$149.2 million at December 31, 2019 are spread across industries and geographies and do not indicate any systemic risk in our portfolios. Our energy-related nonperforming loans totaled \$157.9 million at December 31, 2019. We continue to make progress in working through our problem credits in both our energy and nonenergy portfolios and expect that improvement to continue into 2020, assuming no significant changes in economic conditions.

Allowance for Credit Losses

The allowance for credit losses represents management's estimate of probable credit losses inherent in the loan and lease portfolios and related unfunded lending exposures at period end. We determine the allowance in accordance with applicable accounting literature as well as regulatory guidance related to receivables and contingencies. Management, with Board of Directors oversight, is responsible for ensuring the adequacy of the allowance. 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, 2019, the allowance for credit losses was \$195.2 million, consisting of \$191.3 million in funded allowance for loan losses and a \$4.0 million reserve for unfunded lending commitments, compared to \$194.5 million at December 31, 2018. The \$0.7 million increase compared to December 31, 2019 is attributable to a \$4.0 million increase in the reserve for unfunded lending commitments in 2019 related to impaired reserves on letter of credit exposures, largely offset by a decrease in the funded allowance for loan losses. The energy-related allowance for credit losses increased \$5.9 million to \$39.1 million at December 31, 2019, with the allowance for loan losses comprising 3.3% of energy loans outstanding up from 3.1% at the prior year end. The increase in energy reserves is due largely to impaired reserves on a few reserve-based lending credits. The non-energy allowance for credit losses decreased \$5.2 million to \$156.1 million in 2019. The decline in the non-energy allowance is due in part to improving credit metrics and continued strong credit performance in the construction and residential mortgage portfolios.

Criticized commercial loans totaled \$580.7 million at December 31, 2019, down \$44.9 million, or 7%, compared to December 31, 2018, which is net of a \$29.8 million of the increase attributable to MidSouth loans which are covered by the purchased discount. The decrease in commercial criticized loans includes \$25.5 million attributable to the commercial nonenergy portfolio (net of \$28.9 million increase from MidSouth), and \$19.4 million attributable to the energy portfolio (net of \$0.9 million increase from MidSouth). 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 nonaccruing loans. Our commercial nonenergy criticized portfolio, totaling \$320.6 million at December 31, 2019 is comprised of loans that are diversified as to both industry and geography. Commercial nonenergy criticized loans comprised 2.12% of that portfolio at December 31, 2019, down from 2.49% at December 31, 2018. At December 31, 2019, criticized loans in the energy portfolio were \$260 million, or approximately 27% of that portfolio. Energy-related loans delinquent for more than 30 days, including accrual and nonaccrual loans, totaled \$60.1 million, or 6%, of the energy portfolio at December 31, 2019.

The ratio of the allowance for loan losses as a percentage of period-end loans was 0.90% at December 31, 2019, compared to 0.97% at December 31, 2018. The reduction in coverage is due in part to the addition of the acquired MidSouth loans with no carryover allowance. The allowance coverage excluding the impact of MidSouth loans totaled 0.93% at December 31, 2019. The remaining decline in coverage year-over-year is due largely to the sizable reduction in energy loan levels that are carried at a higher coverage than the nonenergy portfolio along with overall improving credit metrics across both portfolios. Management believes the coverage levels are consistent with the risk inherent in the portfolios. Should economic conditions and/or our resolution strategies change, the level of reserves may need to be adjusted accordingly.

Net charge-offs during 2019 were \$47.0 million, or 0.23%, of average total loans down from charge-offs of \$52.3 million, or 0.27% of average total loans, for the year ended December 31, 2018. Net charge-offs in 2019 included a \$9.0 million net fraud related charge for an equipment finance credit. Energy net charge-offs contributed \$10.1 million, and \$18.2 million to total losses for the years ended December 31, 2019 and 2018, respectively. Commercial nonenergy net charge-offs increased \$4.9 million during 2019 to \$21.7 million, due primarily to the fraud-related equipment finance charge. Residential mortgage net charge-offs were \$0.4 million

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compared to a net recovery in 2018 of \$1.6 million. Consumer net charge-offs were down \$3.9 million in 2019 to \$14.8 million. Net losses from the consumer finance subsidiary sold in 2018 contributed \$1.5 million to the reduction compared to the prior year.

The following table sets forth activity in the allowance for loan losses for the periods indicated:

TABLE 17. Summary of Activity in the Allowance for Credit Losses

<i>(in thousands)</i>	2019	2018	December 31, 2017	2016	2015
Provision and Allowance for Credit Losses					
Allowance for Loan Losses:					
Allowance for loan losses at beginning of period	\$ 194,514	\$ 217,308	\$ 229,418	\$ 181,179	\$ 128,762
Loans charged-off:					
Commercial non real estate	39,600	40,069	51,479	42,620	8,361
Commercial real estate - owner occupied	137	8,059	558	1,847	1,392
Total commercial & industrial	39,737	48,128	52,037	44,467	9,753
Commercial real estate - income producing	32	1,633	259	347	2,833
Construction and land development	7	334	696	982	2,834
Total Commercial	39,776	50,095	52,992	45,796	15,420
Residential mortgages	846	614	2,839	1,363	2,407
Consumer	18,455	23,913	31,430	26,107	16,831
Total charge-offs	59,077	74,622	87,261	73,266	34,658
Recoveries of loans previously charged-off:					
Commercial non real estate	6,940	14,385	7,526	4,084	5,046
Commercial real estate - owner occupied	306	317	848	749	2,634
Total commercial & industrial	7,246	14,702	8,374	4,833	7,680
Commercial real estate - income producing	569	221	988	991	763
Construction and land development	140	96	1,603	2,086	3,089
Total commercial	7,955	15,019	10,965	7,910	11,532
Residential mortgages	480	2,179	1,064	895	771
Consumer	3,645	5,162	6,680	5,998	4,534
Total recoveries	12,080	22,360	18,709	14,803	16,837
Total net charge-offs	46,997	52,262	68,552	58,463	17,821
Provision for loan losses	43,734	36,116	58,968	110,659	73,038
Decrease in allowance as a result of sale of subsidiary	—	(6,648)	—	—	—
Decrease in FDIC loss share receivable	—	—	(2,526)	(3,957)	(2,800)
Allowance for loan losses at end of period	\$ 191,251	\$ 194,514	\$ 217,308	\$ 229,418	\$ 181,179
Reserve for Unfunded Lending Commitments:					
Reserve for unfunded lending commitments at beginning of period	—	—	—	—	—
Provision for losses on unfunded lending commitments	3,974	—	—	—	—
Reserve for unfunded lending commitments at end of period	\$ 3,974	\$ —	\$ —	\$ —	\$ —
Total Allowance for Credit Losses	\$ 195,225	\$ 194,514	\$ 217,308	\$ 229,418	\$ 181,179
Total Provision for Credit Losses	\$ 47,708	\$ 36,116	\$ 58,968	\$ 110,659	\$ 73,038
Ratios:					
Gross charge-offs to average loans	0.29 %	0.39 %	0.47 %	0.45 %	0.20 %
Recoveries to average loans	0.06 %	0.12 %	0.10 %	0.09 %	0.09 %
Net charge-offs to average loans	0.23 %	0.27 %	0.38 %	0.37 %	0.11 %
Allowance for loan losses to period-end loans	0.90 %	0.97 %	1.14 %	1.37 %	1.15 %

An allocation of the loan loss allowance by major loan category is set forth in the following table.

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TABLE 18. Allocation of Allowance for Loan Losses by Category

(\$ in thousands)	December 31,									
	2019		2018		2017		2016		2015	
	Allowance for Loan Losses	% of Total Allowance								
Commercial non-real estate	\$ 106,432	55	\$ 97,752	50	\$ 127,918	59	\$ 147,052	64	\$ 109,428	60
Commercial real estate - owner occupied	10,977	6	13,757	7	12,962	6	11,083	5	9,858	6
Total commercial & industrial	117,409	61	111,509	57	140,880	65	158,135	69	119,286	66
Commercial real estate - income producing	20,869	11	17,638	9	13,709	6	13,509	6	6,041	3
Construction and land development	9,350	5	15,647	8	7,372	4	6,271	3	5,642	3
Residential mortgages	20,331	11	23,782	12	24,844	11	25,361	11	25,353	14
Consumer	23,292	12	25,938	14	30,503	14	26,142	11	24,857	14
Total	\$ 191,251	100	\$ 194,514	100	\$ 217,308	100	\$ 229,418	100	\$ 181,179	100

Effective January 1, 2020, the Company was required to and has adopted Accounting Standards Update 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” commonly referred to as Current Expected Credit Losses or CECL, that changed the approach to recognizing credit losses from an incurred loss methodology to one that recognizes the full amount of expected credit losses for the lifetime of the financial assets, based on historical experience, current conditions and reasonable and supportable forecasts. We expect the adoption of this guidance, pending final approval through our governance process, to result in a \$76.7 million increase in allowance for credit losses on January 1, 2020, comprised of increases in the ALLL of \$49.4 million and the reserve for unfunded lending commitments of \$27.3 million, with \$19.8 million of the ALLL increase reclassified from the fair value mark for acquired impaired loans considered purchased credit deteriorated under the new guidance, and resulting in a cumulative-effect adjustment to retained earnings (net of tax) of \$44.1 million. For further discussion on the standard and our methodology, see Note 1 – Summary of Significant Accounting Policies and Recent Accounting Pronouncements in Item 8 – “Financial Statements and Supplementary Data” of this document.

Short-Term Investments

Short-term liquidity investments, including interest-bearing bank deposits and federal funds sold, decreased \$0.9 million from December 31, 2018 to a total of \$110.2 million at December 31, 2019. Average short-term investments for 2019 totaled \$191.0 million, a \$27.7 million, or 17%, increase from 2018. Short-term liquidity assets are held to ensure funds are available to meet the cash flow needs of both borrowers and depositors.

Deposits

Total deposits were \$23.8 billion at December 31, 2019, up \$653.4 million, or 3%, from December 31, 2018, which included the impact of approximately \$1.3 billion of deposits assumed from the MidSouth acquisition. Average deposits in 2019 of \$23.3 billion were up \$1.1 billion, or 5% over 2018.

At December 31, 2019, noninterest-bearing demand deposits were \$8.8 billion, up \$276.6 million, or 3%, from December 31, 2018 which includes \$390 million of noninterest-bearing demand deposits assumed in the MidSouth acquisition. Noninterest-bearing demand deposits comprised 37% of total deposits at December 31, 2019 and 2018.

Interest-bearing transaction and savings accounts of \$8.8 billion at December 31, 2019 increased \$845.0 million, or 11%, from December 31, 2018, with increase mainly attributable to deposits from the MidSouth acquisition.

Interest-bearing public fund deposits totaled \$3.4 billion at December 31, 2019, up \$357.9 million, or 12%, from December 31, 2018. 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 in the first quarter of the following year.

Time deposits other than public funds totaled \$2.8 billion at December 31, 2019, down \$826.1 million, or 23%, from December 31, 2018. The decrease is driven primarily by a \$1.1 billion decrease in brokered certificates of deposit, partially offset by an increase in retail certificates of deposits. As part of our portfolio management, we replaced higher cost brokered certificates of deposit with lower cost FHLB advances.

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Table 19 sets forth average balances and weighted-average rates paid on deposits for each year in the three-year period ended December 31, 2019, as well as the percentage of total deposits for each category. Table 20 sets forth the maturities of time certificates of deposit greater than \$250,000 at December 31, 2019.

TABLE 19. Average Deposits

(\$ in millions)	2019			2018			2017		
	Balance	Rate	Mix	Balance	Rate	Mix	Balance	Rate	Mix
Interest-bearing deposits:									
Interest-bearing transaction									
deposits	\$ 1,999.5	0.62 %	8.6 %	\$ 1,666.4	0.38 %	7.5 %	\$ 1,651.4	0.25 %	7.9 %
Money market deposits	4,487.8	1.05	19.3	4,520.1	0.77	20.4	4,338.9	0.57	20.8
Savings deposits	1,796.1	0.02	7.7	1,770.9	0.02	8.0	1,765.8	0.03	8.6
Time deposits	3,682.0	2.00	15.8	3,265.1	1.59	14.7	2,632.9	1.06	12.6
Public Funds	3,078.1	1.76	13.2	2,849.3	1.30	12.9	2,664.9	0.72	12.8
Total interest-bearing deposits	15,043.5	1.25 %	64.6	14,071.8	0.93 %	63.5	13,053.9	0.59 %	62.7
Noninterest bearing demand									
deposits	8,255.9		35.4	8,095.2		36.5	7,777.7		37.3
Total deposits	\$ 23,299.4		100.0 %	\$ 22,167.0		100.0 %	\$ 20,831.6		100.0 %

TABLE 20. Maturity of Time Certificates of Deposit greater than or equal to \$250,000*

(in thousands)	December 31, 2019
Three months	\$ 382,665
Over three months through six months	427,192
Over six months through one year	428,645
Over one year	133,024
Total	\$ 1,371,526

* Includes public fund time deposits

Short-Term Borrowings

Short-term borrowings totaled \$2.7 billion at December 31, 2019, up \$1.1 billion from December 31, 2018. Average short-term borrowings for 2019 totaled \$1.9 billion, down \$248.6 million compared to 2018. Short-term borrowings are a core portion of the Company's funding strategy and can fluctuate depending on our funding needs and the sources utilized.

Table 21 sets forth balances of short-term borrowings for each of the past three years. Short-term borrowings consist of federal funds purchased, securities sold under agreements to repurchase and borrowings from the FHLB. Customer repurchase agreements are a source of customer funding. 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 will vary.

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TABLE 21. Short-Term Borrowings

(\$ in thousands)	Years Ended December 31,		
	2019	2018	2017
Federal funds purchased:			
Amount outstanding at period end	\$ 195,450	\$ 425	\$ 140,754
Average amount outstanding during period	49,297	39,968	27,063
Maximum amount at any month end during period	202,933	100,925	140,754
Weighted-average interest at period end	1.60%	2.00%	1.00%
Weighted-average interest rate during period	2.30%	2.11%	1.37%
Securities sold under agreements to repurchase:			
Amount outstanding at period end	\$ 484,422	\$ 428,599	\$ 430,569
Average amount outstanding during period	493,344	456,000	501,719
Maximum amount at any month end during period	518,042	500,345	587,569
Weighted-average interest at period end	0.54%	0.32%	0.17%
Weighted-average interest rate during period	0.52%	0.23%	0.12%
FHLB borrowings:			
Amount outstanding at period end	\$ 2,035,000	\$ 1,160,104	\$ 1,132,567
Average amount outstanding during period	1,399,503	1,694,804	1,478,114
Maximum amount at any month end during period	1,941,774	2,410,258	2,061,652
Weighted-average interest at period end	1.17%	2.48%	1.35%
Weighted-average interest rate during period	1.96%	2.02%	1.00%

The \$2.0 billion of FHLB borrowings at December 31, 2019 consists of two notes, one fixed and one variable rate, totaling \$775 million that mature in 2020; three fixed rate non-amortizing puttable notes totaling \$800 million that mature in 2034 which are classified as short-term as the FHLB has the option to put (terminate) the advance prior to maturity; and four variable rate notes totaling \$460 million that mature in 2025 to 2026. These four variable rate notes reset either monthly or quarterly and may be repaid at our option either in whole or in part at par on any reset date, subject to advanced notice of no less than two days before the reset date and therefore are included in short-term borrowings.

Long-Term Debt

Long-term debt at December 31, 2019 includes \$150 million of 30-year subordinated notes at a fixed rate of 5.95% maturing on June 15, 2045. Subject to prior approval by the Federal Reserve, we 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.

Other long-term debt consists primarily of borrowings associated with tax credit fund activities. Although these borrowings have indicated maturities through 2053, each is expected to be satisfied at the end of the seven-year compliance period for the related tax credit investments.

Operating Leases

Effective January 1, 2019, the Company adopted the amended provisions of Financial Accounting Standards Codification Topic 842, "Leases," using the modified retrospective approach, impacting the reporting and disclosures for operating leases. The core principle of Topic 842 is that a lessee should recognize in the statement of financial position a liability representing the present value of future lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset over the lease term, as well as the disclosure of key information about operating leasing arrangements. Upon adoption, the Company recorded a gross-up of assets and liabilities in its consolidated balance sheet, with approximately \$116 million for right-of-use assets and \$131 million of lease payment obligations offset by the elimination of \$15 million of existing lease incentive and other deferred rent liabilities. At December 31, 2019, the right of use assets was \$110.0 million, net of \$12.2 million in accumulated amortization, and the lease liability was \$127.7 million. Accounting for leases in accordance with Topic 842 has not had a material impact upon our consolidated results of operations, and is not expected to in future periods. Refer to Note 6 – Operating Leases for further information related to the operating lease accounting policy, practical expedient elections for adoption and operating leasing information at adoption.

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.

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Commitments to extend credit totaled \$7.5 billion at December 31, 2019, of which \$458.8 million represents commitments to extend credit to energy-related borrowers. Commitments to lend 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 our future cash requirements.

Letters of credit totaled \$393.3 million at December 31, 2019, of which approximately \$62.0 million are to energy-related borrowers. 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 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 our 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. As of December 31, 2019, the Company has a reserve for unfunded lending commitments of \$4.0 million.

The following table shows the commitments to extend credit and letters of credit at December 31, 2019 and 2018 according to expiration date.

TABLE 22. Loan Commitments and Letters of Credit

<i>(in thousands)</i>	Total	Expiration Date			
		Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
December 31, 2019					
Commitments to extend credit	\$ 7,530,143	\$ 3,316,431	\$ 1,811,564	\$ 1,491,367	\$ 910,781
Letters of credit	393,284	314,425	35,086	43,773	—
Total	<u>\$ 7,923,427</u>	<u>\$ 3,630,856</u>	<u>\$ 1,846,650</u>	<u>\$ 1,535,140</u>	<u>\$ 910,781</u>
<i>(in thousands)</i>	Total	Expiration Date			
		Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
December 31, 2018					
Commitments to extend credit	\$ 7,234,528	\$ 3,297,301	\$ 1,485,363	\$ 1,542,817	\$ 909,047
Letters of credit	365,498	280,114	36,633	48,751	—
Total	<u>\$ 7,600,026</u>	<u>\$ 3,577,415</u>	<u>\$ 1,521,996</u>	<u>\$ 1,591,568</u>	<u>\$ 909,047</u>

ENTERPRISE RISK MANAGEMENT

We proactively manage risks to capture opportunities and maximize shareholder value. We balance revenue generation and profitability with the inherent risks of our 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. Our 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. We make changes to our 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 strategic, business, and operational environments.

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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. We have 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. Oversight responsibility for these categories is assigned within our risk committee governance structure.

- Credit risk arises from the potential that a borrower or counterparty will fail to perform on an obligation.
- Market risk is 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, the risk to current or anticipated earnings or capital arising from violations of laws, rules or regulations, or from non-conformance with prescribed practices, internal policies and procedures or ethical standards, 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 is an important factor 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 of 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 risk committees. Following is a summary of our risk governance structure and related responsibilities:

- Board risk committees. The Company's Board of Directors has established a Board Risk Committee and Credit Risk Management Subcommittee of the Board Risk Committee to oversee the effective establishment of a risk governance framework, provide for an 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. The Board has designated Ms. Joan Teofilo, an independent director who serves on the Board Risk Committee, as its risk management expert.
- 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 capital stress testing 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. CAPCO provides 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, 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.

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Risk Leadership and Organization

The risk management function of the Company, which includes the Chief Risk Officer, is led by the President of Hancock 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 Chief Credit Officer 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, regulatory relations, 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 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 4.5% 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 our exposure, improve our cross industry diversification, and proactively manage potential impacts to earnings.

Real estate loan levels are monitored throughout the year and the bank currently does not have a commercial real estate concentration as defined by interagency guidelines.

Managing collateral is also 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, whose Credit Review Manager reports to the Credit Risk Management Subcommittee, a subcommittee of the Board Risk Committee, 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 repricing, option, yield curve, and basis risks. Repricing risk results from differences in the maturity or repricing 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 changes to 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.

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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 promote 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 twelve-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

Our primary market risk is interest rate risk that stems from uncertainty with respect to the 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 promote a relatively stable net interest margin under varying rate environments.

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 rates at December 31, 2019. Shifts are measured in 100 basis point increments in a range from -500 to +500 basis points from base case, with -100 through +300 basis points presented in Table 23. Our interest rate sensitivity modeling incorporates a number of assumptions including loan and deposit repricing characteristics, the rate of loan prepayments and other factors. The base scenario assumes that the current interest rate environment is held constant over a 24-month forecast period and is the scenario to which all others are compared in order to measure the change in net interest income. Policy limits on the change in net interest income under a variety of interest rate scenarios are approved by the Board of Directors. All policy scenarios assume a static volume forecast where the balance sheet is held constant, although other scenarios are modeled.

TABLE 23. Net Interest Income (te) at Risk

Change in Interest Rates (basis points)	Estimated Increase (Decrease) in NII	
	Year 1	Year 2
- 100	(3.22) %	(4.50) %
+ 100	3.13 %	3.98 %
+ 200	5.92 %	7.35 %
+ 300	8.58 %	10.48 %

The results indicate a general asset sensitivity across most scenarios driven primarily by repricing in variable rate loans and a funding mix which is composed of material volumes of non-interest bearing and lower rate sensitive deposits. When deemed prudent, management has taken actions to mitigate exposure to interest rate risk with on- or off-balance sheet financial instruments and intends to do so in the future. Possible actions include, but are not limited to, changes in the pricing of loan and deposit products, modifying the composition of earning assets and interest-bearing liabilities, and adding to, modifying or terminating existing interest rate swap agreements or other financial instruments used for interest rate risk management purposes.

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 of repricing, 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

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borrowers to service their debt may decrease in the event of an interest rate increase. All of these factors are considered in monitoring exposure to interest rate risk.

In July 2017, the United Kingdom Financial Conduct Authority (the authority that regulates LIBOR) announced it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. At December 31, 2019, approximately 31% of our loan portfolio consisted of variable rate loans tied to LIBOR, along with related derivatives and other financial instruments. During the third quarter of 2019, the Company began transition activities by modifying documents to include pre-cessation fallback trigger language in all new and renewed loan and derivative transactions that reference LIBOR. Our LIBOR transition team is continuing to monitor developments and is taking steps to ensure readiness when the LIBOR benchmark rate is discontinued.

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. As part of the overall asset and liability management process, liquidity management strategies and measurements have been developed to manage and monitor liquidity risk.

TABLE 24. Liquidity Metrics

	2019	2018	2017
Free securities / total securities	47.27 %	41.39 %	44.15 %
Core deposits / total deposits	93.54 %	90.47 %	93.03 %
Wholesale funds / core deposits	13.99 %	14.53 %	13.76 %
Average loans / average deposits	87.47 %	87.42 %	87.76 %

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments, maturities and repayments 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 that can be sold or used as collateral for borrowings, and include unpledged 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 20% or more. As shown in Table 24 above, our ratios of free securities to total securities were 47.27% and 41.39%, respectively, at December 31, 2019 and 2018. Securities and FHLB letters of credit are pledged as collateral related to public funds and repurchase agreements. The total pledged securities at December 31, 2019 were down \$13 million compared to December 31, 2018.

The liability portion of the balance sheet provides liquidity mainly through the Company's ability to use cash sourced from various customers' interest-bearing and noninterest-bearing deposit accounts and sweep accounts. At December 31, 2019, deposits totaled \$23.8 billion, an increase of \$0.7 billion, or 3%, from December 31, 2018. This increase was due largely to \$1.3 billion in deposits from the MidSouth transaction. Core deposits represent total deposits excluding certificates of deposits ("CDs") of \$250,000 or more and brokered deposits. The ratio of core deposits to total deposits was 93.54% at December 31, 2019, compared to 90.47% to December 31, 2018. Core deposits totaled \$22.3 billion at December 31, 2019, an increase of \$1.3 billion from December 31, 2018. Brokered deposits totaled \$0.2 billion as of December 31, 2019 compared to \$1.2 billion at December 31, 2018. Maturing brokered deposits in the fourth quarter of 2019 were replaced with lower cost, short-term FHLB advances. Use of brokered deposits as a funding source is subject to strict parameters regarding the amount, term, and interest rate.

Purchases of federal funds, securities sold under agreements to repurchase and other short-term borrowings from customers provide additional sources of liquidity to meet short-term funding requirements. In addition to funding from customer sources, the Bank has a line of credit with the FHLB that is secured by blanket pledges of certain mortgage loans. At December 31, 2019, the Bank had borrowed \$2.0 billion from the FHLB and had approximately \$2.2 billion remaining available under this line. The Bank also has unused borrowing capacity at the Federal Reserve's discount window of approximately \$2.6 billion. There were no outstanding borrowings with the Federal Reserve at December 31, 2019 and December 31, 2018.

Wholesale funds, comprised of short-term borrowings, long-term debt and brokered deposits were 13.99% of core deposits at December 31, 2019 and 14.53% at December 31, 2018. Wholesale funds totaled \$3.1 billion at December 31, 2019, an increase of \$71.2 million from December 31, 2018. As previously discussed, core deposits at December 31, 2019 increased \$1.3 billion compared to December 31, 2018. The Company has established an internal target for wholesale funds to be less than 25% of core deposits.

Another key measure the Company uses to monitor its liquidity position is the loan to deposit ratio (average loans outstanding for the reporting period divided by average deposits outstanding). The loan-to-deposit ratio measures the amount of funds the Company lends for each dollar of deposits on hand. Our average loan-to-deposit ratio was 87.47% for 2019 compared to 87.42% in 2018. Management has established a target range for the loan to deposit ratio of 87% to 89%, which could be exceeded under certain circumstances.

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Dividends received from the Bank have been the primary source of funds available to the Parent Company for the payment of dividends to our stockholders and for servicing its debt. The liquidity management process takes into account the various regulatory provisions that can limit the amount of dividends that the Bank can distribute to the Parent Company, as described in Note 12 to the consolidated financial statements, “Stockholders’ Equity.” The Parent targets cash and other liquid assets to provide liquidity in an amount sufficient to fund approximately four quarters of anticipated common stockholder dividends, but will temporarily operate below that level if a return to the target can be achieved in the near-term. On September 23, 2019, the Bank declared a special dividend of \$150 million to the Parent to assist in the completion of the MidSouth acquisition and provide additional liquidity for approved share buyback program and other activity of the Parent.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal controls and processes, people and systems, or from external events, including fraud, litigation and breaches in data security. We depend on the ability of our employees and systems to process, record and monitor a large number of transactions on an on-going basis. As operational risk remains elevated and as customer and regulatory expectations regarding information security have increased, the Company continues to enhance its controls, processes and systems in order to protect the Company’s networks, computers, software and data from attack, damage or unauthorized access.

Cybersecurity is a significant operational risk for financial institutions as a result of increases in the number of incidents and the sophistication of cyber-attacks. Cyber-attacks include computer hacking, acts of vandalism or theft, malware, computer viruses or other malicious codes, credential validation, denial of service, phishing, and employee malfeasance, each utilized to disrupt the operations of a financial institution, which in certain instances have resulted in unauthorized access to confidential, proprietary or other information, including customer account information.

The Board Risk Committee has primary responsibility for the oversight of operational risk. In this capacity, the Board Risk Committee oversees the Company’s processes for identifying, assessing, monitoring and managing cybersecurity risk. The Chief Information Security Officer (CISO), a member of management, supports the information security risk oversight responsibilities of the Board and its committees and involves the appropriate personnel in information risk management. The CISO attends Board Risk Committee meetings on a quarterly basis and sits in executive session with the Board Risk Committee members twice each year. The CISO annually provides an Information Security Program Summary report to the Board, outlining the overall status of our Information Security Program and the Company’s compliance with regulatory guidelines. In addition, individual business lines have direct and primary responsibility and accountability for identifying, controlling, and monitoring operational risks embedded in their business activities.

The CISO is also responsible for managing the day-to-day cybersecurity operations and leads the IT Risk Governance Subcommittee, a management level committee, whose objective is to protect the integrity, security, safety and resiliency of our corporate information systems and assets. This committee meets regularly to review the development of our Information Security Program. Our Information Security Program is comprised of a collection of policies, guidelines and procedures, which are regularly updated and approved by appropriate management committees. As part of our Information Security Program, we have adopted a Comprehensive Information Security Policy and an Incident Response Plan. The Incident Response Plan is intended to proceed on parallel paths in the event of an incident, including implementation of (i) a forensic and containment, eradication and remediation plan, and (ii) a line of business response plan (including legal, compliance, business, insurance and communications).

We contract with outside vendors on an annual basis to conduct vulnerability/penetration tests against the Company’s network. We have also contracted with third parties to assist in cyber incident response, forensics and communications. Any third party service provider or vendor utilized as part of the Company’s cybersecurity framework is required to comply with the Company’s policies regarding non-public personal information and information security. In addition, information security training programs are in place for all new associates, as well as required annual training for all associates. Internal policies and procedures have been adopted to encourage the reporting of potential security attacks or risks.

To date, the Company has not experienced an attack that has significantly impacted its results of operations, financial condition and cash flows. Addressing cybersecurity risks is a priority for the Company, and the Company is committed to enhancing its systems of internal controls and business continuity and disaster recovery plans. See Item 1A. “Risk Factors” for further discussion of the risks associated with an interruption or breach in our information systems or infrastructure.

CONTRACTUAL OBLIGATIONS

The following table summarizes all significant contractual obligations as of December 31, 2019, according to payments due by period. Obligations under deposit contracts and short-term borrowings are not included. The maturities of time deposits in amounts greater than \$250,000 are presented in Table 20. 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 25. Contractual Obligations

<i>(in thousands)</i>	Payment due by period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt obligations	\$ 472,554	\$ 35,286	35,367	26,876	375,025
Operating lease obligations	163,407	16,382	31,498	25,850	89,677
Purchase obligations	128,629	77,487	39,723	11,419	—
Total	<u>\$ 764,590</u>	<u>\$ 129,155</u>	<u>\$ 106,588</u>	<u>\$ 64,145</u>	<u>\$ 464,702</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 \$3.5 billion at December 31, 2019 compared to \$3.1 billion at December 31, 2018. The \$386 million increase resulted primarily from net income for the year of \$327.4 million and a \$126.0 million decrease in other comprehensive loss largely related to the market adjustment on the available for sale securities portfolio and cash flow hedges, partially offset by \$94.9 million in dividends paid. On September 21, 2019, the Company issued approximately 5.0 million shares of common stock at \$38.42 per share as consideration in its acquisition of MidSouth. Refer to Note 2 – Acquisitions and Divestiture for more information regarding this transaction. Shares issued as a part of the MidSouth acquisition were largely offset by shares repurchased through the accelerated share repurchase agreement discussed below.

Our tangible common equity ratio was 8.45% at December 31, 2019, compared to 8.02% at December 31, 2018. The increase in the tangible common equity ratio primarily due to net tangible retained earnings and net gains included in other accumulated comprehensive loss, partially offset by growth in tangible assets. Management has established an internal target for the tangible equity ratio of at least 8.00%; however, management will allow the 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 with a short timeframe.

The primary quantitative measures that regulators use to gauge capital adequacy are the ratios of total, tier 1 and common equity 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 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 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, 2019 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, 2019, our regulatory capital ratios were well in excess of current regulatory minimum requirements. Additionally, both the Company and the Bank were considered "well capitalized" by regulatory agencies. The following table shows the Company's capital ratios for the past five years. Note 12 – Stockholders' Equity to the consolidated financial statements provides additional information about the Bank's regulatory capital ratios.

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TABLE 26. Risk-Based Capital and Capital Ratios

<i>(in thousands)</i>	2019	2018	2017	2016	2015
Common equity tier 1 capital	\$ 2,584,162	\$ 2,391,762	\$ 2,214,723	\$ 2,184,812	\$ 1,844,992
Additional tier 1 capital	—	—	—	—	—
Tier 1 capital	2,584,162	2,391,762	2,214,723	2,184,812	1,844,992
Tier 2 capital	345,225	344,514	367,308	379,418	350,921
Total capital	\$ 2,929,387	\$ 2,736,276	\$ 2,582,031	\$ 2,564,230	\$ 2,195,913
Risk-weighted assets	\$ 24,611,706	\$ 22,814,154	\$ 21,695,628	\$ 19,404,265	\$ 18,515,904
Ratios					
Leverage (Tier 1 capital to average assets)	8.76%	8.67%	8.43%	9.56%	8.55%
Common equity tier 1 capital to risk-weighted assets	10.50%	10.48%	10.21%	11.26%	9.96%
Tier 1 capital to risk-weighted assets	10.50%	10.48%	10.21%	11.26%	9.96%
Total capital to risk-weighted assets	11.90%	11.99%	11.90%	13.21%	11.86%
Common stockholders' equity to total assets	11.33%	10.91%	10.55%	11.34%	10.57%
Tangible common equity to total assets	8.45%	8.02%	7.73%	8.64%	7.62%

In December 2018, the federal banking agencies issued a joint final rule to revise their regulatory capital rules to address the implementation of CECL, which was effective January 1, 2020 for the Bank and Company. The final rule allows for an optional three-year phase-in period for the day-one adverse regulatory capital effects that banking organizations are expected to experience upon adopting CECL. The Company has elected to use the optional three-year phase in method and has sufficient capital to cover the day one impact of CECL. Based on the current expected impact of CECL as of January 1, 2020, and using the phase-in, the Company's day one leverage and common tier 1 equity capital ratios are reduced by 4 bps, with no impact to total risk-based capital as the increased allowance for credit loss available for Tier 2 covers the reduction in equity. The Company's tangible common equity ratio is reduced by 14 bps. See further discussion of CECL and the impact of adoption in Note 1 – Summary of Significant Accounting Policies and Recent Accounting Pronouncements in Item 8 – “Financial Statements and Supplementary Data” of this document.

The Company paid quarterly dividends \$0.27 per share during 2019 for an annual cash dividend rate of \$1.08 per share, up from \$1.02 per share in 2018. The Company has paid uninterrupted quarterly dividends to shareholders since 1967.

STOCK REPURCHASE PROGRAM

On September 23, 2019, the Company's board of directors approved a stock buyback program that authorizes the Company to repurchase up to 5.5 million shares of its common stock through the expiration date of December 31, 2020. The program allows the Company to repurchase its common shares in the open market, by block purchase, through accelerated share repurchase programs, in privately negotiated transactions, or as otherwise determined by the Company in one or more transactions. The Company is not obligated to purchase any shares under this program, and the board of directors may terminate or amend the program at any time prior to the expiration date.

On October 18, 2019, the company entered into an accelerated share repurchase (“ASR”) agreement with Morgan Stanley & Co. LLC (“Morgan Stanley”) to repurchase \$185 million of the Company's common stock. Pursuant to the ASR agreement, the Company made a \$185 million payment to Morgan Stanley on October 21, 2019, and received from Morgan Stanley on the same day an initial delivery of approximately 3.6 million shares of the Company's common stock, which represents approximately 75% of the estimated total number of shares to be repurchased under the ASR agreement based on the October 18, 2019 closing price of the Company's common stock. The final number of shares to be repurchased will be based generally on the volume-weighted average price per share of the Company's common stock during the term of the ASR agreement, less a discount, and subject to possible adjustments in accordance with the terms of the ASR agreement. Final settlement of the ASR agreement is scheduled to occur not later than the third quarter of 2020.

Subsequent to December 31, 2019, the Company repurchased 315,851 shares of its common stock at a price of \$40.26.

The Company had a prior Board-approved stock buyback program in place from May 2018 to September 2019. During the fourth quarter of 2018, the Company repurchased 200,000 shares of its common stock at an average price of \$41.30 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.

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FOURTH QUARTER RESULTS

Net income for the fourth quarter of 2019 was \$92.1 million, or \$1.03 per diluted common share, compared to \$67.8 million, or \$0.77, in the third quarter of 2019 and \$96.2 million, or \$1.10, in the fourth quarter of 2018. The fourth quarter of 2019 included \$3.9 million (\$.03 per share after-tax impact) of nonoperating expenses related to the MidSouth acquisition. The third quarter of 2019 included \$28.8 million (\$.26 per share impact) of nonoperating merger related costs and the fourth quarter of 2018 included \$1.9 million (\$.02 per share impact) of nonoperating items.

Highlights of our fourth quarter of 2019 results (compared to third quarter 2019):

- Net income increased \$24.3 million, or \$0.26 per share
- Excluding nonoperating merger costs of \$3.9 million and \$28.8 million in the fourth and third quarters of 2019, respectively, earnings per share were up \$.03 to \$1.06 per share
- Pre-tax pre-provision net revenue increased \$0.6 million, with revenue up \$9.8 million and operating expense up \$9.2 million
- Energy loans decreased \$71 million to \$963 million, or 4.5% of total loans
- Criticized commercial loans declined \$79 million, or 12%, with energy down \$21 million and nonenergy down \$58 million
- Net interest margin (te) improved by 2 bps to 3.43%
- Tangible common equity ratio was down 37 bps to 8.45%, with the decrease related to the accelerated share repurchase agreement announced October 21, 2019

Total loans at December 31, 2019 were \$21.2 billion, an increase of \$177 million, or 1%, from September 30, 2019. Included in net growth was a reduction of \$71 million in energy credits. The Company's net loan growth during the quarter was diversified across most of the footprint and also in our specialty lines of business such as healthcare and equipment finance.

Total deposits at December 31, 2019 were \$23.8 billion, down \$398 million, or 2%, from September 30, 2019. The primary driver of the fourth quarter decrease is a paydown of brokered deposits.

Noninterest-bearing deposits totaled \$8.8 billion at December 31, 2019, up \$89 million, or 1%, from September 30, 2019 and comprised 37% of total deposits at December 31, 2019. Interest-bearing transaction and savings deposits totaled \$8.8 billion at year-end 2019, up \$86 million, or 1%, compared to September 30, 2019.

Time deposits of \$2.8 billion decreased \$983 million, or 26%, from September 30, 2019. The decrease in time deposits reflects a decrease in brokered time deposits of \$876 million and a decrease in retail CDs of \$106 million. As part of our portfolio management, we replaced brokered time deposits at a rate of 2.40% with FHLB advances at a cost of 1.68%. Interest-bearing public fund deposits increased \$409 million, or 14%, to \$3.4 billion at December 31, 2019. The increase in public funds is seasonal and primarily related to year-end tax payments collected by local municipalities. Typically, these balances begin to runoff in the first quarter of each year.

The provision for loan losses recorded in the fourth quarter of 2019 was \$9.2 million, down from \$12.4 million in the third quarter of 2019. Net charge-offs were \$9.5 million, or 0.18% of average total loans on an annualized basis in the fourth quarter of 2019, compared to \$12.5 million, or 0.25% of average total loans, for the third quarter of 2019.

Net interest income (te) for the fourth quarter of 2019 was \$236.7 million, up \$10.1 million from the third quarter of 2019. The increase is a result of a higher level of average earning assets in the quarter, mainly due to the MidSouth acquisition, and a lower cost of funds. The net interest margin (te) improved by 2 bps to 3.43% for the fourth quarter, driven by a full quarter of MidSouth and a change in the borrowing mix, partially offset by lower interest recoveries and a change in the earning asset mix.

Noninterest income totaled \$82.9 million for the fourth quarter of 2019, down \$0.3 million, or less than 1%, from the third quarter of 2019. Service charges and bank card and ATM fees were up primarily due to the impact of MidSouth. Fees from secondary mortgage operations were up, primarily from the low rate environment. Trust fees were up \$0.4 million, or 3%, while insurance and investment commissions and annuity fees were down \$0.6 million, or 9%. Other noninterest income was down from the third quarter, primarily due to declines in specialty income.

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Noninterest expense of \$197.9 million, declined \$15.7 million from the third quarter of 2019. Total expense for the fourth quarter of 2019 included \$3.9 million of merger costs related to the acquisition of MidSouth, compared to \$28.8 million of merger costs in the third quarter of 2019. Excluding merger costs, operating expense totaled \$194.0 million, up \$9.3 million, or 5%, from the third quarter of 2019. The increase was primarily related to the impact of MidSouth operations.

The effective income tax rate for the fourth quarter of 2018 was 16%. Management expects the tax rate in the first quarter of 2020 to approximate 18-19%. The effective income tax rate continues to be less than the statutory rate 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 of 2019 and 2018.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

The accounting principles we follow and the methods for applying these principles conform to accounting principles generally accepted in the United States of America and 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 thereto.

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 valuation of other identifiable assets, including core deposit and customer list intangibles, requires significant assumptions such as projected attrition rates, expected revenue and costs, discount rates and other forward-looking factors. 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 our results of operations.

Allowance for Credit Losses

The allowance for credit losses (“ACL”) is comprised of allowance for loan and lease losses (ALLL), a valuation account available to absorb losses on loans and leases, and the reserve for unfunded lending commitments, a liability established to absorb credit losses on off-balance sheet exposure. The ACL 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 and off-balance sheet exposures 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 ACL for the originated and acquired performing portfolios include two primary elements. A loss rate analysis that incorporates a historical loss rate as updated for current conditions is used for credits collectively evaluated for impairment, and a specific reserve analysis is used for credits 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

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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 comprised 24% of the total ACL as of December 31, 2019. The qualitative component of the ACL continues to reflect the prolonged stress in the energy industry and as well as the continued benign credit environment that results in lower quantitative loss calculations. 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 impaired credits that are individually evaluated, a specific allowance is calculated as the shortfall between the credit's value and the bank's exposure. 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 impaired credits are highly subjective and based on information available at the time of valuation and the current resolution strategy. Actual results could differ from these estimates.

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 17" provides further discussion on the accounting for 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" that appears in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and is incorporated here by reference.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's unaudited quarterly results for 2019 and 2018 are presented below.

Summary of Quarterly Results

(Unaudited)

(in thousands, except per share data)	2019			
	First	Second	Third	Fourth
Income Statement Data:				
Interest income (te) (a)	\$ 280,107	\$ 284,096	\$ 286,816	\$ 289,537
Interest expense	(57,029)	(60,510)	(60,225)	(52,801)
Net interest income (te) (a)	223,078	223,586	226,591	236,736
Taxable equivalent adjustment	3,824	3,718	3,652	3,580
Net interest income	219,254	219,868	222,939	233,156
Provision for credit losses	(18,043)	(8,088)	(12,421)	(9,156)
Noninterest income	70,503	79,250	83,230	82,924
Noninterest expense	(175,700)	(183,567)	(213,554)	(197,856)
Income before income taxes	96,014	107,463	80,194	109,068
Income tax expense	16,850	19,186	12,387	16,936
Net income	<u>\$ 79,164</u>	<u>\$ 88,277</u>	<u>\$ 67,807</u>	<u>\$ 92,132</u>
Balance Sheet Data:				
Period end balance sheet data				
Total assets	\$ 28,490,231	\$ 28,761,863	\$ 30,543,549	\$ 30,600,757
Earning assets	25,881,559	26,088,759	27,565,973	27,622,161
Loans	20,112,838	20,175,812	21,035,952	21,212,755
Deposits	23,380,294	23,236,042	24,201,299	23,803,575
Stockholders' equity	3,190,575	3,318,915	3,586,380	3,467,685
Average balance sheet data				
Total assets	\$ 28,451,548	\$ 28,537,810	\$ 29,148,106	\$ 30,343,293
Earning assets	26,020,447	25,992,894	26,437,613	27,441,459
Loans	20,126,948	20,150,104	20,197,114	21,037,942
Deposits	23,114,139	23,137,563	23,091,355	23,848,374
Stockholders' equity	3,118,051	3,230,503	3,383,738	3,473,693
Performance Ratios:				
Return on average assets	1.13%	1.24%	0.92%	1.20%
Return on average common equity	10.30%	10.96%	7.95%	10.52%
Net interest margin (te) (a)	3.46%	3.45%	3.41%	3.43%
Common Shares Data:				
Earnings per share:				
Basic	\$ 0.91	\$ 1.01	\$ 0.77	\$ 1.03
Diluted	\$ 0.91	\$ 1.01	\$ 0.77	\$ 1.03
Cash dividends per common share	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.27
Operating pre-provision net revenue (TE) (b)				
Net interest income	\$ 219,254	\$ 219,868	\$ 222,939	\$ 233,156
Noninterest income	70,503	79,250	83,230	82,924
Total revenue	\$ 289,757	\$ 299,118	\$ 306,169	\$ 316,080
Taxable equivalent adjustment	3,824	3,718	3,652	3,580
Nonoperating revenue	—	—	—	—
Operating revenue (TE)	\$ 293,581	\$ 302,836	\$ 309,821	\$ 319,660
Noninterest expense	(175,700)	(183,567)	(213,554)	(197,856)
Nonoperating expense	—	—	28,810	3,856
Operating pre-provision net revenue (TE)	<u>\$ 117,881</u>	<u>\$ 119,269</u>	<u>\$ 125,077</u>	<u>\$ 125,660</u>

(a) Taxable equivalent (te) amounts are calculated using a marginal federal income tax rate of 21%.

(b) For discussion of non-GAAP measures, refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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Summary of Quarterly Results (continued)

(Unaudited)

(in thousands, except per share data)	2018			
	First	Second	Third	Fourth
Income Statement Data:				
Interest income (te) (a)	\$ 245,358	\$ 256,385	\$ 267,307	\$ 275,395
Interest expense	(35,731)	(40,757)	(49,018)	(53,924)
Net interest income (te) (a)	209,627	215,628	218,289	221,471
Taxable equivalent adjustment	3,963	4,081	4,095	4,038
Net interest income	205,664	211,547	214,194	217,433
Provision for loan losses	(12,253)	(8,891)	(6,872)	(8,100)
Noninterest income	66,252	68,832	75,518	74,538
Noninterest expense	(170,791)	(184,402)	(181,187)	(179,366)
Income before income taxes	88,872	87,086	101,653	104,505
Income tax expense	16,397	15,909	17,775	8,265
Net income	\$ 72,475	\$ 71,177	\$ 83,878	\$ 96,240
Balance Sheet Data:				
Period end balance sheet data				
Total assets	\$ 27,297,337	\$ 27,925,477	\$ 28,098,175	\$ 28,235,907
Earning assets	25,105,948	25,625,047	25,668,281	25,836,239
Loans	19,092,504	19,370,917	19,543,717	20,026,411
Deposits	22,485,722	22,235,338	22,417,807	23,150,185
Stockholders' equity	2,896,038	2,929,555	2,978,878	3,081,340
Average balance sheet data				
Total assets	\$ 27,237,077	\$ 27,485,052	\$ 28,026,923	\$ 28,259,963
Earning assets	25,106,283	25,391,025	25,832,372	26,011,183
Loans	19,028,490	19,193,234	19,464,639	19,817,729
Deposits	22,043,419	22,101,474	22,021,559	22,498,145
Stockholders' equity	2,872,813	2,908,997	2,952,431	2,993,265
Performance Ratios:				
Return on average assets	1.08%	1.04%	1.19%	1.35%
Return on average common equity	10.23%	9.81%	11.27%	12.76%
Net interest margin (te) (a)	3.37%	3.40%	3.36%	3.39%
Common Shares Data:				
Earnings per share				
Basic	\$ 0.83	\$ 0.82	\$ 0.96	\$ 1.11
Diluted	\$ 0.83	\$ 0.82	\$ 0.96	\$ 1.10
Cash dividends per common share	\$ 0.24	\$ 0.24	\$ 0.27	\$ 0.27
Operating Pre-Provision Net Revenue (b)				
Net interest income	\$ 205,664	\$ 211,547	\$ 214,194	\$ 217,433
Noninterest income	66,252	68,832	75,518	74,538
Total revenue	\$ 271,916	\$ 280,379	\$ 289,712	\$ 291,971
Taxable equivalent adjustment	3,963	4,081	4,095	4,038
Nonoperating revenue	1,145	—	—	(604)
Operating revenue (TE)	\$ 277,024	\$ 284,460	\$ 293,807	\$ 295,405
Noninterest expense	(170,791)	(184,402)	(181,187)	(179,366)
Nonoperating expense	5,853	15,805	4,827	2,458
Operating pre-provision net revenue (TE)	\$ 112,086	\$ 115,863	\$ 117,447	\$ 118,497

(a) Taxable equivalent (te) amounts are calculated using a marginal federal income tax rate of 21%.

(b) For discussion of non-GAAP measures, refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Hancock Whitney Corporation 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, 2019 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, 2019.

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, 2019.

John M. Hairston
President & Chief Executive Officer
(Principal Executive Officer)
February 24, 2020

Michael M. Achary
Senior Executive Vice President & Chief Financial Officer
(Principal Financial Officer)
February 24, 2020

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Hancock Whitney Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Hancock Whitney Corporation and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of income, of comprehensive income, of changes in stockholders’ equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 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, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated 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 opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. 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

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(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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Credit Losses – Qualitative Component

As described in Notes 1 and 4 to the consolidated financial statements, the allowance for credit losses is comprised of allowance for loan and lease losses, a valuation account available to absorb losses on loans and leases, and the reserve for unfunded lending commitments, a liability established to absorb credit losses on off-balance sheet exposure. As of December 31, 2019, the total allowance for credit losses was \$195.2 million on total loans of \$21.2 billion. Management's analysis and methodology for estimating the allowance for credit losses include two primary elements; a loss rate analysis, which incorporates a historical loss rate as updated for current conditions, is used for credits collectively evaluated for impairment; and a specific reserve analysis is used for loans individually evaluated for impairment. As disclosed by management, the loss rate analysis includes several subjective inputs including portfolio segmentation, portfolio risk ratings, historical look-back and loss emergence periods. As circumstances dictate, the loss rate analysis is supplemented by management's 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. As disclosed by management, while qualitative data for these factors is used where available, there is a high level of judgment applied to these assumptions that are susceptible to significant change. The qualitative component comprised 24% of the total allowance for credit losses as of December 31, 2019.

The principal considerations for our determination that performing procedures relating to the qualitative component of the allowance for credit losses is a critical audit matter are there was significant judgment by management in determining the qualitative component, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the assumptions used in the qualitative component.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming an overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's allowance estimation process, which included controls over the assumptions used in the qualitative component. These procedures also included, among others, (i) testing management's process for determining the qualitative component of the allowance for credit losses, including evaluating the appropriateness of management's methodology for determining the qualitative component; (ii) testing the data used in the estimate; and (iii) evaluating the reasonableness of the assumptions. Evaluating the assumptions used in the qualitative component included evaluating the reasonableness of the qualitative factors considering the current conditions and portfolio characteristics relative to the historical loss period.

Acquisition of MidSouth Bancorp, Inc. - Discount Rate Assumptions used in the Valuation of Acquired Loans and Core Deposit Intangible Asset

As described in Notes 1 and 2 to the consolidated financial statements, the Company completed the acquisition of MidSouth Bancorp, Inc. for net consideration of \$193.8 million during 2019, including MidSouth's loan and deposit portfolios. The transaction was accounted for as a business combination under the purchase method of accounting. Purchased assets, including identifiable intangibles, and assumed liabilities are recorded at their respective acquisition date fair values. As disclosed by management, management applied 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. The loans acquired were recorded at an estimated fair value of \$788 million as of the acquisition date. Additionally, a core deposit intangible asset of \$31.5 million representing the value of the relationships

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with deposit customers was recorded as of the acquisition date. Management uses significant estimates and assumptions to value acquired loans, including, among others, projected cash flows, repayment rates, default rates and losses assuming default, discount rates, and realizable collateral values. The valuation of other identifiable assets, including core deposit and customer list intangibles, requires significant assumptions such as projected attrition rates, expected revenue and costs, discount rates and other forward-looking factors.

The principal considerations for our determination that performing procedures relating to the valuation of acquired loans and the core deposit intangible asset in the acquisition of MidSouth Bancorp, Inc. is a critical audit matter are (i) there was a high degree of auditor judgment and subjectivity in applying procedures relating to the discount rate assumptions used in the fair value measurement of the acquired loans and core deposit intangible asset due to the significant amount of judgment by management when developing the estimates; (ii) there was significant audit effort in evaluating the discount rate assumptions relating to the estimates; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's valuation of the acquired loans and core deposit intangible asset, including controls over development of the discount rate assumptions used in the estimates. These procedures also included, among others, (i) reading the purchase agreement; (ii) testing management's process for estimating the fair value of the acquired loans and core deposit intangible asset; (iii) testing the completeness and accuracy of data provided by management relating to the acquired loans and core deposit intangible asset; and (iv) evaluating the appropriateness of the valuation methods and the reasonableness of discount rate assumptions used to estimate the fair value of the acquired loans and core deposit intangible asset, using professionals with specialized skill and knowledge to assist in doing so. Evaluating the reasonableness of the discount rate assumptions involved considering the methodology and assumptions used, including the risk-free rate, equity risk premium, company beta and risk premiums applied in deriving the discount rate assumptions.

/s/ PricewaterhouseCoopers LLP

New Orleans, Louisiana
February 24, 2020

We have served as the Company's auditor since 2009.

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Hancock Whitney Corporation and Subsidiaries
Consolidated Balance Sheets

<i>(in thousands, except per share data)</i>	December 31,	
	2019	2018
Assets:		
Cash and due from banks	\$ 432,104	\$ 383,372
Interest-bearing bank deposits	109,961	110,579
Federal funds sold	268	515
Securities available for sale, at fair value (amortized cost of \$4,637,610 and \$2,755,806)	4,675,304	2,691,037
Securities held to maturity (fair value of \$1,611,004 and \$2,935,856)	1,568,009	2,979,547
Loans held for sale	55,864	28,150
Loans	21,212,755	20,026,411
Less: allowance for loan losses	(191,251)	(194,514)
Loans, net	21,021,504	19,831,897
Property and equipment, net of accumulated depreciation of \$249,527 and \$225,969	380,209	353,668
Right of use assets, net of accumulated amortization of \$12,194	110,023	—
Prepaid expense	40,178	35,047
Other real estate and foreclosed assets, net	30,405	26,270
Accrued interest receivable	92,037	86,681
Goodwill	855,453	790,972
Other intangible assets, net	106,807	96,151
Life insurance contracts	608,063	549,300
Deferred tax asset, net	—	22,967
Funded pension assets, net	185,791	65,125
Other assets	328,777	184,629
Total assets	\$ 30,600,757	\$ 28,235,907
Liabilities and Stockholders' Equity:		
Deposits:		
Noninterest-bearing	\$ 8,775,632	\$ 8,499,027
Interest-bearing	15,027,943	14,651,158
Total deposits	23,803,575	23,150,185
Short-term borrowings	2,714,872	1,589,128
Long-term debt	233,462	224,993
Accrued interest payable	10,200	12,267
Lease liabilities	127,703	—
Deferred tax liability, net	37,721	—
Other liabilities	205,539	177,994
Total liabilities	27,133,072	25,154,567
Stockholders' equity:		
Common stock	309,513	292,716
Capital surplus	1,736,664	1,725,741
Retained earnings	1,476,232	1,243,592
Accumulated other comprehensive loss, net	(54,724)	(180,709)
Total stockholders' equity	3,467,685	3,081,340
Total liabilities and stockholders' equity	\$ 30,600,757	\$ 28,235,907
Preferred shares authorized (par value of \$20.00 per share)	50,000	50,000
Preferred shares issued and outstanding	—	—
Common shares authorized (par value of \$3.33 per share)	350,000	350,000
Common shares issued	92,947	87,903
Common shares outstanding	87,515	85,643

See accompanying notes to consolidated financial statements.

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Hancock Whitney Corporation and Subsidiaries
Consolidated Statements of Income

<i>(in thousands, except per share data)</i>	Years Ended December 31,		
	2019	2018	2017
Interest income:			
Loans, including fees	\$ 971,735	\$ 877,875	\$ 772,030
Loans held for sale	1,876	946	851
Securities-taxable	127,459	124,720	102,013
Securities-tax exempt	20,757	21,951	22,235
Short-term investments	3,955	2,776	3,452
Total interest income	1,125,782	1,028,268	900,581
Interest expense:			
Deposits	187,988	130,715	76,546
Short-term borrowings	30,766	36,096	15,735
Long-term debt	11,811	12,619	15,988
Total interest expense	230,565	179,430	108,269
Net interest income	895,217	848,838	792,312
Provision for credit losses	47,708	36,116	58,968
Net interest income after provision for credit losses	847,509	812,722	733,344
Noninterest income:			
Service charges on deposit accounts	86,364	85,272	83,166
Trust fees	61,609	55,488	44,538
Bank card and ATM fees	66,976	60,440	53,779
Investment and annuity fees and insurance commissions	26,574	25,348	23,741
Secondary mortgage market operations	19,853	15,632	15,209
Net gain on sales of assets	593	24,654	7,478
Securities transactions	—	(25,480)	—
Other income	53,938	43,786	39,870
Total noninterest income	315,907	285,140	267,781
Noninterest expense:			
Compensation expense	362,083	330,968	320,096
Employee benefits	77,796	73,727	71,817
Personnel expense	439,879	404,695	391,913
Net occupancy expense	50,936	47,795	47,869
Equipment expense	18,393	16,367	14,841
Data processing expense	82,981	74,129	66,385
Professional services expense	45,007	41,579	40,235
Amortization of intangibles	20,844	22,050	22,417
Deposit insurance and regulatory fees	19,512	31,423	29,627
Other real estate (income) expense	671	(2,985)	(2,669)
Other expense	92,454	80,693	82,073
Total noninterest expense	770,677	715,746	692,691
Income before income taxes	392,739	382,116	308,434
Income taxes	65,359	58,346	92,802
Net income	\$ 327,380	\$ 323,770	\$ 215,632
Earnings per common share - basic	\$ 3.72	\$ 3.72	\$ 2.49
Earnings per common share - diluted	\$ 3.72	\$ 3.72	\$ 2.48
Dividends paid per share	\$ 1.08	\$ 1.02	\$ 0.96
Weighted average shares outstanding-basic	86,488	85,355	84,695
Weighted average shares outstanding-diluted	86,599	85,521	84,963

See accompanying notes to consolidated financial statements.

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Hancock Whitney Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

<i>(in thousands)</i>	Years Ended December 31,		
	2019	2018	2017
Net income	\$ 327,380	\$ 323,770	\$ 215,632
Other comprehensive income (loss) before income taxes:			
Net change in unrealized gain/loss on available for sale securities and cash flow hedges	143,922	(52,757)	(425)
Reclassification of net losses realized and included in earnings	13,429	34,966	5,801
Valuation adjustment for pension plan amendment	—	—	17,315
Other valuation adjustments of employee benefit plans	2,398	(45,198)	(10,929)
Amortization of unrealized net loss on securities transferred to held to maturity	3,153	3,296	3,786
Other comprehensive income (loss) before income taxes	162,902	(59,693)	15,548
Income tax expense (benefit)	36,917	(13,386)	4,088
Other comprehensive income (loss) net of income taxes	125,985	(46,307)	11,460
Comprehensive income	\$ 453,365	\$ 277,463	\$ 227,092

See accompanying notes to consolidated financial statements.

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Hancock Whitney Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

<i>(in thousands, except parenthetical share data)</i>	Common Stock		Capital	Retained	Accumulated Other Comprehensive	Total
	Shares	Amount	Surplus	Earnings	Loss, net	
Balance, December 31, 2016	87,495	\$ 291,358	\$ 1,698,253	\$ 850,689	\$ (120,532)	\$ 2,719,768
Net income	—	—	—	215,632	—	215,632
Other comprehensive income	—	—	—	—	11,460	11,460
Comprehensive income	—	—	—	215,632	11,460	227,092
Reclassification of certain tax effects from accumulated other comprehensive loss	—	—	—	25,330	(25,330)	—
Cash dividends declared (\$0.96 per common share)	—	—	—	(83,266)	—	(83,266)
Common stock activity, long-term incentive plan	408	1,358	16,644	133	—	18,135
Issuance of stock from dividend reinvestment and stock purchase plans	—	—	3,220	—	—	3,220
Balance, December 31, 2017	87,903	\$ 292,716	\$ 1,718,117	\$ 1,008,518	\$ (134,402)	\$ 2,884,949
Net income	—	—	—	323,770	—	323,770
Other comprehensive loss	—	—	—	—	(46,307)	(46,307)
Comprehensive income	—	—	—	323,770	(46,307)	277,463
Cash dividends declared (\$1.02 per common share)	—	—	—	(88,838)	—	(88,838)
Common stock activity, long-term incentive plan	—	—	12,482	142	—	12,624
Issuance of stock from dividend reinvestment and stock purchase plans	—	—	3,409	—	—	3,409
Purchase of common stock under stock buyback program (200,000 shares)	—	—	(8,267)	—	—	(8,267)
Balance, December 31, 2018	87,903	\$ 292,716	\$ 1,725,741	\$ 1,243,592	\$ (180,709)	\$ 3,081,340
Net income	—	—	—	327,380	—	327,380
Other comprehensive income	—	—	—	—	125,985	125,985
Comprehensive income	—	—	—	327,380	125,985	453,365
Cash dividends declared (\$1.08 per common share)	—	—	—	(94,871)	—	(94,871)
Common stock issued as consideration in business combination	5,044	16,797	177,052	—	—	193,849
Common stock activity, long-term incentive plan	—	—	15,257	131	—	15,388
Issuance of stock from dividend reinvestment and stock purchase plan	—	—	3,614	—	—	3,614
Initial delivery of shares under accelerated share repurchase agreement (3,611,870 shares)	—	—	(138,768)	—	—	(138,768)
Forward contract for accelerated share repurchase agreement	—	—	(46,232)	—	—	(46,232)
Balance, December 31, 2019	<u>92,947</u>	<u>\$ 309,513</u>	<u>\$ 1,736,664</u>	<u>\$ 1,476,232</u>	<u>\$ (54,724)</u>	<u>\$ 3,467,685</u>

See accompanying notes to consolidated financial statements.

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Hancock Whitney Corporation and Subsidiaries
Consolidated Statements of Cash Flows

<i>(in thousands)</i>	Years Ended December 31,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 327,380	\$ 323,770	\$ 215,632
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30,902	26,532	28,142
Provision for credit losses	47,708	36,116	58,968
(Gain) loss on sale other real estate and foreclosed assets	626	(3,355)	(2,839)
Deferred tax expense	47,100	45,214	49,831
Increase in cash surrender value of life insurance contracts	(16,158)	(7,850)	(14,959)
Gain on sale of Visa Class B common shares	—	(33,229)	—
Loss on sale of securities available for sale	—	25,480	—
(Gain) loss on the sale of loans	(619)	6,991	(3,363)
Loss on sale of business	—	1,145	—
Loss on disposal of other assets	1,109	1,897	1,587
Net (increase) decrease in loans held for sale	(27,773)	11,986	3,317
Net amortization of securities premium/discount	32,166	33,161	33,244
Amortization of intangible assets	20,844	22,050	22,417
Amortization of FDIC loss share receivable	—	—	2,427
Stock-based compensation expense	20,902	19,793	17,633
Contribution to pension plan	(100,000)	(39,000)	—
Increase (decrease) in interest payable and other liabilities	(1,753)	(9,397)	2,307
Net payments from FDIC for loss share claims	—	—	2,299
Decrease in FDIC loss share receivable	—	—	8,613
Increase in other assets	(22,556)	(13,811)	(9,836)
Other, net	(7,929)	1,691	(4,335)
Net cash provided by operating activities	351,949	449,184	411,085

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Hancock Whitney Corporation and Subsidiaries
Consolidated Statements of Cash Flows—(Continued)

(in thousands)	Years Ended December 31,		
	2019	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of securities available for sale	\$ 268,413	\$ 455,162	\$ 213,877
Proceeds from maturities of securities available for sale	294,681	327,141	338,843
Purchases of securities available for sale	(1,010,805)	(629,976)	(742,279)
Proceeds from maturities of securities held to maturity	417,520	359,312	373,088
Purchases of securities held to maturity	(183,626)	(375,770)	(863,457)
Net (increase) decrease in short-term investments	281,251	(18,710)	351,087
Proceeds from sale of loans	112,048	166,462	59,483
Net increase in loans	(555,008)	(1,358,077)	(1,051,628)
Purchase of life insurance contracts	(32,788)	(1,822)	(50,000)
Proceeds from the sale of Visa Class B shares	—	42,858	—
Purchases of property and equipment	(42,716)	(50,664)	(20,297)
Proceeds from sales of other real estate	30,658	17,214	24,324
Cash acquired in stock-based business combination	28,059	—	—
Consideration (paid) received in business combinations	(1,112)	141,769	476,609
Proceeds from the sale of business, net of cash sold	—	77,648	—
Other, net	(65,597)	551	(4,971)
Net cash used in investing activities	(459,022)	(846,902)	(895,321)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in deposits	(627,557)	679,669	900,427
Net increase (decrease) in short-term borrowings	1,058,748	(114,762)	(118,151)
Repayments of long-term debt	(14,222)	(90,216)	(204,111)
Issuance of long-term debt	20,846	20,610	165
Dividends paid	(94,871)	(88,838)	(83,266)
Payroll tax remitted on net share settlement of equity awards	(6,295)	(8,695)	(11,881)
Repurchase of common stock	(185,000)	(8,267)	—
Proceeds from exercise of stock options	542	1,232	12,092
Proceeds from dividend reinvestment and stock purchase plan	3,614	3,409	3,220
Net cash provided by financing activities	155,805	394,142	498,495
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	48,732	(3,576)	14,259
CASH AND DUE FROM BANKS, BEGINNING	383,372	386,948	372,689
CASH AND DUE FROM BANKS, ENDING	\$ 432,104	\$ 383,372	\$ 386,948
SUPPLEMENTAL INFORMATION			
Income taxes paid	\$ 28,288	\$ 7,283	\$ 45,092
Interest paid	232,456	175,382	108,702
SUPPLEMENTAL INFORMATION FOR NON-CASH INVESTING AND FINANCING ACTIVITIES			
Assets acquired in settlement of loans	\$ 21,285	\$ 22,393	\$ 19,140

See accompanying notes to consolidated financial statements.

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

DESCRIPTION OF BUSINESS

Hancock Whitney Corporation (the “Company”) is a financial services company that provides a comprehensive network of full-service financial choices to customers primarily in the Gulf South region through its bank subsidiary, Hancock Whitney Bank (the “Bank”), a Mississippi state bank. The Bank offers a broad range of traditional and online banking services to commercial, small business and retail customers, providing a variety of transaction and savings deposit products, treasury management 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. The Company also offers investment brokerage services through its broker-dealer subsidiary, Hancock Whitney Investment Services, Inc., a nonbank subsidiary of the holding company. The Company primarily operates across the Gulf South region, including southern Mississippi; southern and central Alabama; southern, central and northwest Louisiana; the northern, central, and panhandle regions of Florida; and the certain areas of east and northeast Texas including Houston, Beaumont and Dallas, among others. In addition, the Company operates a loan production office in Nashville, Tennessee and trust and investment management offices in Texas, New York and New Jersey.

The Company was organized in 1984 as a bank holding company registered under the Bank Holding Company Act of 1956, as amended and qualified as a financial holding company in 2002. The corporate headquarters of the Company is in Gulfport, Mississippi.

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

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Business Combinations

Business combinations 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 or if the fair value of the net liabilities assumed exceeds the consideration 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.

All identifiable intangible assets that are acquired in a business combination are recognized at the acquisition date fair value. 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).

Cash and Due from Banks

The Company considers only cash on hand, cash items in process of collection and balances due from financial institutions as cash and cash equivalents.

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 reevaluates 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

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 interest rate lock commitments made to prospective borrowers. Held for sale loans also includes residential construction loans that are anticipated to be sold upon completion of the construction term. 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.

Loans held for investment

Loans that the Company has the intent and ability to hold for the foreseeable future or until maturity or payoff are considered loans held for investment and reported as “Loans” in the Consolidated Balance Sheets and in the related footnote disclosures. Loans held for investment include loans originated for investment and loans acquired in purchase transactions.

Originated loans are reported at the principal balance outstanding net of unearned income. Interest on loans and accretion of unearned income, including net deferred loan fees and costs, 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 (“nonaccrual status”) 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.

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Loans that are acquired in purchase transactions are recorded at estimated fair value at the acquisition date with no carryover of the related allowance for loan losses. Acquired loans are segregated between those considered to be performing (“purchased credit performing”) and those with evidence of credit deterioration (“purchased credit impaired”) based on such factors as past due status, nonaccrual status and credit risk ratings. Purchased credit performing loans are accounted for under Accounting Standards Codification (“ASC”) 310-20 and purchased credit impaired loans are accounted for under ASC 310-30. Purchased credit impaired loans for which the timing and amount of future cash flows cannot be reasonably projected are accounted for using the cost recovery method.

With the exception of those accounted for using the cost recovery method, the acquired loans are further segregated into loan pools designed to facilitate the development of expected cash flows to be used in estimating fair value. The pools are based on common risk characteristics such as market area, loan type, credit risk ratings, contractual interest rate, and repayment terms. Loan types can include commercial and industrial loans not secured by 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 are estimated based on key assumptions covering such factors as prepayments, default rates, and severity of loss given a default. These assumptions are developed using both historical experience and the portfolio characteristics at acquisition as well as available market research. The fair value estimate for each pool is 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 for each purchased credit performing loan pool (the “fair value discount”) is accreted into income over the estimated life of the pool. Purchased credit performing loans are placed on nonaccrual status and reported as nonperforming or past due using the same criteria applied to the originated portfolio.

The excess of estimated cash flows expected to be collected from each purchased credit 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 pool. Each pool of purchased credit impaired loans is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Purchased credit 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. Purchased credit impaired loans accounted for in pools 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.

Impaired Loans

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 loans agreement will not be collected. A loan is not considered impaired due to a delay in payment if all amounts due, including interest accrued at the contractual interest rate of the period of delay, is expected to be collected. Impaired loans include loans on nonaccrual, certain purchased credit impaired loans accounted for using the cost recovery method, and loans modified in troubled debt restructurings (defined below), both accruing and nonaccrual statuses. Purchased credit impaired loans accounted for in pools with an accretable yield are considered performing and excluded from impaired loans as this accounting methodology takes into consideration expected future credit losses.

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 reported as “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.

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Allowance for Credit Losses

The Allowance for Credit Losses (ACL) is comprised of the Allowance for Loan and Lease Losses (ALLL), a valuation account available to absorb losses on loans and the Reserve for Unfunded Lending Commitments, a liability established to absorb credit losses on off-balance sheet exposures. The ACL is established and maintained at an amount sufficient to cover estimated credit losses inherent in the loan and lease portfolios and off balance sheet exposures 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 and unfunded exposures 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 ACL include two primary elements: A loss rate analysis, which incorporates a historical loss rate as updated for current conditions, is used for credits collectively evaluated for impairment; and a specific reserve analysis is used for credits individually evaluated for impairment. For the loss rate analysis, the Company segments loans into commercial non-real estate, commercial real estate – owner occupied, commercial real estate – income producing, construction and land development, 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, commercial real estate – owner occupied, commercial real estate – income producing and construction and land development), 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 24 months for commercial loans and twelve to eighteen months for retail and residential mortgage loans. Historical loss rates are calculated using a weighted average of the loss emergence periods in the historical look back period. 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.

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. 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 and residential mortgage loans with relationship 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. Similar to funded loans, the methodology for estimating losses for the reserve for unfunded lending commitments includes a collective review as well as individual evaluations of impaired borrowers. The reserve for unfunded lending commitments is reflected in other liabilities in the consolidated balance sheets.

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 120 days past due for most secured and unsecured loans and 150 days past due for consumer credit card 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.

Allowance for purchased credit 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 purchased credit impaired loans accounted for in pools, estimated cash flows expected to be collected are recast at each reporting date for each loan pool that is material individually or in the aggregate. 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's 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

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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.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets, which are up to 30 years for buildings and three to ten years for most 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. The Company 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 their fair values.

Property and equipment used in operations is considered held for sale when certain criteria are met, including when management has committed to a plan to sell the asset, the asset is available for sale in its immediate condition, and the sale is probable within one year of the reporting date. Assets held for sale are reported at the lower of cost or fair value less costs to sell. 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 as realized.

Operating Leases

Effective January 1, 2019, the Company adopted the amended provisions of Financial Accounting Standards Codification Topic 842, "Leases," using the modified retrospective approach, impacting the reporting and disclosures for operating leases. Under the revised standard, the Company recognizes a liability representing the present value of future lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset over the lease term in the statement of financial position.

The Company determines if an arrangement is a lease at inception of the contract and assesses the appropriate classification as finance or operating. Operating leases with terms greater than one year are included in right-of-use lease assets and lease obligations on the Company's balance sheets. The lease term includes payments to be made in optional or renewal periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term using the interest rate implicit in the contract, when available, or the Company's incremental collateralized borrowing rate with similar terms. Agreements with both lease and non-lease components are accounted for separately, with only the lease component capitalized. The right-of-use asset is the amount of the lease liability adjusted for prepaid or accrued lease payments, remaining balance of any lease incentives received, unamortized initial direct costs, and impairment. Lease expense is recorded on a straight-line basis over the lease term through amortization of the right-of-use asset plus implicit interest accreted on the operating lease liability obligation, and is reflected in Net Occupancy Expense in the Consolidated Statement of Income.

The Company evaluates whether events and circumstances have occurred that indicate right-of-use assets have been impaired. Measurement of any impairment of such assets is based on their fair values. Once a right-of-use asset for an operating lease is impaired, the carrying amount of the right-of-use asset is reduced through expense and the remaining balance is subsequently amortized on a straight-line basis.

Some of the Company's leases contain variable components, such as annual changes to rent based on the consumer price index. Operating lease liabilities are not re-measured as a result of changes to variable components unless the lease must be re-measured for some other reason such as a renewal that was not reasonably certain of being exercised. Changes to the variable components are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred.

The Company elected to use the standard's "package of practical expedients," which allows the use of previous conclusions about lease identification, lease classification and the accounting treatment for initial direct costs. The Company also elected the short-term lease recognition exemption for all leases with lease terms of one year or less; as such, the Company will not recognize right-of-use assets or lease liabilities on the consolidated balance sheet for such leases.

For periods prior to January 1, 2019, lease accounting was in accordance with the previously effective guidance of Financial Accounting Standard Codification Topic 840, "Leases," where operating lease cost were expensed as incurred and non-cancellable future minimum operating lease payments were presented for disclosure only.

Other Real Estate and Foreclosed Assets

Other real estate and foreclosed assets includes real property and other assets that have been acquired in satisfaction of loans, and real 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. Each asset is revalued on an annual basis, or more often if market conditions necessitate. Subsequent losses

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on the periodic revaluation of these assets and gains or losses recognized on disposition are charged to current earnings, as are revenues from and costs of operating and maintaining real property; with the resulting net (income) expense reflected in noninterest expense in the Consolidated Statements of Income. Improvements made to real property are capitalized if the expenditures are expected to be recovered upon the sale of the property.

Goodwill and Other Intangible Assets

Goodwill represents the excess of consideration paid over the fair value of net assets acquired or the excess of the fair value liabilities assumed over consideration received in a business combination. Goodwill 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, and may include analysis such as estimated discounted cash flows, the quoted market price of the Company's stock, adjusted for a control premium, and observable average price-to-earnings and price-to-book multiples of 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.

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

Life Insurance Contracts

Bank-owned life insurance contracts (BOLI) are comprised of long-term life insurance contracts on the lives of certain current and past employees where the insurance policy benefits and ownership are retained by the employer. Its cash surrender value is an asset that the Company uses to partially offset the future cost of employee benefits. The cash value accumulation on BOLI is permanently tax deferred if the policy is held to the insured person's death and certain other conditions are met.

Derivative Instruments and Hedging Activities

The Company records all derivatives on the balance sheet at fair value as components of other assets and other liabilities. 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.

For derivatives designated as hedging the exposure to changes in the fair value of an asset or liability (fair value hedge), the gain or loss is recognized in earnings in the period of the fair value change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. Derivatives designated as hedging exposure to variable cash flows of a forecasted transaction (cash flow hedge), are reported as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings or in certain circumstances, when the hedge is terminated, with the full impact of hedge gains and losses recognized in the period in which the hedged transaction impacts the entity's earnings. For derivatives that are not designated as hedging instruments, changes in the fair value of the derivatives are recognized in earnings immediately. Note 11 - Derivatives describes the derivative instruments currently used by the Company and discloses how these derivatives impact the Company's financial position and results of operations.

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Stockholders' Equity

Common stock reflects shares issued at par value. Repurchase of the Company's common stock (treasury stock) is recorded at cost as a reduction of stockholders' equity within capital surplus in the accompanying Consolidated Balance Sheets and the Statements of Changes in Stockholders' Equity. When treasury shares are subsequently reissued, treasury stock is reduced by the cost of such stock using the first-in-first-out method, with the difference recorded in capital surplus or retained earnings, as applicable.

Revenue Recognition

Interest Income

Interest income is recognized on an accrual basis driven by written contracts, such as loan agreements or securities contracts. Loan origination fees and costs are recognized over the life of the loan as an adjustment to yield.

Service Charges on Deposit Accounts

Service charges on deposit accounts include transaction based fees for non-sufficient funds, account analysis fees, and other service charges on deposits, including monthly account service fees. Non-sufficient funds fees are recognized at the time when the account overdraft occurs in accordance with regulatory guidelines. Account analysis fees consist of fees charged on certain business deposit accounts based upon account activity as well as other monthly account fees, and are recorded under the accrual method of accounting as services are performed.

Other service charges are earned by providing depositors safeguard and remittance of funds as well as by providing other elective services for depositors that are performed upon the depositor's request. Charges for deposit services for the safeguard and remittance of funds are recognized at the end of the statement cycle, after services are provided, as the customer retains funds in the account. Revenue for other elective services is earned at the point in time the customer uses the service.

Trust Fees

Trust fee income represents revenue generated from asset management services provided to individuals, businesses, and institutions. The Company has a fiduciary responsibility to the beneficiary of the trust to perform agreed upon services which can include investing assets, periodic reporting, and providing tax information regarding the trust. In exchange for these trust and custodial services, the Company collects fee income from beneficiaries as contractually determined via fee schedules. The Company's performance obligation is primarily satisfied over time as the services are performed and provided to the customer. These fees are recorded under the accrual method of accounting as the services are performed. The Company generally acts as the principal in these transactions and records revenue and expenses on a gross basis.

Bank Card and Automated Teller Machine ("ATM") Fees

Bank card and ATM fees include credit card, debit card and ATM transaction revenue. The majority of this revenue is card interchange fees earned through a third party network. Performance obligations are satisfied for each transaction when the card is used and the funds are remitted. The network establishes interchange fees that the merchant remits for each transaction, and costs are incurred from the network for facilitating the interchange with the merchant. Card fees also include merchant services fees earned for providing merchants with card processing capabilities.

ATM income is generated from allowing customers to withdraw funds from other banks' machines and from allowing a non-customer cardholder to withdraw funds from the Company's machines. The Company satisfies its performance obligations for each transaction at the point in time that the withdrawal is processed.

Bank card and ATM fee income is recorded on accrual basis as services are provided with the related expense reflected in data processing expense.

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Investment and Annuity Fees and Insurance Commissions

Investment and annuity services fee income represents income earned from investment and advisory services. The Company provides its customers with access to investment products through the use of third party carriers to meet their financial needs and investment objectives. Upon selection of an investment product, the customer enters into a policy with the carrier. The performance obligation is satisfied by fulfilling its responsibility to acquire the investment for which a commission fee is earned from the carrier based on agreed-upon fee percentages on a trade date basis. The Company has a contractual relationship with a third party broker dealer to provide full service brokerage and investment advisory activities. As the agent in the arrangement, the Company recognizes the investment services commissions on a net basis. Investment revenue also includes portfolio management fees, which represent monthly fees charged on a contractual basis to customers for the management of their investment portfolios and are recorded under the accrual method of accounting on a gross basis, with expenses recorded in the appropriate expense line item.

This revenue line item includes investment banking income, which includes fees for services arising from securities offerings or placements in which the Company acts as a principal. Revenue is recognized at the time the underwriting is completed and the revenue is reasonably determinable. Any costs associated with these transactions are reflected in the appropriate expense line item.

Insurance commission revenue is recognized on a gross basis as of the effective date of the insurance policy as the Company's performance obligation is connecting the customer to the insurance products. The Company also receives contingent commissions from insurance companies as additional incentive for achieving specified premium volume goals and/or the loss experience of the insurance placed. Contingent commissions from insurance companies are recognized when determinable, which is generally when such commissions are received or when we receive data from the insurance companies that allows the reasonable estimation of these amounts. Any costs associated with these transactions are reflected in the appropriate expense line item.

Secondary Mortgage Market Operations

Secondary mortgage market operations revenue is primarily comprised of service release premiums earned on the sale of closed-end mortgage loans to other financial institutions or government agencies that are recognized in revenue as each sales transaction occurs.

Net Gain (Loss) on Sales of Assets

Net gain (loss) on sales of assets reflects the excess (deficiency) of proceeds received over the carrying amount of assets sold plus cost to sell for various assets other than foreclosed real estate. Gain or loss on the sale of assets are recognized as each transaction occurs.

Securities Transactions

Securities transactions includes net realized gain (losses) on securities sold reflecting the excess (deficiency) of proceeds received over the specifically identified carrying amount of the assets being sold plus cost to sell. Securities sales are recorded as each transaction occurs on a trade-date basis. Securities transactions also include declines in fair value for both available for sale and held to maturity securities when those declines are deemed to be other than temporary.

Income from Bank-Owned Life Insurance

Bank-owned life insurance income primarily represents income earned from the appreciation of the cash surrender value of insurance contracts held and the proceeds of insurance benefits. Revenue from the proceeds of insurance benefits is recognized at the time a claim is confirmed.

Credit Related Fees

Credit-related fee income includes letters of credit fees and unused commercial commitment fees. Revenue for letters of credit fees is recognized over time. Revenue for unused commercial commitment fees are recognized based on contractual terms, generally when collected.

Income from Derivatives

Income from derivatives consists primarily of income from interest rate swaps, net of fair value adjustments for customer derivatives and the related offsetting agreements with unrelated financial institutions for which the derivative instruments are not designated as hedges.

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Other Miscellaneous Income

Other miscellaneous income represents a variety of revenue streams, including safe deposit box income, wire transfer fees, syndication fees and any other income not reflected above. Income is recorded once the performance obligation is satisfied, generally on the accrual basis or on a cash basis if not material and/or considered constrained.

Advertising Costs

Advertising costs are expensed as incurred and recorded as a component of noninterest expense.

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 effects of changes in tax rates and laws upon deferred tax balances are recognized in the period in which the legislation is enacted.

The Company makes investments that generate investment tax credits (ITC). The Company uses the deferral method of accounting whereby the tax benefit from the investment tax credits is recognized as a reduction of the book basis of the related asset and is amortized into income over the tax life of the underlying investment.

The Company also made investments in projects that yield tax credits issued under the Qualified Zone Academy Bonds (QZAB) and Qualified School Construction Bonds (QSCB) prior to December 31, 2017, as well as Federal and state New Market Tax Credit (NMTC) 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 seven-year compliance period beginning with the year of investment. Credits on State NMTC investments are generally earned over a three to five-year period depending upon the specific state program. For 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.

The Company also invests in affordable housing projects that generate low-income tax credits (LIHTC) that are earned over a 10-year period, beginning with the year the rental activity begins. The proportional amortization method is used for investments in affordable housing projects that qualify for LIHTC when the Company, as the investor, does not have significant influence over such projects. For such projects, the investment is proportionally amortized over the same period as the expected tax benefits from the underlying projects as a component of the income tax provision. If needed, write-downs of LIHTC investments are also presented as a component of the income tax provision, on a net basis with the amortization. Should the Company have significant influence over projects, the cost or equity method of accounting is used and investment amortization is a component of noninterest expense. The significant influence criteria that enables use of the proportional amortization method is reevaluated if events occur that change the Company's influence on the project. The Company currently only has LIHTC investments accounted for under the proportional method of accounting.

With the exception of QZAB and QSCB tax credits, all of the tax credits described above can be carried back one-year and carried forward 20 years if the credit cannot be fully used in the year the credits first become available for use. QZAB and QSCB tax credits generally can be carried forward indefinitely if they cannot be fully used in the year the credits are generated.

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 17 – Retirement Benefit Plans discusses the actuarial assumptions and provides information about the liabilities or assets recognized for the funded status of the Company's obligations under these plans, the net benefit expense charged to current operations, and the amounts recognized as a component of other comprehensive income loss and AOCI.

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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. Share-based compensation for service-based awards that contain a graded vesting schedule is recognized on a straight-line basis over the requisite service period for the entire award. Forfeitures of unvested awards are recognized in earnings in the period in which they occur. Refer to Note 18 – Share-Based Payment Arrangements for additional information.

Earnings per Share

The Company 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 exclude treasury shares and unvested share-based payment awards under long-term incentive compensation plans and directors' compensation plans. 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.

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. The Company's stated strategy is to provide a consistent package of banking products and services throughout a coherent market area; as such, the Company has identified its overall banking operations as its only reportable segment. Because the overall banking operations comprise substantially all of the Company's 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

Accounting Standards Adopted in 2019

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. With the exception of short-term leases, lessees are required to recognize a lease liability representing the lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term upon adoption. Lessor accounting was largely unchanged under the new guidance, except for clarification of the definition of initial direct costs which provided additional guidance on the timing of recognition of those costs. Subsequent to the issuance of this update, the FASB issued three additional ASUs that provide codification improvements and certain transition elections, including ASU 2018-11, which permits an additional transition method whereby an entity may elect to record a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company was required to and did adopt the standard effective January 1, 2019, using the modified retrospective transition method permitted by ASU 2018-11. Thus, the Company's reporting for the comparative periods presented in the financial statements and disclosures continues to be in accordance with GAAP Topic 840. Upon adoption, the Company recorded a gross-up of assets and liabilities in its Consolidated Balance Sheet, with \$116.3 million for right of use assets and \$131.1 million of lease payment obligations offset by the elimination of \$14.8 million of existing lease incentive and other deferred rent liabilities. Accounting for leases in accordance with Topic 842 has not had a material impact upon the Company's consolidated results of operations, and is not expected to in future periods. Refer to the "Operating Lease" section of this note for information regarding accounting policy and operating lease practical expedient elections at adoption, and Note 6 – Operating Leases for further information related to the Company's lease contracts and assets at December 31, 2019.

In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments." The Update provides clarification and correction to certain areas of previously issued ASUs concerning financial instruments (2016-01, 2016-13 and 2017-12). Effective dates for

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adoption of this Update's provisions vary in accordance with the effective dates and adoption status of the amended ASUs. Clarifying guidance includes an amendment to update transition provisions related to a one-time election to reclassify debt securities from held to maturity to available for sale where the debt securities are eligible to be hedged under the last-of-layer method in accordance with Topic 815, Derivatives and Hedging. The clarification included the following related to the transfer election and reclassified securities: (1) the transfer does not call into question an entity's assertion to hold to maturity those debt securities that continue to be classified as held-to-maturity (2) the securities are not required to be designated in a last-of-layer hedging relationship (3) the securities may be sold by an entity after reclassification. During the fourth quarter of 2019, the Company exercised the one-time election to transfer securities with an amortized cost of approximately \$1.2 billion from its held to maturity portfolio to its available for sale portfolio. Refer to Note 3 – Securities for further information about the Company's investment securities.

Issued but Not Yet Adopted Accounting Standards

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes (Topic 740)." The amendments in this Update are meant to simplify the accounting for income taxes by removing certain exceptions to GAAP. The amendments also improve consistent application of and simplify GAAP by modifying and/or revising the accounting for certain income tax transactions and by clarifying certain existing codification. The amendments in the update are effective for public business entities for fiscal years and interim periods within those fiscal years beginning after December 15, 2020. The Company is currently assessing the impact of adoption of this guidance, but does not expect the update to have a material impact upon its financial position and results of operations.

In August 2018, the FASB issued ASU 2018-14, "Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans." The amendments in this Update modify certain disclosure requirements by removing disclosures that are no longer considered cost beneficial, clarifying specific requirements of disclosures, and adding disclosure requirements identified as relevant. The amendments in this Update are effective for fiscal years ending after December 15, 2020 for public business entities, and early adoption is permitted. The Company will modify its pension and postretirement plan disclosures upon adoption of this guidance. Adoption of this guidance will have no impact upon the Company's results of operations or financial condition.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement." The amendments in this Update modify certain disclosure requirements on fair value measurements set forth in Topic 820, Fair Value Measurements. In addition, the amendments in this Update eliminate the phrase "an entity shall disclose at a minimum" to promote the appropriate exercise of discretion by entities when considering fair value measurement disclosures to clarify that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2019, and early adoption is permitted. The Company will modify its fair value measurements disclosures upon adoption of this guidance. Adoption of this guidance will have no impact upon the Company's results of operations or financial condition.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU, more commonly referred to as Current Expected Credit Losses, or CECL, requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations are required to use forward-looking information to inform their credit loss estimates. Many of the loss estimation techniques currently applied will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. In addition, the ASU amends the accounting for credit losses on debt securities and purchased financial assets with credit deterioration. The ASU is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with a cumulative-effect adjustment to retained earnings for non-purchased credit impaired loans as of the beginning of the year of adoption. For purchased credit impaired loans, there is no impact to retained earnings upon adoption; rather, the entity will reclassify a portion of the purchase accounting fair value mark to allowance for credit losses as of the beginning of the year of adoption.

The Company expects adoption of this guidance, pending final approval through our governance process, to result in a \$76.7 million increase in allowance for credit losses on January 1, 2020, comprised of increases in the ALLL of \$49.4 million and the reserve for unfunded lending commitments of \$27.3 million, with \$19.8 million of the ALLL increase reclassified from the fair value mark for acquired impaired loans considered purchased credit deteriorated under the new guidance, and resulting in a cumulative-effect adjustment to retained earnings (net of tax) of \$44.1 million. Calculated credit losses on held to maturity debt securities were not material and there was no impact to the Company's available for sale portfolio or other financial instruments.

The Company's CECL allowance for credit losses estimates loan and unfunded exposures over a two-year reasonable and supportable forecast period utilizing the weighted average of a range of macroeconomic scenarios, and then reverts to longer historical loss

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experience to estimate losses for the remaining life. The Company utilizes internally developed credit models and third party economic forecasts for the calculation of the reasonable supportable forecast for the majority of the portfolio and other methods, generally historical loss based, for select portfolios. The credit models consist primarily of multivariate regression and autoregressive models that correlate historical net charge-off rates to select macroeconomic variables at a collective-level, using similar portfolio and regional aggregation as the incurred methodology. Forward-looking macroeconomic forecasts are applied as inputs to the regression equations to estimate quarterly pooled net charge-off rates over the reasonable and supportable period. The net charge-off rates from the credit models or, for the post reasonable supportable period, the portfolios' long-term average loss rates are applied to the balance run-off forecasts. The balance run-off forecast incorporates prepayment assumptions developed using historical experience using the same macroeconomic forecasts as the credit models. Forecasted net charge-off rates are also applied to forecasted draws and subsequent run-off of unfunded commitments that are also based on historical experience. Qualitative adjustments to the output of quantitative results are made using the same factors for consideration as under the current incurred methodology. The Company also continues to establish specific reserves on individually evaluated nonaccrual and loans modified in troubled debt restructures as these loans are deemed to not share risk characteristics with other financial assets, largely unchanged from the incurred process.

Note 2. Acquisitions and Divestiture

Acquisitions

MidSouth Bancorp, Inc.

On September 21, 2019, the Company completed the acquisition of all of the outstanding common stock of MidSouth Bancorp, Inc. ("MidSouth") (NYSE: MSL), parent company of MidSouth Bank, N.A. The acquisition provides the Company opportunity for both enhanced growth in several of its current markets, such as MidSouth's home market of Lafayette, Louisiana, as well as opportunities for expansion into new markets in Louisiana and Texas. The transaction was accounted for as a business combination whereby the Company acquired net assets with an estimated fair value of \$130.5 million and recorded goodwill of \$63.4 million. In consideration for the net assets acquired, the Company issued approximately 5.0 million shares of common stock, resulting in a transaction value of \$193.8 million.

Due to the close proximity to the acquisition date, certain acquisition-date fair value measurements have not been finalized and are subject to change. As the Company obtains the information related to facts and circumstances that existed as of the acquisition date, provisional measurements will be finalized, and any adjustments, if necessary, will be included in the allocation in the reporting period in which the final amounts are determined, not to exceed one year from the acquisition date. The following table sets forth the preliminary acquisition date fair value of the assets acquired and liabilities assumed, and the resulting goodwill. The goodwill is not deductible for federal income tax purposes.

(in thousands)

ASSETS	
Cash and due from banks	\$ 28,059
Interest bearing bank deposits	276,911
Federal funds sold	3,475
Securities available for sale	272,240
Loans	787,628
Property and equipment	34,288
Other real estate	343
Identifiable intangible assets	31,500
Other assets	79,888
Total identifiable assets	1,514,332
LIABILITIES	
Deposit liabilities	1,280,947
Short term borrowings	66,996
Long term debt	13,919
Other liabilities	21,990
Total liabilities	1,383,852
Net assets acquired	130,480
Value of stock-based consideration	193,849
Goodwill	\$ 63,369

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The loans acquired were recorded at an estimated fair value at the acquisition date using a loss adjusted cash flow method, with no carryover of the related allowance for loan losses. Acquired loans are classified as either purchased credit performing or purchased credit impaired based on such factors as past due status, nonaccrual status and internal risk rating. Loans considered to be purchased credit performing were accounted for under Accounting Standards Codification (“ASC”) 310-20. The purchased credit performing loans had a book balance of \$686.0 million, of which \$18.8 million is not expected to be collected, and an estimated fair value of \$667.1 million. Loans considered to be purchased credit impaired were accounted for under ASC 310-30 using the expected cash flow method. The purchased credit impaired loans had a book balance of \$143.9 million and an estimated fair value of \$120.5 million.

The securities available for sale portfolio consisted primarily of collateralized mortgage obligations and mortgaged backed securities. Substantially all of the portfolio acquired was sold prior to December 31, 2019.

The core deposit intangible asset of \$31.5 million represents the value of the relationships with deposit customers based on the favorable source of funds method. The core deposit intangible will be amortized using sum of years’ digits over the asset’s estimated life of 15 years.

Short-term borrowings consisted of customer repurchase agreements of \$39.5 million and two FHLB advances totaling \$27.5 million. The FHLB advances had 30 day maturities with fixed interest rates of 2.16%.

Long-term debt consisted of three trust preferred debentures with maturities through 2037; however, each was callable and were eligible for redemption at the Company’s election. The Company redeemed each debenture in full prior to December 31, 2019.

The operating results of the Company for the year ended December 31, 2019 includes the results from the operations of the acquired business from the date of acquisition. The results of the acquired business are not material to the Company’s consolidated results of operations and, as such, neither supplemental pro forma information of the combined entity nor revenue and earnings contributed by the acquired business since the date of acquisition are presented.

During the year ended December 31, 2019, the Company incurred acquisition related costs of approximately \$32.7 million. The following table presents the acquisition related costs by component:

(in thousands)

Personnel expense	\$	7,506
Net occupancy and equipment expense		1,464
Professional services expense		7,075
Data processing expense		1,092
Other real estate		130
Advertising expense		2,581
Other expense		12,818
Total merger-related expenses	\$	<u>32,666</u>

Personnel expense includes severance and change in control costs. Professional services expense includes legal and consulting costs, including costs associated with systems conversion. Other expense includes contract and lease termination fees and other transaction-related costs.

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Trust and Asset Management Business

On July 13, 2018, the Company acquired the bank-managed high net worth individual and institutional investment management and trust business of Capital One, National Association (“Capital One”). The transaction added assets under management of \$4 billion and assets under management and administration of \$10.4 billion to the Company’s existing trust and asset management business. In addition, the Company assumed approximately \$217 million of customer deposit liabilities. The following table sets forth the acquisition date fair value of the assets acquired and the liabilities assumed, the consideration received, and the resulting goodwill. The goodwill is deductible for federal income tax purposes.

(in thousands)

ASSETS

Accounts receivable	\$	2,803
Identifiable intangible assets		27,562
Total identifiable assets		30,365

LIABILITIES

Deposit liabilities		217,432
Other liabilities		151
Total liabilities		217,583
Net liabilities assumed		(187,218)
Consideration received		140,657
Goodwill	\$	<u>46,561</u>

Identifiable intangible assets include customer relationships that are being amortized using an accelerated method based on forecasted cash flows over a useful life of approximately 17 years.

The operating results of the Company for the years ended December 31, 2019 and 2018 includes the results from the operations of the acquired trust and asset management business from the date of acquisition. The results are not material to the Company’s results of operations and, as such, supplemental proforma financial information for the years ended December 31, 2019 and 2018 is not presented. During year ended December 31, 2018, the Company incurred acquisition related costs of approximately \$6.2 million.

Goodwill Resulting from Business Combinations

Goodwill represents the excess of the consideration transferred over the fair value of the net assets acquired or the excess of the fair value of net liabilities assumed over the consideration received. It is comprised of estimated future economic benefits arising from the transaction that cannot be individually identified or do not qualify for separate recognition. These benefits include expanded presence in existing markets and entry into new markets, and expected earnings streams and operational efficiencies that the Company believes will result from these business combinations.

The following table illustrates the change in the Company’s goodwill for the years ended December 31, 2019 and 2018:

(in thousands)

Goodwill balance at December 31, 2017	\$	745,523
Additions and adjustments:		
Initial goodwill recorded in acquisition of trust and asset management business		45,634
Measurement period adjustments - acquisition of trust and asset management business		(185)
Goodwill balance at December 31, 2018	\$	<u>790,972</u>
Additions and adjustments:		
Final settlement of cash consideration - acquisition of trust and asset management business	\$	1,112
Initial goodwill recorded in acquisition of MidSouth Bancorp, Inc.		69,207
Measurement period adjustments - acquisition of MidSouth Bancorp, Inc.		(5,838)
Goodwill balance at December 31, 2019	\$	<u>855,453</u>

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Divestiture

On March 9, 2018, the Company sold its consumer finance subsidiary, Harrison Finance Company. The Company received cash of approximately \$78.9 million and recorded a loss on the sale of \$1.1 million.

Note 3. Securities

The amortized cost and fair value of securities classified as available for sale and held to maturity at December 31, 2019 and 2018 follow.

Securities Available for Sale

<i>(in thousands)</i>	December 31, 2019				December 31, 2018			
	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	\$ 98,320	\$ 652	\$ 300	\$ 98,672	\$ 74,339	\$ —	\$ 2,633	\$ 71,706
Municipal obligations	242,016	7,789	—	249,805	246,713	360	6,646	240,427
Residential mortgage-backed securities	1,910,909	20,268	7,020	1,924,157	1,468,912	4,284	29,794	1,443,402
Commercial mortgage-backed securities	1,570,765	19,880	4,178	1,586,467	799,060	1,953	30,936	770,077
Collateralized mortgage obligations	807,600	3,757	3,142	808,215	163,282	903	2,260	161,925
Corporate debt securities	8,000	21	33	7,988	3,500	—	—	3,500
	<u>\$ 4,637,610</u>	<u>\$ 52,367</u>	<u>\$ 14,673</u>	<u>\$ 4,675,304</u>	<u>\$ 2,755,806</u>	<u>\$ 7,500</u>	<u>\$ 72,269</u>	<u>\$ 2,691,037</u>

Securities Held to Maturity

<i>(in thousands)</i>	December 31, 2019				December 31, 2018			
	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	\$ 3	\$ —	\$ 50,003	\$ 50,000	\$ —	\$ 478	\$ 49,522
Municipal obligations	641,019	27,146	69	668,096	688,201	2,347	9,503	681,045
Residential mortgage-backed securities	29,687	883	—	30,570	640,393	1,461	6,117	635,737
Commercial mortgage-backed securities	539,371	12,474	581	551,264	357,175	376	10,882	346,669
Collateralized mortgage obligations	307,932	3,597	458	311,071	1,243,778	1,598	22,493	1,222,883
	<u>\$ 1,568,009</u>	<u>\$ 44,103</u>	<u>\$ 1,108</u>	<u>\$ 1,611,004</u>	<u>\$ 2,979,547</u>	<u>\$ 5,782</u>	<u>\$ 49,473</u>	<u>\$ 2,935,856</u>

The Company held no securities classified as trading at December 31, 2019 or 2018.

Under the provisions ASU 2019-04, the Company made a one-time election to transfer securities with an amortized cost of \$1.2 billion from the held to maturity portfolio to the available for sale portfolio. The securities transferred are eligible to be hedged under the last of layer method; as such, the reclassification allows the Company to take advantage of the amended fair value hedging rules in the future, should it meet the Company's investment strategy.

The following tables present the amortized cost and fair value of debt securities at December 31, 2019 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.

<i>(in thousands)</i>	Amortized Cost	Fair Value
<u>Debt Securities Available for Sale</u>		
Due in one year or less	\$ 356	\$ 363
Due after one year through five years	151,871	154,646
Due after five years through ten years	1,764,275	1,778,398
Due after ten years	2,721,108	2,741,897
Total available for sale debt securities	<u>\$ 4,637,610</u>	<u>\$ 4,675,304</u>

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<i>(in thousands)</i>	Amortized Cost	Fair Value
Debt Securities Held to Maturity		
Due in one year or less	\$ 50,000	\$ 50,003
Due after one year through five years	140,009	141,929
Due after five years through ten years	672,094	694,992
Due after ten years	705,906	724,080
Total held to maturity debt securities	<u>\$ 1,568,009</u>	<u>\$ 1,611,004</u>

The details for securities classified as available for sale with unrealized losses at December 31, 2019 follow.

Available for sale

<i>(in thousands)</i>	Losses < 12 Months		Losses 12 Months or >		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury and government agency securities	\$ 28,235	\$ 300	\$ —	\$ —	\$ 28,235	\$ 300
Municipal obligations	—	—	—	—	—	—
Residential mortgage-backed securities	420,066	5,042	399,787	1,978	819,853	7,020
Commercial mortgage-backed securities	458,855	3,971	14,896	207	473,751	4,178
Collateralized mortgage obligations	89,689	1,315	184,389	1,827	274,078	3,142
Corporate debt securities	1,467	33	—	—	1,467	33
	<u>\$ 998,312</u>	<u>\$ 10,661</u>	<u>\$ 599,072</u>	<u>\$ 4,012</u>	<u>\$ 1,597,384</u>	<u>\$ 14,673</u>

The details for securities classified as available for sale with unrealized losses at December 31, 2018 follow.

Available for sale

<i>(in thousands)</i>	Losses < 12 Months		Losses 12 Months or >		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury and government agency securities	\$ —	\$ —	\$ 71,706	\$ 2,633	\$ 71,706	\$ 2,633
Municipal obligations	41,203	591	170,883	6,054	212,086	6,645
Residential mortgage-backed securities	305,090	2,485	762,826	27,309	1,067,916	29,794
Commercial mortgage-backed securities	96,226	1,851	570,485	29,085	666,711	30,936
Collateralized mortgage obligations	254	1	111,804	2,259	112,058	2,260
	<u>\$ 442,773</u>	<u>\$ 4,928</u>	<u>\$ 1,687,704</u>	<u>\$ 67,340</u>	<u>\$ 2,130,477</u>	<u>\$ 72,268</u>

The details for securities classified as held to maturity with unrealized losses at December 31, 2019 follow.

Held to maturity

<i>(in thousands)</i>	Losses < 12 Months		Losses 12 Months or >		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury and government agency securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Municipal obligations	4,735	38	3,143	31	7,878	69
Residential mortgage-backed securities	—	—	—	—	—	—
Commercial mortgage-backed securities	28,426	581	—	—	28,426	581
Collateralized mortgage obligations	—	—	49,110	458	49,110	458
	<u>\$ 33,161</u>	<u>\$ 619</u>	<u>\$ 52,253</u>	<u>\$ 489</u>	<u>\$ 85,414</u>	<u>\$ 1,108</u>

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The details for securities classified as held to maturity with unrealized losses as of December 31, 2018 follow.

Held to maturity

	Losses < 12 Months		Losses 12 Months or >		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(in thousands)</i>						
U.S. Treasury and government agency securities	\$ —	\$ —	\$ 49,521	\$ 478	\$ 49,521	\$ 478
Municipal obligations	233,469	2,256	233,280	7,247	466,749	9,503
Residential mortgage-backed securities	90,730	123	235,251	5,994	325,981	6,117
Commercial mortgage-backed securities	—	—	305,419	10,882	305,419	10,882
Collateralized mortgage obligations	77,394	281	897,153	22,212	974,547	22,493
	<u>\$ 401,593</u>	<u>\$ 2,660</u>	<u>\$ 1,720,624</u>	<u>\$ 46,813</u>	<u>\$ 2,122,217</u>	<u>\$ 49,473</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 on these debt securities would be recovered no later than 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 issuers' abilities to meet contractual obligations. The Company believes it 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.

The following table presents the proceeds from, gross gains on, and gross losses on sales of securities during the years ended December 31, 2019, 2018 and 2017:

<i>(in thousands)</i>	Years Ended December 31,		
	2019	2018	2017
Proceeds	\$ 268,413	\$ 455,162	\$ 213,877
Gross gains	—	—	—
Gross losses	—	25,480	—

Securities with carrying values totaling approximately \$3.3 billion at December 31, 2019 and \$3.4 billion at December 31, 2018 were pledged, primarily to secure public deposits or securities sold under agreements to repurchase.

Note 4. Loans and Allowance for Credit Losses

The Company generally makes loans in its market areas of south Mississippi; southern and central Alabama; northwest, central and south Louisiana; the northern, central and panhandle regions of Florida; and certain areas of east and northeast Texas, including Houston, Beaumont and Dallas; and Nashville, Tennessee. The following table presents loans, net of unearned income, by portfolio class at December 31, 2019 and 2018:

<i>(in thousands)</i>	2019	2018
Commercial non-real estate	\$ 9,166,947	\$ 8,620,601
Commercial real estate - owner occupied	2,738,460	2,457,748
Total commercial and industrial	<u>11,905,407</u>	<u>11,078,349</u>
Commercial real estate - income producing	2,994,448	2,341,779
Construction and land development	1,157,451	1,548,335
Residential mortgages	2,990,631	2,910,081
Consumer	2,164,818	2,147,867
Total loans	<u>\$ 21,212,755</u>	<u>\$ 20,026,411</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, 2019 and 2018 were approximately \$13.4 million and \$37.5 million, respectively. Included in such loans at December 31, 2018 was \$22.4 million to directors that retired in 2019. Related party loan activity in 2019 includes new loans of \$7.1 million and repayments of \$8.8 million.

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The Bank has a line of credit with the Federal Home Loan Bank of Dallas that is secured by blanket pledges of certain qualifying loan types. The Bank had borrowings on this line of \$2.0 billion and \$1.2 billion at December 31, 2019 and 2018, respectively.

The following schedules show activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2019 and the activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2018, as well as the corresponding recorded investment in loans at December 31, 2019 and 2018.

	Commercial Non-Real Estate	Commercial Real Estate- Owner Occupied	Total Commercial and Industrial	Commercial Real Estate- Income Producing	Construction and Land Development	Residential Mortgages	Consumer	Total
<i>(in thousands)</i>								
Year Ended December 31, 2019								
Allowance for credit losses								
Allowance for loan losses:								
Beginning balance	\$ 97,752	\$ 13,757	\$ 111,509	\$ 17,638	\$ 15,647	\$ 23,782	\$ 25,938	\$ 194,514
Charge-offs	(39,600)	(137)	(39,737)	(32)	(7)	(846)	(18,455)	(59,077)
Recoveries	6,940	306	7,246	569	140	480	3,645	12,080
Net provision for loan losses	41,340	(2,949)	38,391	2,694	(6,430)	(3,085)	12,164	43,734
Ending balance - allowance for loan losses	\$ 106,432	\$ 10,977	\$ 117,409	\$ 20,869	\$ 9,350	\$ 20,331	\$ 23,292	\$ 191,251
Reserve for unfunded lending commitments:								
Beginning balance	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Provision for losses on unfunded commitments	3,974	—	3,974	—	—	—	—	3,974
Ending balance - reserve for unfunded lending commitments	\$ 3,974	\$ —	\$ 3,974	\$ —	\$ —	\$ —	\$ —	\$ 3,974
Total allowance for credit losses	\$ 110,406	\$ 10,977	\$ 121,383	\$ 20,869	\$ 9,350	\$ 20,331	\$ 23,292	\$ 195,225
Allowance for loan losses:								
Individually evaluated for impairment	\$ 21,733	\$ 104	\$ 21,837	\$ 18	\$ 21	\$ 217	\$ 292	\$ 22,385
Amounts related to purchased credit impaired loans	164	169	333	39	136	7,474	275	8,257
Collectively evaluated for impairment	84,535	10,704	95,239	20,812	9,193	12,640	22,725	160,609
Allowance for loan losses	\$ 106,432	\$ 10,977	\$ 117,409	\$ 20,869	\$ 9,350	\$ 20,331	\$ 23,292	\$ 191,251
Reserve for unfunded lending commitments:								
Individually evaluated for impairment	\$ 3,974	\$ —	\$ 3,974	\$ —	\$ —	\$ —	\$ —	\$ 3,974
Total allowance for credit losses	\$ 110,406	\$ 10,977	\$ 121,383	\$ 20,869	\$ 9,350	\$ 20,331	\$ 23,292	\$ 195,225
Loans:								
Individually evaluated for impairment	\$ 232,438	\$ 4,381	\$ 236,819	\$ 1,898	\$ 277	\$ 5,174	\$ 1,483	\$ 245,651
Purchased credit impaired loans	31,073	36,200	67,273	35,353	20,516	86,757	5,346	215,245
Collectively evaluated for impairment	8,903,436	2,697,879	11,601,315	2,957,197	1,136,658	2,898,700	2,157,989	20,751,859
Total loans	\$ 9,166,947	\$ 2,738,460	\$ 11,905,407	\$ 2,994,448	\$ 1,157,451	\$ 2,990,631	\$ 2,164,818	\$ 21,212,755
<i>(in thousands)</i>								
Year Ended December 31, 2018								
Allowance for loan losses:								
Beginning balance	\$ 127,918	\$ 12,962	\$ 140,880	\$ 13,709	\$ 7,372	\$ 24,844	\$ 30,503	\$ 217,308
Charge-offs	(40,069)	(8,059)	(48,128)	(1,633)	(334)	(614)	(23,913)	(74,622)
Recoveries	14,385	317	14,702	221	96	2,179	5,162	22,360
Net provision for loan losses	(4,482)	8,537	4,055	5,341	8,513	(2,627)	20,834	36,116
Other	—	—	—	—	—	—	(6,648)	(6,648)
Ending balance - allowance for loan losses	\$ 97,752	\$ 13,757	\$ 111,509	\$ 17,638	\$ 15,647	\$ 23,782	\$ 25,938	\$ 194,514
Allowance for loan losses:								
Individually evaluated for impairment	\$ 3,636	\$ 607	\$ 4,243	\$ 210	\$ 1	\$ 444	\$ 216	\$ 5,114
Amounts related to purchased credit impaired loans	239	215	454	43	83	9,766	388	10,734
Collectively evaluated for impairment	93,877	12,935	106,812	17,385	15,563	13,572	25,334	178,666
Total allowance for loan losses	\$ 97,752	\$ 13,757	\$ 111,509	\$ 17,638	\$ 15,647	\$ 23,782	\$ 25,938	\$ 194,514
Loans:								
Individually evaluated for impairment	\$ 239,384	\$ 21,666	\$ 261,050	\$ 2,701	\$ 121	\$ 3,876	\$ 1,007	\$ 268,755
Purchased credit impaired loans	6,629	6,212	12,841	3,757	3,387	105,430	4,181	129,596
Collectively evaluated for impairment	8,374,588	2,429,870	10,804,458	2,335,321	1,544,827	2,800,775	2,142,679	19,628,060
Total loans	\$ 8,620,601	\$ 2,457,748	\$ 11,078,349	\$ 2,341,779	\$ 1,548,335	\$ 2,910,081	\$ 2,147,867	\$ 20,026,411

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Impaired Loans

The following table shows the composition of nonaccrual loans by portfolio class. Purchased credit impaired loans accounted for in pools with an accretable yield are considered to be performing and are excluded from the table.

(in thousands)	December 31,	
	2019	2018
Commercial non-real estate	\$ 178,678	\$ 110,653
Commercial real estate - owner occupied	7,708	16,895
Total commercial and industrial	186,386	127,548
Commercial real estate - income producing	2,594	4,991
Construction and land development	1,217	2,146
Residential mortgages	39,262	35,866
Consumer	16,374	16,744
Total loans	\$ 245,833	\$ 187,295

For the years ended December 31, 2019, 2018 and 2017, the estimated amount of interest income from nonaccrual loans that would have been recorded had the loans not been assigned nonaccrual status was \$13.9 million, \$13.7 million and \$14.7 million, respectively.

Nonaccrual loans include nonaccruing loans modified in troubled debt restructurings (TDRs) of \$132.5 million and \$85.5 million, at December 31, 2019 and 2018, respectively. Total TDRs, both accruing and nonaccruing, were \$193.7 million at December 31, 2019 and \$224.6 million at December 31, 2018.

The table below details TDRs that were modified during the years ended December 31, 2019, 2018 and 2017 by portfolio segment. All such loans are individually evaluated for impairment.

(\$ in thousands)	Years Ended								
	2019			2018			2017		
	Number of Contracts	Outstanding Recorded Investment		Number of Contracts	Outstanding Recorded Investment		Number of Contracts	Outstanding Recorded Investment	
Pre- Modification		Post- Modification	Pre- Modification		Post- Modification	Pre- Modification		Post- Modification	
Troubled Debt Restructurings:									
Commercial non-real estate	13	\$ 64,051	\$ 57,240	29	\$ 85,306	\$ 85,306	52	\$ 162,909	\$ 162,909
Commercial real estate - owner occupied	1	167	167	2	6,138	6,138	5	5,684	5,684
Total commercial and industrial	14	64,218	57,407	31	91,444	91,444	57	168,593	168,593
Commercial real estate - income producing	1	123	123	1	1,564	1,564	5	5,625	5,625
Construction and land development	3	323	323	—	—	—	—	—	—
Residential mortgages	21	3,286	3,286	14	1,297	1,297	15	2,812	2,812
Consumer	10	168	168	10	455	455	1	40	40
Total loans	49	\$ 68,118	\$ 61,307	56	\$ 94,760	\$ 94,760	78	\$ 177,070	\$ 177,070

The TDRs modified during the year ended December 31, 2019 reflected in the table above include \$18.7 million of loans with extended amortization terms or other payment concessions, \$41.3 million of loans with significant covenant waivers and \$8.1 million with other modifications. In addition, the Company received approximately \$6.8 million of equity securities of one commercial non-real estate borrower in satisfaction of a portion of its debt. The TDRs modified during the year ended December 31, 2018 include \$50.8 million of loans with extended amortization terms or other payment concessions, \$14.6 million of loans with significant covenant waivers, and \$29.4 million with other modifications. The TDRs modified during the year ended December 31, 2017 include \$98.1 million of loans with extended terms or other payment concessions, \$76.2 million of loans with significant covenant waivers, and \$2.8 million of other modifications.

At December 31, 2019 and 2018, the Company had unfunded commitments of approximately \$2.4 million and \$2.1 million, respectively, to borrowers whose loan terms had been modified in TDRs.

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No TDRs modified during the years ended December 31, 2019 and 2017 subsequently defaulted within twelve month of modification. Of the TDRs modified during the year ended December 31, 2018, one residential mortgage totaling \$0.2 million, one owner-occupied commercial real estate loan totaling \$1.8 million and one consumer loan totaling less than \$ 0.1 million defaulted within 12 months of the modification.

The tables below present loans that are individually evaluated for impairment disaggregated by portfolio class at December 31, 2019 and 2018. 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.

<i>(in thousands)</i>	December 31, 2019			
	Recorded Investment Without an Allowance	Recorded Investment With an Allowance	Unpaid Principal Balance	Related Allowance
Commercial non-real estate	\$ 134,191	\$ 98,247	\$ 270,078	\$ 21,733
Commercial real estate - owner occupied	2,665	1,716	7,793	104
Total commercial and industrial	<u>136,856</u>	<u>99,963</u>	<u>277,871</u>	<u>21,837</u>
Commercial real estate - income producing	373	1,525	1,959	18
Construction and land development	—	277	322	21
Residential mortgages	3,383	1,791	5,709	217
Consumer	479	1,004	1,906	292
Total loans	<u><u>\$ 141,091</u></u>	<u><u>\$ 104,560</u></u>	<u><u>\$ 287,767</u></u>	<u><u>\$ 22,385</u></u>

<i>(in thousands)</i>	December 31, 2018			
	Recorded Investment Without an Allowance	Recorded Investment With an Allowance	Unpaid Principal Balance	Related Allowance
Commercial non-real estate	\$ 144,625	\$ 94,759	\$ 273,290	\$ 3,636
Commercial real estate - owner occupied	13,027	8,639	25,888	607
Total commercial and industrial	<u>157,652</u>	<u>103,398</u>	<u>299,178</u>	<u>4,243</u>
Commercial real estate - income producing	1,138	1,563	3,428	210
Construction and land development	100	21	121	1
Residential mortgages	2,058	1,818	4,421	444
Consumer	279	728	1,253	216
Total loans	<u><u>\$ 161,227</u></u>	<u><u>\$ 107,528</u></u>	<u><u>\$ 308,401</u></u>	<u><u>\$ 5,114</u></u>

The tables below present the average balances and interest income for total impaired loans for the years ended December 31, 2019 and 2018. Interest income recognized represents interest on accruing loans modified in a TDR.

<i>(in thousands)</i>	Years Ended			
	December 31, 2019		December 31, 2018	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial non-real estate	\$ 223,500	\$ 4,917	\$ 286,146	\$ 7,919
Commercial real estate - owner occupied	14,719	196	25,325	343
Total commercial and industrial	<u>238,219</u>	<u>5,113</u>	<u>311,471</u>	<u>8,262</u>
Commercial real estate - income producing	2,407	27	9,155	71
Construction and land development	906	4	145	—
Residential mortgages	4,578	11	5,598	18
Consumer	1,464	77	814	39
Total loans	<u><u>\$ 247,574</u></u>	<u><u>\$ 5,232</u></u>	<u><u>\$ 327,183</u></u>	<u><u>\$ 8,390</u></u>

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Aging Analysis

The tables below present the age analysis of past due loans by portfolio class at December 31, 2019 and 2018. Purchased credit impaired loans with an accretable yield are considered to be current:

December 31, 2019 (in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days past due	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
Commercial non-real estate	\$ 20,893	\$ 13,445	\$ 100,806	\$ 135,144	\$ 9,031,803	\$ 9,166,947	\$ 1,537
Commercial real estate - owner occupied	4,862	556	7,268	12,686	2,725,774	2,738,460	830
Total commercial and industrial	25,755	14,001	108,074	147,830	11,757,577	11,905,407	2,367
Commercial real estate - income producing	738	703	2,910	4,351	2,990,097	2,994,448	450
Construction and land development	5,747	680	2,480	8,907	1,148,544	1,157,451	2,042
Residential mortgages	32,867	8,584	23,577	65,028	2,925,603	2,990,631	85
Consumer	18,586	6,215	9,901	34,702	2,130,116	2,164,818	1,638
Total loans	\$ 83,693	\$ 30,183	\$ 146,942	\$ 260,818	\$ 20,951,937	\$ 21,212,755	\$ 6,582

December 31, 2018 (in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
Commercial non-real estate	\$ 12,257	\$ 3,895	\$ 77,551	\$ 93,703	\$ 8,526,898	\$ 8,620,601	\$ 10,823
Commercial real estate - owner occupied	2,394	1,570	14,542	18,506	2,439,242	2,457,748	380
Total commercial and industrial	14,651	5,465	92,093	112,209	10,966,140	11,078,349	11,203
Commercial real estate - income producing	2,371	772	5,495	8,638	2,333,141	2,341,779	1,844
Construction and land development	7,397	1,129	2,165	10,691	1,537,644	1,548,335	644
Residential mortgages	32,869	14,706	23,175	70,750	2,839,331	2,910,081	—
Consumer	20,402	4,695	9,665	34,762	2,113,105	2,147,867	618
Total loans	\$ 77,690	\$ 26,767	\$ 132,593	\$ 237,050	\$ 19,789,361	\$ 20,026,411	\$ 14,309

Credit Quality Indicators

The tables below present the credit quality indicators classes by segments and portfolio class of loans at December 31, 2019 and December 31, 2018.

(in thousands)	December 31, 2019					
	Commercial Non- Real Estate	Commercial Real Estate - Owner Occupied	Total Commercial and Industrial	Commercial Real Estate - Income Producing	Construction and Land Development	Total Commercial
Grade:						
Pass	\$ 8,492,113	\$ 2,517,448	\$ 11,009,561	\$ 2,883,553	\$ 1,120,997	\$ 15,014,111
Pass-Watch	220,850	146,266	367,116	69,765	25,621	462,502
Special Mention	71,654	14,651	86,305	14,995	283	101,583
Substandard	382,330	60,095	442,425	26,135	10,550	479,110
Doubtful	—	—	—	—	—	—
Total	\$ 9,166,947	\$ 2,738,460	\$ 11,905,407	\$ 2,994,448	\$ 1,157,451	\$ 16,057,306

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<i>(in thousands)</i>	December 31, 2018					
	Commercial Non- Real Estate	Commercial Real Estate - Owner Occupied	Total Commercial & Industrial	Commercial Real Estate - Income Producing	Construction and Land Development	Total Commercial
Grade:						
Pass	\$ 7,875,588	\$ 2,274,211	\$ 10,149,799	\$ 2,265,087	\$ 1,487,599	\$ 13,902,485
Pass-Watch	260,510	84,271	344,781	46,535	49,099	440,415
Special Mention	75,752	23,149	98,901	5,510	816	105,227
Substandard	408,751	76,117	484,868	24,647	10,821	520,336
Doubtful	—	—	—	—	—	—
Total	\$ 8,620,601	\$ 2,457,748	\$ 11,078,349	\$ 2,341,779	\$ 1,548,335	\$ 14,968,463

<i>(in thousands)</i>	December 31, 2019			December 31, 2018		
	Residential Mortgage	Consumer	Total	Residential Mortgage	Consumer	Total
Performing	\$ 2,950,854	\$ 2,147,312	\$ 5,098,166	\$ 2,873,669	\$ 2,130,395	\$ 5,004,064
Nonperforming	39,777	17,506	57,283	36,412	17,472	53,884
Total	\$ 2,990,631	\$ 2,164,818	\$ 5,155,449	\$ 2,910,081	\$ 2,147,867	\$ 5,057,948

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 or 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 – accruing loans that have not been modified in a troubled debt restructuring.
- Nonperforming – loans for which there are good reasons to doubt that payments will be made in full. All loans with nonaccrual status and all loans that have been modified in a troubled debt restructuring are classified as nonperforming.

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Purchased Credit Impaired Loans

Changes in the carrying amount of purchased credit impaired loans and related accretable yield are presented in the following table for the years ended December 31, 2019 and 2018:

<i>(in thousands)</i>	2019		2018	
	Carrying Amount of Loans	Accretable Yield	Carrying Amount of Loans	Accretable Yield
Balance at beginning of period	\$ 129,596	\$ 37,294	\$ 153,403	\$ 62,517
Additions	120,562	6,246	—	—
Payments received, net	(48,076)	(4,601)	(39,556)	(5,779)
Accretion	13,163	(13,163)	15,749	(15,749)
Increase (decrease) in expected cash flows based on actual cash flow and changes in cash flow assumptions	—	4,170	—	(3,695)
Balance at end of period	<u>\$ 215,245</u>	<u>\$ 29,946</u>	<u>\$ 129,596</u>	<u>\$ 37,294</u>

Residential Mortgage Loans in Process of Foreclosure

Loans in process of foreclosure include those for which formal foreclosure proceedings are in process according to local requirements of the applicable jurisdiction. Included in loans are \$8.6 million and \$7.1 million of consumer loans secured by single family residential mortgage real estate that are in process of foreclosure as of December 31, 2019 and 2018, respectively. In addition to the single family residential real estate loans in process of foreclosure, the Company also held \$6.3 million and \$1.8 million of foreclosed single family residential properties in other real estate owned as of December 31, 2019 and 2018, respectively.

Loans Held for Sale

Loans held for sale totaled \$55.9 million and \$28.1 million, respectively, at December 31, 2019 and 2018. Substantially all loans held for sale are residential mortgage loans originated for sale. Concurrent with the commitment to lend, the Company enters into a forward commitment to sell these loans on a best efforts delivery basis.

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Note 5. Property and Equipment

Property and equipment consisted of the following at December 31, 2019 and 2018:

<i>(in thousands)</i>	December 31,	
	2019	2018
Land and land improvements	\$ 79,720	\$ 70,960
Buildings and leasehold improvements	339,503	311,409
Furniture, fixtures and equipment	115,051	92,805
Software	75,448	72,721
Assets under development	20,014	31,742
	629,736	579,637
Accumulated depreciation and amortization	(249,527)	(225,969)
Property and equipment, net	\$ 380,209	\$ 353,668

Assets under development is comprised primarily of software design and implementation costs.

Depreciation and amortization expense was \$30.9 million, \$26.5 million and \$28.1 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Property and Equipment Held for Sale

Certain of the Company's property and equipment meet the criteria to be classified as assets held for sale. The carrying values of such assets were \$0.3 million and \$27.0 million at December 31, 2019 and 2018, respectively, and were reported within Other Assets in the consolidated balance sheets. For more information on the Company's policy for accounting for assets held for sale, refer to Note 1 – Summary of Significant Accounting Policies and Recent Accounting Pronouncements.

Note 6. Operating Leases

Effective January 1, 2019, the Company adopted the amended provisions of Financial Accounting Standards Codification Topic 842, "Leases," using the modified retrospective approach, impacting the reporting and disclosures for operating leases. The core principle of Topic 842 is that a lessee should recognize in the statement of financial position a liability representing the present value of future lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset over the lease term, as well as the disclosure of key information about operating leasing arrangements. Refer to Note 1 – Summary of Significant Accounting Policies for a description of the Company's policy and transition elections.

The Company has operating leases on a number of its branches, certain regional headquarters and other properties to limit its exposure to ownership risks such as fluctuations in real estate prices and obsolescence. The Company leases real estate with lease terms generally from five to 20 years, some of which have renewal options from one to 20 years. As these extension options are not generally considered reasonably certain of renewal, they are not included in the lease term. The Company is not a lessee in any contracts classified as finance leases.

The following tables present supplemental information pertaining to operating leases at and for the year ended December 31, 2019.

<i>(dollars in thousands)</i>	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities for operating leases	\$ 16,027
Right of use assets obtained in exchange for lease liabilities	121,066
	December 31, 2019
Weighted average remaining lease term (in years)	12.95
Weighted average discount rate	3.53%

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The following table sets forth the maturities of the Company's lease liabilities and the present value discount at December 31, 2019.

(dollars in thousands)

2019	\$	16,382
2020		15,947
2021		15,551
2022		13,973
2023		11,877
Thereafter		89,677
Total		163,407
Present value discount		(35,704)
Lease liability	\$	<u>127,703</u>

The following table sets forth the components of the Company's lease expense for the year ended December 31, 2019.

		December 31, 2019
<i>(in thousands)</i>		
Operating lease expense	\$	18,075
Short-term lease expense		462
Variable lease expense		46
Sublease income		(322)
Total	\$	<u>18,261</u>

The Company elected the optional transition method to not restate prior periods. Rental expense under ASC 840 approximated \$18.2 million and \$17.0 million for the years ended December 31, 2018 and 2017, respectively.

Note 7. Goodwill and Other Intangible Assets

Goodwill represents the excess of the consideration paid over the fair value of the net assets acquired or the excess of the fair value of the net liabilities assumed over the consideration received in a business combination. The 2019 acquisition of MidSouth resulted in goodwill of \$63.4 million and the 2018 acquisition of the trust and asset management business resulted in goodwill of \$46.6 million. The carrying amount of goodwill was \$855.5 million and \$791.0 million at December 31, 2019 and 2018, respectively. For additional information regarding changes to the Company's carrying amount of goodwill, refer to Note 2 – Business Combinations.

The Company completed its annual impairment test of goodwill as of September 30, 2019 by performing a qualitative ("Step Zero") assessment. The qualitative assessment involved the examination of changes in macroeconomic conditions, industry and market conditions, overall financial performance, cost factors and other relevant entity-specific events, including changes in management and other key personnel and changes in the share price of the Company's common stock. As a result of the assessment, the Company concluded that its goodwill was not impaired.

No goodwill impairment charges were recognized during 2019, 2018 or 2017.

Identifiable intangible assets with finite lives are amortized over the periods benefited and are evaluated for impairment similar to other long-lived assets. The purchase and carrying values of intangible assets subject to amortization at December 31, 2019 and 2018 were as follows:

		December 31, 2019	
<i>(in thousands)</i>	Purchase Value	Accumulated Amortization	Carrying Value
Core deposit intangibles	\$ 247,455	\$ 168,577	\$ 78,878
Credit card and trust relationships	49,962	22,448	27,514
Merchant processing relationships	10,000	9,585	415
	<u>\$ 307,417</u>	<u>\$ 200,610</u>	<u>\$ 106,807</u>

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<i>(in thousands)</i>	Purchase Value	December 31, 2018	
		Accumulated Amortization	Carrying Value
Core deposit intangibles	\$ 215,955	\$ 151,446	\$ 64,509
Credit card and trust relationships	49,962	19,564	30,398
Merchant processing relationships	10,000	8,756	1,244
	<u>\$ 275,917</u>	<u>\$ 179,766</u>	<u>\$ 96,151</u>

Aggregate amortization expense by category of finite lived intangible assets for the years ended December 31, 2019, 2018 and 2017 is as follows:

<i>(in thousands)</i>	Years Ended December 31,		
	2019	2018	2017
Core deposit intangibles	\$ 17,132	\$ 18,566	\$ 19,442
Credit card and trust relationships	2,883	2,682	1,975
Merchant processing relationships	829	802	1,000
	<u>\$ 20,844</u>	<u>\$ 22,050</u>	<u>\$ 22,417</u>

At December 31, 2019, the weighted-average remaining life of core deposit intangibles was approximately 10 years, and the weighted-average remaining life of other identifiable intangibles was approximately 15 years.

The following table shows estimated amortization expense of other intangible assets at December 31, 2019 for the five succeeding years and all years thereafter, calculated based on current amortization schedules.

<i>(in thousands)</i>	
2020	\$ 19,916
2021	16,665
2022	14,033
2023	11,557
2024	9,413
Thereafter	35,223
	<u>\$ 106,807</u>

Note 8. Time Deposits

The following table presents a detail of deposits at December 31, 2019 and 2018:

<i>(in thousands)</i>	2019	2018
Noninterest-bearing deposits	\$ 8,775,632	\$ 8,499,027
Interest-bearing retail transaction and savings deposits	8,845,097	8,000,092
Interest-bearing public fund deposits		
Public fund transaction and savings deposits	2,803,912	2,622,938
Public fund time deposits	560,503	383,578
Total interest-bearing public fund deposits	3,364,415	3,006,516
Retail time deposits	2,652,842	2,416,086
Brokered time deposits	165,589	1,228,464
Total interest-bearing deposits	15,027,943	14,651,158
Total deposits	<u>\$ 23,803,575</u>	<u>\$ 23,150,185</u>

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The maturity of time deposits at December 31, 2019 follows.

(in thousands)

2020	\$	2,841,291
2021		405,102
2022		87,059
2023		20,106
2024		10,212
Thereafter		1,402
Total time deposits	\$	<u>3,365,172</u>

Certificates of deposit in amounts greater than or equal to \$250,000 totaled approximately \$1.4 billion at December 31, 2019.

Note 9. Short-Term Borrowings

The following table presents information concerning short-term borrowing at and for the years ended December 31, 2019 and 2018:

(in thousands)	December 31,	
	2019	2018
Federal funds purchased:		
Amount outstanding at period end	\$ 195,450	\$ 425
Average amount outstanding during period	49,297	39,968
Maximum amount at any month end during period	202,933	100,925
Weighted-average interest at period end	1.60%	2.00%
Weighted-average interest rate during period	2.30%	2.11%
Securities sold under agreements to repurchase:		
Amount outstanding at period end	\$ 484,422	\$ 428,599
Average amount outstanding during period	493,344	456,000
Maximum amount at any month end during period	518,042	500,345
Weighted-average interest at period end	0.54%	0.32%
Weighted-average interest rate during period	0.52%	0.23%
FHLB borrowings:		
Amount outstanding at period end	\$ 2,035,000	\$ 1,160,104
Average amount outstanding during period	1,399,503	1,694,804
Maximum amount at any month end during period	1,941,774	2,410,258
Weighted-average interest at period end	1.17%	2.48%
Weighted-average interest rate during period	1.96%	2.02%

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 are secured by agency securities. As the Company maintains effective control over assets sold under agreements to repurchase, the securities continue to be presented in the consolidated balance sheets. Because the Company acts as a borrower transferring assets to the counterparty, and the agreements mature daily, the Company’s risk is limited.

The \$2.0 billion of FHLB borrowings at December 31, 2019 consists of two notes, one fixed and one variable rate, totaling \$775 million that mature in 2020; three fixed rate non-amortizing puttable notes totaling \$800 million that mature in 2034 that are classified as short-term as the FHLB has the option to put (terminate) the advance prior to maturity; and four variable rate notes totaling \$460 million maturing from 2025 to 2026. These four variable rate notes reset monthly or quarterly and may be repaid at our option, either in whole or in part at par, on any reset date, subject to advanced notice of no less than two days before the reset date and, therefore, are classified as short-term borrowings.

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Note 10. Long-Term Debt

As of December 31, 2019 and 2018, long-term debt was comprised of the following:

<i>(in thousands)</i>	December 31,	
	2019	2018
Subordinated notes payable, maturing June 2045	\$ 150,000	\$ 150,000
Other long-term debt	87,890	79,598
Less: unamortized debt issuance costs	(4,428)	(4,605)
Total long-term debt	<u>\$ 233,462</u>	<u>\$ 224,993</u>

The following table sets forth unamortized debt issuance costs associated with the respective debt instruments as of December 31, 2019:

<i>(in thousands)</i>	Principal	Unamortized
		Debt Issuance Costs
Subordinated notes payable, maturing June 2045	\$ 150,000	\$ 4,428
Other long-term debt	87,890	—
Total	<u>\$ 237,890</u>	<u>\$ 4,428</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.

Substantially all of the Company's other long-term debt consists of borrowings associated with tax credit fund activities. Although these borrowings have indicated maturities through 2053, each is expected to be satisfied at the end of the seven-year compliance period for the related tax credit investments.

Note 11. 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 associated with fixed rate brokered deposits and certain investment securities and select pools of variable rate loans. The Bank 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 its net risk exposure resulting from such agreements. The Bank also enters into risk participation agreements under which it 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.

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Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the notional or contractual amounts and fair values of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets at December 31, 2019 and 2018.

(in thousands)	Type of Hedge	December 31, 2019			December 31, 2018		
		Notional or Contractual Amount	Derivative ⁽¹⁾		Notional or Contractual Amount	Derivative ⁽¹⁾	
			Assets	Liabilities		Assets	Liabilities
Derivatives designated as hedging instruments:							
Interest rate swaps - variable rate loans	Cash Flow	\$ 1,175,000	\$ 24,172	\$ 337	\$ 875,000	\$ 3,954	\$ 9,173
Interest rate swaps - securities	Fair Value	441,400	1,474	1,759	—	—	—
Interest rate swaps - brokered deposits	Fair Value	43,000	—	9	483,110	—	2,089
		<u>\$ 1,659,400</u>	<u>\$ 25,646</u>	<u>\$ 2,105</u>	<u>\$ 1,358,110</u>	<u>\$ 3,954</u>	<u>\$ 11,262</u>
Derivatives not designated as hedging instruments:							
Interest rate swaps	N/A	\$ 3,759,232	\$ 54,512	\$ 55,664	\$ 2,554,808	\$ 23,670	\$ 24,669
Risk participation agreements	N/A	254,825	21	45	171,222	10	131
Forward commitments to sell residential mortgage loans	N/A	145,623	651	744	77,208	110	664
Interest rate-lock commitments on residential mortgage loans	N/A	83,224	369	375	59,119	464	67
Foreign exchange forward contracts	N/A	64,632	303	366	37,749	751	718
Visa Class B derivative contract	N/A	43,753	—	5,704	43,753	—	7,304
		<u>\$ 4,351,289</u>	<u>\$ 55,856</u>	<u>\$ 62,898</u>	<u>\$ 2,943,859</u>	<u>\$ 25,005</u>	<u>\$ 33,553</u>
Total derivatives		<u>\$ 6,010,689</u>	<u>\$ 81,502</u>	<u>\$ 65,003</u>	<u>\$ 4,301,969</u>	<u>\$ 28,959</u>	<u>\$ 44,815</u>
Less: netting adjustments ⁽²⁾			(27,056)	(43,914)		(11,979)	(22,588)
Total derivative assets/liabilities			<u>\$ 54,446</u>	<u>\$ 21,089</u>		<u>\$ 16,980</u>	<u>\$ 22,227</u>

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

(2) Represents balance sheet netting of derivative assets and liabilities for variation margin collateral held or placed with the same central clearing counterparty. See offsetting assets and liabilities for further information.

Cash Flow Hedges of Interest Rate Risk

The Company is party to various interest rate swap agreements designated and qualifying as cash flow hedges of the Company's forecasted variable cash flows for pools of variable rate loans. For each agreement, the Company receives interest at a fixed rate and pays at a variable rate. During the year ended December 31, 2018, the Company terminated five swap agreements and paid termination fees of approximately \$10.6 million. The resulting accumulated other comprehensive loss is being amortized over the remaining maturities of the designated instruments. Amortization of other comprehensive loss on terminated cash flow hedges totaled \$4.1 million and \$6.0 million for the years ended December 31, 2019 and 2018, respectively. The notional amounts of the swap agreements in place at December 31, 2019 expire as follows: \$50 million in 2021; \$475 million in 2022; \$550 million in 2023; \$100 million in 2024.

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Fair Value Hedges of Interest Rate Risk

Interest rate swaps on brokered deposits

The Company enters into interest rate swap agreements that modify the Company's exposure to interest rate risk by effectively converting a portion of the Company's brokered certificates of deposit from fixed rates to variable rates. The maturities and call features of these interest rate swaps match the features of the hedged deposits. As interest rates fall, the decline in the value of the certificates of deposit is offset by the increase in the value of the interest rate swaps. Conversely, as interest rates rise, the value of the underlying hedged deposits increases, but the value of the interest rate swaps decreases, resulting in no impact on earnings. Interest expense is adjusted by the difference between the fixed and floating rates for the period the swaps are in effect.

Interest rate swaps on securities available for sale

During the third quarter of 2019, the Company executed multiple forward starting fixed payer swaps to convert the latter portion of pools of available for sale securities to a floating rate. These instruments were designated as last-of-layer fair value hedges against the select closed pools of prepayable commercial mortgage backed securities. This strategy provides the Company with a fixed rate coupon during the front end unhedged tenor of the bonds and results in a floating rate security during the back end hedged tenor, with hedged start dates between August 2023 through August 2024 and maturity dates from January 2028 through January 2029. In accordance with ASC 815, an entity may exclude prepayment risk when measuring the change in fair value of the hedged item attributable to interest rate risk under the last-of-layer approach. The fair value of the hedged item attributable to interest rate risk will be presented in interest income along with the change in the fair value of the hedging instrument.

At December 31, 2019, the amortized cost basis of the closed portfolio of prepayable commercial mortgage backed securities totaled \$498.3 million. The amount that represents the hedged items was \$441.4 million and the basis adjustment associated with the hedged items totaled \$0.3 million.

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 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 has 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 its 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 foreign 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. The Bank has not elected to designate these foreign exchange forward contract derivatives as hedges; as such, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

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Visa Class B derivative contract

The Company is a member of Visa USA. During the fourth quarter of 2018, the Company sold the majority of its Visa Class B holdings, at which time it entered into a derivative agreement with the purchaser whereby the Company will make or receive cash payments whenever the conversion ratio of the Visa Class B shares into Visa Class A shares is adjusted. The conversion ratio changes when Visa deposits funds to a litigation escrow established by Visa to pay settlements for certain litigation, for which Visa is indemnified by Visa USA members. The Company is also required to make periodic financing payments to the purchaser until all of Visa's covered litigation matters are resolved. Thus, the derivative contract extends until the end of Visa's Covered Litigation matters, the timing of which is uncertain.

The contract includes a contingent accelerated termination clause based on the credit ratings of the Company. At December 31, 2019 and 2018, the fair value of the liability associated with this contract was \$5.7 million and \$7.3 million respectively. Refer to Note 20 – Fair Value of Financial Instruments for discussion of the valuation inputs and process for this derivative liability.

Effect of Derivative Instruments on the Statements of Income

The effects of derivative instruments on the consolidated statements of income for the years ended December 31, 2019, 2018 and 2017 are presented in the table below. For the years ended December 31, 2019 and 2018, the reduction of interest income attributable to cash flow hedges includes amortization of accumulated other comprehensive loss that resulted from termination of certain interest rate swap contracts.

Derivative Instruments:	Location of Gain (Loss) Recognized in the Statement of Income:	Year Ended December 31,		
		2019	2018	2017
Fair value hedges- securities	Interest income	\$ 1	\$ —	\$ —
Cash flow hedges - variable rate loans	Interest income	(4,255)	(4,497)	(280)
Fair value hedges - brokered deposits	Interest expense	(1,752)	(2,343)	829
All other instruments	Other noninterest income	12,958	5,368	5,870
Total		<u>\$ 6,952</u>	<u>\$ (1,472)</u>	<u>\$ 6,419</u>

Credit Risk-Related Contingent Features

Certain of the Bank's derivative instruments contain provisions allowing the financial institution 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. The Company is not in violation of any such provisions. The aggregate fair value of derivative instruments with credit risk-related contingent features that were in a net liability position at December 31, 2019 and 2018 was \$12.9 million and \$0.4 million, respectively, for which the Company had posted collateral of \$12.4 million and \$0.3 million, respectively.

Offsetting Assets and Liabilities

The Bank's derivative instruments with 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. Agreements with certain bilateral counterparties require both parties to maintain collateral in the event that the fair values of derivative instruments exceed established exposure thresholds. For centrally cleared derivatives, the Company is subject to initial margin posting and daily variation margin exchange with the central clearinghouses. Offsetting information in regards to all derivative assets and liabilities, including accrued interest subject to these master netting agreements at December 31, 2019 and 2018 is presented in the following tables:

As of December 31, 2019

(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	<u>\$ 27,938</u>	<u>\$ (27,915)</u>	<u>\$ 23</u>	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ -</u>
Derivative Liabilities	<u>\$ 56,523</u>	<u>\$ (44,570)</u>	<u>\$ 11,953</u>	<u>\$ 23</u>	<u>\$ 35,113</u>	<u>\$ (23,183)</u>

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As of December 31, 2018

(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	\$ 16,167	\$ (12,842)	\$ 3,325	\$ 1,846	\$ —	\$ 1,479
Derivative Liabilities	\$ 23,811	\$ (21,651)	\$ 2,160	\$ 1,846	\$ 2,871	\$ (2,557)

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

Note 12. Stockholders' Equity

Common Shares Outstanding

Common shares outstanding exclude treasury shares of 4.0 million and 0.9 million with a first-in-first-out cost basis of \$135.8 million and \$18.5 million at December 31, 2019 and 2018, respectively. Shares outstanding also exclude unvested restricted share awards of 1.4 million and 1.3 million at December 31, 2019 and 2018, respectively.

Shares Issued as Consideration in Business Combination

On September 21, 2019, the Company issued 5,044,332 million shares of common stock valued at \$193.8 million as consideration in its acquisition of MidSouth. Refer to Note 2 – Acquisitions and Divestiture for further information.

Stock Buyback Program

On September 23, 2019, the Company's board of directors approved an amended stock buyback program that authorizes the Company to repurchase up to 5.5 million shares of its common stock through the expiration date of December 31, 2020. The program, as amended, allows the Company to repurchase its common shares in the open market, by block purchase, through accelerated share repurchase programs, in privately negotiated transactions, or as otherwise determined by the Company in one or more transactions. The Company is not obligated to purchase any shares under this program, and the board of directors may terminate or amend the program at any time prior to the expiration date.

On October 18, 2019, the Company entered into an accelerated share repurchase ("ASR") agreement with Morgan Stanley & Co. LLC ("Morgan Stanley") to repurchase \$185 million of the Company's common stock. Pursuant to the ASR agreement, the Company made a \$185 million payment to Morgan Stanley on October 21, 2019, and received from Morgan Stanley day an initial delivery of 3,611,870 shares of the Company's common stock, which represented 75% of the estimated total number of shares to be repurchased based on the October 18, 2019 closing price of the Company's common stock. The Company is accounting for the ASR as two separate transactions. The initial delivery of shares totaling \$138.8 million were accounted for as treasury shares, and the value of the remaining shares to be exchanged upon final settlement totaling \$46.2 million is being treated as a forward contract. The Company determined the forward contract meets scope exception provided for in ASC 815-10-15-74(a) and, as such, qualifies for equity classification.

The final number of shares to be repurchased will be based generally on the volume-weighted average price per share of the Company's common stock during the term of the ASR agreement, less a discount, and subject to possible adjustments in accordance with the terms of the ASR agreement. Because the ASR is uncollared, the Company may be obligated to return a portion of the initial shares should the average share price increase over the remaining term of the contract. Final settlement of the ASR agreement is scheduled to occur no later than the third quarter of 2020.

In 2018, under a previous Board-approved stock buyback program in place from May 2018 to September 2019, the Company repurchased 200,000 shares of its common stock at an average price of \$41.30 per share.

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Accumulated Other Comprehensive Income (Loss)

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

<i>(in thousands)</i>	Available for Sale Securities	HTM Securities Transferred from AFS	Employee Benefit Plans	Cash Flow Hedges	Equity Method Investment	Total
Balance, December 31, 2016	\$ (28,679)	\$ (14,392)	\$ (72,501)	\$ (4,960)	\$ —	\$ (120,532)
Net change in unrealized gain (loss)	6,903	—	—	(7,328)	—	(425)
Reclassification of net loss realized and included in earnings	—	—	5,201	600	—	5,801
Valuation adjustment for employee benefit plan amendment	—	—	17,315	—	—	17,315
Other valuation adjustment for employee benefit plans	—	—	(10,929)	—	—	(10,929)
Amortization of unrealized net loss on securities transferred to held to maturity	—	3,786	—	—	—	3,786
Income tax expense (benefit)	1,067	1,393	4,228	(2,600)	—	4,088
Reclassification of certain tax effects (a)	6,669	2,586	13,936	2,139	—	25,330
Balance, December 31, 2017	\$ (29,512)	\$ (14,585)	\$ (79,078)	\$ (11,227)	\$ —	\$ (134,402)
Net change in unrealized (loss) gain	(52,060)	—	—	(697)	—	(52,757)
Reclassification of net loss realized and included in earnings	25,480	—	4,989	4,497	—	34,966
Valuation adjustment for employee benefit plans	—	—	(45,198)	—	—	(45,198)
Amortization of unrealized net loss on securities transferred to held to maturity	—	3,296	—	—	—	3,296
Income tax expense (benefit)	(5,967)	755	(9,040)	866	—	(13,386)
Balance, December 31, 2018	\$ (50,125)	\$ (12,044)	\$ (110,247)	\$ (8,293)	\$ —	\$ (180,709)
Net change in unrealized gain or loss	115,413	—	—	28,943	(434)	143,922
Reclassification of net (gain) loss realized and included in earnings	—	—	9,174	4,255	—	13,429
Valuation adjustment for employee benefit plans	—	—	2,398	—	—	2,398
Unrealized loss on securities transferred to available for sale	(13,236)	13,236	—	—	—	—
Amortization of unrealized net loss on securities transferred to held to maturity	—	3,153	—	—	—	3,153
Income tax expense	23,102	3,706	2,603	7,506	—	36,917
Balance, December 31, 2019	<u>\$ 28,950</u>	<u>\$ 639</u>	<u>\$ (101,278)</u>	<u>\$ 17,399</u>	<u>\$ (434)</u>	<u>\$ (54,724)</u>

(a) Represents the reclassification of stranded income tax effects to Retained Earnings upon adoption of ASU 2018-02.

Accumulated Other Comprehensive Income or Loss (“AOCI”) is reported as a component of stockholders’ equity. AOCI can include, among other items, unrealized holding gains and losses on securities available for sale (“AFS”), including the Company’s share of unrealized gains and losses reported by a partnership accounted for under the equity method, gains and losses associated with pension or other post-retirement benefits that are not recognized immediately as a component of net periodic benefit cost, and gains and losses on derivative instruments that are designated as, and qualify as, cash flow hedges. Net unrealized gains and losses on AFS securities reclassified as securities held to maturity (“HTM”) also continue to be reported as a component of AOCI and will be amortized over the estimated remaining life of the securities as an adjustment to interest income. 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 or losses on the cash flow hedge of the variable rate loans described in Note 11 will be reclassified into income over the life of the hedge. Accumulated other comprehensive loss resulting from the terminated interest rate swaps will be amortized over the remaining maturities of the designated instruments. Gains and losses within AOCI are net of deferred income taxes, where applicable.

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

Amount reclassified from AOCI (a) (in thousands)	Year Ended December 31,		Increase (decrease) in affected line item in the income statement
	2019	2018	
Amortization of unrealized net loss on securities transferred to HTM	\$ (3,153)	\$ (3,296)	Interest income
Tax effect	713	755	Income taxes
Net of tax	(2,440)	(2,541)	Net income
Gain (loss) on sale of AFS securities	—	(25,480)	Securities transactions
Tax effect	—	5,720	Income taxes
Net of tax	—	(19,760)	Net income
Amortization of defined benefit pension and post-retirement items (b)	\$ (9,174)	\$ (4,989)	Other noninterest expense
Tax effect	2,074	1,122	Income taxes
Net of tax	(7,100)	(3,867)	Net income
Reclassification of unrealized gain (loss) on cash flow hedges	(110)	\$ 1,072	Interest income
Tax effect	25	(244)	Income taxes
Net of tax	(85)	828	Net Income
Amortization of loss on terminated cash flow hedges	(4,145)	(5,569)	Interest income
Tax effect	937	1,269	Income taxes
Net of tax	(3,208)	(4,300)	Net income
Total reclassifications, net of tax	\$ (12,833)	\$ (30,468)	Net income

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

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%.

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 Company and the Bank were deemed to be well capitalized based upon the most recent notifications from their regulators. There are no conditions or events since those notifications that management believes would change the classifications. At December 31, 2019 and 2018, the Company and the Bank were in compliance with all of their respective minimum regulatory capital requirements.

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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, 2019 and 2018.

(\$ in thousands)	Actual		Required for Minimum Capital Adequacy		Required To Be Well Capitalized	
	Amount	Ratio %	Amount	Ratio %	Amount	Ratio %
At December 31, 2019						
Tier 1 leverage capital						
Hancock Whitney Corporation	\$ 2,584,162	8.76	\$ 1,180,163	4.00	\$ 1,475,204	5.00
Hancock Whitney Bank	2,640,913	8.96	1,179,194	4.00	1,473,992	5.00
Common equity tier 1 (to risk weighted assets)						
Hancock Whitney Corporation	\$ 2,584,162	10.50	\$ 1,107,527	4.50	\$ 1,599,761	6.50
Hancock Whitney Bank	2,640,913	10.74	1,106,558	4.50	1,598,362	6.50
Tier 1 capital (to risk weighted assets)						
Hancock Whitney Corporation	\$ 2,584,162	10.50	\$ 1,476,702	6.00	\$ 1,968,936	8.00
Hancock Whitney Bank	2,640,913	10.74	1,475,411	6.00	1,967,214	8.00
Total capital (to risk weighted assets)						
Hancock Whitney Corporation	\$ 2,929,387	11.90	\$ 1,968,936	8.00	\$ 2,461,171	10.00
Hancock Whitney Bank	2,836,138	11.53	1,967,214	8.00	2,459,018	10.00
At December 31, 2018						
Tier 1 leverage capital						
Hancock Whitney Corporation	\$ 2,391,762	8.67	\$ 1,103,544	4.00	\$ 1,379,430	5.00
Hancock Whitney Bank	2,351,090	8.54	1,101,372	4.00	1,376,715	5.00
Common equity tier 1 (to risk weighted assets)						
Hancock Whitney Corporation	\$ 2,391,762	10.48	\$ 1,026,637	4.50	\$ 1,482,920	6.50
Hancock Whitney Bank	2,351,090	10.32	1,025,355	4.50	1,481,068	6.50
Tier 1 capital (to risk weighted assets)						
Hancock Whitney Corporation	\$ 2,391,762	10.48	\$ 1,368,849	6.00	\$ 1,825,132	8.00
Hancock Whitney Bank	2,351,090	10.32	1,367,140	6.00	1,822,853	8.00
Total capital (to risk weighted assets)						
Hancock Whitney Corporation	\$ 2,736,276	11.99	\$ 1,825,132	8.00	\$ 2,281,415	10.00
Hancock Whitney Bank	2,545,604	11.17	1,822,053	8.00	2,278,566	10.00

Regulatory Restrictions on Dividends

Regulatory policy statements provide that generally bank holding companies should pay dividends only out of current operating earnings and that the level of dividends must be consistent with current and expected capital requirements. Dividends received from the Bank have been the primary source of funds available to the Company for the payment of dividends to its stockholders. Federal and state banking laws and regulations restrict the amount of dividends the Bank may distribute to the Company 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. Further, beginning January 1, 2019, a capital conservation buffer of 2.5% above each of the minimum capital ratio requirements (common equity tier 1, Tier 1, and total risk-based capital) must be met for a bank or bank holding company to be able to pay dividends.

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Note 13. Noninterest Income and Noninterest Expense

During the fourth quarter of 2018, the Company sold the majority of its holdings of Visa Class B common shares. The sale resulted in a gain of approximately \$33.2 million, which is included in net gain on sales of assets on the Consolidated Statement of Income. For more information on the circumstances surrounding the sale, refer to Note 11 – Derivatives.

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

<i>(in thousands)</i>	Years Ended December 31,		
	2019	2018	2017
Other noninterest income:			
Income from bank-owned life insurance	\$ 14,946	\$ 12,424	\$ 11,473
Credit-related fees	11,399	11,065	11,140
Income from derivatives	12,958	5,368	5,870
Other miscellaneous income	14,635	14,929	11,387
Total other noninterest income	\$ 53,938	\$ 43,786	\$ 39,870
Other noninterest expense:			
Advertising	\$ 15,251	\$ 12,334	\$ 15,031
Corporate value and franchise taxes	15,949	13,595	12,797
Entertainment and contributions	10,777	11,359	8,260
Telecommunication and postage	14,588	14,659	14,686
Printing and supplies	4,947	5,548	5,138
Travel expenses	5,278	5,338	5,043
Tax credit investment amortization	4,943	5,166	4,850
Other retirement expense	(16,561)	(18,661)	(15,249)
Other miscellaneous expense	37,282	31,355	31,517
Total other noninterest expense	\$ 92,454	\$ 80,693	\$ 82,073

Note 14. Income Taxes

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

<i>(in thousands)</i>	Years Ended December 31,		
	2019	2018	2017
Included in net income			
Current federal	\$ 12,172	\$ 7,594	\$ 38,859
Current state	6,087	5,538	4,112
Total current provision	18,259	13,132	42,971
Deferred federal	46,290	41,078	48,653
Deferred state	810	4,136	1,178
Total deferred provision	47,100	45,214	49,831
Total included in net income	\$ 65,359	\$ 58,346	\$ 92,802

Income tax expense does not reflect the tax effects of amounts recognized in other comprehensive income and in AOCI, a separate component of stockholders' equity. These amounts include unrealized gains and losses on securities available for sale or transferred to held to maturity, unrealized gains and losses on derivatives and hedging transactions, and valuation adjustments of defined benefit and other post-retirement benefit plans. Refer to Note 12 – Stockholders' Equity for additional information.

Temporary differences arise between the tax bases of assets or liabilities and their carrying amounts for financial reporting purposes. The expected tax effects from when these differences are resolved are recorded currently as deferred tax assets or liabilities.

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Significant components of the Company's deferred tax assets and liabilities were as follows:

<i>(in thousands)</i>	December 31,	
	2019	2018
Deferred tax assets:		
Allowance for loan losses	\$ 47,008	\$ 45,198
Employee compensation and benefits	—	12,796
Loan purchase accounting adjustments	18,717	1,132
Tax credit carryforward	2,025	2,059
Securities	—	17,390
Federal/State net operating loss	7,295	1,629
Lease liability	29,003	—
Other	7,893	18,431
Gross deferred tax assets	111,941	98,635
State valuation allowance	(1,415)	(1,629)
Net deferred tax assets	\$ 110,526	\$ 97,006
Deferred tax liabilities:		
Employee compensation and benefits	\$ (9,662)	\$ —
Securities	(9,589)	—
Fixed assets & intangibles	(48,144)	(44,277)
Lease Financing	(41,565)	(23,605)
Right-of-use asset	(24,887)	—
Other	(14,400)	(6,157)
Gross deferred tax liabilities	\$ (148,247)	\$ (74,039)
Net deferred tax asset (liability)	\$ (37,721)	\$ 22,967

Reported income tax expense differed from amounts computed by applying the statutory income tax rate of 21% for the years ended December 31, 2019 and 2018 and 35% for the year ended December 31, 2017 to earnings before income taxes. The primary differences are due to tax-exempt income, federal and state tax credits, and excess tax benefits from stock-based compensation in 2019. 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 we serve and 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. A summary of the factors that impacted income tax expense follows.

<i>(\$ in thousands)</i>	Years Ended December 31,					
	2019		2018		2017	
	Amount	%	Amount	%	Amount	%
Taxes computed at statutory rate	\$ 82,475	21.0 %	\$ 80,244	21.0 %	\$ 107,952	35.0 %
Increases (decreases) in taxes resulting from:						
State income taxes, net of federal income tax benefit	7,204	1.8	8,770	2.3	4,288	1.4
Tax-exempt interest	(10,435)	(2.7)	(10,803)	(2.8)	(18,870)	(6.1)
Life insurance contracts	(3,901)	(1.0)	(2,019)	(0.5)	(5,360)	(1.7)
Tax credits	(10,293)	(2.6)	(11,344)	(3.0)	(9,286)	(3.1)
Employee share-based compensation	(842)	(0.2)	(1,380)	(0.3)	(5,824)	(1.9)
FDIC assessment disallowance	1,895	0.5	2,818	0.7	—	—
Return to provision adjustment	(1,459)	(0.4)	(9,942)	(2.6)	(120)	—
Impact of deferred tax asset re-measurement	—	—	—	—	19,520	6.3
Other, net	715	0.2	2,002	0.5	502	0.2
Income tax expense	\$ 65,359	16.6 %	\$ 58,346	15.3 %	\$ 92,802	30.1 %

As of December 31, 2019, the Company had approximately \$2.0 million in state tax credit carryforwards that originated in the tax years from 2015 through 2019 and begin expiring in 2022. These carryforwards are primarily from investments in state NMTC projects.

In 2019, the Company invested in certain affordable housing project limited partnerships that are qualified low-income housing tax credit developments. These investments are considered variable interest entities for which the Company is not the primary beneficiary

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and, therefore, are not consolidated. The tax credits, when realized, will be reflected in the consolidated statement of income as a reduction of income tax expense. The unamortized portion of the investment is reflected within other assets in the consolidated balance sheets. The Company's investments in affordable housing limited partnerships totaled \$37.3 million at December 31, 2019. There were no such investments at December 31, 2018.

The Company had approximately \$22.9 million in state net operating loss carryforwards that originated in the tax years 2004 through 2019 and begin expiring in 2024. A valuation allowance has been established for the state net operating loss carryforwards. The impact of this valuation allowance is immaterial to the financial statements.

The tax benefit of a position taken or expected to be taken in a tax return should be recognized when it is more likely than not that the position will be sustained on its technical merits. The liability for unrecognized tax benefits was immaterial as of December 31, 2019, 2018 and 2017. The Company does not expect the liability for unrecognized tax benefits to change significantly during 2020. The Company recognizes interest and penalties, if any, related to income tax matters in income tax expense, and the amounts recognized during 2019, 2018 and 2017 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 2016 are no longer subject to examination by taxing authorities.

Note 15. Earnings Per Share

The Company 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 nonvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents

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

(\$ in thousands, except per share data)	Years Ended December 31,		
	2019	2018	2017
Numerator:			
Net income to common shareholders	\$ 327,380	\$ 323,770	\$ 215,632
Net income allocated to participating securities -- basic and diluted	5,546	5,930	4,670
Net income allocated to common shareholders - basic and diluted	<u>\$ 321,834</u>	<u>\$ 317,840</u>	<u>\$ 210,962</u>
Denominator:			
Weighted-average common shares - basic	86,488	85,355	84,695
Dilutive potential common shares	111	166	268
Weighted average common shares - diluted	<u>86,599</u>	<u>85,521</u>	<u>84,963</u>
Earnings per common share:			
Basic	\$ 3.72	\$ 3.72	\$ 2.49
Diluted	<u>\$ 3.72</u>	<u>\$ 3.72</u>	<u>\$ 2.48</u>

Potential common shares are excluded from the computation of diluted earnings per share when their inclusion would have had an anti-dilutive effect. Potential common shares can consist of, among other forms, employee and director stock options, unvested performance share awards, and deferred restricted units. Weighted-average anti-dilutive potential common shares of this nature totaled 15,815 for the year ended December 31, 2019, 5,129 for the year ended December 31, 2018, and 10,551 for the year ended December 31, 2017.

The diluted earnings per share computation for the year ended December 31, 2019 also excludes the impact of the forward contract related to the October 21, 2019 accelerated share repurchase transaction. Based upon the average daily volume weighted-average price of the Company's common stock at December 31, 2019, the counterparty to the transaction is expected to deliver additional shares for the settlement of the forward contract upon settlement; as such, the impact of the forward contract related to the accelerated share repurchase transaction would have been anti-dilutive to earnings per share.

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Note 16. 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. Consistent with the Company's strategy that is focused on providing a consistent package of 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.

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Note 17. Retirement Benefit Plans

The Company offers a qualified defined benefit pension plan, the Hancock Whitney Corporation Pension Plan and Trust Agreement (“Pension Plan”), covering certain eligible associates. Eligibility is based on minimum age and service-related requirements. During the second quarter of 2017, the Pension Plan was amended to exclude any individual hired or rehired by the Company after June 30, 2017 from eligibility to participate. The Pension Plan amendment further provided that the accrued benefits of each participant in the Pension Plan whose combined age plus years of service as of January 1, 2018 totaled less than 55 were to be frozen as of January 1, 2018 and not thereafter increase.

The Company makes contributions to this 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 was not required to make a contribution to the Pension Plan during 2019 or 2018. During 2018, the Company made a discretionary contribution of \$39 million designated to the 2017 plan year as part of its income tax initiatives. Market conditions during the latter part of 2018 resulted in a decline in the Pension Plan’s asset value. The Company made a \$100 million discretionary contribution to the Pension Plan during the first quarter of 2019, the timing and amount of which was determined with the intent to optimize investment return. The Company does not anticipate being required to make a contribution, nor does it anticipate making a discretionary contribution to the Pension Plan in 2020.

The Company also offers a defined contribution retirement benefit plan (401(k) plan), the Hancock Whitney Corporation 401(k) Savings Plan and Trust Agreement (“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 401(k) Plan was also amended during the second quarter of 2017 for participants whose benefits are frozen under the Pension Plan to add an enhanced Company contribution beginning January 1, 2018, in the amount of 2%, 4% or 6% of such participant’s eligible compensation, based on the participant’s age and years of service with the Company. The 401(k) Plan’s amendment further provided that the Company will contribute to the benefit of those associates of the Company hired or rehired after June 30, 2017 and those associates of the Company never enrolled in the Pension Plan an additional basic contribution in an amount equal to 2% of the associate’s eligible compensation beginning January 1, 2018. Participants vest in the new basic and enhanced Company contributions upon completion of three years of service.

The Company’s 401(k) plan matching expense totaled \$15.7 million, \$14.6 million and \$8.4 million for the years ended December 31, 2019, 2018 and 2017, respectively.

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 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 date 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. The plans assumed a 7.25% and 7.5% increase in health costs for 2019 and 2018 respectively, declining to 6.25% in 2019 and 6.75% in 2018 uniformly over a four year period, and then following the Getzen model thereafter. At December 31, 2019, the mortality assumption was based on Revised RP-2014 Employee and Healthy Annuitants Bottom Quartile Generational Mortality Table for Males and Females - Projected with Improvement Scale MP-2019. At December 31, 2018, the mortality assumption was based on Revised RP-2014 Employee and Healthy Annuitants Bottom Quartile Generational Mortality Table for Males and Females - Projected with Improvement Scale MP-2018.

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The following tables detail the changes in the benefit obligations and plan assets of the defined benefit plans for the years ended December 31, 2019 and 2018 as well as the funded status of the plans at each year end and the amounts recognized in the Company's consolidated balance sheets. The Company uses a December 31 measurement date for all defined benefit pension plans and other postretirement benefit plans.

	2019	2018	2019	2018
	Pension Benefits		Other Post-Retirement Benefits	
<i>(in thousands)</i>				
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 492,017	\$ 513,844	\$ 16,283	\$ 23,036
Service cost	10,981	12,414	95	120
Interest cost	18,843	16,762	621	621
Plan participants' contributions	—	—	547	628
Net actuarial (gain) loss	81,166	(30,796)	733	(6,717)
Benefits paid	(21,141)	(20,207)	(1,566)	(1,405)
Benefit obligation, end of year	<u>581,866</u>	<u>492,017</u>	<u>16,713</u>	<u>16,283</u>
Change in plan assets				
Fair value of plan assets at beginning of year	542,618	564,365	—	—
Actual return on plan assets	130,745	(40,491)	—	—
Employer contributions	101,165	40,138	1,019	777
Plan participants' contributions	—	—	547	628
Benefit payments	(21,141)	(20,207)	(1,566)	(1,405)
Expenses	(1,249)	(1,187)	—	—
Fair value of plan assets, end of year	752,138	542,618	—	—
Funded status at end of year - net asset (liability)	<u>\$ 170,272</u>	<u>\$ 50,601</u>	<u>\$ (16,713)</u>	<u>\$ (16,283)</u>
Amounts recognized in accumulated other comprehensive loss				
Unrecognized loss at beginning of year	\$ 149,470	\$ 102,978	\$ (7,015)	\$ (732)
Net actuarial loss (gain)	(13,218)	46,492	1,646	(6,283)
Unrecognized gain (loss) at end of year	<u>\$ 136,252</u>	<u>\$ 149,470</u>	<u>\$ (5,369)</u>	<u>\$ (7,015)</u>
Projected benefit obligation	\$ 581,866	\$ 492,017		
Accumulated benefit obligation	550,005	467,300		
Fair value of plan assets	752,138	542,618		

The net funded status of \$170.3 million for pension benefits plans includes an excess of plan assets over the benefit obligation of \$185.8 million on the defined benefit pension plan, offset by an unfunded benefit obligation of \$15.5 million for the nonqualified retirement plan.

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The following table shows net periodic benefit cost included in expense and the changes in the amounts recognized in AOCI during 2019, 2018, and 2017.

(\$ in thousands)	Years Ended December 31,					
	2019	2018	2017	2019	2018	2017
	Pension Benefits			Other Post-Retirement Benefits		
Net periodic benefit cost						
Service cost	\$ 10,981	\$ 12,414	\$ 15,381	\$ 95	\$ 120	\$ 129
Interest cost	18,843	16,762	16,514	621	621	668
Expected return on plan assets	(45,199)	(41,033)	(37,632)	—	—	—
Amortization of net loss/ prior service cost	10,087	5,423	5,554	(913)	(434)	(353)
Net periodic benefit cost	(5,288)	(6,434)	(183)	(197)	307	444
Other changes in plan assets and benefit obligations recognized in other comprehensive income, before taxes						
Net (loss) gain recognized during the year	(10,087)	(5,423)	(5,554)	913	434	353
Net actuarial loss (gain)	(3,131)	51,915	(7,378)	733	(6,717)	993
Total recognized in other comprehensive income	(13,218)	46,492	(12,932)	1,646	(6,283)	1,346
Total recognized in net periodic benefit cost and other comprehensive income	\$ (18,506)	\$ 40,058	\$ (13,115)	\$ 1,449	\$ (5,976)	\$ 1,790
Discount rate for benefit obligations	3.14%	4.14%	3.57%	3.11%	4.10%	3.52%
Discount rate for net periodic benefit cost	4.14%	3.57%	4.10%	4.10%	3.52%	3.95%
Expected long-term return on plan assets	7.25%	7.25%	7.25%	n/a	n/a	n/a
Rate of compensation increase	scaled *	scaled **	scaled **	n/a	n/a	n/a

* Graded scale, declining from 7.25% at age 20 to 2.25% at age 60

** 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. The discount rates for the benefit obligation were calculated by matching expected future cash flows to the Findley Pension Discount Curve (AA) in 2019 and 2018 and the BPSM-AA Only Pension Discount Curve in 2017.

The following table presents expected plan benefit payments over the ten years succeeding December 31, 2019:

(in thousands)	Pension	Post-Retirement	Total
2020	\$ 22,974	\$ 849	\$ 23,823
2021	24,016	888	24,904
2022	25,163	855	26,018
2023	26,130	876	27,006
2024	27,414	855	28,269
2025-2029	156,055	4,376	160,431
	\$ 281,752	\$ 8,699	\$ 290,451

The expected benefit payments are estimated based on the same assumptions used to measure the Company's benefit obligations at December 31, 2019.

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 \$5.1 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, 2019:

(in thousands)	1% Decrease in Rates	Assumed Rates	1% Increase in Rates
Aggregated service and interest cost	\$ 642	\$ 715	\$ 806
Postretirement benefit obligation	15,031	16,712	18,780

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The fair values of pension plan assets at December 31, 2019 and 2018, by asset category, are shown in the following tables. The fair value is presented based on the Financial Accounting Standards Board's fair value hierarchy that prioritizes inputs into the valuation techniques used to measure fair value. Level 1 uses quoted prices in active markets for identical assets, Level 2 uses significant observable inputs, and Level 3 uses significant unobservable inputs. In accordance with Subtopic 820-10 common trust funds are reported at fair value using net asset value per share (or its equivalent) as a practical expedient and are not classified in the fair value hierarchy.

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.

Fair Value Measurements by Asset Category / Fund <i>(in thousands)</i>	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Cash and equivalents	\$ 2,574	\$ —	\$ —	\$ 2,574
Total cash and cash equivalents	2,574	—	—	2,574
Fixed income securities	23,450	45,951	—	69,401
Mutual fund-fixed income	34,652	—	—	34,652
Exchange Traded Fund (ETF)-fixed income	3,134	—	—	3,134
Total fixed income	61,236	45,951	—	107,187
Domestic and foreign stock	88,174	—	—	88,174
Mutual funds-equity	236,436	—	—	236,436
Total equity	324,610	—	—	324,610
Total assets at fair value	388,420	45,951	—	434,371
Common trust funds (fixed income)	—	—	—	258,572
Common trust fund (real assets)	—	—	—	59,195
Total	\$ 388,420	\$ 45,951	\$ —	\$ 752,138

Fair Value Measurements by Asset Category / Fund <i>(in thousands)</i>	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Cash and equivalents	\$ 8,643	\$ —	\$ —	\$ 8,643
Total cash and cash equivalents	8,643	—	—	8,643
Fixed income securities	19,856	97,025	—	116,881
Mutual fund-fixed income	31,556	—	145	31,701
Total fixed income	51,412	97,025	145	148,582
Domestic and foreign stock	80,813	6	—	80,819
Mutual funds-equity	150,466	—	—	150,466
Total equity	231,279	6	—	231,285
Total assets at fair value	291,334	97,031	145	388,510
Common trust funds (fixed income)	—	—	—	125,706
Common trust fund (real assets)	—	—	—	28,402
Total	\$ 291,334	\$ 97,031	\$ 145	\$ 542,618

The following table presents the percentage allocation of the plan assets by asset category and corresponding target allocations at December 31, 2019 and 2018.

Asset category	Plan Assets at December 31,		Target Allocation at December 31,	
	2019	2018	2019	2018
Cash and equivalents	0 %	1 %	0 - 5%	0 - 5%
Fixed income securities	49	51	41 - 57%	35 - 63%
Equity securities	43	43	35 - 51%	35 - 51%
Real assets	8	5	0 - 12%	0 - 12%
	<u>100 %</u>	<u>100 %</u>		

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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 18. Share-Based Payment Arrangements

The Company 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 2,996,357 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.

As of December 31, 2019 there were 0.4 million shares available for future issuance under the 2014 equity compensation plan.

For the years ended December 31, 2019, 2018 and 2017, total share-based compensation recognized in income was \$20.9 million, \$19.8 million and \$17.6 million, respectively. The total recognized tax benefit related to the share-based compensation was \$5.5 million, \$5.8 million and \$13.3 million for 2019, 2018 and 2017, respectively.

A summary of stock option activity for 2019 is presented below:

Options	Number of Shares	Weighted-Average Exercise Price (\$)	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (\$000)
Outstanding at January 1, 2019	46,685	\$ 31.88	2.6	\$ 164
Former MidSouth options converted at acquisition	20,530	46.76		—
Exercised/Released	(23,365)	33.06		180
Cancelled/Forfeited	—	—		—
Expired	(15,305)	45.85		6
Outstanding at December 31, 2019	28,545	\$ 34.11	2.2	\$ 296
Exercisable at December 31, 2019	28,545	\$ 34.11	2.2	\$ 296

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 the years ended December 31, 2019, 2018 and 2017 was \$0.2 million, \$0.6 million and \$4.3 million, respectively.

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A summary of the Company's nonvested restricted and performance shares for the year ended December 31, 2019 is presented below:

	Number of Shares	Weighted- Average Grant-Date Fair Value (\$)
Nonvested at January 1, 2019	1,494,041	\$ 39.89
Granted	694,377	39.85
Vested	(525,166)	38.20
Cancelled/Forfeited	(66,994)	39.88
Nonvested at December 31, 2019	<u>1,596,258</u>	\$ 40.43

As of December 31, 2018, there was \$58.6 million of total unrecognized compensation expense related to nonvested restricted and performance shares expected to vest in future periods. This compensation is expected to be recognized in expense over a weighted-average period of 3.5 years. The total fair value of shares which vested during 2019 and 2018 was \$20.1 million and \$26.2 million, respectively.

In 2019, the Company granted 33,691 performance shares subject to a total shareholder return ("TSR") performance metric with a grant date fair value of \$35.27 per share and 33,691 performance shares subject to an operating earnings per share performance metric with a grant date fair value of \$32.15 per share to key members of executive management. The number of performance shares subject to TSR that ultimately vest at the end of the three-year performance period, if any, will be based on the relative rank of the Company's three-year TSR among the TSRs of a peer group of 42 regional banks. The fair value of the performance shares subject to TSR at the grant date was determined using a Monte Carlo simulation method. The number of performance shares subject to operating earnings per share that ultimately vest will be based on the Company's attainment of certain operating earnings per share goals over the two-year performance period. The maximum number of performance shares that could vest is 200% of the target award. Compensation expense for these performance shares is recognized on a straight-line basis over the three-year service period.

Note 19. 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 its 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, nonrevolving loan commitments issued mainly to finance the acquisition and development or construction of real property or equipment, and credit card and personal credit lines. The availability of funds under commercial credit lines and loan commitments generally depends on whether the borrower continues to meet credit standards established in the underlying contract and has not violated other contractual conditions. Loan commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. Credit card and personal credit lines are generally subject to cancellation if the borrower's credit quality deteriorates. A number of commercial and personal credit lines are used only partially or, in some cases, not at all before they expire, and the total commitment amounts do not necessarily represent future cash requirements of the Company.

A substantial majority of the letters of credit are standby agreements that obligate the 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 its 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. At December 31, 2019, the Company had a reserve for unfunded lending commitments totaling \$4.0 million. The Company's off-balance sheet financial instruments are summarized below:

<i>(in thousands)</i>	December 31,	
	2019	2018
Commitments to extend credit	\$ 7,530,143	\$ 7,234,528
Letters of credit	393,284	365,498

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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.

Note 20. Fair Value Measurements

The 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 establishes 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.

Fair Value of Assets and Liabilities Measured on a Recurring Basis

The following tables present for each of the fair value hierarchy levels the Company's financial assets and liabilities that are measured at fair value on a recurring basis in the consolidated balance sheets.

(in thousands)	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Available for sale debt securities:				
U.S. Treasury and government agency securities	\$ —	\$ 98,672	\$ —	\$ 98,672
Municipal obligations	—	249,805	—	249,805
Corporate debt securities	—	7,988	—	7,988
Residential mortgage-backed securities	—	1,924,157	—	1,924,157
Commercial mortgage-backed securities	—	1,586,467	—	1,586,467
Collateralized mortgage obligations	—	808,215	—	808,215
Total available for sale securities	—	4,675,304	—	4,675,304
Derivative assets ⁽¹⁾	—	54,446	—	54,446
Total recurring fair value measurements - assets	\$ —	\$ 4,729,750	\$ —	\$ 4,729,750
Liabilities				
Derivative liabilities ⁽¹⁾	\$ —	\$ 15,385	\$ 5,704	\$ 21,089
Total recurring fair value measurements - liabilities	\$ —	\$ 15,385	\$ 5,704	\$ 21,089

(1) For further disaggregation of derivative assets and liabilities, see Note 11 – Derivatives.

(in thousands)	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Available for sale debt securities:				
U.S. Treasury and government agency securities	\$ —	\$ 71,706	\$ —	\$ 71,706
Municipal obligations	—	240,427	—	240,427
Corporate debt securities	—	3,500	—	3,500
Residential mortgage-backed securities	—	1,443,402	—	1,443,402
Commercial mortgage-backed securities	—	770,077	—	770,077
Collateralized mortgage obligations	—	161,925	—	161,925
Total available for sale securities	—	2,691,037	—	2,691,037
Derivative assets ⁽¹⁾	—	16,980	—	16,980
Total recurring fair value measurements - assets	\$ —	\$ 2,708,017	\$ —	\$ 2,708,017
Liabilities				
Derivative liabilities ⁽¹⁾	\$ —	\$ 14,923	\$ 7,304	\$ 22,227
Total recurring fair value measurements - liabilities	\$ —	\$ 14,923	\$ 7,304	\$ 22,227

(1) For further disaggregation of derivative assets and liabilities, see Note 11 – Derivatives.

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Securities classified as level 2 include obligations of U.S. Government agencies and U.S. Government-sponsored agencies, residential and commercial mortgage-backed securities and collateralized mortgage obligations that are issued or guaranteed by U.S. government agencies, and state and municipal bonds. The level 2 fair value measurements for investment securities are obtained quarterly from a third-party pricing service that uses industry-standard pricing models. Substantially all of the model inputs are observable in the marketplace or can be supported by observable data. The Company invests only in securities of investment grade quality with a targeted duration, for the overall portfolio, generally between two and five and a half years. Company policies generally limit U.S. 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.

For the Company’s derivative financial instruments designated as hedges and those under the customer interest rate program, the fair value 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, all observable in the marketplace. To comply with the accounting guidance, credit valuation adjustments are incorporated in the fair values to appropriately reflect nonperformance risk for both the Company and the counterparties. Although the Company has determined that the majority of the inputs used to value these 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 for these instruments 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.

The Company’s Level 3 liability consists of a derivative contract with the purchaser of 192,163 shares of Visa Class B common stock. Pursuant to the agreement, the Company retains the risks associated with the ultimate conversion of the Visa Class B common shares into shares of Visa Class A common stock, such that the counterparty will be compensated for any dilutive adjustments to the conversion ratio and the Company will be compensated for any anti-dilutive adjustments to the ratio. The agreement also requires periodic payments by the Company to the counterparty calculated by reference to the market price of Visa Class A common shares at the time of sale and a fixed rate of interest that steps up once after the eighth scheduled quarterly payment. The fair value of the liability is determined using a discounted cash flow methodology. The significant unobservable inputs used in the fair value measurement are the Company’s own assumptions about estimated changes in the conversion rate of the Visa Class B common shares into Visa Class A common shares, the date on which such conversion is expected to occur and the estimated growth rate of the Visa Class A common share price. Refer to Note 11 – Derivatives for information about the derivative contract with the counterparty.

The Company believes its valuation methods for its assets and liabilities carried at fair value are appropriate; however, the use of different methodologies or assumptions, particularly as applied to Level 3 assets and liabilities, could have a material effect on the computation of their estimated fair values.

Changes in Level 3 Fair Value Measurements and Quantitative Information about Level 3 Fair Value Measurements

The table below presents a rollforward of the amounts on the consolidated balance sheet for the year ended December 31, 2019 for financial instruments of a material nature that are classified within Level 3 of the fair value hierarchy and are measured at fair value on a recurring basis:

<i>(in thousands)</i>		
Balance at December 31, 2017	\$	—
Entry into derivative contract		7,304
Balance at December 31, 2018		7,304
Cash settlements		(1,900)
Losses included in earnings		300
Balance at December 31, 2019	\$	<u>5,704</u>

The table below provides an overview of the valuation techniques and significant unobservable inputs used in those techniques to measure the financial instrument measured on a recurring basis and classified within Level 3 of the valuation. The range of sensitivities that management utilized in its fair value calculations is deemed acceptable in the industry with respect to the identified financial instrument.

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Level 3 Class	Fair Value at December 31, 2019	Fair Value at December 31, 2018	Valuation Techniques	Unobservable Input	Values Utilized
				VISA Class A Appreciation	6.0% - 18.0%
Other Derivative Liability	\$ 5,704	\$ 7,304	Discounted cash flow	Conversion rate	1.62x - 1.59x
				Time until resolution	24 - 48 months

The Company's policy is to recognize transfers between valuation hierarchy levels as of the end of a reporting period. There were no transfers between levels during the periods presented.

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 independent 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 and foreclosed assets, including both foreclosed property and surplus banking property, are level 3 assets that are adjusted to fair value, less estimated selling costs, upon transfer from loans or property and equipment. Subsequently, other real estate owned and foreclosed assets 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 assets.

The fair value information presented below is not as of the period end, rather it was as of the date the fair value adjustment was recorded during the twelve months for each of the dates presented below, and excludes nonrecurring fair value measurements of assets no longer on the balance sheet.

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

<i>(in thousands)</i>	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Collateral dependent impaired loans	\$ —	\$ 182,377	\$ —	\$ 182,377
Other real estate owned and foreclosed assets	—	—	24,422	24,422
Total nonrecurring fair value measurements	\$ —	\$ 182,377	\$ 24,422	\$ 206,799

<i>(in thousands)</i>	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Collateral dependent impaired loans	\$ —	\$ 170,918	\$ —	\$ 170,918
Other real estate owned	—	—	14,594	14,594
Total nonrecurring fair value measurements	\$ —	\$ 170,918	\$ 14,594	\$ 185,512

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 these 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

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(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 Short-Term 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 measurements for derivative financial instruments was discussed earlier in the note.

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, 2019 and 2018.

<i>(in thousands)</i>	December 31, 2019			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3		
Financial assets:					
Cash, interest-bearing bank deposits, and federal funds sold	\$ 542,333	\$ —	\$ —	\$ 542,333	\$ 542,333
Available for sale securities	—	4,675,304	—	4,675,304	4,675,304
Held to maturity securities	—	1,611,004	—	1,611,004	1,568,009
Loans, net	—	182,377	20,861,702	21,044,079	21,021,504
Loans held for sale	—	55,864	—	55,864	55,864
Derivative financial instruments	—	54,446	—	54,446	54,446
Financial liabilities:					
Deposits	\$ —	\$ —	\$ 23,786,775	\$ 23,786,775	\$ 23,803,575
Federal funds purchased	195,450	—	—	195,450	195,450
Securities sold under agreements to repurchase	484,422	—	—	484,422	484,422
Short-term FHLB Borrowings	2,035,000	—	—	2,035,000	2,035,000
Long-term debt	—	226,098	—	226,098	233,462
Derivative financial instruments	—	15,385	5,704	21,089	21,089

<i>(in thousands)</i>	December 31, 2018			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3		
Financial assets:					
Cash, interest-bearing bank deposits, and federal funds sold	\$ 494,466	\$ —	\$ —	\$ 494,466	\$ 494,466
Available for sale securities	—	2,961,037	—	2,961,037	2,691,037
Held to maturity securities	—	2,935,856	—	2,935,856	2,979,547
Loans, net	—	170,918	19,555,969	19,726,887	19,831,897
Loans held for sale	—	28,150	—	28,150	28,150
Derivative financial instruments	—	16,980	—	16,980	16,980
Financial liabilities:					
Deposits	\$ —	\$ —	\$ 23,129,574	\$ 23,129,574	\$ 23,150,185
Federal funds purchased	425	—	—	425	425
Securities sold under agreements to repurchase	428,599	—	—	428,599	428,599
FHLB short-term borrowings	1,160,104	—	—	1,160,104	1,160,104
Long-term debt	—	223,135	—	223,135	224,993
Derivative financial instruments	—	14,923	7,304	22,227	22,227

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Note 21. Condensed Parent Company Information

The following condensed financial statements reflect the accounts and transactions of Hancock Whitney Corporation only:

Condensed Balance Sheets

<i>(in thousands)</i>	December 31,	
	2019	2018
Assets:		
Cash	\$ 57,943	\$ 153,939
Investment in bank subsidiaries	3,524,029	3,040,186
Investment in non-bank subsidiaries	23,498	26,274
Due from subsidiaries and other assets	9,101	6,868
Total assets	\$ 3,614,571	\$ 3,227,267
Liabilities and Stockholders' Equity:		
Long term debt	\$ 145,572	\$ 145,396
Other liabilities	1,314	531
Stockholders' equity	3,467,685	3,081,340
Total liabilities and stockholders' equity	\$ 3,614,571	\$ 3,227,267

Condensed Statements of Income

<i>(in thousands)</i>	Years Ended December 31,		
	2019	2018	2017
Operating Income			
From subsidiaries			
Cash dividends received from bank subsidiaries	\$ 240,000	\$ 200,000	\$ 90,000
Cash dividend from nonbank Subsidiary	5,000	—	—
Noncash dividend from bank subsidiaries	—	—	11,708
Equity in earnings of subsidiaries greater than dividends received	94,185	137,914	124,531
Total operating income	339,185	337,914	226,239
Other expense, net	(15,635)	(18,728)	(16,931)
Income tax benefit	(3,830)	(4,584)	(6,324)
Net income	\$ 327,380	\$ 323,770	\$ 215,632
Other comprehensive income (loss), net of tax	125,985	(46,307)	11,460
Comprehensive income	\$ 453,365	\$ 277,463	\$ 227,092

[Table of Contents](#)**Condensed Statements of Cash Flows**

<i>(in thousands)</i>	Years Ended December 31,		
	2019	2018	2017
Cash flows from operating activities - principally dividends received from subsidiaries	\$ 255,322	\$ 216,270	\$ 111,591
Net cash provided by operating activities	255,322	216,270	111,591
Cash flows from investing activities:			
Contribution of capital to subsidiary	(50,000)	—	(270,000)
Net cash received in acquisition	38,505	—	—
Proceeds from sale of securities available for sale	—	47,557	—
Proceeds from principal paydowns of securities available for sale	—	9,091	11,015
Other, net	(1,874)	—	—
Net cash provided by (used in) investing activities	(13,369)	56,648	(258,985)
Cash flows from financing activities:			
Repayment of long term debt	(13,919)	(89,200)	(17,900)
Dividends paid to stockholders	(94,871)	(88,838)	(83,266)
Repurchase of common stock	—	(8,267)	—
Proceeds from issuance of common stock	4,265	4,693	15,312
Payroll tax remitted on net share settlement of equity awards	(6,295)	(8,695)	(11,881)
Payment accelerated share repurchase agreement	(185,000)	—	—
Other, net	(42,129)	—	—
Net cash used in financing activities	(337,949)	(190,307)	(97,735)
Net increase (decrease) in cash	(95,996)	82,611	(245,129)
Cash, beginning of year	153,939	71,328	316,457
Cash, end of year	<u>\$ 57,943</u>	<u>\$ 153,939</u>	<u>\$ 71,328</u>

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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, 2019.

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, 2019 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 also 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, 2019.

There was no change in the Company’s internal control over financial reporting that occurred during the fourth quarter of 2019 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Hancock Whitney Corporation will hold its Annual Meeting of Shareholders of common stock on Wednesday, April 29, 2020, at 10:30 a.m. Central Daylight Time at Hancock Whitney 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 2020 annual meeting of the shareholders under the caption, “Information about Our Directors.” Information concerning compliance with Section 16(a) of the Exchange Act will appear in our proxy statement under the caption, “Delinquent Section 16(a) Reports.” 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.

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ITEM 11. EXECUTIVE COMPENSATION

Information concerning our executive and director compensation will appear in our definitive proxy statement relating to our 2020 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 2021 Annual Meeting.” 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 2020 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.

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 2020 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 2020 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 Whitney Corporation and subsidiaries are filed as part of this Report under Item 8. "Financial Statements and Supplementary Data":

Consolidated Balance Sheets – December 31, 2019 and 2018

Consolidated Statements of Income – Years ended December 31, 2019, 2018, and 2017

Consolidated Statements of Other Comprehensive Income – Years ended December 31, 2019, 2018, and 2017

Consolidated Statements of Changes in Stockholders' Equity– Years ended December 31, 2019, 2018, and 2017

Consolidated Statements of Cash Flows –Years ended December 31, 2019, 2018, and 2017

Notes to Consolidated Financial Statements – December 31, 2019

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.

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.

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<u>Exhibit Number</u>	<u>Description</u>
2.1	<u>Purchase agreement by and between Hancock Whitney Corporation and MidSouth Bancorp, Inc., dated as of April 30, 2019 (filed as exhibit 2.1 to the Company's form 8-K (File No. 001-36872) filed with the Commission on May 2, 2019</u>
2.2	<u>Purchase agreement by and between Whitney Bank and the FDIC, dated as of April 28, 2017 (filed as exhibit 1.1 to the Company's 8-K (File No. 001-36872) filed with the commission on May 3, 2017 and incorporated herein by reference).</u>
3.1	<u>Composite Articles of Incorporation of the Company (filed as Exhibit 3.1 to the Company's 8-K (File No. 001-36872) filed with the Commission on May 24, 2018 and incorporated herein by reference).</u>
3.2	<u>Amended and Restated Bylaws of the Company (filed as Exhibit 3.2 to the Company's 8-K (File No. 001-36872) filed with the Commission on May 24, 2018 and incorporated herein by reference).</u>
4.1	<u>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).</u>
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.
*10.4	<u>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).</u>
*10.5	<u>Amendment to the Hancock Holding Company 2014 Long Term Incentive Plan (filed as Appendix A of the Company's definitive Proxy Statement on Schedule 14A (filed with the Commission on March 17, 2017 (File Number 001-36872) and incorporated herein by reference).</u>
*10.10	<u>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).</u>
*10.11	<u>Addendum to Nonqualified Deferred Compensation Plan describing SERP benefit (filed as Exhibit 10.3 to the Company's Form 10-Q (File No. 001-36827) filed with the Commission on August 8, 2014 and incorporated herein by reference).</u>
*10.13	<u>Amended and Restated Hancock Whitney Corporation 2010 Employee Stock Purchase Plan, effective July 1, 2018 (filed as Exhibit 10.1 to the Company's Form 10-Q filed with the Commission on November 2, 2018 (File No. 001-36872) and incorporated herein by reference).</u>
*10.14	<u>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).</u>
*10.18	<u>Form of Change in Control Employment Agreement between the Company and certain named executive officers 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>
*10.20	<u>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).</u>
*10.25	<u>Form of Restricted Stock Award Agreement (approved in 2015) (filed as Exhibit 10.24 to the Company's Form 10-K (File No. 0-13089) filed with the Commission on February 26, 2016 and incorporated herein by reference).</u>
*10.26	<u>Form of Amended Restricted Stock Award Agreement (amending awards approved in 2016) (filed as Exhibit 10.2 to the Company's Form 10-Q (File No. 001-36827) filed with the Commission on May 9, 2016 and incorporated herein by reference).</u>
*10.27	<u>Form of Performance Stock Award Agreement (TSR) (approved in 2015) (filed as Exhibit 10.25 to the Company's Form 10-K (File No. 0-13089, filed with the Commission on February 26, 2016 and incorporated herein by reference).</u>
*10.28	<u>Form of Performance Stock Award Agreement (EPS) (approved in 2015) (filed as Exhibit 10.25 to the Company's Form 10-K (File No. 0-13089, filed with the Commission on February 26, 2016 and incorporated herein by reference).</u>
*10.31	<u>Executive Incentive Plan (2016) (filed as Exhibit 10.3 to the Company's Form 10-Q (File No. 001-36827) filed with the commission on May 9, 2016 and incorporated herein by reference).</u>

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**21.1	<u>Subsidiaries of the Company.</u>
**23.1	<u>Consent of PricewaterhouseCoopers, LLP.</u>
**31.1	<u>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.</u>
**31.2	<u>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.</u>
**32.1	<u>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.</u>
**32.2	<u>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.</u>
101	The following financial information from Hancock Whitney Corporation's Annual Report on Form 10-K for the year ended December 31, 2019, formatted in iXBRL (Inline Extensible Business Reporting Language) includes: (i) the Cover Page (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Income, (iv) the Consolidated Statements of Comprehensive Income, (v) the Consolidated Statements of Changes in Stockholders' Equity, (vi) the Consolidated Statements of Cash Flows, and (vii) the Notes to Consolidated Financial Statements, tagged in summary and detail..
104	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101).
*	Compensatory plan or arrangement.
**	Filed with this Form 10-K.

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ITEM 16. FORM 10-K SUMMARY

Not applicable.

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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 WHITNEY CORPORATION

Registrant

February 24, 2020

Date

By: /s/ John M. Hairston

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

February 24, 2020

Date

By: /s/ Michael M. Achary

Michael M. Achary
Senior Executive Vice President & Chief Financial Officer
(Principal Financial Officer)

February 24, 2020

Date

By: /s/ Stephen E. Barker

Stephen E. Barker
Executive Vice President, Senior Accounting and Finance
Executive
(Principal Accounting Officer)

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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/ Jerry L. Levens</u> Jerry L. Levens	Chairman of the Board, Director	February 24, 2020
<u>/s/ Frank E. Bertucci</u> Frank E. Bertucci	Director	February 24, 2020
<u>/s/ Hardy B. Fowler</u> Hardy B. Fowler	Director	February 24, 2020
<u>/s/ Randall W. Hanna</u> Randall W. Hanna	Director	February 24, 2020
<u>/s/ James H. Horne</u> James H. Horne	Director	February 24, 2020
<u>/s/ Constantine S. Liollo</u> Constantine S. Liollo	Director	February 24, 2020
<u>/s/ Sonya C. Little</u> Sonya C. Little	Director	February 24, 2020
<u>/s/ Thomas H. Olinde</u> Thomas H. Olinde	Director	February 24, 2020
<u>/s/ Christine L. Pickering</u> Christine L. Pickering	Director	February 24, 2020
<u>/s/ Robert W. Roseberry</u> Robert W. Roseberry	Director	February 24, 2020
<u>/s/ Joan C. Teofilo</u> Joan C. Teofilo	Director	February 24, 2020
<u>/s/ Richard Wilkins</u> C. Richard Wilkins	Director	February 24, 2020