

**UNITED STATES**  
**FEDERAL DEPOSIT INSURANCE CORPORATION**  
**WASHINGTON, DC 20429**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

FDIC Certificate No. 11813

**CADENCE BANK**

(Exact name of registrant as specified in its charter)

**Mississippi**  
(State or other jurisdiction of incorporation or organization)

**64-0117230**  
(I.R.S. Employer Identification No.)

**One Mississippi Plaza, 201 South Spring Street**

**38804**

**Tupelo, Mississippi**  
(Address of principal executive offices)

**(Zip Code)**

**Registrant's telephone number, including area code: (662) 680-2000**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$2.50 par value per share	CADE	New York Stock Exchange
5.50% Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share	CADE PR A	New York Stock Exchange

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

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

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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 Exchange Act). Yes  No

As of November 4, 2024, the registrant had outstanding 182,967,985 shares of common stock, par value \$2.50 per share, and 6,900,000 shares of its 5.50% Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share.

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## Glossary of Defined Terms

ACH - Automated Clearing House  
ACL - Allowance for credit losses  
AFS - Available for sale  
ALM - Asset/liability management  
ALCO - Asset/Liability Management Committee  
AOCI - Accumulated other comprehensive income (loss)  
ASC - Accounting Standards Codification  
ASU - Accounting Standards Update  
ATM - Automated teller machine  
Basel III - Basel Committee's 2010 Regulatory Capital Framework (Third Accord)  
Basel Committee - Basel Committee on Banking Supervision  
BHC Act - Bank Holding Company Act of 1956, as amended  
Board - the Company's Board of Directors  
BOLI - Bank-owned life insurance  
BTFP - Bank Term Funding Program  
C&I - Commercial and industrial  
CAD - Construction, acquisition and development  
CAMT - Corporate alternative minimum tax rate  
CDE - Community development entity  
CECL - ASU 2016-13, Measurement of Credit Losses on Financial Instruments ("Current Expected Credit Losses")  
CET1 - Common Equity Tier 1  
CFPB - Consumer Financial Protection Bureau  
Code - Code of Business Conduct and Ethics  
Company - Cadence Bank and its subsidiaries  
COSO - Committee of Sponsoring Organizations of the Treadway Commission  
COVID-19 - Coronavirus Disease 2019  
CPR - Conditional Prepayment Rate  
CRA - Community Reinvestment Act of 1977  
CRE - Commercial real estate  
DIF - Deposit Insurance Fund  
DOJ - U.S. Department of Justice  
EAP - Employee Assistance Program  
EIR - Effective interest rate  
EPS - Earnings per share  
Exchange Act - Securities Exchange Act of 1934  
ESG - Environmental, Social and Governance  
EVE - Economic value of equity  
FASB - Financial Accounting Standards Board  
FDIC - Federal Deposit Insurance Corporation  
FDICIA - Federal Deposit Insurance Corporation Improvement Act of 1991  
FDM - Financial difficulty modification  
FHA - Federal Housing Administration  
FHLB - Federal Home Loan Bank  
FHLMC - Federal Home Loan Mortgage Corporation  
FinCEN - Financial Crimes Enforcement Network  
FNMA - Federal National Mortgage Association  
FRB - Federal Reserve Bank  
FTE - Fully taxable equivalent  
FTP - Funds transfer pricing  
GAAP - Generally Accepted Accounting Principles in the United States  
GNMA - Government National Mortgage Association  
HTC - Historic tax credits  
IRA of 2022 - Inflation Reduction Act of 2022  
IRR - Interest rate risk  
ITM - Interactive teller machine  
LTV - Loan to value  
MBS - Mortgage-backed securities  
MDBCFC - Mississippi Department of Banking and Consumer Finance

MSR - Mortgage servicing rights  
NAV - Net asset value  
NII - Net interest income  
NM - Not meaningful  
NMTC - New market tax credit  
NPA - Nonperforming asset(s)  
NPL - Nonperforming loan(s)  
NSF - Nonsufficient funds  
NYSE - New York Stock Exchange  
OCC - Office of the Comptroller of the Currency  
OREO - Other real estate owned  
PCD - Purchased credit deteriorated  
PCI - Purchase credit impaired  
PSU - Performance stock unit  
ROU - Right of use  
RSA - Restricted stock award  
RSU - Restricted stock unit  
SBA - Small Business Administration  
SBIC - Small Business Investment Company  
SEC - U.S. Securities and Exchange Commission  
SNC - Shared National Credit  
SOFR - Secured Overnight Financing Rate  
TBA - To be announced  
TDR - Troubled debt restructuring  
USDA - U.S. Department of Agriculture  
VA - U.S. Department of Veterans Affairs  
VIE - Variable interest entity

## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements made in this quarterly report on Form 10-Q (this “Report”) are not statements of historical fact and constitute “forward-looking statements” within the meaning of Section 21E of the Exchange Act, as amended, and are subject to the safe harbor created thereby under the Private Securities Litigation Reform Act of 1995 as well as the “bespeaks caution” doctrine. These statements are often, but not always, made through the use of words or phrases such as “anticipate,” “aspire,” “assume,” “believe,” “budget,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “forecast,” “foresee,” “goal,” “hope,” “indicate,” “intend,” “may,” “might,” “outlook,” “plan,” “project,” “projection,” “predict,” “prospect,” “potential,” “roadmap,” “seek,” “should,” “target,” “will,” and “would,” or the negative versions of those words, or other comparable words of a future or forward-looking nature. These forward-looking statements may include, without limitation, discussions regarding general economic, interest rate, real estate market, competitive, employment, and credit market conditions; our assets; business; cash flows; financial condition; liquidity; prospects; results of operations, as well as the impact of the Cadence Insurance sale on the Company’s financial condition and future net income and earnings per share, and the Company’s ability to deploy capital into strategic and growth initiatives; deposit growth interest and fee-based revenue; capital resources; capital metrics; efficiency ratio; valuation of mortgage servicing rights; mortgage production volume; net income; net interest revenue; non-interest revenue; net interest margin; interest expense; non-interest expense; earnings per share; interest rate sensitivity; interest rate risk; balance sheet and liquidity management; off-balance sheet arrangements; fair value determinations; asset quality; credit quality; credit losses; provision and allowance for credit losses, impairments, charge-offs, recoveries and changes in volume; investment securities portfolio yields and values; ability to manage the impact of pandemics and natural disasters; adoption and use of critical accounting policies; adoption and implementation of new accounting standards and their effect on our financial results and our financial reporting; utilization of non-GAAP financial metrics; declaration and payment of dividends; ability to pay dividends or coupons on our 5.5% Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share, or our subordinated notes; mortgage and commission revenue growth; implementation and execution of cost savings initiatives; ability to successfully litigate, resolve or otherwise dispense with threatened, ongoing and future litigation and administrative and investigatory matters; ability to successfully complete pending or future acquisitions or divestitures; dispositions and other strategic growth opportunities and initiatives; ability to successfully integrate and manage acquisitions or divestitures; opportunities and efforts to grow market share; reputation; ability to compete with other financial institutions; ability to recruit and retain key employees and personnel; access to capital markets; investment in other financial institutions; and ability to operate our regulatory compliance programs in accordance with applicable law.

Forward-looking statements are based upon management’s expectations as well as certain assumptions and estimates made by, and information available to, management at the time such statements were made. Forward-looking statements are not historical facts, are not guarantees of future results or performance and are subject to certain known and unknown risks, uncertainties and other factors that are beyond our control and that may cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. These risks, uncertainties and other factors include, without limitation, general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers, collateral values, the value of investment securities and asset recovery values; the risks of changes in interest rates and their effects on the level and composition of deposits, loan demand, loan repayment velocity, and the values of loan collateral, securities and interest sensitive assets and liabilities; risks arising from market reactions to the banking environment in general, or to conditions or situations at specific banks; risks arising from perceived instability in the banking sector; the impact of inflation, the failure of assumptions underlying the establishment of reserves for possible credit losses, fair value for loans and other real estate owned; changes in the prices, values and sales volumes of residential and commercial real estate, especially as they relate to the value of collateral supporting the Company’s loans; a deterioration of the credit rating for U.S. long-term sovereign debt, actions that the U.S. government may take to avoid exceeding the debt ceiling, or uncertainties surrounding the debt ceiling and the federal budget; the availability of and access to capital; possible downgrades in our credit ratings or outlook which could increase the costs or availability of funding from capital markets; the ability to attract new or retain existing deposits or to retain or grow loans; potential delays or other problems in implementing and executing our growth, expansion and acquisition or divestment strategies, including delays in obtaining regulatory or other necessary approvals, including in obtaining the approval of the application to the Board of Governors of the Federal Reserve System for Membership in the Federal Reserve System or the failure to realize any anticipated benefits or synergies from any acquisitions or growth strategies; significant turbulence or a disruption in the capital or financial markets; the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage and wealth management businesses; the ability to grow additional interest and fee income or to control noninterest expense; competitive factors and pricing pressures, including their effect on our net interest margin; changes in legal, financial and/or regulatory requirements; recently enacted and potential legislation and regulatory actions and the costs and expenses to comply with new and/or existing legislation and regulatory actions, and any related rules and regulations; changes in U.S. Government monetary and fiscal policy, including any changes that may result from U.S. elections; FDIC special assessments or changes to regular assessments; possible adverse rulings, judgments, settlements and other outcomes of pending or future litigation or government actions; the ability to keep pace with technological changes, including changes regarding generative artificial intelligence, maintaining cybersecurity and compliance with applicable cybersecurity regulatory requirements; increased competition in the financial services industry, particularly from regional and national institutions, as well as from fintech companies, risks related to our reliance on third parties to provide key components of our business infrastructure, including the risks related to disruptions in

services provided by disputes with, or financial difficulties of a third-party vendor, the impact of failure in, or breach of, our operational or security systems or infrastructure, or those of third parties with whom we do business, including as a result of cyber-attacks or an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting us or our customers; natural disasters or acts of war or terrorism; international or political instability (including the impacts related to or resulting from Russia's military action in Ukraine, or the Israel-Hamas war, including the imposition of additional sanctions and export controls, as well as the broader impacts to financial markets and the global macroeconomic and geopolitical environments); risks related to, and the costs associated with, ESG matters, including the scope and pace of related rulemaking activity; impairment of our goodwill or other intangible assets; adoption of new accounting standards or changes in existing standards; and other factors described in "Part I, Item 1A. Risk Factors" in this Report or as detailed from time to time in the Company's press and news releases, reports and other filings we file with the FDIC.

The Company faces risks from: possible adverse rulings, judgments, settlements or other outcomes of pending, ongoing and future litigation, as well as governmental, administrative and investigatory matters; the impairment of the company's goodwill or other intangible assets; losses of key employees and personnel; the diversion of management's attention from ongoing business operations and opportunities; and the Company's success in executing its business plans and strategies, and managing the risks involved in all of the foregoing.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable as of the date of this Report, if one or more events related to these or other risks or uncertainties materialize, or if the Company's underlying assumptions prove to be incorrect, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statements. The forward-looking statements speak only as of the date of this Report, and the Company does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by applicable law. New risks and uncertainties may emerge from time to time, and it is not possible for the Company to predict their occurrence or how they will affect the Company. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this section.

## PART I—FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS.

#### Consolidated Balance Sheets Cadence Bank and Subsidiaries (Unaudited)

(In thousands, except share and per share amounts)	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
Cash and due from banks	\$ 504,827	\$ 798,177
Interest bearing deposits with other banks and Federal funds sold	3,483,299	3,434,088
Total cash and cash equivalents	3,988,126	4,232,265
Available for sale securities, at fair value	7,841,685	8,075,476
Loans and leases, net of unearned income	33,303,972	32,497,022
Allowance for credit losses	460,859	468,034
Net loans and leases	32,843,113	32,028,988
Loans held for sale, at fair value	205,941	186,301
Premises and equipment, net	797,556	802,133
Goodwill	1,366,923	1,367,785
Other intangible assets, net	87,094	100,191
Bank-owned life insurance	652,057	642,840
Other assets	1,422,438	1,498,531
<b>TOTAL ASSETS</b>	<b>\$ 49,204,933</b>	<b>\$ 48,934,510</b>
<b>LIABILITIES</b>		
Noninterest bearing demand deposits	\$ 9,242,693	\$ 9,232,068
Interest bearing demand and money market deposits	18,125,553	19,276,596
Savings	2,560,803	2,720,913
Time deposits	8,915,311	7,267,560
Total deposits	38,844,360	38,497,137
Securities sold under agreement to repurchase	16,964	451,516
Short-term BTFP borrowings	3,500,000	3,500,000
Subordinated and long-term borrowings	225,823	438,460
Other liabilities	1,044,923	879,554
<b>TOTAL LIABILITIES</b>	<b>43,632,070</b>	<b>43,766,667</b>
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock, \$0.01 par value per share; authorized - 500,000,000 shares; issued and outstanding - 6,900,000 shares for both periods presented	166,993	166,993
Common stock, \$2.50 par value per share; authorized - 500,000,000 shares; issued and outstanding - 182,315,142 and 182,871,775 shares, respectively	455,788	457,179
Capital surplus	2,729,440	2,743,066
Accumulated other comprehensive loss	(590,342)	(761,829)
Retained earnings	2,810,984	2,562,434
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5,572,863</b>	<b>5,167,843</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 49,204,933</b>	<b>\$ 48,934,510</b>

See accompanying notes to the unaudited consolidated financial statements.

**Consolidated Statements of Income**  
**Cadence Bank and Subsidiaries**

(Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(In thousands, except per share amounts)				
<b>INTEREST REVENUE:</b>				
Loans and leases	\$ 555,862	\$ 520,126	\$ 1,624,487	\$ 1,473,472
Available for sale securities:				
Taxable	59,732	50,277	185,989	152,320
Tax-exempt	638	2,375	1,963	7,279
Loans held for sale	1,630	1,468	4,467	3,033
Short-term investments	29,851	21,213	110,130	58,876
Total interest revenue	647,713	595,459	1,927,036	1,694,980
<b>INTEREST EXPENSE:</b>				
Interest bearing demand deposits and money market accounts	142,179	126,296	437,861	333,578
Savings	3,695	4,108	11,238	11,037
Time deposits	94,944	76,867	264,786	166,333
Federal funds purchased and securities sold under agreement to repurchase	561	9,004	3,808	24,327
Short-term debt	42,003	45,438	125,656	128,490
Subordinated and long-term debt	2,873	4,786	12,003	14,464
Total interest expense	286,255	266,499	855,352	678,229
Net interest revenue	361,458	328,960	1,071,684	1,016,751
Provision for credit losses	12,000	17,000	56,000	42,000
Net interest revenue, after provision for credit losses	349,458	311,960	1,015,684	974,751
<b>NONINTEREST REVENUE:</b>				
Mortgage banking	1,133	5,684	13,749	20,115
Credit card, debit card and merchant fees	12,649	12,413	37,581	36,882
Deposit service charges	18,814	16,867	54,803	50,557
Security (losses) gains, net	(2,947)	64	(2,960)	(51,127)
Wealth management	24,110	21,079	70,949	64,351
Other	32,142	17,882	96,223	74,338
Total noninterest revenue	85,901	73,989	270,345	195,116
<b>NONINTEREST EXPENSE:</b>				
Salaries and employee benefits	152,237	161,627	456,926	486,641
Occupancy and equipment	28,894	27,069	86,901	82,962
Data processing and software	29,164	29,127	88,658	87,521
Merger expense	—	—	—	5,192
Amortization of intangibles	3,933	4,436	11,998	14,983
Deposit insurance assessments	7,481	10,425	31,637	26,491
Pension settlement expense	—	600	—	600
Other	37,729	41,158	103,223	122,165
Total noninterest expense	259,438	274,442	779,343	826,555
Income from continuing operations before income taxes	175,921	111,507	506,686	343,312
Income tax expense	39,482	24,355	115,797	75,891
Income from continuing operations	\$ 136,439	\$ 87,152	\$ 390,889	\$ 267,421
Income from discontinued operations before income taxes	—	7,242	—	21,462
Income tax expense from discontinued operations	—	1,811	—	5,643
Income from discontinued operations, net of income taxes	—	5,431	—	15,819
Net income	136,439	92,583	390,889	283,240
Less: preferred dividends	2,372	2,372	7,116	7,116
Net income available to common shareholders	\$ 134,067	\$ 90,211	\$ 383,773	\$ 276,124
Basic earnings per common share from continuing operations	\$ 0.74	\$ 0.46	\$ 2.10	\$ 1.43
Basic earnings per common share	\$ 0.74	\$ 0.49	\$ 2.10	\$ 1.51
Diluted earnings per common share from continuing operations	\$ 0.72	\$ 0.46	\$ 2.07	\$ 1.41
Diluted earnings per common share	\$ 0.72	\$ 0.49	\$ 2.07	\$ 1.50

See accompanying notes to the unaudited consolidated financial statements.



**Consolidated Statements of Comprehensive Income (Loss)**  
**Cadence Bank and Subsidiaries**  
**(Unaudited)**

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 136,439	\$ 92,583	\$ 390,889	\$ 283,240
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on AFS securities:				
Net unrealized gains (losses), net of income taxes of \$(59,934), \$45,783, \$(53,209), and \$15,724	193,808	(148,037)	172,061	(50,847)
Reclassification adjustment for net (losses) gains realized in net income, net of income taxes of \$696, \$(16), \$699, and \$12,076	(2,251)	48	(2,261)	(39,051)
Net change in unrealized gains (losses) on AFS securities, net of tax	191,557	(147,989)	169,800	(89,898)
Recognized employee benefit plan net periodic benefit cost, net of income taxes of \$(173), \$(355), \$(521), and \$(779)	563	1,143	1,687	2,515
Other comprehensive income (loss), net of tax	192,120	(146,846)	171,487	(87,383)
Comprehensive income (loss)	\$ 328,559	\$ (54,263)	\$ 562,376	\$ 195,857

See accompanying notes to the unaudited consolidated financial statements.

**Consolidated Statements of Shareholders' Equity**  
**Cadence Bank and Subsidiaries**  
**(Unaudited)**

(In thousands, except share and per share amounts)	Preferred Stock		Common Stock		Capital Surplus	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
<b>Balance at December 31, 2023</b>	6,900,000	\$ 166,993	182,871,775	\$ 457,179	\$ 2,743,066	\$ (761,829)	\$ 2,562,434	\$ 5,167,843
Net income	—	—	—	—	—	—	116,978	116,978
Other comprehensive loss, net of tax	—	—	—	—	—	(29,504)	—	(29,504)
Equity based compensation, net of forfeitures and shares withheld to cover taxes	—	—	467,143	1,168	(3,231)	—	—	(2,063)
Repurchase of stock, net of excise tax	—	—	(657,593)	(1,644)	(15,248)	—	—	(16,892)
Preferred dividends declared, \$0.34 per share	—	—	—	—	—	—	(2,372)	(2,372)
Cash dividends declared, \$0.25 per share	—	—	—	—	—	—	(45,598)	(45,598)
Cumulative effect of change in accounting principle	—	—	—	—	—	—	1,540	1,540
<b>Balance at March 31, 2024</b>	6,900,000	\$ 166,993	182,681,325	\$ 456,703	\$ 2,724,587	\$ (791,333)	\$ 2,632,982	\$ 5,189,932
Net income	—	—	—	—	—	—	137,472	137,472
Other comprehensive income, net of tax	—	—	—	—	—	8,871	—	8,871
Equity based compensation, net of forfeitures and shares withheld to cover taxes	—	—	84,153	211	8,486	—	—	8,697
Repurchase of stock, net of excise tax	—	—	(335,051)	(838)	(8,417)	—	—	(9,255)
Preferred dividends declared, \$0.34 per share	—	—	—	—	—	—	(2,372)	(2,372)
Cash dividends declared, \$0.25 per share	—	—	—	—	—	—	(45,587)	(45,587)
<b>Balance at June 30, 2024</b>	6,900,000	\$ 166,993	182,430,427	\$ 456,076	\$ 2,724,656	\$ (782,462)	\$ 2,722,495	\$ 5,287,758
Net income	—	—	—	—	—	—	136,439	136,439
Other comprehensive income, net of tax	—	—	—	—	—	192,120	—	192,120
Equity based compensation, net of forfeitures and shares withheld to cover taxes	—	—	1,281	3	8,075	—	—	8,078
Exercise of stock options	—	—	206,829	517	5,210	—	—	5,727
Repurchase of stock, net of excise tax	—	—	(323,395)	(808)	(8,501)	—	—	(9,309)
Preferred dividends declared, \$0.34 per share	—	—	—	—	—	—	(2,372)	(2,372)
Cash dividends declared, \$0.25 per share	—	—	—	—	—	—	(45,578)	(45,578)
<b>Balance at September 30, 2024</b>	<u>6,900,000</u>	<u>\$ 166,993</u>	<u>182,315,142</u>	<u>\$ 455,788</u>	<u>\$ 2,729,440</u>	<u>\$ (590,342)</u>	<u>\$ 2,810,984</u>	<u>\$ 5,572,863</u>

**Consolidated Statements of Shareholders' Equity (continued)**  
**Cadence Bank and Subsidiaries**  
**(Unaudited)**

(In thousands, except share and per share amounts)	Preferred Stock		Common Stock		Capital Surplus	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
<b>Balance at December 31, 2022</b>	6,900,000	\$ 166,993	182,437,265	\$ 456,093	\$ 2,709,391	\$ (1,222,538)	\$ 2,201,435	\$ 4,311,374
Net income	—	—	—	—	—	—	76,629	76,629
Other comprehensive income, net of tax	—	—	—	—	—	140,652	—	140,652
Equity based compensation, net of forfeitures and shares withheld to cover taxes	—	—	253,599	634	6,732	—	—	7,366
Repurchase of stock, net of excise tax	—	—	(6,286)	(16)	(142)	—	—	(158)
Preferred dividends declared, \$0.34 per share	—	—	—	—	—	—	(2,372)	(2,372)
Cash dividends declared, \$0.24 per share	—	—	—	—	—	—	(42,879)	(42,879)
Cumulative effect of change in accounting principle	—	—	—	—	—	—	(195)	(195)
<b>Balance at March 31, 2023</b>	6,900,000	\$ 166,993	182,684,578	\$ 456,711	\$ 2,715,981	\$ (1,081,886)	\$ 2,232,618	\$ 4,490,417
Net income	—	—	—	—	—	—	114,028	114,028
Other comprehensive loss, net of tax	—	—	—	—	—	(81,189)	—	(81,189)
Equity based compensation, net of forfeitures and shares withheld to cover taxes	—	—	53,108	134	9,786	—	—	9,920
Repurchase of stock, net of excise tax	—	—	(111,457)	(279)	(1,746)	—	—	(2,025)
Preferred dividends declared, \$0.34 per share	—	—	—	—	—	—	(2,372)	(2,372)
Cash dividends declared, \$0.24 per share	—	—	—	—	—	—	(42,929)	(42,929)
<b>Balance at June 30, 2023</b>	6,900,000	\$ 166,993	182,626,229	\$ 456,566	\$ 2,724,021	\$ (1,163,075)	\$ 2,301,345	\$ 4,485,850
Net income	—	—	—	—	—	—	92,583	92,583
Other comprehensive loss, net of tax	—	—	—	—	—	(146,846)	—	(146,846)
Equity based compensation, net of forfeitures and shares withheld to cover taxes	—	—	(12,729)	(32)	9,029	—	—	8,997
Repurchase of stock, net of excise tax	—	—	(2,425)	(6)	(47)	—	—	(53)
Preferred dividends declared, \$0.34 per share	—	—	—	—	—	—	(2,372)	(2,372)
Cash dividends declared, \$0.24 per share	—	—	—	—	—	—	(42,902)	(42,902)
<b>Balance at September 30, 2023</b>	6,900,000	\$ 166,993	182,611,075	\$ 456,528	\$ 2,733,003	\$ (1,309,921)	\$ 2,348,654	\$ 4,395,257

See accompanying notes to the unaudited consolidated financial statements.

**Consolidated Statements of Cash Flows**  
**Cadence Bank and Subsidiaries**  
**(Unaudited)**

(In thousands)	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Operating Activities:</b>		
Net income	\$ 390,889	\$ 283,240
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, amortization, and accretion	157,180	187,199
Deferred income tax expense	13,859	19,004
Provision for credit losses	56,000	42,000
Gain on sale of loans, net	(16,262)	(12,346)
Gain on disposition of businesses	(14,980)	—
Loss on sales of available for sale securities, net	2,960	51,127
Unrealized gain on limited partnerships, net	(8,664)	(6,556)
Share-based compensation expense	25,490	31,764
Proceeds from payments and sales of loans held for sale	899,810	1,025,327
Origination of loans held for sale	(893,394)	(1,063,968)
Increase in accrued interest receivable	(10,389)	(21,693)
Increase in accrued interest payable	140,839	142,967
Net increase in prepaid pension asset	(4,337)	(1,518)
Decrease (increase) in other assets	43,950	(44,709)
Increase (decrease) in other liabilities	29,938	(19,140)
Other, net	(14,365)	(1,074)
Net cash provided by operating activities	<u>798,524</u>	<u>611,624</u>
<b>Investing Activities:</b>		
Proceeds from disposition of business, net of cash transferred	15,308	—
Purchases of available for sale securities	(751,846)	(909,730)
Proceeds from sales of available for sale securities	15,059	1,538,324
Proceeds from maturities, calls, and payments of available for sale securities	1,168,339	1,467,630
Proceeds from sales of FHLB stock, net	3,078	117,382
Increase in loans, net	(979,536)	(2,308,347)
Purchases of premises and equipment	(58,253)	(66,590)
Proceeds from sales of premises and equipment	16,995	8,549
Proceeds from disposition of foreclosed and repossessed property	6,626	7,092
Proceeds from sales of loans transferred to held for sale	58,253	26,153
Net death benefits received on (purchases of) bank owned life insurance	3,014	(1,270)
Purchases of tax credit investments	(50,156)	(61,877)
Purchases of limited partnership interests	(22,236)	(20,720)
Other, net	10,850	5,257
Net cash used by investing activities	<u>(564,505)</u>	<u>(198,147)</u>

**Consolidated Statements of Cash Flows (continued)**  
**Cadence Bank and Subsidiaries**  
**(Unaudited)**

(In thousands)	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Financing Activities:</b>		
Increase (decrease) in deposits, net	347,455	(611,999)
Net change in securities sold under agreement to repurchase and federal funds purchased	(434,552)	(46,147)
Net change in BTFP borrowings and short-term FHLB advances	—	399,993
Long-term borrowings called, repurchased, and repaid	(207,364)	(12,035)
Exercise of stock options	5,727	—
Repurchase of common stock	(35,456)	(2,235)
Cash dividends paid on common stock	(136,764)	(128,801)
Cash dividends paid on preferred stock	(7,116)	(7,116)
Cash paid for tax withholding on vested share-based compensation and other	(10,088)	(5,482)
Net cash used by financing activities	<u>(478,158)</u>	<u>(413,822)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(244,139)</b>	<b>(345)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,232,265</b>	<b>1,998,152</b>
<b>Cash and cash equivalents at end of period</b>	<b><u>\$ 3,988,126</u></b>	<b><u>\$ 1,997,807</u></b>

(In thousands)	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Supplemental Disclosures</b>		
Cash paid during the period for:		
Interest	\$ 714,514	\$ 535,261
Income taxes, net of refunds	112,425	82,033
Cash paid for amounts included in lease liabilities	13,345	17,416
Non-cash investing activities, at fair value:		
Acquisition of real estate and other assets in settlement of loans	5,813	3,004
Transfers of loans held for sale to loans	5,802	—
Transfers of loans to loans held for sale	60,974	26,083
Right of use assets obtained in exchange for new operating lease liabilities	6,542	528
Increase in funding obligations for certain tax credit investments	26,455	82,080

See accompanying notes to unaudited consolidated financial statements.

## Notes to Unaudited Consolidated Financial Statements Cadence Bank and Subsidiaries

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation and Consolidation

The accompanying unaudited consolidated financial statements for the Company have been prepared in accordance with instructions to the SEC Form 10-Q and Article 10 of Regulation S-X; therefore, they do not include all information and notes necessary for a fair presentation of financial position, results of operations, comprehensive income, and cash flows in conformity with GAAP. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the periods covered by this report have been included. These interim financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023. Operating results for the period ended September 30, 2024, are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. The consolidated balance sheet at December 31, 2023 has been derived from the audited financial statements included in our Form 10-K for the year ended December 31, 2023.

The Company and its subsidiaries follow GAAP, including, where applicable, general practices within the banking industry. The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. The assessment of whether or not the Company has a controlling interest (i.e., the primary beneficiary) in a VIE is performed on an on-going basis. All equity investments in non-consolidated VIEs are included in “other assets” in the Company’s consolidated balance sheets (see Note 17 for more information).

Effective May 17, 2024, the Company completed the sale of Cadence Business Solutions, LLC, its payroll processing business unit, resulting in a net gain on sale of approximately \$12.0 million. The gain on sale was included in Other noninterest revenue within the accompanying consolidated statements of income.

Certain amounts reported in prior years have been reclassified to conform to the 2024 presentation. These reclassifications did not materially impact the Company’s consolidated financial statements.

In accordance with GAAP, the Company’s management evaluated subsequent events for potential recognition or disclosure in the consolidated financial statements through the date of the issuance of the consolidated financial statements.

#### Discontinued Operations

On October 24, 2023, the Company entered into the Stock Purchase Agreement regarding the sale of Cadence Insurance to Arthur J. Gallagher Risk Management Services, LLC and Arthur J. Gallagher & Co pursuant to which the Company agreed to sell all of the issued and outstanding shares of capital stock of Cadence Insurance to Gallagher for a purchase price of \$904.0 million in cash, subject to customary purchase price adjustments. The transaction closed on November 30, 2023. Cadence Insurance’s operating results have been presented as “discontinued operations” within the accompanying consolidated statements of income. Cash flows from both continuing and discontinued operations are included in the consolidated statements of cash flows. See Note 2 and Note 14 for further discussion.

#### Recently Adopted Accounting Pronouncements

##### *ASU No. 2022-03*

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The amendments in the ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The ASU introduces new disclosure requirements to provide investors with information about the restriction including the nature and remaining duration of the restriction.

The guidance became effective for Cadence beginning January 1, 2024. Cadence does not include contractual sale restrictions as adjustments to the measured fair value of our equity securities. The adoption of this guidance had no immediate impact to our consolidated financial statements.

#### *ASU No. 2023-01*

In March 2023, the FASB issued ASU No. 2023-01, *Leases (Topic 842): Common Control Arrangements* which amends the accounting for common control leasing arrangements. The ASU requires all entities to amortize leasehold improvements associated with common control leases over the useful life to the common control group.

The guidance became effective for Cadence beginning January 1, 2024. Cadence adopted this guidance on a prospective basis. The adoption of this guidance had no immediate impact to our consolidated financial statements.

#### *ASU No. 2023-02*

In March 2023, the FASB issued ASU No. 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. The ASU allows entities to elect the proportional amortization method, on a tax-credit-program-by-tax-credit-program basis, for all equity investments in tax credit programs meeting the eligibility criteria in ASC 323-740-25-1. The ASU further prescribes specific information reporting entities must disclose about tax credit investments each period.

This guidance became effective for Cadence beginning January 1, 2024. Cadence adopted this guidance on a modified-retrospective basis. Cadence evaluated all investments for which it still expects to receive income tax credits or other income tax benefits as of January 1, 2024, to determine which investments qualified for the proportional amortization method as of the date the investment was entered into. Based on Cadence's assessment of investments' eligibility for proportional amortization as of January 1, 2024, Cadence had NMTC and HTC investments with investment balances of approximately \$36 million that were eligible for the proportional amortization method and for which Cadence still expects to receive income tax credits and other income tax benefits of approximately \$51 million in future periods.

The Company recorded a cumulative-effect adjustment to retained earnings for the difference between (1) the cumulative amortization recognized for the eligible investments from investment inception through January 1, 2024, under the equity method of accounting, and (2) the cumulative amortization that would be recognized for the same period under the proportional amortization method. The Company's cumulative adoption adjustment of \$1.5 million was recorded to retained earnings and represents the excess amortization expense under the equity method of accounting and removal of the remaining deferred tax liabilities associated with the eligible investments as of January 1, 2024.

### **Pending Accounting Pronouncements**

#### *ASU No. 2023-05*

In August 2023, the FASB issued ASU No. 2023-05, *Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*. The ASU applies to the formation of entities that meet the definition of a joint venture (or a corporate joint venture) as defined in the FASB ASC Master Glossary. The amendments in the ASU require that a newly formed joint venture, upon formation, would initially measure its assets and liabilities at fair value (with exceptions to fair value measurement that are consistent with the business combinations guidance). The ASU allows a joint venture to apply measurement period guidance in accordance with ASC 805-10, allowing the amounts recognized upon formation to be adjusted for provisional items during the measurement period not to exceed one year from the formation date.

The ASU does not amend the definition of a joint venture, the existing guidance for the accounting by an equity method investor for its investment in a joint venture, or the accounting by a joint venture for contributions received subsequent to formation.

The amendments are effective prospectively for all joint ventures with a formation date on or after January 1, 2025, and early adoption is permitted. A joint venture that was formed before the effective date of the ASU may elect to apply the amendments retrospectively if it has sufficient information. The Company does not anticipate any significant impact from this guidance on its consolidated financial statements.

#### *ASU No. 2023-06*

In October 2023, the FASB issued ASU No. 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, that incorporates certain SEC disclosure requirements into the FASB Accounting Standards Codification. The amendments in the ASU are expected to clarify or improve disclosure and presentation requirements of a variety of Codification Topics, allow users to more easily compare entities subject to the

SEC's existing disclosures with those entities that were not previously subject to the requirements, and align the requirements in the Codification with the SEC's regulations.

The ASU modifies the disclosure or presentation requirements of a variety of Topics in the Codification. The requirements are relatively narrow in nature. Some of the amendments represent clarifications to, or technical corrections of, the current requirements.

The effective date for each amendment will be the date on which the SEC removes that related disclosure from its rules. If by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective for any entity. As this guidance is solely disclosure related, there will be no quantitative impact to the Company's consolidated financial statements.

#### *ASU No. 2023-07*

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in the ASU improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses.

The amendments in the ASU are effective for annual periods beginning after December 15, 2023 and these required disclosures will be included in our Annual Report on Form 10-K for the year ended December 31, 2024. As this guidance is solely disclosure related, there will be no quantitative impact to the Company's consolidated financial statements.

#### *ASU No. 2023-08*

In December 2023, the FASB issued ASU No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*. The amendments are intended to improve the accounting for certain crypto assets by requiring an entity to measure those crypto assets at fair value each reporting period with changes in fair value recognized in net income. The amendments also improve the information provided to investors about an entity's crypto asset holdings by requiring disclosure about significant holdings, contractual sale restrictions, and changes during the reporting period.

The amendments in the ASU are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued (or made available for issuance). If amendments are adopted in an interim period, they must be adopted as of the beginning of the fiscal year that includes that interim period. The Company currently does not have and does not anticipate to have exposure to crypto assets and does not expect the adoption of this guidance to have any significant impact on its consolidated financial statements.

#### *ASU No. 2023-09*

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU is intended to improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments intended to improve the effectiveness of income tax disclosures.

The amendments in the ASU are effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. As this guidance is solely disclosure related, there will be no quantitative impact to the Company's consolidated financial statements.

#### *ASU No. 2024-01*

In March 2024, the FASB issued ASU No. 2024-01, *Compensation--Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards*, which provides four cases illustrating the scope application of Topic 718 for profits interest awards. Determining whether a profits interest award should be accounted for as a share-based payment arrangement or other compensation requires judgement based on the facts and circumstances of the specific transaction. The illustrative example includes four fact patterns to demonstrate how an entity would apply the scope guidance in Topic 718 to determine whether profits interest awards should be accounted for in accordance with Topic 718.

The amendments in the ASU are effective for annual periods beginning after December 15, 2024, and interim periods within those annual periods. Early adoption is permitted for both interim and annual financial statements that have not yet been



issued or made available for issuance. The amendments should be applied either (1) retrospectively to all prior periods presented in the financial statements or (2) prospectively to profits, interest, and similar awards granted or modified on or after the date at which the entity first applies the amendments. The Company does not believe the adoption of this guidance will have an immediate impact on its consolidated financial statements.

*ASU No. 2024-02*

In March 2024, the FASB issued ASU No. 2024-02, *Codification Improvements--Amendments to Remove References to the Concepts Statements*, which contains amendments that remove references to various Concepts Statements. In most instances, the references are extraneous and not required to understand or apply the guidance. In other instances, the references were used in prior Statements to provide guidance in certain topical areas. Generally, the amendments are not intended to result in significant accounting change for most entities. However, the FASB recognized that changes to that guidance may result in accounting change for some entities. Therefore, the FASB provided transition guidance for all the amendments in this Update.

These amendments are effective for public business entities for fiscal years beginning after December 15, 2024. Early application of the amendments is permitted for all entities, for any fiscal year or interim period for which financial statements have not yet been issued (or made available for issuance). If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. The Company does not anticipate any impact from guidance on its consolidated financial statements.

**NOTE 2. DISCONTINUED OPERATIONS**

On November 30, 2023, the Company completed the sale of its insurance subsidiary, Cadence Insurance, via a stock purchase agreement with Arthur J. Gallagher Risk Management Services, LLC and Arthur J. Gallagher & Co. for \$904 million, subject to customary purchase price adjustments. The transaction resulted in a pre-tax gain of \$706.6 million, reported in the fourth quarter of 2023. The gain, along with Cadence Insurance’s historical financial results for periods prior to the sale, is reflected in the Company’s consolidated financial statements as discontinued operations. Cadence Insurance’s operating results have been presented as “Discontinued operations” within the accompanying consolidated financial statements and prior period amounts have been reclassified to conform with the current period presentation. For more information, see Note 3 to the consolidated financial statements to the Annual Report on Form 10-K for the year ended December 31, 2023. There was no activity from these discontinued operations for the three and nine months ended September 30, 2024.

The following summarized financial information related to Cadence Insurance has been segregated from continuing operations and reported as discontinued operations for the periods presented.

(In thousands)	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
<b>Discontinued operations:</b>		
Net interest revenue	\$ 59	\$ 89
Noninterest revenue		
Insurance commissions	44,989	130,198
Other	19	44
Total noninterest revenue	45,008	130,242
Noninterest expense		
Salaries and employee benefits	33,185	94,727
Occupancy and equipment	1,274	4,084
Data processing and software	806	2,354
Merger expenses	—	20
Amortization of intangibles	535	1,618
Other	2,025	6,066
Total noninterest expense	37,825	108,869
Income from discontinued operations before income tax expense	7,242	21,462
Income tax expense	1,811	5,643
Income from discontinued operations, net of tax	\$ 5,431	\$ 15,819

### NOTE 3. AVAILABLE FOR SALE SECURITIES AND EQUITY SECURITIES

The amortized cost, unrealized gains and losses, and estimated fair value of available for sale securities are presented in the following tables:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 30, 2024				
U.S. government agency securities	\$ 333,275	\$ 195	\$ 32,740	\$ 300,730
MBS issued or guaranteed by U.S. agencies				
Residential pass-through:				
Guaranteed by GNMA	79,841	—	8,840	71,001
Issued by FNMA and FHLMC	4,711,698	171	548,109	4,163,760
Other residential MBS	1,146,390	14,014	25,400	1,135,004
Commercial MBS	1,743,441	2,806	81,959	1,664,288
Total MBS	7,681,370	16,991	664,308	7,034,053
Obligations of states and political subdivisions	168,437	12	30,453	137,996
Corporate debt securities	57,941	3	6,345	51,599
Foreign debt securities	318,502	542	1,737	317,307
Total available for sale securities	<u>\$ 8,559,525</u>	<u>\$ 17,743</u>	<u>\$ 735,583</u>	<u>\$ 7,841,685</u>

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2023				
U.S Treasury securities	\$ 464,793	\$ 225	\$ —	\$ 465,018
U.S. government agency securities	370,891	218	39,098	332,011
MBS issued or guaranteed by U.S. agencies				
Residential pass-through:				
Guaranteed by GNMA	85,806	1	10,145	75,662
Issued by FNMA and FHLMC	5,097,172	95	710,166	4,387,101
Other residential MBS	756,244	2,440	31,250	727,434
Commercial MBS	1,850,447	1,413	109,023	1,742,837
Total MBS	7,789,669	3,949	860,584	6,933,034
Obligations of states and political subdivisions	172,252	13	34,641	137,624
Corporate debt securities	73,941	—	6,744	67,197
Foreign debt securities	144,080	6	3,494	140,592
Total available for sale securities	<u>\$ 9,015,626</u>	<u>\$ 4,411</u>	<u>\$ 944,561</u>	<u>\$ 8,075,476</u>

For the three months ended September 30, 2024, gross gains of \$2 thousand and gross losses of \$2.9 million were recognized for available for sale securities, compared to gross gains of \$70 thousand and gross losses of \$6 thousand for the same period in 2023. There were no impairment charges related to credit losses included in gross realized losses for the three months ended September 30, 2024 and 2023.

For the nine months ended September 30, 2024, gross gains of \$5 thousand and gross losses of \$3.0 million were recognized on available for sale securities, compared to gross gains of \$813 thousand and gross losses of \$51.9 million for the same period in 2023. There were no impairment charges related to credit losses included in gross realized losses for the nine months ended September 30, 2024 and 2023.

Available for sale securities with a carrying value of \$6.5 billion and \$6.6 billion at September 30, 2024 and December 31, 2023, respectively, were pledged to secure public and trust funds on deposit and for other purposes.

There were no securities held for trading or held-to-maturity at September 30, 2024 or December 31, 2023.

The amortized cost and estimated fair value of available-for-sale securities at September 30, 2024 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)	Amortized Cost	Estimated Fair Value
Maturing in one year or less	\$ —	\$ —
Maturing after one year through five years	114,009	111,743
Maturing after five years through ten years	531,064	508,913
Maturing after ten years	233,082	186,976
Mortgage-backed securities	7,681,370	7,034,053
Total available for sale securities	<u>\$ 8,559,525</u>	<u>\$ 7,841,685</u>

At September 30, 2024 and December 31, 2023, approximately 77.0% and 82.5% of securities were in an unrealized loss position, respectively. At September 30, 2024, there were 874 securities in a loss position for more than twelve months, and 16 securities in a loss position for less than twelve months. At December 31, 2023, there were 827 securities in a loss position for more than twelve months, and 91 securities in a loss position for less than twelve months. A summary of available for sale investments with continuous unrealized loss positions for which an allowance for credit losses has not been recorded is as follows:

(In thousands)	Less Than 12 Months		12 Months or Longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>September 30, 2024</b>				
U.S. government agency securities	\$ 25,207	\$ 57	\$ 213,826	\$ 32,683
MBS	178,188	360	5,396,536	663,948
Obligations of states and political subdivisions	309	1	127,036	30,452
Corporate debt securities	7,632	2,369	36,774	3,976
Foreign debt securities	—	—	53,264	1,737
Total	<u>\$ 211,336</u>	<u>\$ 2,787</u>	<u>\$ 5,827,436</u>	<u>\$ 732,796</u>

(In thousands)	Less Than 12 Months		12 Months or Longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>December 31, 2023</b>				
U.S. government agency securities	\$ 103,099	\$ 563	\$ 187,683	\$ 38,535
MBS	730,925	9,644	5,347,365	850,940
Obligations of states and political subdivisions	—	—	127,291	34,641
Corporate debt securities	—	—	46,197	6,744
Foreign debt securities	69,288	1	51,507	3,493
Total	<u>\$ 903,312</u>	<u>\$ 10,208</u>	<u>\$ 5,760,043</u>	<u>\$ 934,353</u>

Management evaluates available for sale securities in unrealized loss positions to determine whether the impairment is due to credit-related factors or noncredit-related factors. Credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. Management believes that the unrealized losses detailed in the previous tables are due to noncredit-related factors, such as changes in interest rates and other market conditions. Therefore, no allowance for credit losses was recorded related to these securities at September 30, 2024 or December 31, 2023. Additionally, as of September 30, 2024 management had no intent to sell these securities until the full recovery of unrealized losses, which

may not be until maturity, and it is more likely than not that the Company would not be required to sell the securities prior to recovery of costs. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline.

Reported in other assets in the accompanying consolidated balance sheets, equity investments with readily determinable fair values not held for trading are recorded at fair value, with changes in fair value reported in net income. Additionally, the Company reports equity investments without readily determinable fair values in other assets in the accompanying consolidated balance sheets. These investments include an investment in the common stock of the FHLB of Dallas. The Company is required to own stock in the FHLB of Dallas for membership in the FHLB system and in relation to the level of FHLB advances. The Company accounts for this investment as a long-term asset and carries it at cost. During the periods ended September 30, 2024 and December 31, 2023 there were no downward or upward adjustments to these investments for impairments or price changes from observable transactions.

(In thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
<b>September 30, 2024</b>				
Equity securities held at cost:				
Equity securities	\$ 20,582	\$ —	\$ —	\$ 20,582
Federal Home Loan Bank stock	10,273	—	—	10,273
Total equity securities, held at cost	<u>\$ 30,855</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 30,855</u>
Equity securities held at fair value:				
Farmer Mac stock	\$ 49	\$ 515	\$ —	\$ 564
Affordable Housing MBS Exchange Traded Fund	24,994	—	3,052	21,942
Total equity securities, held at fair value	<u>\$ 25,043</u>	<u>\$ 515</u>	<u>\$ 3,052</u>	<u>\$ 22,506</u>

(In thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
<b>December 31, 2023</b>				
Equity securities held at cost:				
Equity securities	\$ 20,582	\$ —	\$ —	\$ 20,582
Federal Home Loan Bank stock	13,113	—	—	13,113
Total equity securities, held at cost	<u>\$ 33,695</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 33,695</u>
Equity securities held at fair value:				
Farmer Mac stock	\$ 49	\$ 536	\$ —	\$ 585
Affordable Housing MBS Exchange Traded Fund	24,994	—	3,471	21,523
Total equity securities, held at fair value	<u>\$ 25,043</u>	<u>\$ 536</u>	<u>\$ 3,471</u>	<u>\$ 22,108</u>

## NOTE 4. LOANS AND LEASES

The following table is a summary of our loan and lease portfolio aggregated by segment and class at the periods indicated:

(In thousands)	September 30, 2024	December 31, 2023
<b>Commercial and industrial</b>		
Non-real estate	\$ 8,692,639	\$ 8,935,598
Owner occupied	4,557,723	4,349,060
Total commercial and industrial	13,250,362	13,284,658
<b>Commercial real estate</b>		
Construction, acquisition and development	3,931,821	3,910,962
Income producing	5,978,695	5,736,871
Total commercial real estate	9,910,516	9,647,833
<b>Consumer</b>		
Residential mortgages	9,933,222	9,329,692
Other consumer	209,872	234,839
Total consumer	10,143,094	9,564,531
<b>Total loans and leases, net of unearned income<sup>(1)</sup></b>	<b>\$ 33,303,972</b>	<b>\$ 32,497,022</b>

(1) Total loans and leases are net of \$21.1 million and \$38.4 million of unearned income at September 30, 2024 and December 31, 2023, respectively.

The Company engages in lending to consumers, small and medium-sized business enterprises, and government entities through its community banking locations and to regional and national business enterprises through its corporate banking division. The bank acts as agent or participant in SNC and other financing arrangements with other financial institutions. Loans are issued generally to finance home purchases and improvements, personal expenditures, business investment and operations, construction and development, and income producing properties. Loans are underwritten to be repaid primarily by available cash flow from personal income, investment income, business operations, rental income, or the sale of developed or constructed properties. Collateral and personal guaranties of business owners are generally required as a condition of the financing arrangements and provide additional cash flow and proceeds from asset sales of guarantors in the event primary sources of repayment are no longer sufficient.

While loans are structured to provide protection to the Company if borrowers are unable to repay as agreed, the Company recognizes there are numerous risks that may result in deterioration of the repayment ability of borrowers and guarantors. These risks include failure of business operations due to economic, legal, market, logistical, weather, health, governmental and *force majeure* events. Concentrations in the Company's loan and lease portfolio also present credit risks. The impact of a slowing economy, inflation, higher interest rates, and labor and supply chain shortages, poses additional risk to borrowers and financial institutions. As a result of these factors, there is risk for businesses to experience difficulty in meeting repayment obligations, and the Company may experience losses or deterioration in performance in its loan portfolio. For information regarding nonaccrual policies, past-dues or delinquency status, and recognizing write-offs within ACL, refer to "Note 1 - Summary of Significant Accounting Policies" included in Part II., Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

The Company has identified the following segments and classes of loans and leases with similar risk characteristics for measuring expected credit losses:

### Commercial and Industrial

*Non-Real Estate* – Commercial and industrial loans are loans and leases to finance business operations, equipment and owner-occupied facilities for small and medium-sized enterprises, as well as larger corporate borrowers. These include both lines of credit and term loans which are amortized over the useful life of the assets financed. Personal and/or corporate guarantees are generally obtained where available and prudent. This category also includes loans to finance agricultural production. The Company recognizes risk from economic cycles, commodity prices, pandemics, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to fraud, theft or embezzlement, loss of sponsor support, health or loss of key personnel or competitive situations may adversely

affect the scheduled repayment of business loans. In addition, risks in the agricultural sector including crop failures due to weather, insects and other blights, commodity prices, governmental intervention, lawsuits, labor or logistical disruptions.

*Owner Occupied* – Owner occupied loans include loans secured by business facilities to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit and term loans which are amortized over the useful life of the assets financed. Personal guarantees, if applicable, are generally required for these loans. The Company recognizes that risk from economic cycles, pandemics, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel, or competitive situations may adversely affect the scheduled repayment of business loans.

## **Commercial Real Estate**

*Construction, Acquisition and Development* – CAD loans include both loans and credit lines for the purpose of purchasing, carrying, and developing land into residential subdivisions or various types of commercial developments, such as industrial, warehouse, retail, office, and multi-family. This category also includes loans and credit lines for construction of residential, multi-family and commercial buildings. The Company generally engages in CAD lending primarily in local markets served by its branches. The Company recognizes that risks are inherent in the financing of real estate development and construction. These risks include location, market conditions and price volatility, change in interest rates, demand for developed land, lots and buildings, desirability of features and styling of completed developments and buildings, competition from other developments and builders, traffic patterns, remote work patterns, governmental jurisdiction, tax structure, availability of utilities, roads, public transportation and schools, availability of permanent financing for homebuyers, zoning, environmental restrictions, lawsuits, economic and business cycle, labor, and reputation of the builder or developer.

Each CAD loan is underwritten to address: (i) the desirability of the project, its market viability and projected absorption period; (ii) the creditworthiness of the borrower and the guarantor as to liquidity, cash flow and assets available to ensure performance of the loan; (iii) equity contribution to the project; (iv) the developer's experience and success with similar projects; and (v) the value of the collateral.

A substantial portion of CAD loans are secured by real estate in markets in which the Company is located. The Company's loan policy generally prohibits loans for the sole purpose of carrying interest reserves. Certain of the construction, acquisition and development loans were structured with interest-only terms. A portion of the residential mortgage and CRE portfolios were originated through the permanent financing of construction, acquisition and development loans. Higher interest rates and the potential for slowing economic conditions could negatively impact borrowers' and guarantors' ability to repay their debt which would make more of the Company's loans collateral-dependent.

*Income Producing* – CRE loans include loans to finance income-producing commercial and multi-family properties. Lending in this category is generally limited to properties located in the Company's market area with only limited exposure to properties located elsewhere but owned by in-market borrowers. Loans in this category include loans for neighborhood retail centers, medical and professional offices, single retail stores, industrials and apartments leased generally to local businesses and residents. The underwriting of these loans takes into consideration the occupancy and rental rates as well as the financial health of the borrower. The Company's exposure to national retail tenants is limited. The Company recognizes that risk from economic cycles, pandemics, government restrictions, delayed or missed rent payments, supply-chain disruptions, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans.

## **Consumer**

*Residential Mortgages* – Residential mortgages are first or second-lien loans to consumers secured by a primary residence or second home. This category includes traditional mortgages, home equity loans and revolving lines of credit. The loans are generally secured by properties located within the local market area of the community bank which originates and services the loan. These loans are underwritten in accordance with the Company's general loan policies and procedures which require, among other things, proper documentation of each borrower's financial condition, satisfactory credit history, and property value. In addition to loans originated through the Company's branches, the Company originates and services residential mortgages sold in the secondary market which are underwritten and closed pursuant to investor and agency guidelines. At September 30, 2024 and December 31, 2023, residential mortgage loans in process of foreclosure totaled \$18.4 million and \$10.9 million, respectively. Additionally, the Company held \$4.8 million and \$4.4 million in foreclosed residential properties at September 30, 2024 and December 31, 2023, respectively.

*Other Consumer* – Other consumer lending includes consumer credit cards as well as personal revolving lines of credit and installment loans. The Company offers credit cards, primarily to its deposit and loan customers. Consumer installment loans include term loans secured by automobiles, boats and recreational vehicles.

The Company recognizes there are risks in consumer lending which include interruptions in the borrower’s personal and investment income due to loss of employment, market conditions, and general economic conditions, deterioration in the health and well-being of the borrower and family members, natural disasters, pandemics, lawsuits, losses, or inability to generate income due to injury, accidents, theft, vandalism, or incarceration.

### Credit Quality

The following tables provide details regarding the aging of the Company’s loan and lease portfolio, net of unearned income, at the periods indicated:

September 30, 2024							
(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Amortized Cost	90+ Days Past Due still Accruing
<b>Commercial and industrial</b>							
Non-real estate	\$ 14,076	\$ 22,036	\$ 94,327	\$ 130,439	\$ 8,562,200	\$ 8,692,639	\$ 6,219
Owner occupied	13,999	1,229	12,835	28,063	4,529,660	4,557,723	—
Total commercial and industrial	28,075	23,265	107,162	158,502	13,091,860	13,250,362	6,219
<b>Commercial real estate</b>							
Construction, acquisition and development	3,181	2,014	1,607	6,802	3,925,019	3,931,821	—
Income producing	2,587	—	14,805	17,392	5,961,303	5,978,695	—
Total commercial real estate	5,768	2,014	16,412	24,194	9,886,322	9,910,516	—
<b>Consumer</b>							
Residential mortgages	59,966	27,304	67,842	155,112	9,778,110	9,933,222	5,350
Other consumer	1,549	371	334	2,254	207,618	209,872	188
Total consumer	61,515	27,675	68,176	157,366	9,985,728	10,143,094	5,538
<b>Total</b>	<b>\$ 95,358</b>	<b>\$ 52,954</b>	<b>\$ 191,750</b>	<b>\$ 340,062</b>	<b>\$32,963,910</b>	<b>\$33,303,972</b>	<b>\$ 11,757</b>
December 31, 2023							
(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Amortized Cost	90+ Days Past Due still Accruing
<b>Commercial and industrial</b>							
Non-real estate	\$ 22,750	\$ 14,574	\$ 113,607	\$ 150,931	\$ 8,784,667	\$ 8,935,598	\$ 19,941
Owner occupied	4,818	1,193	5,882	11,893	4,337,167	4,349,060	—
Total commercial and industrial	27,568	15,767	119,489	162,824	13,121,834	13,284,658	19,941
<b>Commercial real estate</b>							
Construction, acquisition and development	1,394	1,191	1,878	4,463	3,906,499	3,910,962	18
Income producing	11,179	4,702	6,390	22,271	5,714,600	5,736,871	29
Total commercial real estate	12,573	5,893	8,268	26,734	9,621,099	9,647,833	47
<b>Consumer</b>							
Residential mortgages	48,244	23,934	45,520	117,698	9,211,994	9,329,692	2,265
Other consumer	1,569	511	340	2,420	232,419	234,839	213
Total consumer	49,813	24,445	45,860	120,118	9,444,413	9,564,531	2,478
<b>Total</b>	<b>\$ 89,954</b>	<b>\$ 46,105</b>	<b>\$ 173,617</b>	<b>\$ 309,676</b>	<b>\$32,187,346</b>	<b>\$32,497,022</b>	<b>\$ 22,466</b>

The Company utilizes an internal loan classification system that is continually updated to grade loans according to certain credit quality indicators. These credit quality indicators include, but are not limited to, recent credit performance, delinquency, liquidity, cash flows, debt coverage ratios, collateral type and loan-to-value ratio. The Company's internal loan classification system is compatible with classifications used by regulatory agencies. Loans may be classified as follows:

**Pass:** Loans which are performing as agreed with few or no signs of weakness. These loans show sufficient cash flow, capital and collateral to repay the loan as agreed.

**Special Mention:** Loans where potential weaknesses have developed which could cause a more serious problem if not corrected.

**Substandard:** Loans where well-defined weaknesses exist that require corrective action to prevent further deterioration. Loans are further characterized by the possibility that the Company will sustain some loss if the deficiencies are not corrected.

**Doubtful:** Loans having all the characteristics of Substandard and which have deteriorated to a point where collection and liquidation in full is highly questionable.

**Loss:** Loans that are considered uncollectible or with limited possible recovery.

**Impaired:** An internal grade for individually analyzed collateral-dependent loans for which a specific provision has been considered to address the unsupported exposure.

**PCD (Loss):** An internal grade for loans with evidence of deterioration of credit quality since origination that are acquired, and for which it is probable, at acquisition, that the bank will be unable to collect all contractually required payments.

The following tables provide details of the Company's loan and lease portfolio, net of unearned income, by segment, class and internally assigned grade at the periods indicated:

(In thousands)	September 30, 2024						
	Pass	Special Mention	Substandard <sup>(1)</sup>	Doubtful	Impaired <sup>(1)</sup>	PCD (Loss)	Total
<b>Commercial and industrial</b>							
Non-real estate	\$ 8,190,551	\$ 171,866	\$ 258,496	\$ 13,325	\$ 54,795	\$ 3,606	\$ 8,692,639
Owner occupied	4,506,806	1,530	39,101	—	9,187	1,099	4,557,723
Total commercial and industrial	12,697,357	173,396	297,597	13,325	63,982	4,705	13,250,362
<b>Commercial real estate</b>							
Construction, acquisition and development	3,918,273	—	13,548	—	—	—	3,931,821
Income producing	5,767,252	8,611	180,414	—	22,418	—	5,978,695
Total commercial real estate	9,685,525	8,611	193,962	—	22,418	—	9,910,516
<b>Consumer</b>							
Residential mortgages	9,831,527	795	91,863	—	7,579	1,458	9,933,222
Other consumer	209,460	—	412	—	—	—	209,872
Total consumer	10,040,987	795	92,275	—	7,579	1,458	10,143,094
<b>Total</b>	<b>\$ 32,423,869</b>	<b>\$ 182,802</b>	<b>\$ 583,834</b>	<b>\$ 13,325</b>	<b>\$ 93,979</b>	<b>\$ 6,163</b>	<b>\$ 33,303,972</b>

(1) In the loan classifications above, \$93.6 million of the substandard balance and \$12.8 million of the impaired balance is covered by government guarantees from the SBA, FHA, VA and USDA.



December 31, 2023

(In thousands)	Pass	Special Mention	Substandard <sup>(1)</sup>	Loss	Impaired <sup>(1)</sup>	PCD (Loss)	Total
<b>Commercial and industrial</b>							
Non-real estate	\$ 8,450,809	\$ 101,607	\$ 294,895	\$ 13	\$ 84,457	\$ 3,817	\$ 8,935,598
Owner occupied	4,287,190	32,409	27,070	—	1,275	1,116	4,349,060
Total commercial and industrial	12,737,999	134,016	321,965	13	85,732	4,933	13,284,658
<b>Commercial real estate</b>							
Construction, acquisition and development	3,894,551	3,364	13,047	—	—	—	3,910,962
Income producing	5,527,388	23,727	170,217	—	15,539	—	5,736,871
Total commercial real estate	9,421,939	27,091	183,264	—	15,539	—	9,647,833
<b>Consumer</b>							
Residential mortgages	9,258,002	4,066	66,050	—	—	1,574	9,329,692
Other consumer	234,367	—	472	—	—	—	234,839
Total consumer	9,492,369	4,066	66,522	—	—	1,574	9,564,531
<b>Total</b>	<b>\$ 31,652,307</b>	<b>\$ 165,173</b>	<b>\$ 571,751</b>	<b>\$ 13</b>	<b>\$ 101,271</b>	<b>\$ 6,507</b>	<b>\$ 32,497,022</b>

(1) In the loan classifications above, \$61.1 million of the substandard balance and \$8.4 million of the impaired balance is covered by government guarantees from the SBA, FHA, VA and USDA.

The following tables provide credit quality indicators, including gross charge-offs, by class and period of origination (vintage) at September 30, 2024:

Commercial and Industrial - Non-Real Estate									
Period Originated:									
(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 1,033,199	\$ 998,518	\$ 1,135,674	\$ 784,367	\$ 213,849	\$ 599,575	\$ 3,405,502	\$ 19,867	\$ 8,190,551
Special Mention	7,266	11,009	27,337	24,377	18,349	17,365	66,163	—	171,866
Substandard	6,216	42,922	69,543	51,766	7,696	18,195	58,772	3,386	258,496
Doubtful	—	—	—	8,940	—	—	—	4,385	13,325
Impaired	823	718	7,757	8,640	—	—	22,232	14,625	54,795
PCD (Loss)	—	—	—	—	—	3,606	—	—	3,606
Total	\$ 1,047,504	\$ 1,053,167	\$ 1,240,311	\$ 878,090	\$ 239,894	\$ 638,741	\$ 3,552,669	\$ 42,263	\$ 8,692,639
% Criticized	1.4%	5.2%	8.4%	10.7%	10.9%	6.1%	4.1%	53.0%	5.8%
Gross charge-offs	\$ 1,061	\$ 7,901	\$ 13,929	\$ 15,372	\$ 509	\$ 16,323	\$ 6,434	\$ 51	\$ 61,580

Commercial and Industrial - Owner Occupied									
Period Originated:									
(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 433,148	\$ 604,390	\$ 948,649	\$ 780,765	\$ 434,328	\$ 1,193,121	\$ 112,175	\$ 230	\$ 4,506,806
Special Mention	—	—	—	—	—	1,530	—	—	1,530
Substandard	1,759	2,087	8,359	4,488	1,540	20,004	864	—	39,101
Impaired	—	2,246	5,666	—	—	1,275	—	—	9,187
PCD (Loss)	—	—	—	—	—	1,099	—	—	1,099
Total	\$ 434,907	\$ 608,723	\$ 962,674	\$ 785,253	\$ 435,868	\$ 1,217,029	\$ 113,039	\$ 230	\$ 4,557,723
% Criticized	0.4%	0.7%	1.5%	0.6%	0.4%	2.0%	0.8%	—%	1.1%
Gross charge-offs	\$ —	\$ 1	\$ 263	\$ 4	\$ 41	\$ 67	\$ 1	\$ —	\$ 377

Construction, Acquisition, & Development

Period Originated:

(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 680,593	\$ 903,223	\$1,397,450	\$ 707,225	\$ 52,663	\$ 108,346	\$ 68,773	\$ —	\$3,918,273
Substandard	264	4,161	2,221	5,957	270	567	108	—	13,548
Total	\$ 680,857	\$ 907,384	\$1,399,671	\$ 713,182	\$ 52,933	\$ 108,913	\$ 68,881	\$ —	\$3,931,821
% Criticized	—%	0.5%	0.2%	0.8%	0.5%	0.5%	0.2%	—%	0.3%
Gross charge-offs	\$ —	\$ 19	\$ 81	\$ 537	\$ 35	\$ 2	\$ 85	\$ —	\$ 759

Commercial Real Estate - Income Producing

Period Originated:

(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 333,486	\$ 542,573	\$1,558,731	\$1,206,487	\$ 519,421	\$1,497,577	\$ 108,977	\$ —	\$5,767,252
Special Mention	—	—	2,939	1,324	—	—	4,348	—	8,611
Substandard	—	—	23,543	7,799	71,051	77,527	494	—	180,414
Impaired	—	—	4,992	1,211	—	16,215	—	—	22,418
Total	\$ 333,486	\$ 542,573	\$1,590,205	\$1,216,821	\$ 590,472	\$1,591,319	\$ 113,819	\$ —	\$5,978,695
% Criticized	—%	—%	2.0%	0.8%	12.0%	5.9%	4.3%	—%	3.5%
Gross charge-offs	\$ —	\$ —	\$ 3	\$ 21	\$ —	\$ 2,332	\$ —	\$ —	\$ 2,356

Consumer - Residential Mortgages

Period Originated:

(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 933,986	\$1,479,491	\$2,021,316	\$1,568,575	\$1,016,757	\$1,791,733	\$1,019,035	\$ 634	\$9,831,527
Special Mention	—	795	—	—	—	—	—	—	795
Substandard	511	6,699	14,309	19,374	10,118	36,941	3,911	—	91,863
Impaired	—	1,275	—	3,804	—	—	2,500	—	7,579
PCD (Loss)	—	—	—	—	—	1,458	—	—	1,458
Total	\$ 934,497	\$1,488,260	\$2,035,625	\$1,591,753	\$1,026,875	\$1,830,132	\$1,025,446	\$ 634	\$9,933,222
% Criticized	0.1%	0.6%	0.7%	1.5%	1.0%	2.1%	0.6%	—%	1.0%
Gross charge-offs	\$ 112	\$ 92	\$ 332	\$ 181	\$ 67	\$ 725	\$ 674	\$ —	\$ 2,183

Consumer - Other Consumer

Period Originated:

(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 36,620	\$ 35,252	\$ 14,081	\$ 7,693	\$ 4,031	\$ 2,714	\$ 109,069	\$ —	\$ 209,460
Substandard	—	99	20	—	—	11	282	—	412
Total	\$ 36,620	\$ 35,351	\$ 14,101	\$ 7,693	\$ 4,031	\$ 2,725	\$ 109,351	\$ —	\$ 209,872
% Criticized	—%	0.3%	0.1%	—%	—%	0.4%	0.3%	—%	0.2%
Gross charge-offs	\$ 2,324	\$ 278	\$ 256	\$ 145	\$ 12	\$ 47	\$ 2,125	\$ —	\$ 5,187

The following tables provide credit quality indicators, including gross charge-offs, by class and period of origination (vintage) at December 31, 2023.

Commercial and Industrial - Non-Real Estate									
Period Originated:									
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$1,211,573	\$1,425,415	\$1,069,614	\$ 279,689	\$ 228,086	\$ 610,891	\$3,583,696	\$ 41,845	\$ 8,450,809
Special Mention	—	10,155	30,042	11,599	2,220	16,096	31,495	—	101,607
Substandard	22,458	88,307	69,226	7,381	27,439	40,071	39,995	18	294,895
Loss	—	—	—	—	—	13	—	—	13
Impaired	635	14,187	22,057	—	—	20,475	5,904	21,199	84,457
PCD (Loss)	—	—	—	—	—	3,817	—	—	3,817
<b>Total</b>	<b>\$1,234,666</b>	<b>\$1,538,064</b>	<b>\$1,190,939</b>	<b>\$ 298,669</b>	<b>\$ 257,745</b>	<b>\$ 691,363</b>	<b>\$3,661,090</b>	<b>\$ 63,062</b>	<b>\$ 8,935,598</b>
% Criticized	1.9%	7.3%	10.2%	6.4%	11.5%	11.6%	2.1%	33.6%	5.4%
Gross charge-offs	\$ 6,064	\$ 539	\$ 21,038	\$ 6,103	\$ 980	\$ 9,746	\$ 27,931	\$ —	\$ 72,401

Commercial and Industrial - Owner Occupied									
Period Originated:									
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 535,962	\$ 974,614	\$ 844,507	\$ 472,226	\$ 309,595	\$1,041,764	\$ 108,522	\$ —	\$ 4,287,190
Special Mention	6,066	5,637	—	—	845	17,036	2,825	—	32,409
Substandard	747	1,893	3,584	2,647	5,431	12,686	82	—	27,070
Impaired	—	—	—	—	—	1,275	—	—	1,275
PCD (Loss)	—	—	—	—	1,116	—	—	—	1,116
<b>Total</b>	<b>\$ 542,775</b>	<b>\$ 982,144</b>	<b>\$ 848,091</b>	<b>\$ 474,873</b>	<b>\$ 316,987</b>	<b>\$1,072,761</b>	<b>\$ 111,429</b>	<b>\$ —</b>	<b>\$ 4,349,060</b>
% Criticized	1.3%	0.8%	0.4%	0.6%	2.3%	2.9%	2.6%	—%	1.4%
Gross charge-offs	\$ —	\$ 169	\$ 109	\$ 1	\$ 5	\$ 110	\$ —	\$ —	\$ 394

Construction, Acquisition & Development									
Period Originated:									
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 984,843	\$ 1,644,676	\$ 906,293	\$ 147,645	\$ 65,953	\$ 47,211	\$ 97,930	\$ —	\$ 3,894,551
Special Mention	824	1,552	—	—	988	—	—	—	3,364
Substandard	52	1,785	9,674	340	902	158	136	—	13,047
<b>Total</b>	<b>\$ 985,719</b>	<b>\$1,648,013</b>	<b>\$ 915,967</b>	<b>\$ 147,985</b>	<b>\$ 67,843</b>	<b>\$ 47,369</b>	<b>\$ 98,066</b>	<b>\$ —</b>	<b>\$ 3,910,962</b>
% Criticized	0.1%	0.2%	1.1%	0.2%	2.8%	0.3%	0.1%	—%	0.4%
Gross charge-offs	\$ —	\$ 28	\$ 600	\$ 2	\$ —	\$ 178	\$ —	\$ —	\$ 808

Commercial Real Estate - Income Producing									
Period Originated:									
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 490,336	\$1,358,612	\$1,235,035	\$ 574,173	\$ 518,213	\$1,260,960	\$ 90,059	\$ —	\$ 5,527,388
Special Mention	—	3,221	10,349	—	6,051	4,106	—	—	23,727
Substandard	—	24,989	6,400	35,063	34,158	69,607	—	—	170,217
Impaired	—	—	—	—	—	15,539	—	—	15,539
<b>Total</b>	<b>\$ 490,336</b>	<b>\$1,386,822</b>	<b>\$1,251,784</b>	<b>\$ 609,236</b>	<b>\$ 558,422</b>	<b>\$1,350,212</b>	<b>\$ 90,059</b>	<b>\$ —</b>	<b>\$ 5,736,871</b>
% Criticized	—%	2.0%	1.3%	5.8%	7.2%	6.6%	—%	—%	3.7%
Gross charge-offs	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 4,526	\$ —	\$ —	\$ 4,527

Consumer - Residential Mortgages

Consumer - Residential Mortgages									
Period Originated:									
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$1,486,784	\$2,011,519	\$1,686,270	\$1,099,734	\$ 544,597	\$1,462,355	\$ 965,626	\$ 1,117	\$ 9,258,002
Special Mention	—	—	4,066	—	—	—	—	—	4,066
Substandard	1,423	6,525	10,951	9,437	8,313	25,864	3,537	—	66,050
PCD (Loss)	—	—	—	—	—	1,574	—	—	1,574
<b>Total</b>	<b>\$1,488,207</b>	<b>\$2,018,044</b>	<b>\$1,701,287</b>	<b>\$1,109,171</b>	<b>\$ 552,910</b>	<b>\$1,489,793</b>	<b>\$ 969,163</b>	<b>\$ 1,117</b>	<b>\$ 9,329,692</b>
% Criticized	0.1%	0.3%	0.9%	0.9%	1.5%	1.8%	0.4%	—%	0.8%
Gross charge-offs	\$ 8	\$ 380	\$ 483	\$ 168	\$ 83	\$ 591	\$ 551	\$ —	\$ 2,264

Consumer - Other Consumer

Consumer - Other Consumer									
Period Originated:									
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	\$ 57,877	\$ 25,060	\$ 14,080	\$ 8,026	\$ 3,667	\$ 2,050	\$ 123,607	\$ —	\$ 234,367
Substandard	—	67	9	—	38	—	358	—	472
<b>Total</b>	<b>\$ 57,877</b>	<b>\$ 25,127</b>	<b>\$ 14,089</b>	<b>\$ 8,026</b>	<b>\$ 3,705</b>	<b>\$ 2,050</b>	<b>\$ 123,965</b>	<b>\$ —</b>	<b>\$ 234,839</b>
% Criticized	—%	0.3%	0.1%	—%	1.0%	—%	0.3%	—%	0.2%
Gross charge-offs	\$ 2,780	\$ 584	\$ 277	\$ 210	\$ 89	\$ 58	\$ 2,680	\$ —	\$ 6,678

The Company's collateral-dependent loans totaled \$113.5 million and \$107.8 million at September 30, 2024 and December 31, 2023, respectively. Typically these loans are internally classified as impaired and PCD Loss. At September 30, 2024, \$13.3 million of the total were rated as doubtful. At December 31, 2023, none of these loans were classified as doubtful. At September 30, 2024, most of these loans are within the non-real estate and income producing classes. Additionally, there were a smaller amount of these loans in the owner occupied and residential mortgages classes. C&I loans are typically supported by collateral such as real estate, receivables, equipment, inventory, or by an enterprise valuation. Loans within the CRE and Consumer segments are generally secured by commercial and residential real estate.

Loans of \$1.0 million or greater are considered for specific provision when management has determined based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the note and that the loan is collateral-dependent. At September 30, 2024 and December 31, 2023, \$90.2 million and \$85.3 million, respectively, of collateral-dependent loans had a valuation allowance of \$27.7 million and \$41.7 million, respectively. The remaining balance of collateral-dependent loans of \$23.3 million and \$22.5 million at September 30, 2024 and December 31, 2023, respectively, have sufficient collateral supporting the collection of all contractual principal and interest or were charged down to the underlying collateral's fair value, less estimated selling costs. Therefore, such loans did not have an associated valuation allowance.

NPLs consist of nonaccrual loans and leases. At September 30, 2024 and December 31, 2023, NPLs totaled \$273.0 million and \$216.1 million, respectively. Within the NPL balance, \$81.6 million of the September 30, 2024 balance and \$49.6 million of the December 31, 2023 balance is covered by government guarantees from the SBA, FHA, VA or USDA.

The Company's policy for all loan classifications provides that loans and leases are generally placed in nonaccrual status if, in management's opinion, payment in full of principal or interest is not expected, unless such loan or lease is both well-secured and in the process of collection.

The following table presents the amortized cost basis of loans on nonaccrual status by segment and class at the periods indicated:

(In thousands)	September 30, 2024		December 31, 2023	
	Nonaccrual Loans	Nonaccrual Loans with No Related Allowance	Nonaccrual Loans	Nonaccrual Loans with No Related Allowance
<b>Commercial and industrial</b>				
Non-real estate	\$ 148,267	\$ 4,058	\$ 131,559	\$ 11,267
Owner occupied	15,127	4,752	7,097	1,275
Total commercial and industrial	163,394	8,810	138,656	12,542
<b>Commercial real estate</b>				
Construction, acquisition and development	2,034	—	1,859	—
Income producing	25,112	6,551	17,485	4,416
Total commercial real estate	27,146	6,551	19,344	4,416
<b>Consumer</b>				
Residential mortgages	82,191	3,804	57,881	—
Other consumer	223	—	260	—
Total consumer	82,414	3,804	58,141	—
<b>Total</b>	<b>\$ 272,954</b>	<b>\$ 19,165</b>	<b>\$ 216,141</b>	<b>\$ 16,958</b>

The following table presents the interest income recognized on loans on nonaccrual status by segment and class for the periods indicated:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Commercial and industrial</b>				
Non-real estate	\$ 765	\$ 260	\$ 1,945	\$ 541
Owner occupied	67	38	204	157
Total commercial and industrial	832	298	2,149	698
<b>Commercial real estate</b>				
Construction, acquisition and development	17	7	63	32
Income producing	258	574	323	739
Total commercial real estate	275	581	386	771
<b>Consumer</b>				
Residential mortgages	525	558	1,466	1,441
Other consumer	1	1	2	3
Total consumer	526	559	1,468	1,444
<b>Total</b>	<b>\$ 1,633</b>	<b>\$ 1,438</b>	<b>\$ 4,003</b>	<b>\$ 2,913</b>

In the normal course of business, management may grant concessions, which would not otherwise be considered, to borrowers that are experiencing financial difficulty. Loans identified as meeting the criteria under ASC 310 are identified as financial difficulty modifications (FDM). Any modification, renewal or forbearance on loans assigned a rating of “Special Mention” or worse, and loans of any rating which show evidence of financial difficulty is reviewed to determine whether the borrower is experiencing financial difficulty and if so, which terms of the loan were modified. If the borrower is experiencing financial difficulty and the loan is modified via forgiveness of principal, reduction in interest rate to a rate below current market rates for issuance, payment extension or deferral for greater than six months (including extensions granted in the past 12 months), term or maturity date extension, or combination of these specific modification terms, the modification requires disclosure.

Under the general loan modification guidance, a modification is treated as a new loan only if both of the following conditions are met: 1) the terms of the new loan are at least as favorable to the lender as the terms for comparable loans to other customers with similar collection risks, and 2) modifications to the terms of the original loan are more than minor. If either condition is not met, the modification is accounted for as the continuation of the old loan with any effect of the modification treated as a prospective adjustment to the loan's effective interest rate. Modifications in scope for borrowers experiencing financial difficulty may include principal forgiveness, other-than-insignificant payment delay, interest rate reduction, or a combination of modifications. During the nine months ended September 30, 2024, the most common concessions related to term extensions and interest rate reductions. Other concessions included principal forgiveness and payment deferrals. At September 30, 2024, the Company has an outstanding unfunded commitment balance of \$6.3 million to lend to four borrowers experiencing financial difficulty.

Upon determination by the Company that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is charged off. The amortized cost basis of the loan is reduced by the uncollectible amount and the ACL is adjusted by this amount.

The following tables presents loans that were modified within the past nine months for borrowers experiencing financial difficulty by segment and class, as well as the percentage of these modified loans compared to overall loans in each segment and class, for the three and nine months ended September 30, 2024 and September 30, 2023:

Three Months Ended September 30, 2024						
(Dollars in thousands)	Payment Deferral	Combination Payment Deferral and Term Extension	Term Extension	Interest Rate Reduction	Combination Term Extension and Interest Rate Reduction	Percent of Total Loan Class
<b>Commercial and industrial</b>						
Non-real estate	\$ 450	\$ —	\$ 32,860	\$ 15,043	\$ 6,044	0.63 %
Total commercial and industrial	450	—	32,860	15,043	6,044	0.41 %
<b>Commercial real estate</b>						
Income producing	—	30,654	36,288	—	—	1.12 %
Total commercial real estate	—	30,654	36,288	—	—	0.68 %
<b>Consumer</b>						
Residential mortgages	—	—	—	—	25	— %
Total consumer	—	—	—	—	25	— %
Total loans and leases, net of unearned income	<u>\$ 450</u>	<u>\$ 30,654</u>	<u>\$ 69,148</u>	<u>\$ 15,043</u>	<u>\$ 6,069</u>	<u>0.36 %</u>

Three Months Ended September 30, 2023

(Dollars in thousands)	Payment Deferral	Term Extension	Combination Term Extension and Interest Rate Reduction	Percent of Total Loan Class
<b>Commercial and industrial</b>				
Non-real estate	\$ 19,260	\$ 12,861	\$ 5,726	0.41 %
Owner occupied	145	—	—	— %
Total commercial and industrial	19,405	12,861	5,726	0.28 %
<b>Commercial real estate</b>				
Income producing	—	328	—	0.01 %
Total commercial real estate	—	328	—	— %
<b>Consumer</b>				
Other consumer	—	15	—	— %
Total consumer	—	15	—	— %
<b>Total loans and leases, net of unearned income</b>	<b>\$ 19,405</b>	<b>\$ 13,204</b>	<b>\$ 5,726</b>	<b>0.12 %</b>

Nine Months Ended September 30, 2024

(Dollars in thousands)	Principal Forgiveness	Payment Deferral	Combination Payment Deferral and Term Extension	Term Extension	Interest Rate Reduction	Combination Interest Rate Reduction and Payment Deferral	Combination Term Extension and Interest Rate Reduction	Combination Term Extension, Payment Deferral and Interest Rate Reduction	Percent of Total Loan Class
<b>Commercial and industrial</b>									
Non-real estate	\$ 13,163	\$ 450	\$ 6,686	\$ 56,932	\$ 15,043	\$ 115	\$ 13,878	\$ —	1.22 %
Owner occupied	—	—	—	1,582	—	—	1,370	—	0.06 %
Total commercial and industrial	13,163	450	6,686	58,514	15,043	115	15,248	—	0.82 %
<b>Commercial real estate</b>									
Income producing	—	—	30,654	45,512	—	—	—	12,786	1.49 %
Total commercial real estate	—	—	30,654	45,512	—	—	—	12,786	0.90 %
<b>Consumer</b>									
Residential mortgages	—	—	—	208	179	100	636	—	0.01 %
Other consumer	—	—	20	—	—	—	—	—	0.01 %
Total consumer	—	—	20	208	179	100	636	—	0.01 %
<b>Total loans and leases, net of unearned income</b>	<b>\$ 13,163</b>	<b>\$ 450</b>	<b>\$ 37,360</b>	<b>\$ 104,234</b>	<b>\$ 15,222</b>	<b>\$ 215</b>	<b>\$ 15,884</b>	<b>\$ 12,786</b>	<b>0.60 %</b>

Nine Months Ended September 30, 2023

(Dollars in thousands)	Payment Deferral	Term Extension	Interest Rate Reduction	Combination Interest Rate Reduction and Payment Deferral	Combination Term Extension and Interest Rate Reduction	Percent of Total Loan Class
<b>Commercial and industrial</b>						
Non-real estate	\$ 45,203	\$ 75,796	\$ —	\$ —	\$ 5,733	1.38 %
Owner occupied	145	42	—	—	—	— %
Total commercial and industrial	45,348	75,838	—	—	5,733	0.94 %
<b>Commercial real estate</b>						
Income producing	1,993	28,009	—	—	775	0.54 %
Total commercial real estate	1,993	28,009	—	—	775	0.32 %
<b>Consumer</b>						
Residential mortgages	—	77	96	38	334	0.01 %
Other consumer	—	15	—	—	—	0.01 %
Total consumer	—	92	96	38	334	0.01 %
Total loans and leases, net of unearned income	\$ 47,341	\$ 103,939	\$ 96	\$ 38	\$ 6,842	0.49 %

The following table presents the financial effect of the loan modifications presented above for borrowers experiencing financial difficulty for the following period:

	Three Months Ended September 30, 2024		Three Months Ended September 30, 2023	
	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in years)	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in years)
<b>Commercial and industrial</b>				
Non-real estate	1.12 %	1.32	0.50 %	0.75
<b>Commercial real estate</b>				
Income producing	—	1.73	—	5.84
<b>Consumer</b>				
Residential mortgages	2.00	5.00	—	—
Other consumer	—	—	—	1.58

	Nine Months Ended September 30, 2024			Nine Months Ended September 30, 2023	
(In thousands)	Principal Forgiveness	Weighted- Average Interest Rate Reduction	Weighted- Average Term Extension (in years)	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (in years)
<b>Commercial and industrial</b>					
Non-real estate	\$ 5,835	1.14 %	1.24	0.50 %	0.78
Owner occupied	—	3.91	14.11	—	5.04
<b>Commercial real estate</b>					
Income producing	—	0.54	1.72	0.30	1.13
<b>Consumer</b>					
Residential mortgages	—	3.01	8.40	0.34	12.95
Other consumer	—	3.69	2.18	3.25	1.58



The following table provides the amortized cost basis of loans that experienced a payment default during the period and were modified in the 12 months before default to borrowers experiencing financial difficulty:

(In thousands)	Nine Months Ended September 30, 2024		
	Term Extension	Combination Term Extension and Interest Rate Reduction	Combination Term Extension and Payment Deferral
<b>Commercial and industrial</b>			
Non-real estate	\$ —	\$ 1,838	\$ —
<b>Commercial real estate</b>			
Income producing	9,223	—	—
<b>Consumer</b>			
Residential mortgages	—	611	41
<b>Total modified</b>	<b>\$ 9,223</b>	<b>\$ 2,449</b>	<b>\$ 41</b>

During the three months ended September 30, 2024, C&I non-real estate and residential mortgage loans of \$1.8 million and \$0.6 million, respectively, defaulted that were previously modified in the prior 12 months by receiving a combination term extension and interest rate reduction.

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. Loans are considered to be in payment default at 90 or more days past due. The following table depicts the performance of loans that have been modified in the last 12 months:

(In thousands)	Payment Status (Amortized Cost Basis) at September 30, 2024		
	Current	30-89 Days Past Due	90+ Days Past Due
<b>Commercial and industrial</b>			
Non-real estate	\$ 93,662	\$ 16,093	\$ 1,345
Owner occupied	2,952	—	—
<b>Commercial real estate</b>			
Income producing	88,952	—	—
<b>Consumer</b>			
Residential mortgages	801	41	611
Other consumer	20	—	—
<b>Total</b>	<b>\$ 186,387</b>	<b>\$ 16,134</b>	<b>\$ 1,956</b>

## NOTE 5. ALLOWANCE FOR CREDIT LOSSES

The following table summarizes the changes in the ACL for the periods indicated:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 470,022	\$ 466,013	\$ 468,034	\$ 440,347
Charge-offs	(24,523)	(37,498)	(72,442)	(60,168)
Recoveries	2,360	3,344	8,267	11,425
Adoption of new ASU related to modified loans <sup>(1)</sup>	—	—	—	255
Provision for loan losses	13,000	15,000	57,000	55,000
Balance at end of period	<u>\$ 460,859</u>	<u>\$ 446,859</u>	<u>\$ 460,859</u>	<u>\$ 446,859</u>

- (1) Cadence adopted the new accounting guidance effective January 1, 2023, which eliminates the TDR recognition and measurement guidance via the modified retrospective transition method (ASU 2022-02). See Note 4 for additional information.

The following tables summarize the changes in the ACL by segment and class for the periods indicated:

(In thousands)	Three Months Ended September 30, 2024				
	Beginning Balance	Charge-offs	Recoveries	Provision (Release)	Ending Balance
<b>Commercial and industrial</b>					
Non-real estate	\$ 198,796	\$ (21,544)	\$ 1,382	\$ 10,894	\$ 189,528
Owner occupied	34,225	(76)	265	(1,926)	32,488
Total commercial and industrial	233,021	(21,620)	1,647	8,968	222,016
<b>Commercial real estate</b>					
Construction, acquisition and development	34,644	(222)	36	2,107	36,565
Income producing	63,279	—	29	(1,146)	62,162
Total commercial real estate	97,923	(222)	65	961	98,727
<b>Consumer</b>					
Residential mortgages	133,093	(880)	288	1,361	133,862
Other consumer	5,985	(1,801)	360	1,710	6,254
Total consumer	139,078	(2,681)	648	3,071	140,116
<b>Total</b>	<u>\$ 470,022</u>	<u>\$ (24,523)</u>	<u>\$ 2,360</u>	<u>\$ 13,000</u>	<u>\$ 460,859</u>

Nine Months Ended September 30, 2024

(In thousands)	Beginning Balance	Charge-offs	Recoveries	Provision (Release)	Ending Balance
<b>Commercial and industrial</b>					
Non-real estate	\$ 194,577	\$ (61,580)	\$ 5,484	\$ 51,047	\$ 189,528
Owner occupied	31,445	(377)	418	1,002	32,488
Total commercial and industrial	226,022	(61,957)	5,902	52,049	222,016
<b>Commercial real estate</b>					
Construction, acquisition and development	42,118	(759)	218	(5,012)	36,565
Income producing	69,209	(2,356)	98	(4,789)	62,162
Total commercial real estate	111,327	(3,115)	316	(9,801)	98,727
<b>Consumer</b>					
Residential mortgages	124,851	(2,183)	850	10,344	133,862
Other consumer	5,834	(5,187)	1,199	4,408	6,254
Total consumer	130,685	(7,370)	2,049	14,752	140,116
<b>Total</b>	<b>\$ 468,034</b>	<b>\$ (72,442)</b>	<b>\$ 8,267</b>	<b>\$ 57,000</b>	<b>\$ 460,859</b>

Three Months Ended September 30, 2023

(In thousands)	Beginning Balance	Charge-offs	Recoveries	Provision (Release)	Ending Balance
<b>Commercial and industrial</b>					
Non-real estate	\$ 184,728	\$ (34,810)	\$ 2,061	\$ 5,870	\$ 157,849
Owner occupied	35,581	(149)	179	(1,239)	34,372
Total commercial and industrial	220,309	(34,959)	2,240	4,631	192,221
<b>Commercial real estate</b>					
Construction, acquisition and development	55,168	—	156	1,167	56,491
Income producing	65,354	(931)	45	(1,473)	62,995
Total commercial real estate	120,522	(931)	201	(306)	119,486
<b>Consumer</b>					
Residential mortgages	119,045	(216)	492	10,128	129,449
Other consumer	6,137	(1,392)	411	547	5,703
Total consumer	125,182	(1,608)	903	10,675	135,152
<b>Total</b>	<b>\$ 466,013</b>	<b>\$ (37,498)</b>	<b>\$ 3,344</b>	<b>\$ 15,000</b>	<b>\$ 446,859</b>

Nine Months Ended September 30, 2023

(In thousands)	Beginning Balance	Charge-offs	Recoveries	Adoption of new ASU for modified loans	Provision (Release)	Ending Balance
<b>Commercial and industrial</b>						
Non-real estate	\$ 147,669	\$ (51,134)	\$ 5,640	\$ 256	\$ 55,418	\$ 157,849
Owner occupied	35,548	(277)	1,367	2	\$ (2,268)	34,372
Total commercial and industrial	183,217	(51,411)	7,007	258	53,150	192,221
<b>Commercial real estate</b>						
Construction, acquisition and development	68,902	(179)	561	—	\$ (12,793)	56,491
Income producing	74,727	(2,865)	1,036	(3)	\$ (9,900)	62,995
Total commercial real estate	143,629	(3,044)	1,597	(3)	(22,693)	119,486
<b>Consumer</b>						
Residential mortgages	106,142	(1,071)	1,511	—	\$ 22,867	129,449
Other consumer	7,359	(4,642)	1,310	—	\$ 1,676	5,703
Total consumer	113,501	(5,713)	2,821	—	24,543	135,152
<b>Total</b>	<b>\$ 440,347</b>	<b>\$ (60,168)</b>	<b>\$ 11,425</b>	<b>\$ 255</b>	<b>\$ 55,000</b>	<b>\$ 446,859</b>

The following table represents a roll forward of the reserve for unfunded commitments for the periods shown. The reserve for unfunded commitments is classified in other liabilities in the consolidated balance sheets.

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 8,551	\$ 13,551	\$ 8,551	\$ 28,551
(Reversal) provision for credit losses for unfunded commitments	(1,000)	2,000	(1,000)	(13,000)
Balance at end of period	<u>\$ 7,551</u>	<u>\$ 15,551</u>	<u>\$ 7,551</u>	<u>\$ 15,551</u>

The economic impact of inflation, higher interest rates, volatility in the financial markets, and the potential for a slowing economy poses additional risk to borrowers and financial institutions. These factors add to the risk borrowers may experience difficulty in meeting repayment obligations, and the Company may experience losses or deterioration in performance in its loan portfolio.

The ACL estimate is impacted by both portfolio changes and changes in economic conditions experienced during the period. The unemployment rate has the highest weighting within the Company's credit risk modeling framework. Economic forecasts, which are obtained from multiple sources, provide upside, downside, and base case scenarios over an eight-quarter forecast horizon to establish a forecast range. Management considers the scenarios and selects a blended scenario which, in management's opinion, reflects likely economic conditions within that range. The Company recognizes that inflation, higher interest rates and a slowing economy may have short-term, long-term, and regional impacts to the economy. In addition, qualitative factors such as changes in economic conditions, concentrations of risk, and changes in portfolio risk resulting from regulatory changes are considered in determining the adequacy of the level of the ACL. For information on how expected loss estimates are developed, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

#### NOTE 6. BORROWINGS

Borrowings with original maturities of one year or less are classified as short-term. The following tables present information relating to short-term debt for the periods presented:

(Dollars in thousands)	September 30, 2024				Maximum Outstanding at any Month End
	End of Period		Year to Date Daily Average		
	Balance	Interest Rate <sup>(1)</sup>	Balance	Interest Rate <sup>(1)</sup>	
Federal funds purchased	\$ —	—%	\$ 4,099	5.65%	\$ —
Securities sold under agreement to repurchase and other	16,964	4.50	102,259	4.78	267,792
Bank Term Funding Program	3,500,000	4.76	3,500,000	4.79	3,500,000
Short-term FHLB advances	—	—	4	5.74	—
<b>Total</b>	<b>\$ 3,516,964</b>		<b>\$ 3,606,362</b>		<b>\$ 3,767,792</b>

  

(Dollars in thousands)	December 31, 2023				Maximum Outstanding at any Month End
	End of Period		Year to Date Daily Average		
	Balance	Interest Rate	Balance	Interest Rate	
Federal funds purchased	\$ —	—%	\$ 29,361	4.91%	\$ 375,000
Securities sold under agreement to repurchase and other	451,516	4.29	770,777	4.04	862,589
Bank Term Funding Program	3,500,000	4.84	2,052,088	5.10	3,500,000
Short-term FHLB advances	—	—	1,389,759	4.91	5,700,228
<b>Total</b>	<b>\$ 3,951,516</b>		<b>\$ 4,241,985</b>		<b>\$ 10,437,817</b>

(1) Annualized

Federal funds purchased generally mature the day following the date of purchase. At September 30, 2024 and December 31, 2023, the Company had established non-binding federal funds borrowing lines of credit with other banks aggregating \$2.1 billion, for both periods. Additionally, the Company maintains access to the FRB discount window borrowings which generally mature within 90 days and are collateralized by \$2.0 billion in commercial, agriculture, and consumer loans pledged under a borrower-in-custody agreement as of September 30, 2024. At September 30, 2024 and December 31, 2023, there were no borrowings from the FRB discount window.

The BTFP was created by the Federal Reserve to support businesses and households by making additional funding available to eligible financial institutions to help assure they have the ability to meet the needs of their depositors. The BTFP offers loans of up to one year in length to banks and other qualifying institutions pledging any collateral eligible for purchase by the FRB. The collateral is valued at its par amount and consists primarily of MBS and U.S. government agency securities. Cadence's BTFP borrowing was comprised of one loan totaling \$3.5 billion at a rate of 4.76% at September 30, 2024 and matures on January 16, 2025. See Note 18 (Subsequent Events) for additional details on the partial paydown of the BTFP borrowing in October 2024.

All borrowings from the FHLB are collateralized by commercial, construction, and real estate loans pledged under a blanket floating lien security agreement with the FHLB of Dallas at September 30, 2024 and December 31, 2023. Under the terms of this agreement, the Company is required to maintain sufficient collateral to secure borrowings in an aggregate amount of the lesser of the book value (i.e., unpaid principal balance), after applicable FHLB discounts, of the Company's eligible commercial and residential loans pledged as collateral, or 35% of the Company's assets. Loans totaling \$24.0 billion and \$22.9 billion at September 30, 2024 and December 31, 2023, respectively, were pledged to the FHLB of Dallas. At September 30, 2024, the remaining borrowing availability totaled \$11.9 billion. At September 30, 2024, there were no call features on long-term FHLB borrowings. Short-term FHLB borrowings mature within one year following the date of the advance.

The FHLB of Dallas has also issued irrevocable letters of credit totaling \$297.5 million at September 30, 2024 on behalf of our customers. Of the total amount, \$250.0 million expires on October 8, 2024, \$26.7 million expires on December 17, 2025, and \$20.8 million expires on December 11, 2028.

Securities sold under repurchase agreements generally mature within one day from the date of sale. The Company monitors collateral levels on a continuous basis and may be required to provide additional collateral based on the fair value of the underlying securities. Collateral pledged pursuant to these repurchase agreements can include MBS issued or guaranteed by U.S. agencies, U.S. Treasury securities and U.S. government agency securities.

The following table presents the details of the long-term and subordinated debt the Company has outstanding:

(In thousands)	September 30, 2024	December 31, 2023
4.850% advances from FHLB Dallas, due August 2, 2027	\$ 723	\$ 771
4.125% fixed to floating rate, subordinated notes, due November 20, 2029, callable on November 20, 2024	215,184	283,159
7.250% subordinated notes, due June 28, 2029, callable on June 28, 2024	—	35,000
4.750% subordinated notes, due June 30, 2029, callable on June 30, 2024	—	79,352
6.250% subordinated notes, due June 28, 2029, callable on June 28, 2024	—	25,000
5.000% fixed to floating rate, subordinated notes, due June 30, 2030, callable on June 30, 2025	10,000	10,000
Purchase accounting adjustment, net of amortization	—	5,786
Debt issue costs	(84)	(608)
<b>Total long-term borrowings</b>	<b>\$ 225,823</b>	<b>\$ 438,460</b>

During 2024, the Company repurchased \$68.0 million of the Subordinated Notes due November 20, 2029 and \$0.5 million of our Subordinated Notes due June 30, 2029, resulting in a \$1.8 million gain on the extinguishment of debt. In addition, the Company called \$138.9 million in fixed-to-floating subordinated debt in June 2024, resulting in a gain on extinguishment of debt of \$4.7 million which was reported in other noninterest revenue in the consolidated statements of income.

#### NOTE 7. PENSION, OTHER POST RETIREMENT BENEFIT AND PROFIT SHARING PLANS

The components of net periodic benefit (credit) cost for the periods indicated were as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Service cost	\$ 1,907	\$ 2,616	\$ 5,721	\$ 7,848
Interest cost	2,941	2,850	8,823	8,550
Expected return on plan assets	(5,741)	(5,396)	(17,223)	(16,188)
Recognized prior service cost	3	3	9	9
Recognized net loss	733	895	2,199	2,685
Settlement loss	—	600	—	600
<b>Net periodic benefit (credit) cost<sup>(1)</sup></b>	<b>\$ (157)</b>	<b>\$ 1,568</b>	<b>\$ (471)</b>	<b>\$ 3,504</b>

<sup>(1)</sup> While service cost is included in salaries and employee benefits, the other components of net periodic pension (credit) costs are included in other noninterest expense in the unaudited consolidated statements of income for the three and nine months ended September 30, 2024 and 2023.

#### NOTE 8. MORTGAGE SERVICING RIGHTS

The MSR, which are recognized as a separate asset on the date the corresponding mortgage loan is sold on a servicing retained basis, is recorded at fair value as determined at each accounting period end. An estimate of the fair value of the Company's MSR is determined utilizing assumptions such as mortgage interest rates, discount rates, mortgage loan prepayment

speeds, market trends and industry demand. Data and assumptions used in the fair value calculation related to the MSR were as follows:

(Dollars in thousands)	September 30, 2024	December 31, 2023
Unpaid principal balance	\$ 7,927,028	\$ 7,702,592
Weighted-average prepayment speed (CPR)	9.2	8.1
Average discount rate (annual percentage)	9.8	10.3
Weighted-average coupon interest rate (percentage)	4.2	3.9
Weighted-average remaining maturity (months)	341.5	338.8
Weighted-average servicing fee (basis points)	28.7	28.6

Because the valuation is determined by using discounted cash flow models, the primary risk inherent in valuing the MSR is the impact of fluctuating interest rates on the estimated life of the servicing revenue stream. The use of different estimates or assumptions could produce different fair values. At September 30, 2024 and 2023, the Company had an economic hedge in place designed to cover 75.0% and 50.1% of the MSR interest rate risk, respectively. At December 31, 2023, the hedge covered 73.1% of the MSR interest rate risk (see Note 15 for additional information). The Company is susceptible to fluctuations in the fair value of its MSR in changing interest rate environments.

The following table summarizes activity relating to residential mortgage loans sold with servicing retained for the three and nine months ended September 30, 2024 and 2023:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Residential mortgage loans sold with servicing retained	\$ 296,894	\$ 283,391	\$ 787,180	\$ 528,052
Pretax gains resulting from above loan sales	3,962	3,246	11,936	8,681

The Company services a class of residential mortgages that are first lien loans secured by a primary residence or second home. The following table presents changes in the fair value of the MSR related to the activity in this class for the periods indicated:

(In thousands)	Nine Months Ended September 30,	
	2024	2023
Fair value, beginning of period	\$ 106,824	\$ 109,744
Originations of servicing assets	9,784	7,440
Changes in fair value:		
Due to change in valuation inputs or assumptions <sup>(1)</sup>	(2,524)	4,885
Other changes in fair value <sup>(2)</sup>	(9,193)	(5,803)
Fair value, end of period	\$ 104,891	\$ 116,266

(1) Primarily reflects changes in prepayment speeds and discount rate assumptions which are updated based on market interest rates.

(2) Primarily reflects changes due to realized cash flows.

All of the changes to the fair value of the MSR and the related economic hedge are recorded as part of mortgage banking revenue in the consolidated statements of income. As part of mortgage banking revenue, the Company recorded contractual servicing fees of \$5.4 million, and late and other ancillary fees of \$785 thousand and \$800 thousand for the three months ended September 30, 2024 and 2023, respectively. Additionally, the Company recorded contractual servicing fees of \$16.0 million and \$16.4 million, and late and other ancillary fees of \$2.3 million and \$2.2 million for the nine months ended September 30, 2024 and 2023, respectively.

## NOTE 9. FAIR VALUE DISCLOSURES

See Note 14 to the consolidated financial statements of the Annual Report on Form 10-K for the year ended December 31, 2023 for a description of valuation methodologies for assets and liabilities measured at fair value on a recurring and non-recurring basis.

### Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis:

(In thousands)	September 30, 2024			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Available for sale securities	\$ —	\$ 7,841,685	\$ —	\$ 7,841,685
Equity investments	22,506	—	—	22,506
Mortgage servicing rights	—	—	104,891	104,891
Derivative instruments	354	25,154	2,701	28,209
Loans held for sale	—	205,941	—	205,941
Investments in limited partnerships	—	—	115,648	115,648
SBA servicing rights	—	—	5,817	5,817
<b>Total</b>	<b>\$ 22,860</b>	<b>\$ 8,072,780</b>	<b>\$ 229,057</b>	<b>\$ 8,324,697</b>
<b>Liabilities:</b>				
Derivative instruments	\$ 1,022	\$ 36,250	\$ 20	\$ 37,292

  

(In thousands)	December 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Available for sale securities	\$ —	\$ 8,075,476	\$ —	\$ 8,075,476
Equity investments	22,108	—	—	22,108
Mortgage servicing rights	—	—	106,824	106,824
Derivative instruments	1,809	25,836	1,858	29,503
Loans held for sale	—	186,301	—	186,301
Investments in limited partnerships	—	—	94,998	94,998
SBA servicing rights	—	—	6,124	6,124
<b>Total</b>	<b>\$ 23,917</b>	<b>\$ 8,287,613</b>	<b>\$ 209,804</b>	<b>\$ 8,521,334</b>
<b>Liabilities:</b>				
Derivative instruments	\$ —	\$ 44,294	\$ 10	\$ 44,304



Level 3 financial instruments typically include unobservable components but may also include some observable components that may be validated to external sources. The table below includes a roll forward of the consolidated balance sheet amounts for the three and nine months ended September 30, 2024 and 2023, for changes in the fair value of financial instruments within Level 3 of the valuation hierarchy that are recorded on a recurring basis. The gains or (losses) in the following table (which are reported in Other noninterest income in the consolidated statements of income) may include changes to fair value due in part to observable factors that may be part of the valuation methodology.

(In thousands)	Three Months Ended September 30, 2024			
	Mortgage Servicing Rights	Investments in Limited Partnerships	SBA Servicing Rights	Mortgage Loan Held-For-Sale Interest Rate Lock Commitments (Assets and Liabilities)
Balance at June 30, 2024	\$ 113,595	\$ 109,539	\$ 5,930	\$ 2,389
Net (losses) gains	(12,065)	3,637	(425)	292
Additions	3,361	—	312	—
Contributions paid	—	6,228	—	—
Distributions received	—	(3,756)	—	—
Balance at September 30, 2024	\$ 104,891	\$ 115,648	\$ 5,817	\$ 2,681
Net unrealized (losses) gains included in net income for the quarter relating to assets and liabilities held at September 30, 2024	\$ (8,232)	\$ 3,637	\$ (425)	\$ 292

(In thousands)	Three Months Ended September 30, 2023			
	Mortgage Servicing Rights	Investments in Limited Partnerships	SBA Servicing Rights	Mortgage Loan Held-For-Sale Interest Rate Lock Commitments (Assets and Liabilities)
Balance at June 30, 2023	\$ 111,417	\$ 82,128	\$ 6,622	\$ 1,764
Net gains (losses)	784	2,961	(918)	(507)
Additions	4,065	—	266	—
Reclassifications	—	490	—	—
Contributions paid	—	5,723	—	—
Distributions received	—	(1,082)	—	—
Balance at September 30, 2023	\$ 116,266	\$ 90,220	\$ 5,970	\$ 1,257
Net unrealized gains (losses) included in net income for the quarter relating to assets and liabilities held at September 30, 2023	\$ 2,888	\$ 2,961	\$ (918)	\$ (507)

	Nine Months Ended September 30, 2024			
(In thousands)	Mortgage Servicing Rights	Investments in Limited Partnerships	SBA Servicing Rights	Mortgage Loan Held-For-Sale Interest Rate Lock Commitments (Assets and Liabilities)
Balance at December 31, 2023	\$ 106,824	\$ 94,998	\$ 6,124	\$ 1,848
Net (losses) gains	(11,717)	9,612	(1,216)	833
Additions	9,784	—	909	—
Contributions paid	—	21,465	—	—
Distributions received	—	(10,427)	—	—
Balance at September 30, 2024	<u>\$ 104,891</u>	<u>\$ 115,648</u>	<u>\$ 5,817</u>	<u>\$ 2,681</u>
Net unrealized (losses) gains included in net income for the period related to assets and liabilities held at September 30, 2024	<u>\$ (2,524)</u>	<u>\$ 9,612</u>	<u>\$ (1,216)</u>	<u>\$ 833</u>

	Nine Months Ended September 30, 2023			
(In thousands)	Mortgage Servicing Rights	Investments in Limited Partnerships	SBA Servicing Rights	Mortgage Loan Held-For-Sale Interest Rate Lock Commitments (Assets and Liabilities)
Balance at December 31, 2022	\$ 109,744	\$ 67,533	\$ 5,585	\$ 425
Net (losses) gains	(918)	6,282	(1,080)	832
Additions	7,440	—	1,465	—
Reclassifications	—	(1,120)	—	—
Contributions paid	—	20,573	—	—
Distributions received	—	(3,070)	—	—
Other	—	22	—	—
Balance at September 30, 2023	<u>\$ 116,266</u>	<u>\$ 90,220</u>	<u>\$ 5,970</u>	<u>\$ 1,257</u>
Net unrealized gains (losses) included in net income for the period related to assets and liabilities held at September 30, 2023	<u>\$ 4,885</u>	<u>\$ 6,282</u>	<u>\$ (1,080)</u>	<u>\$ 832</u>

### Fair Value Option

The Company elected to measure commercial real estate loans held for sale and commercial and industrial loans held for sale under the fair value option. Included in these loans are loans guaranteed by the SBA and loans related to syndications. The Company assumed the cost of these loans approximates their fair value.

The Company also elected to measure residential mortgage loans held for sale at fair value. The election allows for effective offset of the changes in fair values of the loans and the derivative instruments used to hedge them. Included in the residential mortgage loans held for sale portfolio are certain previously sold GNMA loans. Under ASC 860-10-40, certain GNMA loans will not meet sale criteria due to the conditional buyback option becoming unconditional once the delinquency criteria is met when they reach 90 or more days past due. The Company records these loans at fair value on the consolidated balance sheets with an offsetting liability. The Company assumed the cost approximates the fair value. At September 30, 2024 and December 31, 2023, the fair value of the GNMA loans totaled \$69.2 million and \$56.5 million, respectively.

The following table summarizes the difference between the aggregate fair value and the aggregate unpaid principal balance of loans held for sale:

(In thousands)	September 30, 2024			December 31, 2023		
	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal	Aggregate Fair Value	Aggregate Unpaid Principal	Aggregate Fair Value Less Aggregate Unpaid Principal
Residential mortgage loans	\$ 173,653	\$ 173,653	\$ —	\$ 157,631	\$ 156,175	\$ 1,456
Commercial and industrial loans	28,368	28,377	(9)	28,464	25,807	2,657
Commercial real estate loans	3,920	3,920	—	206	206	—
Total	\$ 205,941	\$ 205,950	\$ (9)	\$ 186,301	\$ 182,188	\$ 4,113

Net gains and losses resulting from changes in fair value for residential mortgage loans held for sale are recorded in mortgage banking revenue in the consolidated statements of income. For the three months ended September 30, 2024 and 2023, the Company had net losses of \$11.0 thousand and net gains of \$0.2 million, respectively. For the nine months ended September 30, 2024 and 2023, the Company had net gains totaling \$1.6 million and \$3.1 million, respectively.

Net gains and losses resulting from changes in fair value for commercial and industrial loans and commercial real estate loans held for sale are recorded in other noninterest revenue in the consolidated statements of income. For the three months ended September 30, 2024 and 2023, the Company had net gains from the sale of these loans totaling \$1.6 million and net losses of \$0.4 million, respectively. For the nine months ended September 30, 2024 and 2023, the Company had net gains from the sale of these loans totaling \$4.3 million and \$3.7 million, respectively.

#### Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

From time to time, the Company may be required to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of lower of cost or fair value accounting or write-downs of individual assets. The following tables present the balances of assets measured at fair value on a nonrecurring basis:

(In thousands)	September 30, 2024			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Impaired loans, collateral-dependent <sup>(1)</sup>	\$ —	\$ —	\$ 107,304	\$ 107,304
Purchased credit deteriorated (loss) loans	—	—	6,163	6,163
Other real estate and repossessed assets	—	—	5,354	5,354

(1) At September 30, 2024, impaired loans, collateral-dependent includes \$13.3 million which were classified as doubtful.

(In thousands)	December 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Impaired loans, collateral-dependent	\$ —	\$ —	\$ 101,271	\$ 101,271
Purchased credit deteriorated (loss) loans	—	—	6,507	6,507
Other real estate and repossessed assets	—	—	6,247	6,247

## Unobservable Inputs

The following table presents the significant unobservable inputs used in Level 3 fair value measurements for financial assets measured at fair value on a recurring and nonrecurring basis:

(In thousands)	Quantitative Information about Level 3 Fair Value Measurements				
	Carrying Value	Valuation Methods	Unobservable Inputs	Range	Weighted Average
September 30, 2024					
Measured at fair value on a recurring basis:					
Mortgage servicing rights <sup>(1)</sup>	\$ 104,891	Discounted cash flow	Discount rate	9.3% - 10.9%	9.8%
			Repayment speed (CPR)	6.4 - 20.1	9.1
			Coupon interest rate	3.1% - 7.9%	4.2%
			Remaining maturity (months)	119 - 480	341
			Servicing fee (bps)	19.0 bps-50.0 bps	28.7 bps
Investments in limited partnerships	115,648	Practical expedient	Net asset value	NM	NM
SBA servicing rights <sup>(1)</sup>	5,817	Coupon less contractual servicing cost	Contractual servicing cost (bps)	12.5 bps-40.0 bps	26.3 bps
Mortgage loan held-for-sale interest rate lock commitments (assets and liabilities)	2,681	Discounted cash flow	Closing ratio	10.0% - 100%	60.7%
Measured at fair value on a nonrecurring basis:					
Impaired loans, collateral-dependent <sup>(1)</sup>	\$ 107,304	Appraised value, as adjusted	Discount to fair value	0% - 48%	29.5%
Purchased credit deteriorated (loss) loans <sup>(1)</sup>	6,163	Appraised value, as adjusted	Discount to fair value	10% - 30%	24.7%
Other real estate and repossessed assets	5,354	Appraised value, as adjusted	Estimated closing costs	7.0%	7.0%

Quantitative Information about Level 3 Fair Value Measurements

(In thousands)	Carrying Value	Valuation Methods	Unobservable Inputs	Range	Weighted Average
December 31, 2023					
Measured at fair value on a recurring basis:					
Mortgage servicing rights <sup>(1)</sup>	\$ 106,824	Discounted cash flow	Discount rate	9.8% - 16.0%	10.3%
			Repayment speed (CPR)	6.4 - 100.0	8.1
			Coupon interest rate	2.8% - 6.8%	3.9%
			Remaining maturity (months)	119 - 480	338.8
			Servicing fee (bps)	19.0 bps-50.0 bps	28.6 bps
Investments in limited partnerships	94,998	Practical expedient	Net asset value	NM	NM
SBA servicing rights <sup>(1)</sup>	6,124	Coupon less contractual servicing cost	Contractual servicing cost (bps)	12.5 bps-40.0 bps	26.3 bps
Mortgage loan held-for-sale interest rate lock commitments (assets and liabilities)	1,848	Discounted cash flow	Closing ratio	10.0% - 100%	55.9%
Measured at fair value on a nonrecurring basis:					
Impaired loans, collateral-dependent <sup>(1)</sup>	\$ 101,271	Appraised value, as adjusted	Discount to fair value	0% - 90%	29.2%
Purchased credit deteriorated (loss) loans <sup>(1)</sup>	6,507	Appraised value, as adjusted	Discount to fair value	10% - 30%	24.6%
Other real estate and repossessed assets	6,247	Appraised value, as adjusted	Estimated closing costs	7.0%	7.0%

(1) Weighted averages were calculated using the input attributed and the outstanding balance of the loan.

Certain assets and liabilities subject to fair value disclosure requirements are not actively traded, requiring management to estimate the fair value. These estimations necessarily require judgement to be applied to the reasonableness and relevancy of comparable market prices, expected future cash flows, and appropriate discount rates.

The short-term nature of certain assets and liabilities result in their carrying value approximating fair value. They include cash and due from banks, interest bearing deposits with other banks and Federal funds sold, accrued interest receivable, non-time deposits, federal funds purchased, securities sold under agreement to repurchase, short-term BTFP borrowings and accrued interest payable.

The following tables present carrying and fair value information of financial instruments for the periods presented:

(In thousands)	September 30, 2024				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<b>Assets:</b>					
Cash and due from banks	\$ 504,827	\$ 504,827	\$ 504,827	\$ —	\$ —
Interest bearing deposits with other banks and Federal funds sold	3,483,299	3,483,299	3,483,299	—	—
Available for sale securities and equity securities with readily determinable fair values	7,864,191	7,864,191	22,506	7,841,685	—
Net loans and leases	32,843,113	31,936,339	—	—	31,936,339
Loans held for sale	205,941	205,941	—	205,941	—
Accrued interest receivable	209,070	209,070	—	32,481	176,589
Mortgage servicing rights	104,891	104,891	—	—	104,891
Investments in limited partnerships	115,648	115,648	—	—	115,648
Other assets	11,171	11,171	—	—	11,171
<b>Liabilities:</b>					
Deposits	\$38,844,360	\$38,832,309	\$ —	\$38,832,309	\$ —
Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings	16,964	16,964	16,964	—	—
Short-term BTFP borrowings	3,500,000	3,500,000	3,500,000	—	—
Accrued interest payable	241,521	241,521	118,220	123,301	—
Subordinated and long-term borrowings	225,823	215,406	—	215,406	—
<b>Derivative instruments:</b>					
Assets:					
Commercial loan interest rate contracts	\$ 24,543	\$ 24,543	\$ —	\$ 24,543	\$ —
Mortgage loan held-for-sale interest rate lock commitments	2,701	2,701	—	—	2,701
Futures, forwards and options	354	354	354	—	—
Mortgage loan forward sale commitments	257	257	—	257	—
Foreign exchange contracts	354	354	—	354	—
Liabilities:					
Commercial loan interest rate contracts	\$ 34,788	\$ 34,788	\$ —	\$ 34,788	\$ —
Mortgage loan held-for-sale interest rate lock commitments	20	20	—	—	20
Futures, forwards and options	1,022	1,022	1,022	—	—
Mortgage loan forward sale commitments	1,159	1,159	—	1,159	—
Foreign exchange contracts	303	303	—	303	—

(In thousands)	December 31, 2023				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<b>Assets:</b>					
Cash and due from banks	\$ 798,177	\$ 798,177	\$ 798,177	\$ —	\$ —
Interest bearing deposits with other banks and Federal funds sold	3,434,088	3,434,088	3,434,088	—	—
Available for sale securities and equity securities with readily determinable fair values	8,097,584	8,097,584	22,108	8,075,476	—
Net loans and leases	32,028,988	30,933,473	—	—	30,933,473
Loans held for sale	186,301	186,301	—	186,301	—
Accrued interest receivable	198,680	198,680	—	28,565	170,115
Mortgage servicing rights	106,824	106,824	—	—	106,824
Investments in limited partnerships	94,998	94,998	—	—	94,998
Other assets	12,371	12,371	—	—	12,371
<b>Liabilities:</b>					
Deposits	\$38,497,137	\$38,487,472	\$ —	\$38,487,472	\$ —
Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings	451,516	451,516	451,516	—	—
Short-term BTFP borrowings	3,500,000	3,500,000	3,500,000	—	—
Accrued interest payable	100,682	100,682	2,324	98,358	—
Subordinated and long-term borrowings	438,460	411,651	—	411,651	—
<b>Derivative instruments:</b>					
Assets:					
Commercial loan interest rate contracts	\$ 25,264	\$ 25,264	\$ —	\$ 25,264	\$ —
Mortgage loan held-for-sale interest rate lock commitments	1,858	1,858	—	—	1,858
Futures, forwards and options	1,809	1,809	1,809	—	—
Mortgage loan forward sale commitments	246	246	—	246	—
Foreign exchange contracts	326	326	—	326	—
Liabilities:					
Commercial loan interest rate contracts	\$ 41,459	\$ 41,459	\$ —	\$ 41,459	\$ —
Mortgage loan held-for-sale interest rate lock commitments	10	10	—	—	10
Mortgage loan forward sale commitments	2,567	2,567	—	2,567	—
Foreign exchange contracts	268	268	—	268	—

## NOTE 10. SHARE-BASED COMPENSATION

The Company's Long-Term Equity Incentive Plan ("Incentive Plan"), Cadence Bank Equity Incentive Plan for Non-Employee Directors, 2021 Long-Term Equity Incentive Plan and the Amended and Restated 2015 Omnibus Incentive Plan (the "2015 Plan" assumed from Legacy Cadence) permit the Company to grant to employees and directors various forms of share-based incentive compensation. PSUs entitle the recipient to receive shares of the Company's common stock upon the achievement of performance goals that are specified in the award over a performance period. The recipient of PSUs is not treated as a shareholder of the Company and is not entitled to vote or receive dividends until the performance conditions stated in the award are satisfied and the shares of stock are issued to the recipient. All PSUs vest over a three-year period and are valued at the fair value of the Company's stock at the grant date based upon the estimated number of shares expected to vest. In 2022, the Company incorporated a lattice model into the PSU valuation methodology to estimate the fair value of the portion of the award related to market conditions. RSUs entitle the recipient to receive the shares once they are vested but with no voting rights until the shares are received. RSUs generally vest over three- to five-year periods and are eligible to receive dividend

equivalents, which accrue and are paid upon vesting. RSAs entitle the recipient to vote the shares of stock but the recipient does not receive the shares until they are fully vested. RSA grants vest over five- to seven-year periods and are entitled to receive dividends.

For more information, see Note 15 to the consolidated financial statements to the Annual Report on Form 10-K for the year ended December 31, 2023.

### Performance Stock Units

The following table summarizes the Company's PSU activity for the periods indicated:

	Nine Months Ended September 30,			
	2024		2023	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period	1,967,631	\$ 26.17	1,485,603	\$ 28.54
Granted during the period	323,293	30.26	597,979	20.39
Vested during the period	(444,448)	28.76	(31,666)	31.14
Forfeited during the period	(103,826)	24.42	(35,174)	25.39
Nonvested at end of period	1,742,650	\$ 26.37	2,016,742	\$ 26.13

The Company recorded \$3.6 million and \$10.0 million of compensation expense from continuing operations related to the PSUs for the three and nine months ended September 30, 2024, respectively, compared to \$4.0 million and \$11.1 million for the three and nine months ended September 30, 2023, respectively. At September 30, 2024, there was \$13.8 million of unrecognized compensation cost related to PSUs that is expected to be recognized over a weighted average period of 1.80 years.

### Restricted Stock Units

The following table summarizes the Company's RSU activity for the periods indicated:

	Nine Months Ended September 30,			
	2024		2023	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period	3,055,824	\$ 25.19	2,435,802	\$ 28.53
Granted during the period	1,031,231	28.70	1,287,986	20.43
Vested during the period	(387,558)	27.43	(417,412)	28.40
Forfeited during the period	(225,737)	25.87	(135,473)	25.40
Nonvested at end of period	3,473,760	\$ 25.94	3,170,903	\$ 25.39

The Company recorded \$5.5 million and \$14.9 million of compensation expense from continuing operations related to the RSUs for the three and nine months ended September 30, 2024, respectively, compared to \$6.4 million and \$18.1 million for the three and nine months ended September 30, 2023, respectively. These amounts included \$250 thousand and \$783 thousand related to RSUs issued to the Company's directors during the three and nine months ended September 30, 2024, respectively, compared to \$290 thousand and \$895 thousand for the three and nine months ended September 30, 2023, respectively. At September 30, 2024, there was \$46.7 million of unrecognized compensation cost related to RSUs that is expected to be recognized over a weighted average period of 2.85 years.



## Restricted Stock Awards

The following table summarizes the Company's RSA activity for the periods indicated:

	Nine Months Ended September 30,			
	2024		2023	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested at beginning of period	526,868	\$ 28.14	1,055,307	\$ 29.47
Vested during the period	(247,336)	27.49	(416,462)	31.39
Forfeited during the period	(29,371)	28.86	(49,955)	28.44
Nonvested at end of period	250,161	\$ 28.70	588,890	\$ 28.19

The Company recorded \$332 thousand and \$663 thousand of compensation expense from continuing operations related to the RSAs for the three and nine months ended September 30, 2024, respectively, compared to \$238 thousand and \$2.0 million for the three and nine months ended September 30, 2023, respectively. At September 30, 2024, there was \$1.0 million of unrecognized compensation cost related to RSAs that is expected to be recognized over a weighted average period of 1.15 years.

The following table presents information regarding the vesting of the Company's nonvested share-based compensation grants outstanding at September 30, 2024:

Period Ending	Number of Shares		
	PSU	RSU	RSA
December 31, 2024	524,149	422,602	—
December 31, 2025	451,250	381,518	213,661
December 31, 2026	512,241	1,623,376	—
December 31, 2027	255,010	689,117	36,500
December 31, 2028 and later	—	357,147	—
Total nonvested shares	1,742,650	3,473,760	250,161

## Stock Options

Key employees and directors of the Company may be granted stock options. Compensation expense is measured using estimates of fair value of all share-based awards. No stock options were granted during the three and nine months ended September 30, 2024 or 2023. 206,829 stock options were exercised during the three and nine months ended September 30, 2024 with a weighted average exercise price of \$27.69. The Company recorded no compensation expense related to the stock options for the three and nine months ended September 30, 2024 and 2023. At September 30, 2024, there were 688,460 vested and unexpired options outstanding with a weighted average exercise price of \$27.40, which are set to expire in the first quarter of 2026.

## NOTE 11. EARNINGS PER SHARE AND DIVIDEND DATA

Basic and diluted EPS are calculated in accordance with ASC 260, *Earnings Per Share*. Basic EPS is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed using the weighted-average number of shares determined for the basic EPS computation plus the shares resulting from the assumed exercise of all outstanding share-based awards using the treasury stock method. There were no antidilutive equity awards excluded from dilutive shares for the three months ended September 30, 2024 and 1.1 million antidilutive equity awards excluded from dilutive shares for the three months ended September 30, 2023. There were 0.1 million and 1.1 million antidilutive equity awards excluded from dilutive shares for the nine months ended September 30, 2024 and 2023, respectively.

The following table provides a reconciliation of the numerators and denominators of the basic and diluted EPS computations for the periods indicated:

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Income from continuing operations	\$ 136,439	\$ 87,152	\$ 390,889	\$ 267,421
Income from discontinued operations, net of income taxes	—	5,431	—	15,819
Net income	136,439	92,583	390,889	283,240
Less: preferred dividends	2,372	2,372	7,116	7,116
Net income available to common shareholders	\$ 134,067	\$ 90,211	\$ 383,773	\$ 276,124
Net income from continuing operations available to common shareholders	\$ 134,067	\$ 84,780	\$ 383,773	\$ 260,305
Weighted average common shares outstanding	182,390	182,617	182,536	182,582
Dilutive effect of stock compensation	3,106	2,028	2,907	1,480
Weighted average diluted common shares	185,496	184,645	185,443	184,062
Basic earnings per common share from continuing operations	\$ 0.74	\$ 0.46	\$ 2.10	\$ 1.43
Basic earnings per common share from discontinued operations	—	0.03	—	0.09
Basic earnings per common share	0.74	0.49	2.10	1.51
Diluted earnings per common share from continuing operations	\$ 0.72	\$ 0.46	\$ 2.07	\$ 1.41
Diluted earnings per common share from discontinued operations	—	0.03	—	0.09
Diluted earnings per common share	0.72	0.49	2.07	1.50

Dividends to shareholders are subject to approval by the applicable state regulatory authority.

## NOTE 12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (“AOCI”)

Activity within the balances in accumulated other comprehensive income (loss) is shown in the following tables for the periods indicated:

(In thousands)	Unrealized loss on AFS securities	Pension and other postretirement benefits	Accumulated other comprehensive loss
Balance at June 30, 2024	\$ (738,506)	\$ (43,956)	\$ (782,462)
Net change	191,557	563	192,120
Balance at September 30, 2024	<u>\$ (546,949)</u>	<u>\$ (43,393)</u>	<u>\$ (590,342)</u>
Balance at June 30, 2023	\$ (1,114,381)	\$ (48,694)	\$ (1,163,075)
Net change	(147,989)	1,143	(146,846)
Balance at September 30, 2023	<u>\$ (1,262,370)</u>	<u>\$ (47,551)</u>	<u>\$ (1,309,921)</u>
Balance at December 31, 2023	\$ (716,749)	\$ (45,080)	\$ (761,829)
Net change	169,800	1,687	171,487
Balance at September 30, 2024	<u>\$ (546,949)</u>	<u>\$ (43,393)</u>	<u>\$ (590,342)</u>
Balance at December 31, 2022	\$ (1,172,472)	\$ (50,066)	\$ (1,222,538)
Net change	(89,898)	2,515	(87,383)
Balance at September 30, 2023	<u>\$ (1,262,370)</u>	<u>\$ (47,551)</u>	<u>\$ (1,309,921)</u>

## NOTE 13. CAPITAL AND REGULATORY MATTERS

The Company is subject to various regulatory capital requirements administered by the federal and state banking agencies. Regulatory capital ratios at September 30, 2024 and December 31, 2023 were calculated in accordance with the Basel III capital framework as well as the interagency final rule published on September 30, 2020 entitled “Revised Transition of the Current Expected Credit Losses Methodology for Allowances.” Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Company’s consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company’s assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company’s capital amounts and classification are also subject to qualitative judgments by regulators about components, risk weightings and other factors. Quantitative measures established by the FDIC to ensure capital adequacy require the Company to maintain minimum capital amounts and ratios.

Additionally, regulatory capital rules include a capital conservation buffer which the Company must maintain on top of its minimum risk-based capital requirements. This buffer applies to all three risk-based capital measurements (CET1, Tier 1 and total capital to risk-weighted assets). A financial institution with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments, stock repurchases, and certain discretionary bonus payments to executive officers.

The actual capital amounts and ratios for the Company are presented in the following tables and as shown, exceed the thresholds necessary to be considered “well capitalized.” Management believes that no events or changes have occurred subsequent to the indicated dates that would change this designation.

(Dollars in thousands)	September 30, 2024		December 31, 2023	
	Amount	Ratio	Amount	Ratio
<b>Actual:</b>				
Common equity Tier 1 capital (to risk-weighted assets)	\$ 4,588,744	12.25 %	\$ 4,363,020	11.62 %
Tier 1 capital (to risk-weighted assets)	4,755,737	12.70	4,530,013	12.06
Total capital (to risk-weighted assets)	5,415,296	14.46	5,377,324	14.32
Tier 1 leverage capital (to average assets)	4,755,737	10.05	4,530,013	9.30
<b>Minimum requirement<sup>(1)</sup>:</b>				
Common equity Tier 1 capital (to risk-weighted assets)	1,685,087	4.50	1,690,158	4.50
Tier 1 capital (to risk-weighted assets)	2,246,783	6.00	2,253,544	6.00
Total capital (to risk-weighted assets)	2,995,711	8.00	3,004,726	8.00
Tier 1 leverage capital (to average assets)	1,892,333	4.00	1,949,381	4.00
<b>Well capitalized requirement under prompt corrective action provisions:</b>				
Common equity Tier 1 capital (to risk-weighted assets)	2,434,015	6.50	2,441,340	6.50
Tier 1 capital (to risk-weighted assets)	2,995,711	8.00	3,004,726	8.00
Total capital (to risk-weighted assets)	3,744,639	10.00	3,755,907	10.00
Tier 1 leverage capital (to average assets)	2,365,417	5.00	2,436,727	5.00

(1) The additional capital conservation buffer in effect was 2.5%.

On December 13, 2023, the Company announced a new share repurchase program whereby the Company may acquire up to an aggregate of 10,000,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period January 2, 2024 through December 31, 2024. During the nine months ended September 30, 2024, the Company had repurchased 1,237,021 shares under this repurchase program, including 323,395 shares during the third quarter of 2024.

The extent and timing of any repurchases depends on market conditions and other corporate, legal and regulatory considerations. Repurchased shares are held as authorized and unissued shares. These authorized but unissued shares are available for use in the Company’s stock compensation programs, other transactions, or for other corporate purposes as determined by the Company’s Board of Directors.

Federal and state banking laws and regulations and state corporate laws restrict the amount of dividends that the Company may declare and pay. Under Mississippi law, the Company cannot pay any dividend on its common stock unless it has received written approval of the Commissioner of the MDBCF. The federal banking agencies have indicated that paying dividends that deplete a depository institution’s capital base to an inadequate level would be an unsafe and unsound banking practice. Moreover, the federal agencies have issued policy statements providing that insured banks should generally only pay dividends out of current operating earnings.

#### **NOTE 14. SEGMENT REPORTING**

The Company determines operating segments based upon the services offered, the significance of those services to the Company’s financial condition and operating results, and management’s regular review of the operating results of those services. The application and development of management reporting methodologies is a robust process and is subject to periodic enhancements. As these enhancements are made, financial results presented by each reportable segment may be periodically revised. In the third quarter of 2023, the Company modified certain allocated shared service costs from the General

Corporate and Other Segment to the other operating segments, with the FTP offset included in the General Corporate and Other segment. Cadence makes operating decisions based on the following operating segments, as described below.

- Corporate Banking segment focuses on C&I, business banking, and commercial real estate lending to clients in the geographic footprint.
- Community Banking segment provides a broad range of banking services through the branch network to serve the needs of community businesses and individual consumers in the geographic footprint.
- Mortgage segment includes mortgage banking activities of originating mortgage loans, selling mortgage loans in the secondary market and servicing the mortgage loans that are sold on a servicing retained basis.
- Banking Services segment offers individuals, businesses, governmental institutions, and non-profit entities a wide range of solutions to help protect, grow, and transfer wealth. Offerings include credit-related products, trust and investment management, asset management, retirement and savings solutions, estate planning and annuity products.
- General Corporate and Other segment includes other activities not allocated to other aforementioned operating segments. Additionally, intercompany eliminations are included as they do not reflect normal operations of the other segments. The disaggregation of General Corporate and Other better defines the results from the individual segments due to the direct relationship of the internal support provided by the strategic business units within the Bank.

The Insurance Agencies segment is included in discontinued operations for all periods presented in the consolidated statements of income and consolidated balance sheets, where applicable. The Insurance Agencies segment provided service as agents in the sale of commercial lines of insurance and full lines of property and casualty, life, health, and employee benefit products and services. See Note 2 for additional information about discontinued operations.

Results of continuing operations and selected financial information by operating segment for periods indicated are presented in the following tables. Also, the tables show total noninterest income segregated between contracts with customers within the scope of ASC 606, Revenue from Contracts with Customers, and those within the scope of other GAAP Topics.

(In thousands)	Corporate Banking	Community Banking	Mortgage	Banking Services	General Corporate and Other	Total Continuing Operations
<b>Results of Continuing Operations</b>						
Three Months Ended September 30, 2024						
Net interest revenue	\$ 117,902	\$ 274,871	\$ 23,938	\$ 9,426	\$ (64,679)	\$ 361,458
Provision (release) for credit losses	1,537	3,642	2,884	(867)	4,804	12,000
Net interest revenue after provision (release) for credit losses	116,365	271,229	21,054	10,293	(69,483)	349,458
Noninterest revenue						
<i>In Scope of Topic 606</i>						
Credit card, debit card and merchant fees	—	9,331	—	—	3,318	12,649
Deposit service charges	3,560	13,873	—	1,131	250	18,814
Trust and asset management income	588	7	—	12,197	(737)	12,055
Investment advisory fees	—	—	—	8,679	(38)	8,641
Other brokerage fees	—	—	—	1,567	—	1,567
Total noninterest revenue (in-scope of Topic 606)	4,148	23,211	—	23,574	2,793	53,726
Total noninterest revenue (out-of-scope of Topic 606)	10,120	10,499	2,339	1,993	7,224	32,175
Total noninterest revenue	14,268	33,710	2,339	25,567	10,017	85,901
Noninterest expense	54,969	153,840	19,313	23,239	8,077	259,438
Income (loss) from continuing operations before income taxes	75,664	151,099	4,080	12,621	(67,543)	175,921
Income tax expense (benefit)	17,770	35,520	959	2,953	(17,720)	39,482
Income (loss) from continuing operations	\$ 57,894	\$ 115,579	\$ 3,121	\$ 9,668	\$ (49,823)	\$ 136,439
<b>Selected Financial Information</b>						
Total assets at end of period	\$11,615,930	\$17,292,396	\$5,504,256	\$1,099,441	\$13,692,910	\$49,204,933

(In thousands)	Corporate Banking	Community Banking	Mortgage	Banking Services	General Corporate and Other	Total Continuing Operations
<b>Results of Continuing Operations</b>						
Three Months Ended September 30, 2023						
Net interest revenue	\$ 120,007	\$ 304,272	\$ 21,642	\$ 11,817	\$ (128,778)	\$ 328,960
Provision (release) for credit losses	3,570	10,598	512	1,201	1,119	17,000
Net interest revenue after provision (release) for credit losses	116,437	293,674	21,130	10,616	(129,897)	311,960
Noninterest revenue						
<i>In Scope of Topic 606</i>						
Credit card, debit card and merchant fees	95	9,250	—	3	3,065	12,413
Deposit service charges	3,083	13,868	—	281	(365)	16,867
Trust and asset management income	108	10	—	11,166	(710)	10,574
Investment advisory fees	—	—	—	8,504	(76)	8,428
Other brokerage fees	—	—	—	195	—	195
Total noninterest revenue (in-scope of Topic 606)	3,286	23,128	—	20,149	1,914	48,477
Total noninterest revenue (out-of-scope of Topic 606)	6,351	4,188	6,663	1,995	6,315	25,512
Total noninterest revenue	9,637	27,316	6,663	22,144	8,229	73,989
Noninterest expense	55,662	151,599	19,603	22,530	25,048	274,442
Income (loss) from continuing operations before income taxes	70,412	169,391	8,190	10,230	(146,716)	111,507
Income tax expense (benefit)	16,547	39,807	1,924	2,401	(36,324)	24,355
Income (loss) from continuing operations	\$ 53,865	\$ 129,584	\$ 6,266	\$ 7,829	\$ (110,392)	\$ 87,152
<b>Selected Financial Information</b>						
Total assets at end of period	\$11,699,026	\$17,037,686	\$4,929,361	\$1,056,763	\$13,637,460	\$48,360,296

(In thousands)	Corporate Banking	Community Banking	Mortgage	Banking Services	General Corporate and Other	Total Continuing Operations
<b>Results of Continuing Operations</b>						
Nine Months Ended September 30, 2024						
Net interest revenue	\$ 342,312	\$ 832,804	\$ 68,962	\$ 29,477	\$ (201,871)	\$ 1,071,684
Provision (release) for credit losses	38,466	(801)	11,561	(1,620)	8,394	56,000
Net interest revenue after provision (release) for credit losses	303,846	833,605	57,401	31,097	(210,265)	1,015,684
Noninterest revenue						
<i>In Scope of Topic 606</i>						
Credit card, debit card and merchant fees	259	27,885	—	7	9,430	37,581
Deposit service charges	10,262	40,763	—	3,011	767	54,803
Trust and asset management income	1,233	14	—	36,958	(2,182)	36,023
Investment advisory fees	—	—	—	25,290	(133)	25,157
Other brokerage fees	—	—	—	4,551	—	4,551
Total noninterest revenue (in-scope of Topic 606)	11,754	68,662	—	69,817	7,882	158,115
Total noninterest revenue (out-of-scope of Topic 606)	27,489	29,112	17,271	8,460	29,898	112,230
Total noninterest revenue	39,243	97,774	17,271	78,277	37,780	270,345
Noninterest expense	165,379	452,198	56,678	73,192	31,896	779,343
Income (loss) from continuing operations before income taxes	177,710	479,181	17,994	36,182	(204,381)	506,686
Income tax expense (benefit)	41,762	112,607	4,229	8,472	(51,273)	115,797
Income (loss) from continuing operations	\$ 135,948	\$ 366,574	\$ 13,765	\$ 27,710	\$ (153,108)	\$ 390,889
<b>Selected Financial Information</b>						
Total assets at end of period	\$ 11,615,930	\$ 17,292,396	\$ 5,504,256	\$ 1,099,441	\$ 13,692,910	\$ 49,204,933

(In thousands)	Corporate Banking	Community Banking	Mortgage	Banking Services	General Corporate and Other	Total Continuing Operations
<b>Results of Continuing Operations</b>						
Nine Months Ended September 30, 2023						
Net interest revenue	\$ 376,926	\$ 968,203	\$ 60,275	\$ 37,697	\$ (426,350)	\$ 1,016,751
Provision (release) for credit losses	19,042	15,183	8,439	1,376	(2,040)	42,000
Net interest revenue after provision (release) for credit losses	357,884	953,020	51,836	36,321	(424,310)	974,751
Noninterest revenue						
<i>In Scope of Topic 606</i>						
Credit card, debit card and merchant fees	427	27,738	—	13	8,704	36,882
Deposit service charges	9,214	41,026	—	699	(382)	50,557
Trust and asset management income	183	13	—	33,145	(2,130)	31,211
Investment advisory fees	—	—	—	23,553	(233)	23,320
Other brokerage fees	—	—	—	4,045	—	4,045
Total noninterest revenue (in-scope of Topic 606)	9,824	68,777	—	61,455	5,959	146,015
Total noninterest revenue (out-of-scope of Topic 606)	29,900	12,639	22,971	5,984	(22,393)	49,101
Total noninterest revenue	39,724	81,416	22,971	67,439	(16,434)	195,116
Noninterest expense	168,671	457,875	57,868	68,145	73,996	826,555
Income (loss) from continuing operations before income taxes	228,937	576,561	16,939	35,615	(514,740)	343,312
Income tax expense (benefit)	53,800	135,492	3,981	8,350	(125,732)	75,891
Income (loss) from continuing operations	<u>\$ 175,137</u>	<u>\$ 441,069</u>	<u>\$ 12,958</u>	<u>\$ 27,265</u>	<u>\$ (389,008)</u>	<u>\$ 267,421</u>
<b>Selected Financial Information</b>						
Total assets at end of period	\$ 11,699,026	\$ 17,037,686	\$ 4,929,361	\$ 1,056,763	\$ 13,637,460	\$ 48,360,296

## NOTE 15. DERIVATIVE INSTRUMENTS

The Company primarily uses derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. Management may designate certain derivatives as hedging instruments in a qualifying hedge accounting relationship. The Company's derivative instruments consist of economic hedges for which the Company has elected not to apply hedge accounting and derivatives held for customer accommodation, or other purposes.

The fair value of derivative positions outstanding is included in other assets and other liabilities in the accompanying consolidated balance sheets and in the net change in each of these financial statement line items in the operating section of the accompanying consolidated statements of cash flows. For derivatives not designated as hedging instruments or determined to be an ineffective hedge under applicable accounting guidance, gains and losses due to changes in fair value are included in noninterest income and the operating section of the consolidated statements of cash flows. For derivatives designated as cash flow hedging instruments, the entire change in the fair value related to the derivative instrument is recognized as a component of other comprehensive income and subsequently reclassified into interest income when the forecasted transaction affects



income. At September 30, 2024 and December 31, 2023, there were no derivatives designated under hedge accounting. The notional amounts and estimated fair values for the periods indicated were as follows:

(In thousands)	September 30, 2024				December 31, 2023			
	Fair Value			Weighted Average Maturity (years)	Fair Value			Weighted Average Maturity (years)
	Notional Amount	Other Assets	Other Liabilities		Notional Amount	Other Assets	Other Liabilities	
Commercial loan interest rate contracts	\$ 3,183,034	\$ 24,543	\$ 34,788	3.9	\$ 2,682,401	\$ 25,264	\$ 41,459	4.5
Mortgage loan held-for-sale interest rate lock commitments	226,573	2,701	20	0.1	125,339	1,858	10	0.1
Futures, forwards and options (used to hedge MSR, see Note 8)	226,000	354	1,022	0.1	147,000	1,809	—	0.2
Mortgage loan forward sale commitments	248,509	257	1,159	0.1	235,323	246	2,567	0.1
Foreign exchange contracts	29,218	354	303	0.3	48,846	326	268	0.3
Total derivatives	<u>\$ 3,913,334</u>	<u>\$ 28,209</u>	<u>\$ 37,292</u>		<u>\$ 3,238,909</u>	<u>\$ 29,503</u>	<u>\$ 44,304</u>	

The Company is party to collateral support agreements with certain derivative counterparties. Such agreements require that the Company maintain collateral based on the fair values of derivative transactions. In the event of default by the Company, the counterparty would be entitled to the collateral. At September 30, 2024, and December 31, 2023, the Company was required to post \$63.5 million and \$56.8 million, respectively, in cash or qualifying securities as collateral for its derivative transactions. Of this, \$53.2 million was included in interest bearing deposits with other banks and \$10.3 million was included in other assets at September 30, 2024. At December 31, 2023, \$50.0 million was included in interest bearing deposits with other banks and \$6.8 million was included in other assets. In addition, the Company had recorded the obligation to return cash collateral provided by counterparties of \$4.8 million and \$16.3 million at September 30, 2024, and December 31, 2023, respectively, within deposits on the Company's consolidated balance sheet. Certain financial instruments, such as derivatives, may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements or similar agreements. The Company's derivative transactions with upstream financial institution counterparties are generally executed under International Swaps and Derivative Association master agreements which include "right of set-off" provisions. In such cases, there is generally a legally enforceable right to offset recognized amounts and there may be an intention to settle such amounts on a net basis. Nonetheless, the Company does not generally offset such financial instruments for financial reporting purposes.

The Company enters into certain interest rate contracts on commercial loans, which include swaps, floors and caps that are not designated as hedging instruments. These derivative contracts relate to transactions in which the Company enters into an interest rate contract with a loan customer while at the same time entering into an offsetting interest rate contract with another financial institution. In connection with each swap transaction, the Company agrees to pay interest to the customer on a notional amount at a variable interest rate and receive interest from the customer on a similar notional amount at a fixed interest rate. At the same time, the Company agrees to pay another financial institution the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. The interest rate swap, cap and floor transactions allow the Company to manage its interest rate risk. Because the Company acts as an intermediary for its customers, changes in the fair value of the underlying derivative contracts generally offset and do not significantly impact the Company's consolidated statements of income. The Company is exposed to credit loss in the event of nonperformance by the parties to the interest rate contracts. However, the Company does not anticipate nonperformance by the counterparties. The estimated fair value has been recorded as an asset and a corresponding liability in the accompanying consolidated balance sheets at September 30, 2024 and December 31, 2023.

The Company has both bought and sold credit protection in the form of participations on interest rate swaps (swap participations). These swap participations, which meet the definition of credit derivatives, were entered into in the ordinary course of business to serve the credit needs of customers. Swap participations, whereby the Company has purchased credit protection, entitle the Company to receive a payment from the counterparty if the customer fails to make payment on any amounts due to the Company upon early termination of the swap transaction. For contracts where the Company sold credit protection, the Company would be required to make payment to the counterparty if the customer fails to make payment on any amounts due to the counterparty upon early termination of the swap transaction. Swap participation agreements where the Company is the beneficiary had notional values totaling \$131.5 million and \$137.2 million at September 30, 2024 and December 31, 2023, respectively. Swap participation agreements where the Company is the guarantor had notional values totaling \$439.8 million and \$425.8 million at September 30, 2024 and December 31, 2023, respectively.



The Company enters into interest rate lock commitments with customers in connection with residential mortgage loan applications for loans the Company intends to sell. Additionally, the Company enters into mortgage loan forward sales commitments of MBS with investors to mitigate the effect of interest rate risk inherent in providing interest rate lock commitments to customers. Both the interest rate lock commitments and mortgage loan forward sales commitments are considered derivatives under current accounting guidance and are required to be recorded at fair value. The fair value of these derivatives is recorded on the consolidated balance sheets in other assets and other liabilities. The change in fair value of these instruments is recorded within mortgage banking revenue in the consolidated statements of income. For the three months ended September 30, 2024, and 2023 mortgage loans held for sale interest rate lock commitments and mortgage loan forward sales commitments totaled \$11 thousand in losses compared to \$0.2 million in gains, respectively. For the nine months ended September 30, 2024, and 2023, mortgage loans held for sale interest rate lock commitment and mortgage loan forward sales commitment gains totaled \$1.6 million and \$3.1 million, respectively.

The Company has an economic hedge in place on its MSR and uses various instruments (including but not limited to Treasury options, SOFR and TBA futures and forwards) to mitigate the interest rate risk associated with the MSR. These hedging instruments are reported at fair value, with adjustments included as part of mortgage banking revenue in the consolidated statements of income. The market value adjustment on MSR hedge totaled net gains of \$5.0 million and net losses of \$3.0 million for the three months ended September 30, 2024 and 2023, respectively, and net losses of \$1.7 million and \$5.8 million for the nine months ended September 30, 2024 and 2023, respectively. See Note 8 for additional information.

The Company enters into certain foreign currency exchange contracts on behalf of its clients to facilitate their risk management strategies, while at the same time entering into offsetting foreign currency exchange contracts with another counterparty in order to minimize the Company's foreign currency exchange risk. The contracts are short term in nature, and any gain or loss incurred at settlement is recorded as other noninterest income or other noninterest expense. The fair value of these contracts is reported in other assets and other liabilities. Foreign exchange contract net gains totaled \$1.1 million and \$1.3 million for the three months ended September 30, 2024 and 2023, respectively, and net gains of \$2.9 million and \$3.9 million for the nine months ended September 30, 2024, and 2023, respectively.

## **NOTE 16. COMMITMENTS AND CONTINGENT LIABILITIES**

### **Mortgage Loans Serviced for Others**

The Company services mortgage loans for other financial institutions that are not included as assets in the Company's accompanying consolidated financial statements. Included in the \$7.9 billion and \$7.7 billion of mortgage loans serviced for investors at September 30, 2024 and December 31, 2023, respectively, was \$0.6 million and \$1.0 million, respectively, of primary recourse servicing pursuant to which the Company is responsible for any losses incurred in the event of nonperformance by the mortgagor. The Company's exposure to credit loss in the event of such nonperformance is the unpaid principal balance at the time of default. This exposure is limited by the underlying collateral, which consists of single family residences and either federal or private mortgage insurance.

### **Lending Commitments**

The consolidated financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of banking business and involve elements of credit risk, interest rate risk, and liquidity risk. Such financial instruments are recorded when they are funded. At September 30, 2024 and December 31, 2023, these included \$461.1 million and \$450.7 million, respectively, in letters of credit and \$8.9 billion and \$9.7 billion, respectively, in unfunded extensions of credit such as interim mortgage financing, construction credit, credit card, and revolving line of credit arrangements.

Commitments to extend credit and letters of credit include some exposure to credit loss in the event of nonperformance of the customer. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. In addition, the Company has entered into certain contingent commitments to grant loans. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit policies and procedures for such commitments are the same as those used for lending activities. Because these instruments have fixed maturity dates and because a number expire without being drawn upon, they generally do not present any significant liquidity risk. The Company did not realize significant credit losses from these commitments and arrangements during the three and nine months ended September 30, 2024 and 2023.

## Other Commitments

The Company makes investments in limited partnerships, including certain affordable housing partnerships for which it receives tax credits. At September 30, 2024 and December 31, 2023, unfunded capital commitments totaled \$256.7 million and \$275.2 million, respectively. See Note 17 for more information.

## Litigation

The nature of the Company's business ordinarily results in certain types of claims, litigation, investigations, and other legal or administrative cases and proceedings. Although the Company and its subsidiaries have policies and procedures to minimize legal noncompliance and the impact of claims and other proceedings, and endeavored to procure reasonable amounts of insurance coverage, litigation and regulatory actions present an ongoing risk.

The Company and its subsidiaries engage in lines of business that are heavily regulated and involve a large volume of actual or potential financial transactions with customers or applicants, and the Company is a public company with a large number of shareholders. From time to time, applicants, borrowers, customers, shareholders, former employees, service providers, and other third parties have brought actions against the Company or its subsidiaries, in some cases claiming substantial damages. Financial services companies are subject to the risk of regulatory investigations, class action litigation, and, from time to time, the Company and its subsidiaries have such actions brought against them. The Company and its subsidiaries are also subject to enforcement actions by federal or state regulators, including the FDIC, the CFPB, the DOJ, state attorneys general, and the MDBCFC, which may be adversely impacted by ongoing litigation in which the Company is involved. Additionally, the Company is, and management expects it to be, engaged in a number of foreclosure proceedings and other collection actions as part of its lending and leasing collections activities, which, from time to time, have resulted in counterclaims against the Company and its subsidiaries. Various legal proceedings have and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations.

When and as the Company determines it has meritorious defenses to the claims asserted, it vigorously defends against such claims. The Company will consider settlement of claims when, in management's judgment and in consultation with counsel, it is in the best interests of the Company to do so.

The Company cannot predict with certainty the cost of defense, the cost of prosecution, or the ultimate outcome of litigation or other proceedings filed by or against it, its subsidiaries and its directors, management or employees, including remedies or damage awards. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of the Company's business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, the Company will not make an accrual. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, the Company will accrue for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any such matters, however, may turn out to be substantially higher than the amount accrued. Further, the Company's insurance policies have deductibles and coverage limits, and such policies are unlikely to cover all costs and expenses related to the defense or prosecution of such legal proceedings or any losses arising therefrom.

Although the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, if applicable, management believes that the litigation-related liability of \$12.8 million accrued at September 30, 2024 is adequate and that any incremental change in potential liability arising from the Company's legal proceedings and threatened claims, including the matters described herein and those otherwise arising in the ordinary course of business, will not have a material adverse effect on the Company's business or consolidated results of operations or financial condition. It is possible, however, that future developments could result in an unfavorable outcome for or resolution of any one or more of the legal proceedings in which the Company or its subsidiaries are defendants, which may be material to the Company's business or consolidated results of operations or financial condition for a particular fiscal period or periods.

On August 30, 2021, Legacy Cadence Bank and the DOJ agreed to a settlement set forth in the consent order related to the investigation by the DOJ of Legacy Cadence Bank's fair lending program in Harris, Fort Bend, and Montgomery Counties located in Houston, Texas during the period between 2014 and 2016 (the "Consent Order"). The Consent Order was signed by the United States District Court for the Northern District of Georgia, Atlanta Division, on August 31, 2021. Pursuant to Section 5.2(g) of the Agreement and Plan of Merger and Paragraph 50 of the Consent Order, Legacy BancorpSouth Bank approved the negotiated settlement, and subsequently, the Company agreed to accept the obligations of the Consent Order. The Consent

Order is in effect for five years. For additional information regarding the terms of this settlement and the Consent Order, see Legacy Cadence's Current Report on Form 8-K that was filed with the SEC on August 30, 2021.

## **NOTE 17. VARIABLE INTEREST ENTITIES AND OTHER INVESTMENTS**

Under ASC 810-10-65, a Company is deemed to be the primary beneficiary and required to consolidate a VIE if it has a variable interest in the VIE that provides a controlling financial interest. The determination of whether a controlling financial interest exists is based on whether a single party has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb the losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. ASC 810-10-65 requires continual reconsideration of conclusions reached regarding which interest holder is a VIE's primary beneficiary.

Certain NMTC meet the qualifications for consolidation under ASC 810. Consolidation is applicable to this type of investment structure because the entities owned by the tax credit investment fund, managing member, and limited partner of the sub-CDE, are under common control and the limited partner's related party group has both the power and the obligation to absorb the significant benefits and losses of the sub-CDE. Based on this, the limited partner, which is the Company, is the primary beneficiary of the sub-CDE (VIE) and therefore subject to consolidation. NMTC investment structures which include a managing member not affiliated with the Company are not subject to consolidation.

At September 30, 2024 and December 31, 2023, the Company's assets of the consolidated VIE that can be used only to settle obligations of the consolidated VIE totaled \$5.7 million and \$6.5 million, respectively.

The Company is invested in several tax credit projects solely as a limited partner. At September 30, 2024 and December 31, 2023, the Company's maximum exposure to loss associated with these limited partnerships was limited to its investment. Most of the investments are in affordable housing projects. The partnerships have qualified to receive annual affordable housing federal tax credits that are recognized as a reduction of current tax expense. Under the effective yield method, the Company recognizes the tax credits as they are allocated and amortizes the initial costs of the investments to provide a constant effective yield over the period the tax credits are allocated. Under the proportional amortization method, the Company amortizes the cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense. The Company also has, to a lesser degree, investments in NMTC and historic tax credit projects. The Company has elected to account for the NMTC not subject to consolidation and historic tax credits using the flow-through method, which reduces federal income taxes in the year in which the credit arises. At September 30, 2024 and December 31, 2023, the Company recorded total tax credit investments in other assets on its consolidated balance sheets of \$360.6 million and \$362.0 million, respectively.

Through December 31, 2023, the amortization of the NMTC investments and historic tax credit investments was recorded in other noninterest income on the Company's consolidated statements of income. The Company adopted the provisions of ASU 2023-02 (see Note 1) as of January 1, 2024 and determined each investments' eligibility for proportional amortization. For certain NMTC and HTC investments that do not qualify for the proportional amortization method under ASU 2023-02, amortization related to these investments are recorded in other noninterest income in the Company's consolidated statements of income. The Company recorded amortization of \$0.3 million for both the three months ended September 30, 2024 and 2023, respectively, and recorded amortization of \$0.8 million for both the nine months ended September 30, 2024 and 2023, respectively. The cash flow activity related to these investments are presented in the net income (loss) line in the operating activities section of the consolidated statements of cash flows.

For the investments that qualify for proportional amortization under ASU 2023-02, the Company recognized income tax credits and other income tax benefits for the three months ended September 30, 2024 of \$10.1 million and \$1.2 million, respectively. The total income tax benefits of \$11.3 million are partially offset by \$8.9 million of investment amortization recognized for the three months ended September 30, 2024, for a net income tax benefit of \$2.4 million. The Company recorded amortization for these income tax credits of \$6.8 million for three months ended September 30, 2023, which \$1.8 million was reported in noninterest income in the consolidated statements of income and \$5.0 million was reported in income tax expense.

For the investments that qualify for proportional amortization under ASU 2023-02, the Company recognized income tax credits and other income tax benefits for the nine months ended September 30, 2024 of \$29.7 million and \$3.6 million, respectively. The total income tax benefits of \$33.3 million are partially offset by \$26.5 million of investment amortization recognized for the nine months ended September 30, 2024, for a net income tax benefit of \$6.8 million. The Company recorded amortization for these income tax credits of \$19.6 million for nine months ended September 30, 2023, which \$5.3 million was reported in noninterest income in the consolidated statements of income and \$14.3 million was reported in income tax expense.

The cash flows related to the total income tax benefits are presented in the consolidated statements of cash flows. The net income tax benefit of \$6.8 million for the nine months ended September 30, 2024, was included in the net income (loss) line within operating activities. Investment amortization of \$26.5 million for the nine months ended September 30, 2024, was included in the depreciation and amortization line item, which was an adjustment to reconcile net income (loss) to cash from (used for) operating activities. The income tax credits and other income tax benefits of \$33.3 million for the nine months ended September 30, 2024, was included in the net change to other assets or liabilities line item, which was also an adjustment to reconcile net income (loss) to cash from (used for) operating activities.

Additionally, the Company has investments in other certain limited partnerships accounted for under the fair value practical expedient of NAV totaling \$115.6 million and \$95.0 million at September 30, 2024 and December 31, 2023, respectively. Related to these assets recorded at fair value through net income, the Company recognized net gains of \$3.6 million and \$3.0 million for the three months ended September 30, 2024 and 2023, respectively. The Company recognized net gains of \$9.6 million and \$6.3 million for the nine months ended September 30, 2024 and 2023, respectively. These investments are made primarily through various SBIC funds as a strategy to provide expansion and growth opportunities to small businesses and community development funds to help serve the credit needs of the low- and moderate-income and underserved within our footprint. Of the total fair value of these limited partnerships, \$14.5 million and \$11.7 million related to real-estate funds at September 30, 2024 and December 31, 2023, respectively. The remaining \$101.1 million and \$83.3 million are related to SBIC funds that concentrate in a variety of industries at September 30, 2024 and December 31, 2023, respectively. At September 30, 2024, unfunded commitments related to these investments were \$5.9 million and \$87.0 million related to the real-estate funds and other SBIC funds, respectively. SBIC funds are generally structured to operate for approximately 10 years. During the life of each SBIC fund, partners can request to withdraw from the fund, and subsequently receive the balance of their investment as the underlying assets are liquidated over the remaining life of the fund. The Company has no current plans to withdraw from any of its SBIC funds.

For other limited partnerships without readily determinable fair values that do not qualify for the practical expedient, Cadence elected the measurement alternative to account for these investments at their cost minus impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. These investments totaled \$2.8 million and \$2.4 million at September 30, 2024 and December 31, 2023, respectively. Other limited partnerships accounted for under the equity method totaled \$8.5 million and \$9.8 million at September 30, 2024 and December 31, 2023, respectively.

A summary of the Company's investments in limited partnerships is presented as of the following periods:

(In thousands)	September 30, 2024	December 31, 2023
Tax credit investments (amortized cost)	\$ 360,641	\$ 361,990
Limited partnerships accounted for under the fair value practical expedient of NAV	115,648	94,998
Limited partnerships without readily determinable fair values that do not qualify for the practical expedient of NAV accounted for under the cost method	2,847	2,417
Limited partnerships required to be accounted for under the equity method	8,507	9,785
<b>Total investments in limited partnerships</b>	<b>\$ 487,643</b>	<b>\$ 469,190</b>

For equity investments carried at cost using the measurement alternative, during the three months ended September 30, 2024, there were no downward or upward adjustments to these investments for impairments or price changes from observable transactions. During the nine months ended and as of September 30, 2024, there was one write-down for impairment of \$83 thousand. During the three and nine months ended and as of September 30, 2023, there were no downward or upward adjustments to these investments for impairments or price changes from observable transactions. The carrying amount of these equity investments in limited partnerships measured under this measurement alternative for the specified periods are as follows:

(In thousands)	Nine Months Ended September 30,	
	2024	2023
Carrying value at the beginning of the period	\$ 2,417	\$ 1,968
Impairments	(83)	—
Reclassifications	264	1,768
Distributions	(521)	(1,501)
Contributions	770	124
Carrying value at the end of the period	<u>\$ 2,847</u>	<u>\$ 2,359</u>

#### NOTE 18. SUBSEQUENT EVENTS

In October 2024, the Company reduced the outstanding balance of its \$3.5 billion BTFP borrowing by \$2.0 billion using existing liquidity. At September 30, 2024, the BTFP borrowing was comprised of one loan totaling \$3.5 billion at a rate of 4.76%, maturing on January 16, 2025.

## **ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

### **OVERVIEW**

The Company is a regional bank with dual headquarters in Houston, Texas and Tupelo, Mississippi with \$49.2 billion in total assets at September 30, 2024. The Company has commercial banking operations in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Missouri, Tennessee, and Texas. The Company and its subsidiaries provide commercial banking, leasing, mortgage origination and servicing, brokerage, trust, and investment advisory services to corporate customers, local governments, individuals, and other financial institutions through an extensive network of branches and offices.

Management’s discussion and analysis provides a narrative discussion of the Company’s financial condition and results of operations. For a complete understanding of the following discussion, refer to the consolidated financial statements and related notes presented elsewhere in this Report. Management’s discussion and analysis should also be read in conjunction with the risk factors included in Item 1A of this Report and those included in Item 1A of our Form 10-K for the year ended December 31, 2023, and the other reports we file with the FDIC. This discussion and analysis is based on reported financial information, and certain amounts for prior years have been reclassified to conform with the current financial statement presentation.

The financial condition and operating results of the Company are heavily influenced by economic trends nationally and in the specific markets in which the Company’s subsidiaries provide financial services. Generally, the pressures of the national and regional economic cycle create a difficult operating environment for the financial services industry. During such times, the Company is not immune to pressures and any economic downturn may have a negative impact on the Company and its customers in all of the markets it serves. Management believes future weakness in the economic environment could adversely affect the strength of the credit quality of the Company’s assets. Therefore, management will continue to focus on early identification and resolution of credit issues.

The largest source of the Company’s revenue is derived from its corporate and community banking operations. The financial condition and operating results of the Company are affected by the level and volatility of interest rates on loans, investment securities, deposits, and other borrowed funds, and the impact of economic downturns on loan demand, collateral values, and creditworthiness of existing borrowers. The financial services industry is highly competitive and heavily regulated. The Company’s success depends on its ability to compete aggressively within its markets while maintaining sufficient asset quality and cost controls to generate net income.

The information that follows is provided to enhance comparability of financial information between periods and to provide a better understanding of the Company’s operations.

### **Recent Developments**

During the nine months ended September 30, 2024, our results reflected improved financial performance resulting from several strategic accomplishments over the past several quarters as well as continued success in business development. We continued to generate quality loans, increase our core customer deposits and attract fee business, while maintaining strong liquidity and capital. We experienced strong revenue growth coupled with lower operating expenses, resulting in enhanced operating efficiency, while continuing to improve our net interest margin and reflect stable credit quality results. Also during the nine months ended September 30, 2024, the Company repurchased 1,237,021 shares of our common stock, including 323,395 shares during the third quarter, further benefiting EPS. We believe these results positively position our Company for continued and future success.

Effective May 17, 2024, the Company completed the sale of Cadence Business Solutions, LLC, its payroll processing business unit, resulting in a net gain on sale of approximately \$12.0 million. The gain on sale was included in Other noninterest revenue within the accompanying consolidated statements of income.

### **NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS**

In addition to financial ratios based on measures defined by GAAP, the Company has identified “total tangible shareholders’ equity,” “tangible common shareholders’ equity,” “total tangible common shareholders’ equity (excluding AOCI),” “total tangible assets,” “total tangible assets (excluding AOCI),” “tangible shareholders’ equity to tangible assets,” “tangible common shareholders’ equity to tangible assets,” “tangible common shareholders’ equity to tangible assets (excluding AOCI),” “tangible common book value per share,” and “tangible book value per common share (excluding AOCI)” as non-GAAP financial measures used when evaluating the performance of the Company.

- Total tangible shareholders' equity is defined by the Company as total shareholders' equity less goodwill and other intangible assets, net.
- Total tangible common shareholders' equity is defined by the Company as total shareholders' equity less preferred stock, goodwill, and other intangible assets, net.
- Total tangible common shareholders' equity, excluding AOCI, is defined by the Company as total shareholders' equity less preferred stock, goodwill, other intangible assets, net, and AOCI.
- Total tangible assets are defined by the Company as total assets less goodwill and other intangible assets, net.
- Total tangible assets, excluding AOCI, are defined by the Company as total assets less goodwill, other intangible assets, net, and AOCI.
- Tangible common book value per share is defined by the Company as tangible common shareholders' equity divided by total shares of common stock outstanding.
- Tangible book value per common share, excluding AOCI, is defined by the Company as tangible common shareholders' equity less AOCI divided by total shares of common stock outstanding.

Management believes the ratios of tangible shareholders' equity to tangible assets, tangible common shareholders' equity to tangible assets and tangible common shareholders' equity to tangible assets (excluding AOCI) to be important to investors who are interested in evaluating the adequacy of the Company's capital levels. Management also believes that tangible common book value per share and tangible common book value per share (excluding AOCI) are important to investors who are interested in changes from period to period in book value per share exclusive of changes in intangible assets.

The following table reconciles these non-GAAP financial measures as presented above to GAAP financial measures as reflected in the Company's consolidated financial statements for the periods indicated:

**TABLE 1—NON-GAAP FINANCIAL MEASURES**

(Dollars in thousands, except per share amounts)	September 30, 2024	December 31, 2023	September 30, 2023
<b>Total tangible assets, excluding AOCI</b>			
Total assets	\$ 49,204,933	\$ 48,934,510	\$ 48,523,010
Less: Goodwill	1,366,923	1,367,785	1,367,785
Other intangible assets, net	87,094	100,191	104,596
<b>Total tangible assets</b>	<b>\$ 47,750,916</b>	<b>\$ 47,466,534</b>	<b>\$ 47,050,629</b>
Less: AOCI	(590,342)	(761,829)	(1,309,921)
<b>Total tangible assets, excluding AOCI</b>	<b>\$ 48,341,258</b>	<b>\$ 48,228,363</b>	<b>\$ 48,360,550</b>
<b>Total tangible common shareholders' equity, excluding AOCI</b>			
Total shareholders' equity	\$ 5,572,863	\$ 5,167,843	\$ 4,395,257
Less: Goodwill	1,366,923	1,367,785	1,367,785
Other intangible assets, net	87,094	100,191	104,596
<b>Total tangible shareholders' equity</b>	<b>\$ 4,118,846</b>	<b>\$ 3,699,867</b>	<b>\$ 2,922,876</b>
Less: Preferred stock	166,993	166,993	166,993
<b>Total tangible common shareholders' equity</b>	<b>\$ 3,951,853</b>	<b>\$ 3,532,874</b>	<b>\$ 2,755,883</b>
Less: AOCI	(590,342)	(761,829)	(1,309,921)
<b>Total tangible common shareholders' equity, excluding AOCI</b>	<b>\$ 4,542,195</b>	<b>\$ 4,294,703</b>	<b>\$ 4,065,804</b>
<b>Total common shares outstanding</b>	<b>182,315,142</b>	<b>182,871,775</b>	<b>182,611,075</b>
<b>Tangible shareholders' equity to tangible assets</b>	<b>8.63 %</b>	<b>7.79 %</b>	<b>6.21 %</b>
<b>Tangible common shareholders' equity to tangible assets</b>	<b>8.28 %</b>	<b>7.44 %</b>	<b>5.86 %</b>
<b>Tangible common shareholders' equity, excluding AOCI, to tangible assets, excluding AOCI</b>	<b>9.40 %</b>	<b>8.90 %</b>	<b>8.41 %</b>
<b>Tangible common book value per share</b>	<b>\$ 21.68</b>	<b>\$ 19.32</b>	<b>\$ 15.09</b>
<b>Tangible book value per common share, excluding AOCI</b>	<b>\$ 24.91</b>	<b>\$ 23.48</b>	<b>\$ 22.26</b>

## FINANCIAL HIGHLIGHTS

The following table presents financial highlights for the periods indicated:

**TABLE 2—FINANCIAL HIGHLIGHTS**

	As of and For the Three Months Ended September 30,		As of and For the Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Common share data:</b>				
Basic earnings per share from continuing operations	\$ 0.74	\$ 0.46	\$ 2.10	\$ 1.43
Basic earnings per share	0.74	0.49	2.10	1.51
Diluted earnings per share from continuing operations	0.72	0.46	2.07	1.41
Diluted earnings per share	0.72	0.49	2.07	1.50
Cash dividends per share	0.25	0.24	0.75	0.71
Book value per share	29.65	23.15	29.65	23.15
Tangible common book value per share <sup>(1)</sup>	21.68	15.09	21.68	15.09
Tangible book value per common share, excluding AOCI <sup>(1)</sup>	24.91	22.26	24.91	22.26
Dividend payout ratio from continuing operations	34.72 %	51.09 %	36.23 %	50.00 %
<b>Financial Ratios:</b>				
Return on average assets from continuing operations <sup>(2)</sup>	1.14 %	0.71 %	1.08 %	0.73 %
Return on average assets <sup>(2)</sup>	1.14	0.75	1.08	0.78
Return on average shareholders' equity from continuing operations <sup>(2)</sup>	10.01	7.67	9.90	7.98
Return on average shareholders' equity <sup>(2)</sup>	10.01	8.15	9.90	8.45
Return on average common shareholders' equity from continuing operations <sup>(2)</sup>	10.15	7.75	10.04	8.07
Return on average common shareholders' equity <sup>(2)</sup>	10.15	8.25	10.04	8.56
Total shareholders' equity to total assets	11.33	9.06	11.33	9.06
Total common shareholders' equity to total assets	10.99	8.71	10.99	8.71
Tangible common shareholders' equity to tangible assets <sup>(1)</sup>	8.28	5.86	8.28	5.86
Tangible common shareholders' equity, excluding AOCI, to tangible assets, excluding AOCI <sup>(1)</sup>	9.40	8.41	9.40	8.41
Net interest margin-FTE	3.31	2.98	3.27	3.10
<b>Credit Quality Ratios:</b>				
Net charge-offs to average loans and leases <sup>(2)</sup>	0.26 %	0.42 %	0.26 %	0.20 %
Provision for credit losses to average loans and leases <sup>(2)</sup>	0.14	0.21	0.23	0.18
ACL to net loans and leases	1.38	1.37	1.38	1.37
ACL to NPL	168.84	297.83	168.84	297.83
ACL to NPA	165.59	292.13	165.59	292.13
NPL to net loans and leases	0.82	0.46	0.82	0.46
NPA to total assets	0.57	0.32	0.57	0.32
<b>Capital Adequacy Ratios:</b>				
Common Equity Tier 1 capital	12.25 %	10.35 %	12.25 %	10.35 %
Tier 1 capital	12.70	10.78	12.70	10.78
Total capital	14.46	12.94	14.46	12.94
Tier 1 leverage capital	10.05	8.64	10.05	8.64

(1) Non-GAAP financial measure. See “Non-GAAP Financial Measures and Reconciliations.”

(2) Ratios are annualized.



As of September 30, 2024, the target range for the federal funds rate was 4.75% to 5.0%. In September 2024, the Federal Reserve lowered interest rates by 50 basis points, easing monetary policy for the first time in four years. There could potentially be two rate cuts in the fourth quarter of 2024, as the Federal Reserve continues to monitor relevant economic data that will drive their decision making. The prior years' increase in interest rates has had a pronounced effect on both our balance sheet as well as our earnings. As seen in the following sections, the increase in net interest revenue resulted from a combination of higher yields on interest-earning assets and a shift in the mix of interest-earning assets. The increase was partially offset by an increase in interest expense, primarily on deposits due to both a mix shift of deposits out of noninterest bearing and into interest bearing, and an increase in deposit rates. See "Net Interest Revenue" for further information.

The Company reported net income available to common shareholders of \$134.1 million for the three months ended September 30, 2024, compared to \$90.2 million for the same period in 2023. Key factors contributing to the \$43.9 million increase in net income available to common shareholders were the increase in net interest revenue from \$329.0 million for the three months ended September 30, 2023 to \$361.5 million for the three months ended September 30, 2024, and an increase in noninterest revenue from \$74.0 million for the three months ended September 30, 2023 to \$85.9 million for the three months ended September 30, 2024 and the decrease in noninterest expense from \$274.4 million in the third quarter of 2023 to \$259.4 million in the third quarter of 2024. The Company recorded a provision for credit losses of \$12.0 million for the three months ended September 30, 2024 compared to a provision for credit losses of \$17.0 million for the same period in 2023.

Net income available to common shareholders of \$383.8 million was reported for the nine months ended September 30, 2024, compared to \$276.1 million for the same period in 2023. Key factors contributing to the \$107.7 million increase in net income available to common shareholders were the increase in noninterest revenue from \$195.1 million for the nine months ended September 30, 2023 to \$270.3 million for the nine months ended September 30, 2024 primarily due to the \$51.3 million net loss on sale of securities as a result of our balance sheet optimization transaction in the first quarter of 2023; the increase in net interest revenue from \$1.0 billion for the nine months ended September 30, 2023 to \$1.1 billion for the nine months ended September 30, 2024; and the decrease in noninterest expense from \$826.6 million in the first nine months of 2023 to \$779.3 million in the first nine months of 2024. The Company recorded a provision for credit losses of \$56.0 million for the nine months ended September 30, 2024 compared to a provision for credit losses of \$42.0 million for the same period in 2023.

Net interest revenue for the three months ended September 30, 2024 was \$361.5 million compared to \$329.0 million for the same period in 2023. The \$32.5 million, or 9.9%, increase was primarily related to increased interest rates which resulted in an increase on yields earned on interest-earning assets coupled with growth in average balances in the loan and lease portfolio and other investments. This increase was partially offset by increased interest expense due to a mix shift from noninterest bearing deposits into interest bearing, as well as increased market interest rates paid on average interest bearing liabilities for deposits. With the increase in rates paid on average interest bearing liabilities, interest expense increased \$19.8 million, or 7.4%, for the three months ended September 30, 2024 compared to the same period in 2023. See Table 4 below for more information on yield/rate analysis.

For the nine months ended September 30, 2024, net interest revenue was \$1.1 billion compared to \$1.0 billion for the same period in 2023. The \$54.9 million, or 5.4%, increase was primarily related to increased interest rates which resulted in an increase on yields earned on interest-earning assets coupled with growth in average balances in the loan and lease portfolio and other investments. This increase was partially offset by the increase in interest expense due to a mix shift from noninterest bearing deposits into interest bearing, as well as increased market interest rates paid on average interest bearing liabilities for deposits. With the increase in rates paid on average interest bearing liabilities, interest expense increased \$177.1 million, or 26.1%, for the nine months ended September 30, 2024 compared to the same period in 2023. See Table 4 below for more information on yield/rate analysis.

The Company attempts to diversify its revenue streams with noninterest revenue received from mortgage banking operations, wealth management activities and other activities that generate fee income. Noninterest revenue for the three months ended September 30, 2024 was \$85.9 million, compared to \$74.0 million for same period in 2023. The primary contributors to the increase in noninterest revenue were an increase of \$14.3 million in other noninterest revenue and an increase of \$3.0 million in wealth management revenue. These increases were partially offset by a \$4.6 million decrease in mortgage banking revenue and a \$2.9 million net loss on sale of securities in the third quarter of 2024. Excluding security net losses, noninterest revenue for the three months ended September 30, 2024, was \$88.8 million, an increase of \$14.9 million, or 20.2%, from \$73.9 million for same period in 2023. See "Noninterest Revenue" below for more information.

Noninterest revenue for the nine months ended September 30, 2024 was \$270.3 million, compared to \$195.1 million for same period in 2023. The primary contributors to the increase in noninterest revenue were increases in wealth management revenue of \$6.6 million, deposit service charges of \$4.2 million, other noninterest revenue of \$21.9 million, primarily due to the

gain on sale of Cadence Business Solutions, LLC, and a decrease in security net losses of \$48.2 million as a result of securities portfolio restructuring in the first quarter of 2023. These increases were partially offset by a \$6.4 million decrease in mortgage banking revenues. Excluding security net losses, noninterest revenue for the nine months ended September 30, 2024, was \$273.3 million, an increase of \$27.1 million, or 11.0%, from \$246.2 million for same period in 2023. See “Noninterest Revenue” below for more information.

Noninterest expense for the three months ended September 30, 2024 was \$259.4 million, a decrease of 5.5% from \$274.4 million for the same period in 2023. The decrease in noninterest expense in the third quarter of 2024 compared to the third quarter of 2023 was primarily a result of decreases in salaries and employee benefits, other noninterest expense and deposit insurance assessments, partially offset by increases in occupancy and equipment. For the three months ended September 30, 2024, salaries and employee benefits decreased \$9.4 million, or 5.8%, compared to the same period in 2023 primarily due to reduced employee headcount as a result of the sale of Cadence Insurance in November 2023. Decreases in other noninterest expense for the three months ended September 30, 2024 compared to the same period in 2023 included decreases in fraud and operational losses and various other miscellaneous expenses.

For the nine months ended September 30, 2024, noninterest expense decreased 5.7% to \$779.3 million from \$826.6 million for the same period in 2023. The decrease in noninterest expense in the first nine months of 2024 compared to the first nine months of 2023 was primarily a result of decreases in salaries and employee benefits, other noninterest expense, merger expense and amortization of intangibles, partially offset by increases in deposit insurance assessments and occupancy and equipment. For the nine months ended September 30, 2024, salaries and employee benefits decreased \$29.7 million, or 6.1%, compared to the same period in 2023 mainly due to reduced employee headcount as a result of the sale of Cadence Insurance in November 2023. Decreases in other noninterest expense for the nine months ended September 30, 2024 compared to the same period in 2023 included decreases in fraud and operational losses and various other miscellaneous expenses.

## RESULTS OF OPERATIONS

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

**TABLE 3—SUMMARY OF RESULTS OF OPERATIONS**

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Earnings Summary:</b>				
Interest revenue	\$ 647,713	\$ 595,459	\$ 1,927,036	\$ 1,694,980
Interest expense	286,255	266,499	855,352	678,229
Net interest revenue	361,458	328,960	1,071,684	1,016,751
Provision for credit losses	12,000	17,000	56,000	42,000
Net interest revenue, after provision for credit losses	349,458	311,960	1,015,684	974,751
Noninterest revenue	85,901	73,989	270,345	195,116
Noninterest expense	259,438	274,442	779,343	826,555
Income from continuing operations, before income taxes	175,921	111,507	506,686	343,312
Income tax expense	39,482	24,355	115,797	75,891
Income from continuing operations	136,439	87,152	390,889	267,421
Income from discontinued operations, before income taxes	—	7,242	—	21,462
Income tax expense from discontinued operations	—	1,811	—	5,643
Income from discontinued operations, net of income taxes	—	5,431	—	15,819
Net income	136,439	92,583	390,889	283,240
Less: preferred dividends	2,372	2,372	7,116	7,116
Net income available to common shareholders	\$ 134,067	\$ 90,211	\$ 383,773	\$ 276,124

## **Net Interest Revenue**

Net interest revenue is the difference between interest revenue earned on assets, such as loans, leases and securities, and interest expense paid on liabilities, such as deposits and borrowings, and continues to provide the Company with its principal source of revenue. Net interest revenue is affected by the general level of interest rates, changes in interest rates and changes in the amount and composition of interest earning assets and interest bearing liabilities. One of the Company's long-term objectives is to manage interest earning assets and interest bearing liabilities to maximize net interest revenue, while balancing interest rate, credit and liquidity risk. Net interest margin is determined by dividing FTE net interest revenue by average earning assets. For purposes of the following discussion, revenue from tax-exempt loans and investment securities have been adjusted to an FTE basis, using an effective tax rate of 21% for the three and nine months ended September 30, 2024 and 2023.

The following table presents average interest earning assets, average interest bearing liabilities, net interest revenue-FTE, net interest margin-FTE and net interest rate spread for each of the periods presented:

**TABLE 4—CONSOLIDATED AVERAGE BALANCES AND YIELD/RATE ANALYSIS**

(Dollars in thousands)	Three Months Ended September 30,					
	2024			2023		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
<b>ASSETS</b>						
Loans and leases (net of unearned income) <sup>(1)(2)</sup>	\$ 33,279,819	\$ 556,386	6.66 %	\$ 32,311,572	\$ 520,576	6.39 %
Loans held for sale, at fair value	134,313	1,630	4.83	115,653	1,468	5.04
Available for sale securities, at fair value:						
Taxable	7,834,596	59,732	3.03	9,635,084	50,277	2.07
Tax-exempt <sup>(3)</sup>	81,040	808	3.97	369,357	3,006	3.23
Other investments	2,210,277	29,851	5.37	1,571,973	21,213	5.35
Total interest earning assets and revenue	43,540,045	648,407	5.92 %	44,003,639	596,540	5.38 %
Other assets	4,733,851			5,111,197		
Allowance for credit losses	469,919			459,698		
<b>Total</b>	<b>\$ 47,803,977</b>			<b>\$ 48,655,138</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Deposits:						
Interest bearing demand and money market	\$ 18,043,686	\$ 142,179	3.13 %	\$ 17,970,463	\$ 126,296	2.79 %
Savings	2,584,761	3,695	0.57	2,913,027	4,108	0.56
Time	8,389,472	94,944	4.50	7,660,868	76,867	3.98
Fed funds purchased, securities sold under agreement to repurchase and other	44,582	572	5.10	837,773	9,007	4.27
Short-term FHLB borrowings	11	—	—	224	2	3.54
Short-term BTFP borrowings	3,500,000	41,992	4.77	3,500,000	45,433	5.15
Subordinated and long-term borrowings	265,790	2,873	4.30	449,568	4,786	4.22
Total interest bearing liabilities and expense	32,828,302	286,255	3.47 %	33,331,923	266,499	3.17 %
Demand deposits - noninterest bearing	8,616,534			9,924,554		
Other liabilities	938,315			893,499		
Total liabilities	42,383,151			44,149,976		
Shareholders' equity	5,420,826			4,505,162		
<b>Total</b>	<b>\$ 47,803,977</b>			<b>\$ 48,655,138</b>		
Net interest revenue-FTE		<b>\$ 362,152</b>			<b>\$ 330,041</b>	
Net interest margin-FTE			3.31 %			2.98 %
Net interest rate spread			2.45 %			2.21 %
Interest bearing liabilities to interest earning assets			75.40 %			75.75 %

- (1) Includes taxable equivalent adjustment to interest of \$0.5 million for both the three months ended September 30, 2024 and 2023, using an effective tax rate of 21% for all periods presented.
- (2) Nonaccrual loans are included in loans and leases (net of unearned income). Nonaccrual loans were \$273.0 million and \$150.0 million as of September 30, 2024 and 2023, respectively.
- (3) Includes taxable equivalent adjustment to interest of \$0.2 million and \$0.6 million for the three months ended September 30, 2024 and 2023, respectively, using an effective tax rate of 21% for all periods presented.

Net interest revenue-FTE increased 9.7% to \$362.2 million for the three months ended September 30, 2024, from \$330.0 million for the same period in 2023. The increase in net interest revenue-FTE was primarily due to increased interest rates on loans, investment securities and other investments which resulted in an increase on yields earned on interest-earning assets. The increase was partially offset by increased interest expense due to increased rates paid on average interest bearing deposits and a shift out of noninterest bearing deposits into time deposits. Average loans increased from 73.4% of average interest earning assets in the 2023 third quarter to 76.4% in the 2024 third quarter.

Interest revenue-FTE increased 8.7% to \$648.4 million for the three months ended September 30, 2024, from \$596.5 million for the same period in 2023. The increase in interest revenue-FTE for the three months ended September 30, 2024, was

primarily a result of the increase in yields earned on loans due to the increase in market rates over the prior year period, as well as the securities portfolio repositioning in late 2023 and improved earning asset mix from continued deployment of cash. Additionally, interest revenue-FTE included \$3.0 million and \$6.6 million in accretion related to the purchase discounts on acquired loans for the three months ended September 30, 2024 and 2023, respectively.

Interest expense increased 7.4% to \$286.3 million for the three months ended September 30, 2024, compared to \$266.5 million for the same period in 2023. The increase in interest expense for the three months ended September 30, 2024 was primarily a result of the overall rates paid on average interest-bearing deposits increasing 42 basis points for the three months ended September 30, 2024, compared to the same period in 2023, which was in response to increased interest rates, combined with a shift out of noninterest bearing deposits into interest bearing.

Net interest margin-FTE for the three months ended September 30, 2024 was 3.31%, an increase of 33 basis points, from 2.98% for the same period in 2023. Net interest revenue-FTE may also be analyzed by segregating the yield/rate and volume components of interest revenue and interest expense. The table below presents an analysis of rate and average volume change in net interest revenue from the third quarter of 2023 to the third quarter of 2024. The changes in net interest income due to both rate and volume have been allocated to volume.

**TABLE 5—RATE/VOLUME ANALYSIS**

(In thousands)	Third Quarter 2024 vs Third Quarter 2023				
	Net Interest Revenue		Increase		
	2024	2023	(Decrease)	Volume	Rate
<b>INTEREST REVENUE</b>					
Loans and leases, net of unearned income	\$ 556,386	\$ 520,576	\$ 35,810	\$ 15,600	\$ 20,210
Loans held for sale	1,630	1,468	162	237	(75)
Available for sale securities:					
Taxable	59,732	50,277	9,455	(9,395)	18,850
Non-taxable	808	3,006	(2,198)	(2,346)	148
Other	29,851	21,213	8,638	8,614	24
Total interest revenue-FTE	648,407	596,540	51,867	12,710	39,157
<b>INTEREST EXPENSE</b>					
Demand deposits - interest bearing	142,179	126,296	15,883	515	15,368
Savings deposits	3,695	4,108	(413)	(463)	50
Time deposits	94,944	76,867	18,077	7,311	10,766
Fed funds purchased, securities sold under agreement to repurchase and other	572	9,007	(8,435)	(8,528)	93
Short-term FHLB borrowings	—	2	(2)	(2)	—
Short-term BTFP borrowings	41,992	45,433	(3,441)	—	(3,441)
Subordinated and long-term debt	2,873	4,786	(1,913)	(1,956)	43
Total interest expense	286,255	266,499	19,756	(3,123)	22,879
Net interest revenue-FTE	\$ 362,152	\$ 330,041	\$ 32,111	\$ 15,833	\$ 16,278

The following table presents average interest earning assets, average interest bearing liabilities, net interest revenue-FTE, net interest margin-FTE and net interest rate spread for each of the periods presented:

(Dollars in thousands)	Nine Months Ended September 30,					
	2024			2023		
	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
<b>ASSETS</b>						
Loans and leases (net of unearned income) <sup>(1)(2)</sup>	\$ 32,988,706	\$1,625,939	6.58 %	\$ 31,706,637	\$1,474,734	6.22 %
Loans held for sale, at fair value	107,109	4,467	5.57	76,770	3,033	5.28
Available for sale securities, at fair value:						
Taxable	7,991,692	185,989	3.11	10,283,587	152,320	1.98
Tax-exempt <sup>(3)</sup>	80,699	2,485	4.11	383,031	9,214	3.22
Other investments	2,703,228	110,130	5.44	1,567,483	58,876	5.02
Total interest earning assets and revenue	43,871,434	1,929,010	5.87 %	44,017,508	1,698,177	5.16 %
Other assets	4,813,124			5,227,122		
Allowance for credit losses	472,972			453,133		
Total	<u>\$ 48,211,586</u>			<u>\$ 48,791,497</u>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Deposits:						
Interest bearing demand and money market	\$ 18,703,458	\$ 437,861	3.13 %	\$ 18,322,003	\$ 333,578	2.43 %
Savings	2,644,193	11,238	0.57	3,119,830	11,037	0.47
Time	7,888,094	264,786	4.48	6,383,257	166,333	3.48
Fed funds purchased, securities sold under agreement to repurchase and other	106,357	3,832	4.81	814,943	24,334	3.99
Short-term FHLB borrowings	4	—	—	1,858,102	68,235	4.91
Short-term BTFP borrowings	3,500,000	125,632	4.79	1,564,103	60,248	5.15
Subordinated and long-term borrowings	367,826	12,003	4.36	455,810	14,464	4.24
Total interest bearing liabilities and expense	33,209,932	855,352	3.44 %	32,518,048	678,229	2.79 %
Demand deposits - noninterest bearing	8,814,668			10,942,567		
Other liabilities	912,407			850,159		
Total liabilities	42,937,007			44,310,774		
Shareholders' equity	5,274,579			4,480,723		
Total	<u>\$ 48,211,586</u>			<u>\$ 48,791,497</u>		
Net interest revenue-FTE		<u>\$1,073,658</u>			<u>\$1,019,948</u>	
Net interest margin-FTE			3.27 %			3.10 %
Net interest rate spread			2.43 %			2.37 %
Interest bearing liabilities to interest earning assets			75.70 %			73.88 %

(1) Includes taxable equivalent adjustment to interest of \$1.5 million and \$1.3 million for the nine months ended September 30, 2024 and 2023, respectively, using an effective tax rate of 21% for all periods presented.

(2) Nonaccrual loans are included in loans and leases (net of unearned income). Nonaccrual loans were \$273.0 million and \$150.0 million as of September 30, 2024 and 2023, respectively.

(3) Includes taxable equivalent adjustment to interest of \$0.5 million and \$1.9 million for the nine months ended September 30, 2024 and 2023, respectively, using an effective tax rate of 21% for all periods presented.

Net interest revenue-FTE increased 5.3% to \$1.1 billion for the nine months ended September 30, 2024, from \$1.0 billion for the same period in 2023. The increase in net interest revenue-FTE was primarily due to increased interest rates on loans, investment securities and other investments which resulted in an increase on yields earned on interest-earning assets. This increase was offset by the increase in interest expense due to increased rates paid on average interest bearing deposits and a shift out of noninterest bearing deposits into time deposits. Average loans increased from 72.0% of average interest earning assets in 2023 to 75.2% in 2024.

Interest revenue-FTE increased 13.6% to \$1.9 billion for the nine months ended September 30, 2024, from \$1.7 billion for the same period in 2023. The increase in interest revenue-FTE for the nine months ended September 30, 2024, was primarily a result of the increase in yields earned on loans due to the increase in market rates over the prior year period, as well as the securities portfolio repositioning in late 2023 and improved earning asset mix from continued deployment of cash.

Additionally, interest revenue-FTE included \$9.5 million and \$21.8 million in accretion related to the purchase discounts on acquired loans for the nine months ended September 30, 2024 and 2023, respectively.

Interest expense increased 26.1% to \$855.4 million for the nine months ended September 30, 2024, compared to \$678.2 million for the same period in 2023. The increase in interest expense for the nine months ended September 30, 2024 was primarily a result of the overall rates paid on average interest-bearing deposits increasing 80 basis points for the nine months ended September 30, 2024, compared to the same period in 2023, which was in response to increased interest rates, combined with a shift out of noninterest bearing deposits into time deposits.

Net interest margin-FTE for the nine months ended September 30, 2024 was 3.27%, an increase of 17 basis points, from 3.10% for the same period in 2023. Net interest revenue-FTE may also be analyzed by segregating the yield/rate and volume components of interest revenue and interest expense. The table below presents an analysis of rate and average volume change in net interest revenue from the nine months ended September 30, 2023 to the nine months ended September 30, 2024. The changes in net interest income due to both rate and volume have been allocated to volume.

(In thousands)	Nine Months Ended September 30, 2024 vs Nine Months Ended September 30, 2023				
	Net Interest Revenue		Increase	Volume	Rate
	2024	2023	(Decrease)		
<b>INTEREST REVENUE</b>					
Loans and leases, net of unearned income	\$ 1,625,939	\$ 1,474,734	\$ 151,205	\$ 59,631	\$ 91,574
Loans held for sale	4,467	3,033	1,434	1,199	\$ 235
Available for sale securities:					
Taxable	185,989	152,320	33,669	(33,947)	67,616
Non-taxable	2,485	9,214	(6,729)	(7,273)	544
Other	110,130	58,876	51,254	42,660	8,594
Total interest revenue-FTE	<u>1,929,010</u>	<u>1,698,177</u>	<u>230,833</u>	<u>62,270</u>	<u>168,563</u>
<b>INTEREST EXPENSE</b>					
Demand deposits - interest bearing	437,861	333,578	104,283	6,945	97,338
Savings deposits	11,238	11,037	201	(1,683)	1,884
Time deposits	264,786	166,333	98,453	39,213	59,240
Fed funds purchased, securities sold under agreement to repurchase and other	3,832	24,334	(20,502)	(21,158)	656
Short-term FHLB borrowings	—	68,235	(68,235)	(68,235)	—
Short-term BTFP borrowings	125,632	60,248	65,384	74,569	(9,185)
Subordinated and long-term debt	12,003	14,464	(2,461)	(2,792)	331
Total interest expense	<u>855,352</u>	<u>678,229</u>	<u>177,123</u>	<u>26,859</u>	<u>150,264</u>
Net interest revenue-FTE	<u>\$ 1,073,658</u>	<u>\$ 1,019,948</u>	<u>\$ 53,710</u>	<u>\$ 35,411</u>	<u>\$ 18,299</u>

## Provision for Credit Losses and Allowance for Credit Losses (“ACL”)

An analysis of the ACL for loans for the periods indicated is provided in the following table:

**TABLE 6—ACL**

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Balance, beginning of period	\$ 470,022	\$ 466,013	\$ 468,034	\$ 440,347
Charge-offs:				
Commercial and industrial				
Non-real estate	(21,544)	(34,810)	(61,580)	(51,134)
Owner occupied	(76)	(149)	(377)	(277)
Total commercial and industrial	(21,620)	(34,959)	(61,957)	(51,411)
Commercial real estate				
Construction, acquisition and development	(222)	—	(759)	(179)
Income producing	—	(931)	(2,356)	(2,865)
Total commercial real estate	(222)	(931)	(3,115)	(3,044)
Consumer				
Residential mortgages	(880)	(216)	(2,183)	(1,071)
Other consumer	(1,801)	(1,392)	(5,187)	(4,642)
Total consumer	(2,681)	(1,608)	(7,370)	(5,713)
Total charge-offs	(24,523)	(37,498)	(72,442)	(60,168)
Recoveries:				
Commercial and industrial				
Non-real estate	1,382	2,061	5,484	5,640
Owner occupied	265	179	418	1,367
Total commercial and industrial	1,647	2,240	5,902	7,007
Commercial real estate				
Construction, acquisition and development	36	156	218	561
Income producing	29	45	98	1,036
Total commercial real estate	65	201	316	1,597
Consumer				
Residential mortgages	288	492	850	1,511
Other consumer	360	411	1,199	1,310
Total consumer	648	903	2,049	2,821
Total recoveries	2,360	3,344	8,267	11,425
Net (charge-offs)	(22,163)	(34,154)	(64,175)	(48,743)
Adoption of new ASU related to modified loans <sup>(1)</sup>	—	—	—	255
Provision:				
Provision for credit losses related to loans and leases	13,000	15,000	57,000	55,000
Balance, end of period	\$ 460,859	\$ 446,859	\$ 460,859	\$ 446,859
Loans and leases, net of unearned income - average	\$ 33,279,819	\$ 32,311,572	\$ 32,988,706	\$ 31,706,637
Loans and leases, net of unearned income - period end	\$ 33,303,972	\$ 32,520,593	\$ 33,303,972	\$ 32,520,593

<sup>(1)</sup> Cadence adopted the new accounting guidance effective January 1, 2023, which eliminates the TDR recognition and measurement guidance via the modified retrospective transition method (ASU 2022-02).



**TABLE 7—ACL RELATED RATIOS**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>RATIOS</b>				
Provision for credit losses to average loans and leases, net of unearned income <sup>(1)</sup>	0.14 %	0.21 %	0.23 %	0.18 %
ACL to loans and leases, net of unearned income	1.38 %	1.37 %	1.38 %	1.37 %
Nonperforming loans to loans and leases, net of unearned income	0.82 %	0.46 %	0.82 %	0.46 %
ACL to nonperforming loans	168.84 %	297.83 %	168.84 %	297.83 %
<b>Net charge-offs (recoveries) to average loans and leases: <sup>(1)</sup></b>				
<b>Commercial and industrial</b>				
Non-real estate	0.24 %	0.40 %	0.23 %	0.19 %
Owner occupied	— %	— %	— %	— %
Total commercial and industrial	0.24 %	0.40 %	0.23 %	0.19 %
<b>Commercial real estate</b>				
Construction, acquisition and development	— %	— %	— %	— %
Income producing	— %	0.01 %	0.01 %	— %
Total commercial real estate	— %	0.01 %	0.01 %	— %
<b>Consumer</b>				
Residential mortgages	— %	— %	— %	— %
Other consumer	0.02 %	0.01 %	0.02 %	0.01 %
Total consumer	0.02 %	0.01 %	0.02 %	0.01 %
Total	0.26 %	0.42 %	0.26 %	0.20 %

(1) Ratios are annualized.

Net charge-offs totaled \$22.2 million compared to net charge-offs of \$34.2 million for the three months ended September 30, 2024, and 2023, respectively. Net charge-offs as a percentage of average loans and leases were 0.26% annualized for the three months ended September 30, 2024, compared to net charge-offs as a percentage of average loans and leases of 0.42% annualized in the same period for 2023. Net charge-offs for the three months ended September 30, 2024 were primarily in the non-real estate category and were due to three specific credits and not as a result of the deterioration of the non-real estate category as a whole.

Net charge-offs totaled \$64.2 million compared to net charge-offs of \$48.7 million for the nine months ended September 30, 2024, and 2023, respectively. Net charge-offs as a percentage of average loans and leases were 0.26% annualized for the nine months ended September 30, 2024, compared to net charge-offs as a percentage of average loans and leases of 0.20% annualized in the same period for 2023. Net charge-offs for the nine months ended September 30, 2024, were primarily in the non-real estate category.

The Company recorded \$12.0 million in provision for credit losses during the three months ended September 30, 2024, and \$17.0 million for the same period in 2023. The provision for credit losses for the three months ended September 30, 2024, included a \$13.0 million provision related to loans and leases and a \$1.0 million release related to unfunded commitments.

The Company recorded \$56.0 million in provision for credit losses during the nine months ended September 30, 2024, and \$42.0 million for the same period in 2023. The provision for credit losses for the nine months ended September 30, 2024, included a \$57.0 million provision related to loans and leases and a \$1.0 million release related to unfunded commitments.

The ACL decreased \$7.1 million to \$460.9 million at September 30, 2024, from \$468.0 million at December 31, 2023. The ACL to nonperforming loans decreased to 168.84% at September 30, 2024, from 297.83% at September 30, 2023. For more information about the Company’s classified, nonperforming, purchased credit deteriorated, and impaired loans, see “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Loans and Leases” in Part I of this Report.

The breakdown of the ACL by loan and lease segment and class is based, in part, on evaluations of specific loan and lease histories and the impact of forecasted economic conditions on the portfolio segments. Accordingly, because these conditions are subject to change, the allocation is not necessarily indicative of the breakdown of any future allowance for credit losses. Several economic forecasts from external sources are used in the estimation and allocation of the ACL. The forecasts cover an eight-quarter forecast horizon to establish a forecast range and are based on upside, downside, and base case scenarios. A blended scenario is selected by management to reflect the probable economic conditions within the range. As of September 30, 2024, the forecast was weighted more heavily to a base forecast compared to a more balanced forecast weighting between the base and downside scenarios as of September 30, 2023. This was a result of the risk of heightened inflation and a recession risk easing over time.

The Company recognizes that high interest rates, inflation, and slower economic growth may have short-term, long-term, and regional impacts to the economy. In addition, qualitative factors such as changes in economic conditions, concentrations of risk, and changes in portfolio risk resulting from regulatory changes are considered in determining the adequacy of the level of the ACL (see Note 5 to the consolidated financial statements).

**TABLE 8—ACL BY SEGMENT AND CLASS**

(Dollars in thousands)	September 30, 2024		December 31, 2023	
	ACL	% of Loans in Each Category to Total Loans	ACL	% of Loans in Each Category to Total Loans
<b>Commercial and industrial</b>				
Non-real estate	\$ 189,528	26.1 %	\$ 194,577	27.5 %
Owner occupied	32,488	13.7	31,445	13.4
Total commercial and industrial	222,016	39.8	226,022	40.9
<b>Commercial real estate</b>				
Construction, acquisition and development	36,565	11.8	42,118	12.0
Income producing	62,162	18.0	69,209	17.7
Total commercial real estate	98,727	29.8	111,327	29.7
<b>Consumer</b>				
Residential mortgages	133,862	29.8	124,851	28.7
Other consumer	6,254	0.6	5,834	0.7
Total consumer	140,116	30.4	130,685	29.4
<b>Total</b>	<b>\$ 460,859</b>	<b>100.0 %</b>	<b>\$ 468,034</b>	<b>100.0 %</b>

## Noninterest Revenue

The components of noninterest revenue from continuing operations for the periods indicated and the percentage change between the periods are shown in the following table:

**TABLE 9—NONINTEREST REVENUE**

(Dollars in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Mortgage banking, excluding MSR and MSR hedge market value adjustment	\$ 8,171	\$ 7,946	2.8%	\$ 27,162	\$ 26,797	1.4%
MSR and MSR hedge market value adjustment	(7,038)	(2,262)	(211.1)	(13,413)	(6,682)	(100.7)
Credit card, debit card and merchant fees	12,649	12,413	1.9	37,581	36,882	1.9
Deposit service charges	18,814	16,867	11.5	54,803	50,557	8.4
Securities (losses) gains, net	(2,947)	64	NM	(2,960)	(51,127)	94.2
Trust and asset management income <sup>(1)</sup>	12,055	10,574	14.0	36,023	31,211	15.4
Investment advisory fees <sup>(1)</sup>	8,641	8,428	2.5	25,157	23,320	7.9
Brokerage and annuity fees <sup>(1)</sup>	3,414	2,077	64.4	9,769	9,820	(0.5)
Bank-owned life insurance	4,353	4,108	6.0	12,670	11,566	9.5
Credit related fees	7,066	6,009	17.6	18,365	21,329	(13.9)
SBA income	3,008	576	422.2	8,542	6,774	26.1
Other miscellaneous income	17,715	7,189	146.4	56,646	34,669	63.4
<b>Total noninterest revenue</b>	<b>\$ 85,901</b>	<b>\$ 73,989</b>	<b>16.1%</b>	<b>\$ 270,345</b>	<b>\$ 195,116</b>	<b>38.6%</b>

<sup>(1)</sup> Included in wealth management revenue on the consolidated statements of income.

NM - not meaningful.

Noninterest revenue for the three months ended September 30, 2024 was \$85.9 million, an increase of \$11.9 million, or 16.1%, from the same period in 2023. Net securities losses increased \$3.0 million for the three months ended September 30, 2024 compared to the same period in 2023. The increase was primarily driven by the \$2.9 million loss recognized from the sale of corporate bonds during the three months ended September 30, 2024. Trust and asset management income increased \$1.5 million for the three months ended September 30, 2024 compared to the same period in 2023. The increase was primarily associated with increased fees and new business. Credit-related fees include those associated with unused line of credit fees, letter of credit fees, interest rate swap derivative fee income and arrangement fees, among other loan-related fees. This category increased \$1.1 million for the three months ended September 30, 2024 compared to the same period in 2023. The increase was primarily driven by volume increases in interest rate swap derivative fee income and arrangement fees. Other miscellaneous income includes payroll processing revenue, foreign exchange revenue, wire transfer fees, and other miscellaneous items. Other miscellaneous income increased \$10.5 million for the three months ended September 30, 2024 compared to the same period in 2023. The increase was primarily driven by a \$4.2 million loss that was recognized during the three months ended September 30, 2023 related to write-down of fixed assets associated with branch closures, with no such loss recognized during the three months ended September 30, 2024. In addition, an increase of \$1.6 million was recognized in earnings from limited partnerships and an increase of \$2.0 million in mark-to-market on equity securities.

Noninterest revenue for the nine months ended September 30, 2024 was \$270.3 million, an increase of \$75.2 million, or 38.6%, from the same period in 2023. Deposit service charge revenue increased \$4.2 million for the nine months ended September 30, 2024 compared to the same period in 2023 and was primarily attributable to an increase in account analysis charges somewhat offset by a decrease in NSF and overdraft charges. Net securities losses decreased \$48.2 million for the nine months ended September 30, 2024 compared to the same period in 2023. The decrease was primarily driven by the securities portfolio restructuring that was executed as a part of a balance sheet optimization initiative during the first half of 2023 when \$1.5 billion in U.S. Treasury available for sale securities were sold generating a realized loss of \$51.3 million. Trust and asset management income increased \$4.8 million for the nine months ended September 30, 2024 compared to the same period in 2023, primarily driven by higher fees and new business. Credit related fees decreased \$3.0 million for the nine months ended September 30, 2024 compared to the same period in 2023. The decrease was primarily driven by volume decreases in interest rate swap derivative fee income, unused line of credit fees, and letter of credit fees. Other miscellaneous income increased \$22.0 million for the nine months ended September 30, 2024 compared to the same period in 2023. The increase includes the \$12.0 million net gain recognized from the sale of business, \$4.7 million due to an unamortized purchase accounting adjustment

on terminated legacy Cadence subordinated debt, and a \$4.2 million loss recognized during the nine months ended September 30, 2023 related to write-down of fixed assets associated with branch closures, with no such loss recognized during the nine months ended September 30, 2024.

The Company's revenue from mortgage banking typically fluctuates as mortgage interest rates change and was primarily attributable to two activities - the origination and sale of new mortgage loans and the servicing of sold mortgage loans. Origination revenue was comprised of gains or losses from the sale of mortgage loans held for sale, origination fees, underwriting fees and other fees associated with the origination of mortgage loans. For the three months ended September 30, 2024 and 2023, mortgage loan held for sale origination volumes totaled \$298.6 million and \$279.5 million, respectively, which produced origination revenue of \$2.1 million and \$2.0 million, respectively. The increase in mortgage origination revenue was the result of a higher volume of loans sold during the three months ended September 30, 2024. During 2023, there was a production shift resulting in more mortgage loans held for investment rather than those held for sale. During 2024, the focus was shifted to an even split between the two, which largely contributed to the higher volume of mortgage loans held for sale originated and sold during 2024.

For the nine months ended September 30, 2024 and 2023, mortgage loan held for sale origination volumes totaled \$821.0 million and \$599.8 million, respectively, which produced origination revenue of \$9.3 million and \$8.9 million, respectively. The increase in mortgage origination revenue was the result of a higher volume of loans sold during the nine months ended September 30, 2024 due to the same factors impacting the comparative three months periods noted previously.

Revenue from the mortgage servicing process includes fees from the actual servicing of mortgage loans. For the three months ended September 30, 2024 and 2023, revenue from the servicing of mortgage loans were \$6.0 million and \$5.9 million respectively. For the nine months ended September 30, 2024 and 2023, revenue from the servicing of mortgage loans was \$17.9 million for both periods.

The Company services a class of residential mortgages that are first lien loans secured by a primary residence or second home. The MSR, which are recognized as a separate asset on the date the corresponding mortgage loan is sold on a servicing retained basis, is recorded at fair value as determined at each accounting period end. At September 30, 2024 and September 30, 2023 the estimated fair value of the MSR was \$104.9 million and \$116.3 million, respectively.

The Company is susceptible to significant fluctuations in MSR fair value during changing interest rate environments. The Company manages this risk by hedging the change in fair value of its MSR. At September 30, 2024 and 2023, there was an economic hedge in place designed to cover approximately 75.0% and 50.1%, respectively, of the MSR value. Reflecting this sensitivity to interest rates, the fair value of the MSR, including the hedge, experienced a decrease of \$7.0 million for the three months ended September 30, 2024 and a decrease of \$2.3 million in the same period in 2023. In comparison, the fair value of the MSR, including the hedge, experienced a decrease of \$13.4 million for the nine months ended September 30, 2024 and a decrease of \$6.7 million in the same period in 2023.

The following table presents the Company's mortgage banking operations for the periods indicated:

**TABLE 10— MORTGAGE BANKING OPERATIONS**

(Dollars in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	% Change	2024	2023	% Change
<b>Production revenue:</b>						
Origination	\$ 2,145	\$ 2,031	5.6 %	\$ 9,286	\$ 8,870	4.7 %
Servicing	6,026	5,915	1.9	17,876	17,927	(0.3)
Total origination and servicing revenue	8,171	7,946	2.8	27,162	26,797	1.4
MSR and hedge market value adjustment	(7,038)	(2,262)	(211.1)	(13,413)	(6,682)	(100.7)
Total mortgage banking revenue	\$ 1,133	\$ 5,684	(80.1)%	\$ 13,749	\$ 20,115	(31.6)%
Origination of mortgage loans held for sale	\$ 298,608	\$ 279,506	6.8 %	\$ 821,036	\$ 599,768	36.9 %
Mortgage loans serviced at quarter-end	7,927,028	7,643,885	3.7	7,927,028	7,643,885	3.7

## Noninterest Expense

The components of noninterest expense from continuing operations for the periods indicated and the percentage change between periods is shown in the following table:

**TABLE 11—NONINTEREST EXPENSE**

(Dollars in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Salaries and employee benefits	\$ 152,237	\$ 161,627	(5.8)%	\$ 456,926	\$ 486,641	(6.1)%
Occupancy and equipment	28,894	27,069	6.7	86,901	82,962	4.7
Data processing and software	29,164	29,127	0.1	88,658	87,521	1.3
Merger expense	—	—	—	—	5,192	(100.0)
Deposit insurance assessments	7,481	10,425	(28.2)	31,637	26,491	19.4
Pension settlement expense	—	600	(100.0)	—	600	(100.0)
Advertising and public relations	5,481	5,671	(3.3)	16,241	15,530	4.6
Foreclosed property expense	486	270	79.9	1,269	1,573	(19.3)
Telecommunications	1,513	1,520	(0.5)	4,498	4,419	1.8
Travel and entertainment	2,612	2,442	7.0	7,397	7,857	(5.9)
Amortization of intangibles	3,933	4,436	(11.3)	11,998	14,983	(19.9)
Professional, consulting and outsourcing	4,115	5,017	(18.0)	11,584	14,698	(21.2)
Legal	3,664	3,316	10.5	8,104	6,369	27.2
Postage and shipping	1,677	2,292	(26.8)	5,504	6,536	(15.8)
Other miscellaneous expense	18,181	20,630	(11.9)	48,626	65,183	(25.4)
Total noninterest expense	<u>\$ 259,438</u>	<u>\$ 274,442</u>	<u>(5.5)%</u>	<u>\$ 779,343</u>	<u>\$ 826,555</u>	<u>(5.7)%</u>

Noninterest expense for the three months ended September 30, 2024 was \$259.4 million, a decrease of \$15.0 million, or 5.5%, from the same period in 2023. Deposit insurance assessments decreased \$2.9 million for the three months ended September 30, 2024 compared to the same period in 2023, primarily due to an adjustment to the estimated FDIC deposit insurance special assessment recorded in the third quarter of 2024 based on updated FDIC guidance. Occupancy and equipment increased \$1.8 million for the three months ended September 30, 2024 compared to the same period in 2023, primarily due to an increase of the same amount in building rent expense. Other miscellaneous expense includes insurance expense, operational and fraud losses, supplies expense, franchise and sales taxes, training and business development expenses, various regulatory fees, and various other expenses. This category decreased \$2.4 million for the three months ended September 30, 2024 compared to the same period in 2023, primarily due to decreases in SBA agent related fees (\$0.9 million), pension costs (\$0.8 million), other loan related expenses (\$0.9 million), and somewhat offset by an involuntary conversion of a branch building (\$0.8 million) after sustaining tornado damage in 2024.

Noninterest expense for the nine months ended September 30, 2024, was \$779.3 million, a decrease of \$47.2 million, or 5.7%, from the same period in 2023. Occupancy and equipment increased \$3.9 million for the nine months ended September 30, 2024 compared to the same period in 2023, primarily due to an increase of \$1.8 million in building rent expense and an increase of \$1.5 million in equipment maintenance expense. Data processing and software expense increased \$1.1 million for the nine months ended September 30, 2024 compared to the same period in 2023, which was largely driven by increases in external data processing volume and mobile banking costs, offset by a decrease in software maintenance costs. There were no merger expenses for the nine months ended September 30, 2024, compared to \$5.2 million for the same period in 2023. These expenses in 2023 primarily included compensation related expenses. Deposit insurance assessments increased \$5.1 million for the nine months ended September 30, 2024 compared to the same period in 2023, primarily due to a FDIC special assessment accrual recorded during the nine months ended September 30, 2024 based on updated FDIC guidance. Professional, consulting and outsourcing decreased \$3.1 million for the nine months ended September 30, 2024 compared to the same period in 2023, primarily due to decreases in outsourced services costs. Legal expense increased \$1.7 million for the nine months ended September 30, 2024 compared to the same period in 2023. Other miscellaneous expense decreased \$16.6 million for the nine months ended September 30, 2024 compared to the same period in 2023, primarily driven by decreases in operational losses (\$6.5 million), loan related expenses (\$2.8 million), pension costs (\$2.4 million), and delivery related expenses (\$1.7 million).

Salaries and employee benefits expense was the largest category of our noninterest expense. Salaries and employee benefits decreased \$9.4 million and \$29.7 million for the three months ended and nine months ended September 30, 2024 compared to the same periods in 2023, respectfully. The decreases were attributable to a decrease in employee headcount.

The components of salary and employee benefits expense for the periods indicated and the percentage change between years are shown in the following table:

**TABLE 12—SALARIES AND EMPLOYEE BENEFITS EXPENSE**

(Dollars in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Regular salaries, net of deferred salaries	\$ 93,287	\$ 104,163	(10.4)%	\$ 281,395	\$ 316,444	(11.1)%
Commissions and incentive compensation	33,053	29,307	12.8	94,634	86,538	9.4
Taxes and employee benefits	25,897	28,157	(8.0)	80,897	83,659	(3.3)
Total salaries and employee benefits	<u>\$ 152,237</u>	<u>\$ 161,627</u>	<u>(5.8)%</u>	<u>\$ 456,926</u>	<u>\$ 486,641</u>	<u>(6.1)%</u>

### Income Taxes

The Company recorded an income tax expense from continuing operations of \$39.5 million for the three months ended September 30, 2024, compared to \$24.4 million for the same period in 2023. The increase in tax expense in 2024 can be attributed to higher pre-tax income.

The Company recorded an income tax expense from continuing operations of \$115.8 million for the nine months ended September 30, 2024, compared to \$75.9 million for the same period in 2023.

The Company recorded zero income tax expense related to discontinued operations for the three and nine months ended September 30, 2024, compared to \$1.8 million and \$5.6 million, respectively, for the same periods in 2023. There was no tax expense on discontinued operations in 2024 as the sale of Cadence Insurance closed in November 2023, and reported as a discontinued operation in 2023 and periods prior.

The effective tax rate on continuing operations was 22.4% and 22.9% for the three and nine months ended September 30, 2024, respectively, compared to 21.8% and 22.1% for the same periods in 2023. The increase in the effective tax rate for 2024 was the result of the increase in pre-tax income along with the increase in nondeductible expenses.

In August 2022, the IRA of 2022 was signed into law to address inflation, healthcare costs, climate change and renewal energy incentives, among other things. Included in the IRA of 2022 are provisions for the creation of a 15% CAMT that is effective for tax years beginning January 1, 2023 for corporations with an average annual adjusted financial statement income in excess of \$1 billion. Based on information available to date, we do not anticipate that the Company will be subject to the 15% CAMT in 2024, absent any further changes in law.

## FINANCIAL CONDITION

The percentage of earning assets to total assets measures the effectiveness of management's efforts to invest available funds representing the most efficient and profitable uses. Earning assets at September 30, 2024, were \$44.8 billion, or 91.1% of total assets, compared with \$44.2 billion, or 90.3% of total assets, at December 31, 2023.

**TABLE 13—FINANCIAL CONDITION SUMMARY**

(In thousands)	As of and For the Nine Months Ended September 30, 2024	As of and For the Year Ended December 31, 2023
<b>Period-End Balances:</b>		
Total assets	\$ 49,204,933	\$ 48,934,510
Available for sale securities	7,841,685	8,075,476
Loans and leases, net of unearned income	33,303,972	32,497,022
Total deposits	38,844,360	38,497,137
Securities sold under agreement to repurchase	16,964	451,516
Short-term BTFP borrowings	3,500,000	3,500,000
Subordinated and long-term debt	225,823	438,460
Total shareholders' equity	5,572,863	5,167,843
Common shareholders' equity	5,405,870	5,000,850
<b>Average Balances:</b>		
Total assets	48,211,586	48,703,953
Available for sale securities	8,072,391	10,322,335
Loans and leases, net of unearned income	32,988,706	31,913,925
Total deposits	38,050,413	38,628,453
Securities sold under agreement to repurchase	102,259	770,777
Federal funds purchased and short-term BTFP and FHLB borrowings	3,504,102	3,471,207
Subordinated and long-term borrowings	367,826	452,645
Total shareholders' equity	5,274,579	4,487,433
Common shareholders' equity	5,107,586	4,320,440



## Securities

The Company uses its securities portfolio as a source of revenue and liquidity, and to serve as collateral to secure certain types of deposits and borrowings. These securities, which are available for a possible sale, are recorded at fair value. The following table shows the carrying value of the Company's AFS securities by investment category for the periods indicated:

**TABLE 14—AVAILABLE FOR SALE SECURITIES SUMMARY**

(In thousands)	September 30, 2024	December 31, 2023
Available for sale securities:		
U.S. Treasury securities	\$ —	\$ 465,018
U.S. government agency securities	300,730	332,011
MBS issued or guaranteed by U.S. agencies		
Residential pass-through:		
Guaranteed by GNMA	71,001	75,662
Issued by FNMA and FHLMC	4,163,760	4,387,101
Other residential MBS	1,135,004	727,434
Commercial MBS	1,664,288	1,742,837
Total MBS	7,034,053	6,933,034
Obligations of states and political subdivisions	137,996	137,624
Corporate debt securities	51,599	67,197
Foreign debt securities	317,307	140,592
Total	<u>\$ 7,841,685</u>	<u>\$ 8,075,476</u>

At September 30, 2024, the Company's AFS securities totaled \$7.8 billion compared to \$8.1 billion at December 31, 2023. The decrease of \$233.8 million, or 2.9%, was primarily driven by the maturities and payments of \$1.2 billion during the period. The decrease was offset by purchases of \$751.8 million of higher yielding securities during the period.

Net unrealized losses on AFS securities at September 30, 2024 and December 31, 2023 totaled \$717.8 million and \$940.2 million, respectively. At September 30, 2024, management believes that the unrealized losses are due to noncredit-related factors, such as changes in interest rates and other market conditions (see Note 3 to the unaudited consolidated financial statements).



The following table shows the maturities and weighted average yields for the carrying value of the available-for-sale securities for the periods indicated:

**TABLE 15—MATURITY DISTRIBUTION OF AFS SECURITIES**

(Dollars in thousands)	September 30, 2024		December 31, 2023	
	Estimated Fair Value	Weighted Average Yield	Estimated Fair Value	Weighted Average Yield
<b>U.S. Treasury securities:</b>				
Due in less than one year	\$ —	— %	\$ 465,018	5.46 %
U.S. Treasury securities total	—	—	465,018	5.46
<b>U.S. government agency securities:</b>				
Due in one to five years	8,941	4.05	12,853	4.37
Due in five to ten years	218,915	4.45	249,502	4.66
Due after ten years	72,874	2.19	69,656	2.22
U.S. government agency securities total	300,730	3.89	332,011	4.14
<b>Obligations of states and political subdivisions:</b>				
Due in less than one year	—	—	1,835	2.84
Due in one to five years	9,318	2.92	9,153	2.95
Due in five to ten years	16,096	2.20	15,655	2.22
Due after ten years	112,582	2.70	110,981	2.70
Obligations of states and political subdivisions total	137,996	2.65	137,624	2.66
<b>Corporate debt securities:</b>				
Due in one to five years	5,194	5.82	5,181	5.90
Due in five to ten years	44,885	4.78	60,632	4.59
Due after ten years	1,520	4.50	1,384	4.50
Corporate debt securities total	51,599	4.88	67,197	4.69
<b>Foreign debt securities:</b>				
Due in one to five years	88,290	3.60	51,507	2.25
Due in five to ten years	229,017	5.83	89,085	5.86
Foreign debt securities total	317,307	5.21	140,592	4.54
<b>Total securities due in less than one year</b>				
	—	—	466,853	5.45
<b>Total securities due in one to five years</b>				
	111,743	3.68	78,694	2.92
<b>Total securities due in five to ten years</b>				
	508,913	5.03	414,874	4.82
<b>Total securities due after ten years</b>				
	186,976	2.52	182,021	2.53
<b>MBS</b>				
	7,034,053	2.89	6,933,034	2.54
<b>Total estimated fair value</b>				
	<u>\$ 7,841,685</u>	<u>3.03 %</u>	<u>\$ 8,075,476</u>	<u>2.83 %</u>

The yield on tax-exempt obligations of states and political subdivisions has been adjusted to a taxable equivalent basis using a 21% tax rate.

## Loans and Leases

The Company's loans and leases held for investment portfolio represents the largest single component of the Company's earning asset base. Average loans and leases comprised 75.2% and 72.6% of average earning assets during the nine months ended September 30, 2024 and the year ended December 31, 2023, respectively. The Company's lending activities include both commercial and consumer loans and leases. The Company has established systematic procedures for approving and monitoring loans and leases that vary depending on the size and nature of the loan or lease and applies these procedures in a disciplined manner. The Company also acts as agent or participant in syndications and other financing arrangements with other financial institutions. The Company's loans and leases are widely diversified by borrower and industry. Loans and leases, net of unearned income, totaled \$33.3 billion at September 30, 2024, representing a 2.5% increase from \$32.5 billion at December 31, 2023.

The following table shows the composition of the Company's loan and lease portfolio by segment and class at the dates indicated:

**TABLE 16—LOAN PORTFOLIO**

(In thousands)	September 30, 2024	December 31, 2023
<b>Commercial and industrial</b>		
Non-real estate	\$ 8,692,639	\$ 8,935,598
Owner occupied	4,557,723	4,349,060
Total commercial and industrial	13,250,362	13,284,658
<b>Commercial real estate</b>		
Construction, acquisition and development	3,931,821	3,910,962
Income producing	5,978,695	5,736,871
Total commercial real estate	9,910,516	9,647,833
<b>Consumer</b>		
Residential mortgages	9,933,222	9,329,692
Other consumer	209,872	234,839
Total consumer	10,143,094	9,564,531
<b>Total loans and leases, net of unearned income <sup>(1)</sup></b>	<b>\$ 33,303,972</b>	<b>\$ 32,497,022</b>

(1) Total loans and leases are net of \$21.1 million and \$38.4 million of unearned income at September 30, 2024 and December 31, 2023, respectively.

The following table shows the Company's loan and lease portfolio by segment and class at September 30, 2024 by geographical location.

**TABLE 17—LOANS BY GEOGRAPHICAL LOCATION**

(In thousands)	Alabama	Arkansas	Florida	Georgia	Louisiana	Mississippi	Missouri	Tennessee	Texas	Other	Total
<b>Commercial and industrial</b>											
Non-real estate	\$ 373,496	\$ 174,110	\$ 503,478	\$ 451,079	\$ 347,397	\$ 493,209	\$ 67,512	\$ 366,114	\$ 3,443,772	\$ 2,472,472	\$ 8,692,639
Owner occupied	342,037	248,109	302,228	323,643	296,937	625,425	101,509	162,176	1,749,994	405,665	4,557,723
Total commercial and industrial	715,533	422,219	805,706	774,722	644,334	1,118,634	169,021	528,290	5,193,766	2,878,137	13,250,362
<b>Commercial real estate</b>											
Construction, acquisition and development	214,627	72,186	467,852	553,316	42,963	183,412	40,413	166,889	1,604,724	585,439	3,931,821
Income producing	425,613	248,133	408,683	574,925	232,605	428,569	204,351	323,786	2,312,282	819,748	5,978,695
Total commercial real estate	640,240	320,319	876,535	1,128,241	275,568	611,981	244,764	490,675	3,917,006	1,405,187	9,910,516
<b>Consumer</b>											
Residential mortgages	1,284,111	406,108	691,794	436,840	473,271	1,193,982	208,750	759,480	4,241,278	237,608	9,933,222
Other consumer	27,230	17,386	5,223	7,425	10,771	83,311	1,542	15,909	35,564	5,511	209,872
Total consumer	1,311,341	423,494	697,017	444,265	484,042	1,277,293	210,292	775,389	4,276,842	243,119	10,143,094
<b>Total</b>	<b>\$ 2,667,114</b>	<b>\$ 1,166,032</b>	<b>\$ 2,379,258</b>	<b>\$ 2,347,228</b>	<b>\$ 1,403,944</b>	<b>\$ 3,007,908</b>	<b>\$ 624,077</b>	<b>\$ 1,794,354</b>	<b>\$ 13,387,614</b>	<b>\$ 4,526,443</b>	<b>\$ 33,303,972</b>

## **Mergers and Acquisitions**

In connection with past bank acquisitions, the Company acquired loans both with and without evidence of credit quality deterioration since origination. Acquired loans are recorded at their fair value at the time of acquisition with no carryover from the acquired institution's previously recorded allowance for credit losses.

The fair value for acquired loans recorded at the time of acquisition is based upon several factors including the timing and payment of expected cash flows, as adjusted for estimated credit losses and prepayments, and then discounting these cash flows using comparable market rates. The resulting fair value adjustment is recorded in the form of a premium or discount to the unpaid principal balance of each acquired loan. As it relates to acquired loans that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination ("PCD"), the net premium or net discount is adjusted to reflect the Company's ACL recorded for PCD loans at the time of acquisition, and the remaining fair value adjustment not related to credit is accreted or amortized into interest income over the remaining life of the loan. As it relates to acquired loans not classified as PCD ("non-PCD") loans, the credit loss and yield components of the fair value adjustment are aggregated, and the resulting net premium or net discount is accreted or amortized into interest income over the remaining life of the loan. The Company records an ACL for non-PCD loans at the time of acquisition through provision expense, and therefore, no further adjustments are made to the net premium or net discount for non-PCD loans.

In addition, a grade is assigned to each loan during the valuation process. For acquired loans that are not individually reviewed during the valuation process, such loans are assumed to have characteristics similar to the assigned rating of the acquired institution's risk rating, adjusted for any estimated differences between the Company's rating methodology and the acquired institution's risk rating methodology. Acquired loans that are individually evaluated at the acquisition date are assigned a specific reserve in the same manner as other loans individually evaluated and are assigned an internal grade representing PCD with Loss Exposure.

The following is a discussion of the Company's segments and classes of loans and leases:

### **Commercial and Industrial**

*Non-Real Estate* – The Company engages in lending to small and medium-sized business enterprises and government entities through its community banking locations and to regional and national business enterprises through its corporate banking division. C&I loans are loans and leases to finance business operations, equipment and owner-occupied facilities. These include both lines of credit and term loans which are amortized over the useful life of the assets financed. Personal and/or corporate guarantees are generally obtained where available and prudent. Also included in this category are loans to finance agricultural production. The Company recognizes that risk from economic cycles, commodity prices, pandemics, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, fraud, losses due to theft or embezzlement, loss of sponsor support, health or loss of key personnel, or competitive situations may adversely affect the scheduled repayment of business loans. In addition, risks in the agricultural sector including crop failures due to weather, insects and other blights, commodity prices, governmental intervention, lawsuits, labor or logistical disruptions. Non-real estate loans decreased 2.7% from December 31, 2023, to September 30, 2024.

*Owner Occupied* – Owner occupied loans include loans secured by business facilities to finance business operations, equipment, agricultural land and owner-occupied facilities. These include both lines of credit and term loans which are amortized over the useful life of the assets financed. Personal guarantees are generally obtained where available and prudent. The Company recognizes that risk from economic cycles, pandemics, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel, or competitive situations may adversely affect the scheduled repayment of business loans. Owner occupied loans increased 4.8% from December 31, 2023, to September 30, 2024.

### **Commercial Real Estate**

*Construction, Acquisition and Development* – CAD loans include both loans and credit lines for construction of commercial, industrial, residential, and multi-family buildings and for purchasing, carrying, and developing land into residential subdivisions or various types of commercial developments, such as industrial, warehouse, retail, office, and multi-family. The Company generally engages in construction and development lending primarily in markets served by its branches. The Company recognizes that risks are inherent in the financing of real estate development and construction. These risks include location, market conditions and price volatility, changes in interest rates, demand for developed land, lots and buildings, desirability of features and styling of completed developments and buildings, competition from other developments and builders, traffic patterns, remote work patterns, governmental jurisdiction, tax structure, availability of utilities, roads, public

transportation and schools, availability of permanent financing for homebuyers, zoning, environmental restrictions, lawsuits, economic and business cycle, or labor and reputation of the builder or developer. CAD loans increased 0.5% from December 31, 2023, to September 30, 2024.

Each CAD loan is underwritten to address: (i) the desirability of the project, its market viability and projected absorption period; (ii) the creditworthiness of the borrower and the guarantor, if applicable, as to liquidity, cash flow and assets available to ensure performance of the loan; (iii) equity contribution to the project; (iv) the developer's experience and success with similar projects; and (v) the value of the collateral.

*Income Producing* – Income producing loans include loans to finance income-producing commercial and multi-family properties. Lending in this category is generally limited to properties located in the Company's market area with only limited exposure to properties located elsewhere. Loans in this category include loans for neighborhood retail centers, medical and professional offices, single retail stores, warehouses and apartments leased generally to local businesses and residents. The underwriting of these loans takes into consideration the occupancy and rental rates as well as the financial health of the borrower. The Company's exposure to national retail tenants is limited. The Company recognizes that risk from economic cycles, pandemics, delayed or missed rent payments, supply-chain disruptions, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel, or competitive situations may adversely affect the scheduled repayment of business loans. Income producing loans increased 4.2% from December 31, 2023, to September 30, 2024.

## **Consumer**

*Residential Mortgages* – Consumer mortgages are first or second-lien loans to consumers secured by a primary residence or second home. This category includes traditional mortgages and home equity loans and revolving lines of credit. The loans are generally secured by properties located primarily in markets served by the Company's branches. These loans are underwritten in accordance with the Company's general loan policy and procedures which require, among other things, proper documentation of each borrower's financial condition, satisfactory credit history, and property value. In addition to loans originated for the Company's portfolio, the Company originates and services consumer mortgages sold in the secondary market which are underwritten and closed pursuant to investor and agency guidelines. Residential mortgages increased 6.5% from December 31, 2023, to September 30, 2024.

*Other Consumer* – Other consumer lending includes consumer credit card accounts as well as personal revolving lines of credit and installment loans. The Company offers credit cards primarily to its deposit and loan customers. Consumer installment loans include term loans of up to five years secured by automobiles, boats and recreational vehicles. The Company recognizes that there are risks in consumer lending which include interruptions in the borrower's personal and investment income due to loss of employment, market conditions, and general economic conditions, deterioration in the health and well-being of the borrower and family members, natural disasters, pandemics, lawsuits, losses, or inability to generate income due to injury, accidents, theft, vandalism, or incarceration. Other consumer loans decreased 10.6% from December 31, 2023, to September 30, 2024.

## **Selected Loan Maturity and Interest Rate Sensitivity**

The maturity distribution of the Company's loan portfolio is one factor in management's evaluation by collateral type of the risk characteristics of the loan and lease portfolio. The interest rate sensitivity of the Company's loan and lease portfolio is important in the management of net interest margin. The Company attempts to manage the relationship between the interest rate sensitivity of its assets and liabilities to produce an effective interest differential that is not significantly impacted by changes in the level of interest rates (See - Quantitative and Qualitative Disclosures About Market Risk). The following table

shows the maturity distribution based on remaining maturities of the Company's loan and lease portfolio and the interest rate sensitivity of the Company's loans and leases maturing after one year at September 30, 2024:

**TABLE 18—INTEREST RATE SENSITIVITY OF LOANS**

(In thousands)	One Year or Less	Over One Year through Five Years	Over Five Years through Fifteen Years	Over Fifteen Years	Rate Structure for Loans Maturing Over One Year	
					Fixed Interest Rate	Variable Interest Rate
<b>Commercial and industrial</b>						
Non-real estate	\$ 1,644,741	\$ 5,800,125	\$ 1,144,883	\$ 102,890	\$ 894,602	\$ 6,153,296
Owner occupied	271,679	856,046	1,986,988	1,443,010	1,613,552	2,672,492
Total commercial and industrial	1,916,420	6,656,171	3,131,871	1,545,900	2,508,154	8,825,788
<b>Commercial real estate</b>						
Construction, acquisition and development	1,492,247	1,260,307	545,252	634,015	428,968	2,010,606
Income producing	877,987	1,662,456	1,033,958	2,404,294	893,237	4,207,471
Total commercial real estate	2,370,234	2,922,763	1,579,210	3,038,309	1,322,205	6,218,077
<b>Consumer</b>						
Residential mortgages	221,601	213,642	1,116,531	8,381,448	3,768,588	5,943,033
Other consumer	33,147	166,255	9,700	770	81,172	95,553
Total consumer	254,748	379,897	1,126,231	8,382,218	3,849,760	6,038,586
<b>Total</b>	<b>\$ 4,541,402</b>	<b>\$ 9,958,831</b>	<b>\$ 5,837,312</b>	<b>\$ 12,966,427</b>	<b>\$ 7,680,119</b>	<b>\$ 21,082,451</b>

#### Loans Held-for-Sale

At September 30, 2024 and December 31, 2023, loans held for sale totaled \$205.9 million and \$186.3 million, respectively. Included in loans held for sale are loans sold to GNMA with an option to repurchase totaling \$69.2 million and \$56.5 million at September 30, 2024 and December 31, 2023, respectively. The Company records the GNMA loans at fair value on the consolidated balance sheets with a corresponding liability. GNMA optional repurchase programs allow financial institutions to buy back individual delinquent mortgage loans that meet certain criteria (90 days or more past due) from the securitized loan pool for which the institution provides servicing. At the servicer's option and without GNMA's prior authorization, the servicer may repurchase such a delinquent loan for an amount equal to 100% of the remaining principal balance of the loan. Under FASB ASC 860, this buyback option is considered a conditional option until the delinquency criteria are met, at which time the option becomes unconditional. When the Company is deemed to have regained effective control over these loans under the unconditional buyback option, the loans can no longer be reported as sold and must be brought back onto the consolidated balance sheet as loans held for sale, regardless of whether the Company intends to exercise the buy-back option. These GNMA loans are not included in the nonperforming loans totals (See Table 19).

## Asset Quality

### Nonperforming Assets

NPA consists of NPL, OREO, and other repossessed assets. The increase from December 31, 2023 to September 30, 2024 in NPA was driven by the increase of \$56.9 million, or 26.3%, in nonaccrual loans and leases (See Tables 20 and 21). The majority of the increase in nonaccrual loans and leases was located in the C&I non-real estate, CRE income producing, and residential mortgages segments. The increase was offset by the decrease of \$0.9 million, or 14.3%, in foreclosed OREO and other NPA. NPA were as follows as of each period presented:

**TABLE 19—NONPERFORMING ASSETS**

(In thousands)	September 30, 2024	December 31, 2023
Total NPL <sup>(1)</sup>	\$ 272,954	\$ 216,141
Foreclosed OREO and other NPA	5,354	6,246
<b>Total NPA</b>	<b>\$ 278,308</b>	<b>\$ 222,387</b>
NPL to total loans and leases	0.82 %	0.67 %
NPA to total assets	0.57 %	0.45 %
GNMA loans 90 or more days past due eligible for repurchase	\$ 69,183	\$ 56,524
Government guaranteed portion of nonaccrual loans and leases covered by the SBA, FHA, VA or USDA	\$ 81,632	\$ 49,551
Loans and leases 90+ days past due, still accruing	\$ 11,757	\$ 22,466

(1) See Tables 20 and 21 for more information regarding NPL.

### Nonperforming Loans

NPL consist of nonaccrual loans and leases. The Company's policy provides that loans and leases are generally placed in nonaccrual status if, in management's opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due for commercial loans and 120 days past due for consumer loans, unless the loan or lease is both well-secured and in the process of collection. NPL increased 26.3% at September 30, 2024, compared to December 31, 2023. NPL as a percentage of net loans and leases increased from 0.7% at December 31, 2023, to 0.8% at September 30, 2024.

Included in NPL at September 30, 2024, were loans of \$107.3 million that are individually analyzed collateral-dependent loans for which a specific provision has been considered to address the unsupported exposure. Collateral-dependent loans are typically assigned an internal rating of impaired or PCD (loss). However, additional risk ratings can be used as needed to align with regulatory definitions. PCD (loss) represent loans with evidence of deterioration of credit quality since origination that are acquired, and for which it was probable, at acquisition, that the bank will be unable to collect all contractually required payments. At September 30, 2024, \$94.0 million of nonperforming collateral-dependent loans were rated as impaired and \$13.3 million were rated as doubtful. Nonperforming collateral-dependent loans had a specific reserve of \$27.1 million included in the total ACL of \$460.9 million at September 30, 2024, and were net of \$2.3 million in partial charge-downs previously taken on these impaired loans.

NPL at December 31, 2023, included \$100.6 million of impaired loans that had a specific reserve of \$41.6 million included in the ACL of \$468.0 million at December 31, 2023, and were net of \$4.8 million in partial charge-downs previously taken on these impaired loans. PCD (loss) loans included in NPL totaled \$1.6 million and had a specific reserve of \$62 thousand included in the ACL. Net partial charge-downs previously taken on PCD (loss) loans were immaterial at December 31, 2023.

The following table presents the Company's NPL by geographical location at September 30, 2024:

**TABLE 20—NONPERFORMING LOANS BY GEOGRAPHICAL LOCATION**

(In thousands)	Amortized Cost	Total NPL	NPL as a % of Amortized Cost
Alabama	\$ 2,667,114	\$ 25,175	0.94 %
Arkansas	1,166,032	2,089	0.18
Florida	2,379,258	28,922	1.22
Georgia	2,347,228	17,085	0.73
Louisiana	1,403,944	4,969	0.35
Mississippi	3,007,908	13,057	0.43
Missouri	624,077	3,709	0.59
Tennessee	1,794,354	5,883	0.33
Texas	13,387,614	90,732	0.68
Other	4,526,443	81,333	1.80
<b>Total</b>	<b>\$ 33,303,972</b>	<b>\$ 272,954</b>	<b>0.82 %</b>

The following table provides additional details related to the Company's loan and lease portfolio and the distribution of NPL by segment and class at September 30, 2024:

**TABLE 21—NONPERFORMING LOANS BY SEGMENT AND CLASS**

(In thousands)	Amortized Cost	Total NPL	NPL as a % of Amortized Cost
<b>Commercial and industrial</b>			
Non-real estate	\$ 8,692,639	\$ 148,267	1.71 %
Owner occupied	4,557,723	15,127	0.33
Total commercial and industrial	13,250,362	163,394	1.23
<b>Commercial real estate</b>			
Construction, acquisition and development	3,931,821	2,034	0.05
Income producing	5,978,695	25,112	0.42
Total commercial real estate	9,910,516	27,146	0.27
<b>Consumer</b>			
Residential mortgages	9,933,222	82,191	0.83
Other consumer	209,872	223	0.11
Total consumer	10,143,094	82,414	0.81
<b>Total</b>	<b>\$ 33,303,972</b>	<b>\$ 272,954</b>	<b>0.82 %</b>

NPL at September 30, 2024 increased by \$56.9 million, or 26.3%, to \$273.0 million from \$216.1 million at December 31, 2023. The increase in nonaccrual loans was primarily driven by the increases in the C&I non-real estate, C&I owner occupied, and residential mortgages segments.

The following table provides details regarding the aging of the Company's NPL by segment and class at September 30, 2024:

**TABLE 22—AGING OF NONACCRUAL LOANS**

(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Nonaccrual
<b>Commercial and industrial</b>						
Non-real estate	\$ 931	\$ 15,215	\$ 88,108	\$ 104,254	\$ 44,013	\$ 148,267
Owner occupied	379	304	12,835	13,518	1,609	15,127
Total commercial and industrial	1,310	15,519	100,943	117,772	45,622	163,394
<b>Commercial real estate</b>						
Construction, acquisition and development	361	66	1,607	2,034	—	2,034
Income producing	—	—	14,805	14,805	10,307	25,112
Total commercial real estate	361	66	16,412	16,839	10,307	27,146
<b>Consumer</b>						
Residential mortgages	6,055	6,697	62,492	75,244	6,947	82,191
Other consumer	23	15	146	184	39	223
Total consumer	6,078	6,712	62,638	75,428	6,986	82,414
Total	\$ 7,749	\$ 22,297	\$ 179,993	\$ 210,039	\$ 62,915	\$ 272,954

### OREO and Repossessed Assets

OREO consists of properties acquired through foreclosure. Repossessed assets consist of non-real estate assets acquired in partial or full settlement of loans. OREO and repossessed assets totaled \$5.4 million and \$6.2 million at September 30, 2024, and December 31, 2023, respectively. The decrease of \$0.8 million, or 14.3%, was primarily the result of write-downs and sales of OREO during 2024.

Because a portion of the Company's NPL have been determined to be collateral-dependent, management expects the resolution of a significant number of these loans may necessitate foreclosure proceedings resulting in further additions to OREO. At September 30, 2024, residential mortgages in process of foreclosure increased to \$18.4 million compared to \$10.9 million at December 31, 2023.

At the time of foreclosure, the fair value of the collateral for loans backed by real estate is typically determined by an appraisal performed by a third-party appraiser holding professional certifications. Such appraisals are then reviewed and evaluated by the Company's internal appraisal group. A market value appraisal using a 180-360-day marketing period is typically ordered and the OREO is recorded at the time of foreclosure at its market value less estimated selling costs. For residential subdivisions that are not completed, the appraisals reflect the uncompleted status of the subdivision.

Since OREO is carried at the lower of cost or fair value less estimated selling costs on an ongoing basis, new appraisals are generally obtained on at least an annual basis and the OREO carrying values are adjusted accordingly. The type of appraisals typically used for these periodic reappraisals are "Restricted Use Appraisals," meaning the appraisal is for client use only. Other indications of fair value are also used to attempt to ensure that OREO is carried at fair value. These include listing the property with a broker and acceptance of an offer to purchase from a third-party. If an OREO property is listed with a broker at an amount less than the current carrying value, the carrying value is adjusted to reflect the list price less estimated selling costs and if an offer to purchase is accepted at a price less than the current carrying value, the carrying value is adjusted to reflect that sales price, less estimated selling costs. The majority of the properties in OREO are actively marketed using a combination of real estate brokers, bank staff who are familiar with the particular properties and/or third parties.

### Financial Difficulty Modifications

In March 2022, the FASB issued ASU No. 2022-02, eliminating the recognition and measurement guidance on TDRs for creditors that have adopted ASC 326 and requiring them to make enhanced disclosures about loan modifications for borrowers experiencing financial difficulty. The guidance became effective for Cadence beginning January 1, 2023, and was adopted via the modified retrospective transition method.



With the removal of the TDR accounting model, the general loan modification guidance in Subtopic 310-20 is now applied to all loan modifications, including modifications made for borrowers experiencing financial difficulty. Under this guidance, a modification is treated as a new loan only if both 1) the terms of the new loan are at least as favorable to the lender as the terms for comparable loans to other customers with similar collection risks, and 2) modifications to the terms of the original loan are more than minor. If either condition is not met, the modification is accounted for as the continuation of the old loan with any effect of the modification treated as a prospective adjustment to the loan's effective interest rate. Modifications in scope for borrowers experiencing financial difficulty may include principal forgiveness, other-than-insignificant payment delay, interest rate reduction, or a combination of modifications. During the nine months ended September 30, 2024, the most common concessions related to term extensions and interest rate reductions. Other concessions included principal forgiveness and payment deferrals.

At September 30, 2024, loans that were modified within the past nine months for borrowers experiencing financial difficulty totaled \$199.3 million, or 0.6%, of total loans and leases, net of unearned income. Loans are considered to be in payment default at 90 or more days past due for purposes of assessing modified loans for default. See Note 4 to the consolidated financial statements for additional information for these loans.

### **Loan Concentrations**

At September 30, 2024, the Company did not have any concentration of loans or leases in excess of 10% of total loans and leases outstanding which were not otherwise disclosed as a category of loans or leases. Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. The Company conducts business in a geographically concentrated area and has a significant amount of loans secured by real estate to borrowers in varying activities and businesses but does not consider these factors alone in identifying loan concentrations. The ability of the Company's borrowers to repay loans is somewhat dependent upon the economic conditions prevailing in the Company's market areas.

### **Internally Assigned Grades on Loans**

The Company utilizes an internal loan classification system that is updated to perpetually grade loans according to certain credit quality indicators. These credit quality indicators include, but are not limited to, recent credit performance, delinquency, liquidity, cash flows, debt coverage ratios, collateral type and loan-to-value ratio. See Note 4 to the consolidated financial statements.

The following table provides details of the Company's loan and lease portfolio by segment, class, and internally assigned grade at September 30, 2024 and December 31, 2023:

**TABLE 23—GRADES ON LOANS**

(In thousands)	September 30, 2024						
	Pass	Special Mention	Substandard <sup>(1)</sup>	Doubtful	Impaired <sup>(1)</sup>	PCD (Loss)	Total
<b>Commercial and industrial</b>							
Non-real estate	\$ 8,190,551	\$ 171,866	\$ 258,496	\$ 13,325	\$ 54,795	\$ 3,606	\$ 8,692,639
Owner occupied	4,506,806	1,530	39,101	—	9,187	1,099	4,557,723
Total commercial and industrial	12,697,357	173,396	297,597	13,325	63,982	4,705	13,250,362
<b>Commercial real estate</b>							
Construction, acquisition and development	3,918,273	—	13,548	—	—	—	3,931,821
Income producing	5,767,252	8,611	180,414	—	22,418	—	5,978,695
Total commercial real estate	9,685,525	8,611	193,962	—	22,418	—	9,910,516
<b>Consumer</b>							
Residential mortgages	9,831,527	795	91,863	—	7,579	1,458	9,933,222
Other consumer	209,460	—	412	—	—	—	209,872
Total consumer	10,040,987	795	92,275	—	7,579	1,458	10,143,094
<b>Total</b>	<b>\$ 32,423,869</b>	<b>\$ 182,802</b>	<b>\$ 583,834</b>	<b>\$ 13,325</b>	<b>\$ 93,979</b>	<b>\$ 6,163</b>	<b>\$ 33,303,972</b>

(1) In the loan classifications above, \$93.6 million of the substandard balance and \$12.8 million of the impaired balance are covered by government guarantees from either the SBA, FHA, VA and USDA.

(In thousands)	December 31, 2023						
	Pass	Special Mention	Substandard <sup>(1)</sup>	Loss	Impaired <sup>(1)</sup>	PCD (Loss)	Total
<b>Commercial and industrial</b>							
Non-real estate	\$ 8,450,809	\$ 101,607	\$ 294,895	\$ 13	\$ 84,457	\$ 3,817	\$ 8,935,598
Owner occupied	4,287,190	32,409	27,070	—	1,275	1,116	4,349,060
Total commercial and industrial	12,737,999	134,016	321,965	13	85,732	4,933	13,284,658
<b>Commercial real estate</b>							
Construction, acquisition and development	3,894,551	3,364	13,047	—	—	—	3,910,962
Income producing	5,527,388	23,727	170,217	—	15,539	—	5,736,871
Total commercial real estate	9,421,939	27,091	183,264	—	15,539	—	9,647,833
<b>Consumer</b>							
Residential mortgages	9,258,002	4,066	66,050	—	—	1,574	9,329,692
Other consumer	234,367	—	472	—	—	—	234,839
Total consumer	9,492,369	4,066	66,522	—	—	1,574	9,564,531
<b>Total</b>	<b>\$ 31,652,307</b>	<b>\$ 165,173</b>	<b>\$ 571,751</b>	<b>\$ 13</b>	<b>\$ 101,271</b>	<b>\$ 6,507</b>	<b>\$ 32,497,022</b>

(1) In the loan classifications above, \$61.1 million of the substandard balance and \$8.4 million of the impaired balance is covered by government guarantees from the SBA, FHA, VA and USDA.

The following tables provides details regarding the aging of the Company's loan and lease portfolio by internally assigned grade at September 30, 2024 and December 31, 2023:

**TABLE 24—AGING BY GRADE ON LOANS**

(In thousands)	September 30, 2024				
	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Pass	\$ 32,331,832	\$ 69,834	\$ 21,657	\$ 546	\$ 32,423,869
Special Mention	182,802	—	—	—	182,802
Substandard <sup>(1)</sup>	393,869	24,094	13,521	152,350	583,834
Doubtful	8,940	—	4,385	—	13,325
Impaired <sup>(1)</sup>	42,357	835	11,933	38,854	93,979
PCD (Loss)	4,110	595	1,458	—	6,163
<b>Total</b>	<b>\$ 32,963,910</b>	<b>\$ 95,358</b>	<b>\$ 52,954</b>	<b>\$ 191,750</b>	<b>\$ 33,303,972</b>

(1) In the loan classifications above, \$93.6 million of the substandard balance and \$12.8 million of the impaired balance are covered by government guarantees from either the SBA, FHA, VA and USDA.

(In thousands)	December 31, 2023				
	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Pass	\$ 31,559,559	\$ 51,766	\$ 20,441	\$ 20,541	\$ 31,652,307
Special Mention	165,173	—	—	—	165,173
Substandard <sup>(1)</sup>	438,423	18,518	17,893	96,917	571,751
Loss	—	—	13	—	13
Impaired <sup>(1)</sup>	19,258	19,670	7,758	54,585	101,271
PCD (Loss)	4,933	—	—	1,574	6,507
<b>Total</b>	<b>\$ 32,187,346</b>	<b>\$ 89,954</b>	<b>\$ 46,105</b>	<b>\$ 173,617</b>	<b>\$ 32,497,022</b>

(1) In the loan classifications above, \$61.1 million of the substandard balance and \$8.4 million of the impaired balance is covered by government guarantees from the SBA, FHA, VA and USDA.

At September 30, 2024, pass, special mention, substandard, and doubtful grade categories increased while loss, impaired and PCD (loss) decreased compared to December 31, 2023. Pass loans increased \$771.6 million, or 2.4%, compared to December 31, 2023. The increase in pass was seen across all loan categories except for slight decreases in C&I non-real estate and other consumer. Special mention loans increased \$17.6 million, or 10.7%, compared to December 31, 2023. The increase in special mention was driven primarily by an increase in C&I non-real estate, somewhat offset by a decrease in C&I owner occupied and CRE income producing. Substandard loans increased \$12.1 million, or 2.1%, at September 30, 2024 compared to December 31, 2023. The increase in substandard was mainly driven by the increase in residential mortgages and C&I owner occupied somewhat offset by a decrease in C&I non-real estate. Impaired loans decreased \$7.3 million, or 7.2%, at September 30, 2024 compared to December 31, 2023. The decrease in impaired was primarily driven by a decrease in C&I non-real estate, slightly offset by an increase in C&I owner occupied, CRE income producing and residential mortgages. The Company has maintained stable credit results while continuing to grow loans. Of total loans and leases, 99.0% were current on their contractual payments at September 30, 2024.

Collateral for some of the Company's loans and leases is subject to fair value estimates that can fluctuate with market conditions and other external factors. In addition, while the Company has certain underwriting obligations related to such estimates, the estimates of some real property and other collateral are dependent upon third-party independent appraisers employed as independent contractors of the Company.

## Deposits

Deposits originating within the communities served by the Company continue to be the Company's primary source of funding its earning assets. The Company has been able to compete effectively for deposits in its primary market areas, while continuing to manage the exposure to higher interest rates. The distribution and market share of deposits by type of deposit and by type of depositor are important considerations in the Company's assessment of the stability of its funding sources and its access to additional funds. Furthermore, management shifts the mix and maturity of the deposits depending on economic conditions and loan and investment policies in an attempt, within set policies, to minimize cost and maximize net interest margin.

The following table presents the Company's deposits and the percentage change between the periods indicated:

**TABLE 25—SUMMARY OF DEPOSITS**

(Dollars in thousands)	September 30, 2024	December 31, 2023	% Change
Noninterest bearing demand deposits	\$ 9,242,693	\$ 9,232,068	0.1 %
Interest bearing demand and money market deposits	18,125,553	19,276,596	(6.0)
Savings	2,560,803	2,720,913	(5.9)
Time deposits	8,915,311	7,267,560	22.7
Total deposits	<u>\$ 38,844,360</u>	<u>\$ 38,497,137</u>	<u>0.9 %</u>

Deposits experienced an increase of 0.9% at September 30, 2024, compared to December 31, 2023 due to an increase in core customer deposits (which excludes brokered deposits and public funds) partially offset by decreases in brokered deposits and public funds. Brokered deposits were \$626.0 million at September 30, 2024, a decline of \$138.4 million, or 18.1%, compared to December 31, 2023. This decrease reflects the Company's efforts to reduce brokered deposits through the third quarter of 2024. Total public funds balance was \$3.7 billion at September 30, 2024, a decline of \$1.8 billion, or 32.2%, compared to December 31, 2023. This decrease reflects seasonal volatility in these balances and a targeted effort to reduce certain less profitable relationships. Core customer deposits balance was \$34.5 billion at September 30, 2024, an increase of \$2.3 billion, or 7.0%, compared to December 31, 2023. Growth in core customer deposits reflected both organic growth of \$2.0 billion as well as transfers from securities sold under agreement to repurchase of \$360.0 million compared to December 31, 2023. Noninterest bearing demand deposits increased \$10.6 million, or 0.1%, at September 30, 2024 compared to December 31, 2023. Time deposits increased 22.7% at September 30, 2024 compared to December 31, 2023 due in part to an increase of \$1.7 billion in core customer and public funds deposits, offset by a decrease of \$0.1 billion in brokered time deposits.

The following table presents the classification of the Company's deposits on an average basis for each of the periods indicated:

**TABLE 26—AVERAGE BALANCE AND YIELD ON DEPOSITS**

(Dollars in thousands)	Three Months Ended September 30,			
	2024		2023	
	Average Amount	Average Rate	Average Amount	Average Rate
Noninterest bearing demand deposits	\$ 8,616,534	— %	\$ 9,924,554	— %
Interest bearing demand deposits	18,043,686	3.13	17,970,463	2.79
Savings	2,584,761	0.57	2,913,027	0.56
Time	8,389,472	4.50	7,660,868	3.98
Total deposits	<u>\$ 37,634,453</u>		<u>\$ 38,468,912</u>	

(Dollars in thousands)	Nine Months Ended September 30,			
	2024		2023	
	Average Amount	Average Rate	Average Amount	Average Rate
Noninterest bearing demand deposits	\$ 8,814,668	— %	\$ 10,942,567	— %
Interest bearing demand deposits	18,703,458	3.13	18,322,003	2.43
Savings	2,644,193	0.57	3,119,830	0.47
Time	7,888,094	4.48	6,383,257	3.48
Total deposits	<u>\$ 38,050,413</u>		<u>\$ 38,767,657</u>	

Uninsured deposits are defined as the portion of deposit accounts in U.S. offices that exceed the FDIC insurance limit and amounts in any other uninsured investment or deposit account that are classified as deposits and are not subject to any federal or state deposit insurance regimes. The uninsured portion of public funds owned by municipal and state government entities are collateralized by the Company with investment securities and custodial letters of credit from the FHLB of Dallas. The following table segregates our deposits by deposit insurance categories.

**TABLE 27—ESTIMATED TOTAL INSURED AND UNINSURED DEPOSITS**

(In thousands)	September 30, 2024	December 31, 2023
FDIC insured	\$ 24,407,988	\$ 22,909,914
Collateralized (uninsured)	3,535,954	5,518,946
Uninsured (excluding collateralized)	10,900,418	10,068,277
Total deposits	<u>\$ 38,844,360</u>	<u>\$ 38,497,137</u>

The Company's estimated uninsured time deposits at September 30, 2024 had maturities as follows:

**TABLE 28—MATURITY OF UNINSURED TIME DEPOSITS**

(In thousands)	Amount
Three months or less	\$ 761,540
Over three months through six months	375,641
Over six months through twelve months	495,244
Over 12 months	94,821
Total	<u>\$ 1,727,246</u>

## Borrowings

### Short-term Borrowings

The Company has several types of available short-term borrowing arrangements including Federal funds purchased, securities sold under agreements to repurchase, short-term BTFP borrowings, short-term FHLB borrowings and the Federal Reserve discount window. Federal funds purchased are unsecured lines, while the rest of these types of borrowings are collateralized by investment securities and loans. At September 30, 2024 and December 31, 2023, the Company had total short-term borrowings of \$3.5 billion with a weighted average interest rate of 4.76% and \$4.0 billion with a weighted average interest rate of 4.78%, respectively. During the third quarter 2024, short-term BTFP borrowings represented the largest component of short-term borrowings, comprised of one BTFP loan totaling \$3.5 billion at a rate of 4.76% and maturing on January 16, 2025. See Note 6 to the Company's consolidated financial statements for additional details.

## Long-term Borrowings

During the nine months ended September 30, 2024, the Company repurchased \$68.0 million of our Subordinated Notes due November 20, 2029 and \$0.5 million of our Subordinated Notes due June 30, 2029, resulting in a \$1.8 million gain on the extinguishment of debt. In addition, the Company called \$138.9 million in fixed-to-floating subordinated debt in June of 2024, resulting in a gain on extinguishment of debt of \$4.7 million. Currently, the Company anticipates calling \$215.2 million in fixed-to-floating subordinated debt at par in November 2024. This debt is currently yielding 4.125% and is set to reprice at SOFR+2.73% after the November call date. The following is a summary of our long-term borrowings at the dates indicated:

**TABLE 29—LONG-TERM BORROWINGS**

(In thousands)	September 30, 2024	December 31, 2023
4.850% advances from FHLB Dallas, due August 2, 2027	\$ 723	\$ 771
4.125% fixed to floating rate, subordinated notes, due November 20, 2029, callable on November 20, 2024	215,184	283,159
7.250% subordinated notes, due June 28, 2029, callable on June 28, 2024	—	35,000
4.750% subordinated notes, due June 30, 2029, callable on June 30, 2024	—	79,352
6.250% subordinated notes, due June 28, 2029, callable on June 28, 2024	—	25,000
5.000% fixed to floating rate, subordinated notes, due June 30, 2030, callable on June 30, 2025	10,000	10,000
Purchase accounting adjustment, net of amortization	—	5,786
Debt issue costs	(84)	(608)
Total long-term borrowings	<u>\$ 225,823</u>	<u>\$ 438,460</u>

## Liquidity and Capital Resources

### Liquidity

One of the Company's goals is to maintain adequate funds to meet increases in loan demand or any potential increase in the normal level of deposit withdrawals. This goal is accomplished primarily by generating cash from the Company's operating activities and maintaining sufficient short-term liquid assets. These sources, coupled with a stable core deposit base and a historical experience in the capital markets, allow the Company to fund earning assets and maintain the availability of funds. Management believes that the Company's traditional sources of maturing loans and investment securities, sales of loans held for sale, cash from operating activities and a strong base of core deposits are adequate to meet the Company's liquidity needs for normal operations over both the short-term and the long-term.

The following table summarizes the Company's cash and cash equivalents as of the following dates:

**TABLE 30—CASH AND CASH EQUIVALENTS**

(In thousands)	September 30, 2024	June 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 3,988,126	\$ 2,610,535	\$ 4,232,265
Cash and cash equivalents as a percentage of:			
Loans and lease, net	12.0 %	7.8 %	13.0 %
Total earning assets	8.9	6.0	9.6
Total assets	8.1	5.4	8.6
Total deposits	10.3	6.9	11.0
Total uninsured deposits	27.6	18.5	27.2

To provide additional liquidity as needed, the Company utilizes short-term financing through the purchase of federal funds, securities sold under agreements to repurchase, borrowings at the FHLB and through the Federal Reserve discount window.

The Company had the following sources of contingent liquidity available at September 30, 2024:

**TABLE 31—CASH AND SOURCES OF CONTINGENT LIQUIDITY**

(In thousands)	Amount
Cash and cash equivalents	\$ 3,988,126
Unpledged investment securities (at par) <sup>(1)</sup>	1,563,734
Secured lines of credit availability at the FHLB and Federal Reserve	13,602,800
Unsecured Federal funds lines availability	2,075,000
<b>Total</b>	<b>\$ 21,229,660</b>

(1) The fair value of unpledged investment securities was \$1.5 billion at September 30, 2024.

At September 30, 2024, the Company had irrevocable letters of credit issued by the FHLB totaling \$297.5 million, of which \$250.0 million was used to collateralize certain public funds and \$47.5 million was used on behalf of our customers.

The ability of the Company to obtain funding from these or other sources could be negatively affected should the Company experience a substantial deterioration in its financial condition or its debt rating or should the availability of short-term funding become restricted as a result of the disruption in the financial markets. Management does not anticipate any short- or long-term changes to its liquidity strategies and believes that the Company has ample sources to meet any liquidity challenges that may arise. The Company has sound and robust risk management practices that include an active ALCO to analyze and manage the Company's liquidity and interest rate risk (See - Quantitative and Qualitative Disclosures About Market Risk).

#### **Other Liquidity Considerations**

The Company's operating lease obligations represent short and long-term operating lease and rental payments for facilities, certain software and data processing and other equipment. Purchase obligations represent obligations to purchase goods and services that are legally binding and enforceable on the Company and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

In the ordinary course of business, the Company enters into various off-balance sheet commitments and other arrangements to extend credit that are not reflected on the consolidated balance sheets of the Company. The business purpose of these off-balance sheet commitments is the routine extension of credit. The Company also faces the risk of deteriorating credit quality of borrowers to whom a commitment to extend credit has been made; however, no significant credit losses are expected from these commitments and arrangements. At September 30, 2024, letters of credit totaled \$461.1 million and unfunded extensions of credit totaled \$8.9 billion (see Note 16 to the consolidated financial statement for more information). At September 30, 2024, the Company maintained a reserve for unfunded commitments of \$7.6 million included in other liabilities.

#### **Cash Flow Sources and Uses**

Cash equivalents include cash and amounts due from banks, including interest bearing deposits with other banks. At September 30, 2024, cash and cash equivalents totaled \$4.0 billion compared to \$4.2 billion at December 31, 2023. The ratio of cash and cash equivalents to total assets was 8.1% at September 30, 2024 compared to 8.6% at December 31, 2023.

Cash flows from discontinued operations are not presented separately in the consolidated statements of cash flows.

During the nine months ended September 30, 2024, operating activities provided \$798.5 million in cash. During the nine months ended September 30, 2024, investing activities used \$564.5 million in cash. Primary uses of funds during 2024 have been funding loans, net of \$979.5 million and purchases of AFS securities of \$751.8 million. These items were partially offset by proceeds from maturities, calls and payments of AFS securities of \$1.2 billion. During the nine months ended September 30, 2024, financing activities used \$478.2 million, which primarily resulted from a decrease of \$434.6 million in securities sold under agreements to repurchase and federal funds purchased and a decrease of \$207.4 million in long-term borrowings. These items were partially offset by an increase of \$347.5 million in deposits.

## Regulatory Capital

Regulatory capital at September 30, 2024 and December 31, 2023 was calculated in accordance with standards established by the federal banking agencies as well as the interagency final rule published on September 30, 2020 entitled “Revised Transition of the Current Expected Credit Losses Methodology for Allowances” which delayed the estimated impact on regulatory capital stemming from the adoption of CECL. The agencies granted this relief to allow institutions to focus on lending to customers in light of the economic and other impacts from COVID-19, while also maintaining the quality of regulatory capital. Under the final rule, the Day-1 impact of the adoption of CECL and 25% of subsequent provisions for credit losses (“Day-2 impacts”) were deferred over a two-year period ending January 1, 2022. At that point, the amount is phased into regulatory capital on a pro rata basis over a three-year period ending January 1, 2025.

Additionally, regulatory capital rules include a capital conservation buffer of 2.5% which the Company must maintain on top of its minimum risk-based capital requirements. This buffer applies to all three risk-based capital measurements (CET1, Tier 1 and total capital to risk-weighted assets). A financial institution with a conservation buffer of less than the required amount is subject to limitations on capital distributions, including dividend payments and stock repurchases, and certain discretionary bonus payments to executive officers.

Capital amounts and ratios for the Company at September 30, 2024 and December 31, 2023, are presented in the following table and as shown, exceed the thresholds necessary to be considered “well capitalized.” Management believes that no events or changes have occurred subsequent to the indicated dates that would change this designation.

**TABLE 33—REGULATORY CAPITAL**

(Dollars in thousands)	September 30, 2024		December 31, 2023	
	Amount	Ratio	Amount	Ratio
Common equity Tier 1 capital (to risk-weighted assets)	\$ 4,588,744	12.25%	\$ 4,363,020	11.62%
Tier 1 capital (to risk-weighted assets)	4,755,737	12.70	4,530,013	12.06
Total capital (to risk-weighted assets)	5,415,296	14.46	5,377,324	14.32
Tier 1 leverage capital (to average assets)	4,755,737	10.05	4,530,013	9.30

## Uses of Capital

Subject to pre-approval from the FDIC and MDBCF, the Company may pursue acquisitions of depository institutions and businesses closely related to banking that further the Company’s business strategies. Management anticipates that consideration for any transactions would include shares of the Company’s common stock, cash or a combination thereof.

On December 13, 2023, the Company announced a new share repurchase program whereby the Company may acquire up to an aggregate of 10,000,000 shares of its common stock. The share repurchase program became effective on January 2, 2024, and will expire on December 31, 2024. Under the share repurchase program, Cadence's shares may be purchased periodically in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in accordance with federal securities laws. Repurchased shares are held as authorized but unissued shares available for use in connection with the Company’s stock compensation programs, other transactions, or for other corporate purposes as determined by the Company’s Board of Directors. Through September 30, 2024, the Company had repurchased 1,237,021 shares under this program.

During the first quarter of 2024, the Company increased the common stock dividend to \$0.25 per share.

## Impact of Inflation

The consolidated financial statements and related consolidated financial data presented herein have been prepared in accordance with GAAP and practices within the banking industry which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The effect of inflation on a financial institution differs from the effect on other types of businesses. While a financial institution’s operating expenses are affected by general inflation, the asset and liability structure of a financial institution consists largely of monetary items. Monetary items, such as cash, investments, loans, deposits, and borrowings, are those assets and liabilities which are or will be converted into a fixed number of dollars regardless of changes in prices. As a result, changes in interest rates can be more impactful to a financial institution’s performance than general inflation. Inflation may also have impacts on the Company’s customers, businesses and consumers and their ability or willingness to invest, save



or spend, and perhaps on their ability to repay loans. As such, there would likely be impacts on the general appetite for banking products and the credit health to the Company's customers. See Part 1, Item 1.A., Risk Factors, of the Company's Annual Report on Form 10-K for the year ended December 31, 2023, for additional information regarding the risks of inflation.

### **Certain Litigation and Other Contingencies**

The nature of the Company's business ordinarily results in certain types of claims, litigation, investigations, and other legal or administrative cases and proceedings. Although the Company and its subsidiaries have policies and procedures to minimize legal noncompliance and the impact of claims and other proceedings and endeavored to procure reasonable amounts of insurance coverage, litigation and regulatory actions present an ongoing risk.

The Company and its subsidiaries engage in lines of business that are heavily regulated and involve a large volume of actual or potential financial transactions with customers or applicants, and the Company is a public company with a large number of shareholders. From time to time, applicants, borrowers, customers, shareholders, former employees, service providers, and other third parties have brought actions against the Company or its subsidiaries, in cases claiming substantial damages. Financial services companies are subject to risks arising from changing regulatory frameworks or expectations, regulatory investigations, class action litigation, and, from time to time, the Company and its subsidiaries have such actions brought against them. The Company and its subsidiaries are also subject to enforcement actions by federal or state regulators, including the FDIC, the CFPB, the DOJ, state attorneys general and the MDBCF, which may be adversely impacted by ongoing litigation in which the Company is involved. Additionally, the Company is, and management expects it to be, engaged in a number of foreclosure proceedings and other collection actions as part of its lending and leasing collections activities, which, from time to time, have resulted in counterclaims against the Company and its subsidiaries. Various legal proceedings have and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations.

When and as the Company determines it has meritorious defenses to the claims asserted, it vigorously defends against such claims. The Company will consider settlement of claims when, in management's judgment and in consultation with counsel, it is in the best interests of the Company to do so.

The Company cannot predict with certainty the cost of defense, the cost of prosecution, or the ultimate outcome of litigation or other proceedings filed by or against it, its subsidiaries and its directors, management or employees, including remedies or damage awards. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of the Company's business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, the Company will not accrue. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, the Company establishes an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any such matters, however, may turn out to be substantially higher than the amount accrued. Further, the Company's insurance policies have deductibles and coverage limits, and such policies are unlikely to cover all costs and expenses related to the defense or prosecution of such legal proceedings or any losses arising therefrom.

Although the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, if applicable, management believes that the litigation-related liability of \$12.8 million accrued at September 30, 2024 is adequate and that any incremental change in potential liability arising from the Company's legal proceedings and threatened claims, including the matters described herein and those otherwise arising in the ordinary course of business, will not have a material adverse effect on the Company's business or consolidated results of operations or financial condition. It is possible, however, that future developments could result in an unfavorable outcome for, or resolution of any one or more of the legal proceedings in which the Company or its subsidiaries are defendants, which may be material to the Company's business or consolidated results of operations or financial condition for a particular fiscal period or periods.

On August 30, 2021, Legacy Cadence and the DOJ agreed to a settlement set forth in the consent order related to the investigation by the DOJ of Legacy Cadence Bank's fair lending program in Harris, Fort Bend, and Montgomery Counties located in Houston, Texas during the period between 2014 and 2016 (the "Consent Order"). The Consent Order was signed by the United States District Court for the Northern District of Georgia, Atlanta Division, on August 31, 2021. Pursuant to Section 5.2(g) of the Agreement and Plan of Merger and Paragraph 50 of the Consent Order, Legacy BancorpSouth Bank approved the negotiated settlement, and subsequently, the Company agreed to accept the obligations of the Consent Order. The Consent Order is in effect for five years. For additional information regarding the terms of this settlement and the Consent Order, see Legacy Cadence Bancorporation's Current Report on Form 8-K that was filed with the SEC on August 30, 2021.

## **Recent Pronouncements**

Refer to Note 1 “Summary of Significant Accounting Policies” in the consolidated financial statements for a discussion of accounting standards currently effective for 2024 and accounting standards that have been issued but are not currently effective.

## **CRITICAL ACCOUNTING ESTIMATES**

During the nine months ended September 30, 2024, there were no material changes in the Company’s critical accounting policies and no significant changes in the application of critical accounting policies as presented in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

The consolidated financial statements have been prepared in conformity with GAAP and practices within the banking industry which require management to make estimates and assumptions about future events. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, and the resulting estimates form the basis for making judgments about the carrying values of certain assets and liabilities not readily apparent from other sources. Actual results could differ significantly from those estimates.

### **ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.**

#### **Interest Rate Risk Management**

Market risk reflects the risk of economic loss resulting from changes in interest rates and other relevant market prices. This risk of loss can be reflected in either reduced potential net interest revenue in future periods or diminished market values of financial assets. The Company's market risk arises primarily from IRR that is inherent in its lending, investment and deposit taking activities.

The main causes of IRR are the differing structural characteristics of our assets, liabilities and off-balance sheet obligations and their cumulative net reaction to changing interest rates. These structural characteristics include timing differences in maturity or repricing and the effect of embedded options such as loan prepayments, securities prepayments and calls, interest rate caps, floors, collars, and deposit withdrawal options. In addition to these sources of IRR, basis risk results from differences in the spreads between various market interest rates and changes in the slope of the yield curve can contribute to additional IRR.

We evaluate IRR and develop guidelines regarding balance sheet composition and re-pricing, funding sources and pricing, and off-balance sheet commitments that aim to moderate IRR. We use financial simulation models that reflect various interest rate scenarios and the related impact on NII and EVE over specified periods of time. NII is a shorter-term indicator while EVE is a longer-term indicator of IRR. We refer to this process as ALM.

The primary objective of ALM is to manage interest rate risk within a desired risk tolerance for potential fluctuations in NII and EVE throughout different interest rate cycles, which we aim to achieve through management of interest rate sensitive earning assets and liabilities. In general, we seek to maintain a desired risk tolerance with asset and liability balances within maturity and repricing characteristics to limit our exposure to acceptable earnings volatility and changes in the value of assets and liabilities as interest rates fluctuate over time. Adjustments to maturity categories can be accomplished either by lengthening or shortening the duration of an individual asset or liability category, or externally with interest rate derivative contracts, such as interest rate swaps, caps, collars, and floors. See "—Interest Rate Exposure" below for a more detailed discussion of our various derivative positions.

Our ALM strategy is formulated and monitored by our ALCO in accordance with policies approved by the Board of Directors. ALCO meets regularly to review, among other things, the sensitivity of our assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses, recent purchase and sale activity, maturities of securities and borrowings, and projected future transactions. ALCO also establishes and approves pricing and funding strategies with respect to overall asset and liability composition. ALCO reports regularly to our Risk Committee of the Board of Directors.

Financial simulation models are the primary tools we use to measure IRR exposures. These simulation models incorporate all of our earning assets and liabilities. By examining a range of hypothetical deterministic interest rate scenarios, these models provide management with information regarding the potential impact on NII and EVE caused by changes in interest rates.

The models simulate the cash flows and accounting accruals generated by the financial instruments on our balance sheet, as well as the cash flows generated by the new business that we anticipate over a 60-month forecast horizon. However, past the 36-month mark, the growth of the balances is static in the forecast. Numerous assumptions are made in the modeling process, including balance sheet composition, re-pricing, a combination of market data and internal historical experiences, and maturity characteristics of existing and new business. These assumptions are reviewed regularly. Additionally, loan and investment prepayments, administered rate account elasticity, and other option risks are considered as well as the uncertainty surrounding future customer behavior. Because our modeling is limited by the predictive power of historical data and current assumptions, and because our loan portfolio will be actively managed in the event of a change in interest rates, simulation results, including those discussed in "—Interest Rate Exposure" immediately below, are not intended as a forecast of the actual effect of a change in market interest rates on our NII or EVE, or indicative of management's expectations of actual results in the event of a fluctuation in market interest rates; however, these results are used to help measure the potential risks related to IRR.

## Interest Rate Exposure

Based upon the current interest rate environment at September 30, 2024, our simulation model projects our sensitivity to an instantaneous increase or decrease in interest rates over a one-year period as follows:

**TABLE 34—INTEREST RATE SENSITIVITY**

(Dollars in millions) Change (in Basis Points) in Interest Rates (12-Month Projection)	Increase (Decrease)			
	Net Interest Income		Economic Value of Equity	
	Amount	Percent	Amount	Percent
+ 200 BP	\$ 44.0	2.9 %	\$ (623.0)	(8.5)%
+ 100 BP	23.0	1.5	(294.0)	(4.0)
- 100 BP	(20.0)	(1.3)	233.0	3.2
- 200 BP	(49.0)	(3.2)	370.0	5.0

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

See “Table 15 – Maturity Distribution of AFS Securities” that shows the maturities and weighted average yields for the carrying value of the available for sale securities as of September 30, 2024, and “Table 18 – Interest Rate Sensitivity of Loans” that shows the maturity distribution based on remaining maturities of the Company’s loan and lease portfolio and the interest rate sensitivity of the Company’s loans and leases maturing after one year at September 30, 2024.

## Derivative Positions

**Overview.** Our Board of Directors has authorized the ALCO to utilize financial futures, forward sales, options, interest rate swaps, caps, collars, and floors, and other instruments to the extent appropriate, in accordance with regulations and our internal policy. From time to time, we expect to use interest rate swaps, caps, collars, and floors as macro hedges against inherent rate sensitivity in our assets and our liabilities to synthetically alter the maturities or re-pricing characteristics of assets or liabilities to reduce imbalances.

We currently engage in only the following types of hedges: (1) those which enable us to transfer the interest rate risk exposure involved in our daily business activities; and (2) those which serve to alter the market risk inherent in our investment portfolio, mortgage pipeline, mortgage servicing rights, or liabilities and thus help us to manage earnings and market value volatility within approved risk tolerances.

The following is a discussion of our current derivative positions related to IRR.

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

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

**Mortgage Servicing Right Hedges.** The value of our MSR is dependent on changes in market interest rates. In order to mitigate the effects of changes in rates on the value of our MSR, the Company has used various instruments (including but not limited to Treasury options, Treasury, SOFR and TBA futures and forwards, swap futures, etc.) as economic hedges.

*Agreements Not Designated as Hedging Derivatives.* The Company enters into interest rate swap, floor, cap and collar agreements on commercial loans with customers to meet the financing needs and interest rate risk management needs of its customers. At the same time, the Company enters into offsetting interest rate swap agreements with a financial institution in order to minimize the Company's interest rate risk. These interest rate agreements are non-hedging derivatives and are recorded at fair value with changes in fair value reflected in noninterest income. The fair value of these derivatives is recorded on the consolidated balance sheets in other assets and other liabilities.

See Note 15 to the consolidated financial statements for additional information regarding our derivative financial instruments.

#### **ITEM 4. CONTROLS AND PROCEDURES.**

##### **CONCLUSION REGARDING THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES**

The Company, with the participation of its management, including the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Report.

Based upon that evaluation, and as of the end of the period covered by this Report, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed in its reports that the Company files or submits to the FDIC under the Exchange Act is recorded, processed, summarized and reported on a timely basis, and to ensure that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

##### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have been no changes in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2024, covered by this Report that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

The information in response to this item is incorporated herein by reference to “Note 16 - Commitments and Contingent Liabilities” in the notes to unaudited consolidated financial statements included in Part I, Item 1. “Financial Statements” of this Report. Also, see Part I, Item II. “Financial Condition - Certain Litigation and Other Contingencies.”

### Item 1A. Risk Factors.

There have been no material changes to our risk factors previously disclosed under Part I, Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2023.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the period commencing January 1, 2024 and ending September 30, 2024, the Company issued 1,031,231 restricted stock units and issued 323,293 performance stock units under the Amended and Restated Cadence Bank Long-Term Equity Incentive Plan, as amended, to eligible directors, officers, and employees of the Company for services rendered to the Company. The Company did not receive any cash consideration in connection with these grants, and these securities were exempt from registration under the Securities Act of 1933, as amended, pursuant to Section (3)(a)(2) thereof because the sales involved securities issued by a bank.

#### Issuer Purchases of Equity Securities

For the Month Ended	Total Number of Shares Purchased <sup>(1)(2)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup>
July 31, 2024	—	\$ —	—	9,086,374
August 31, 2024	323,395	28.79	323,395	8,762,979
September 30, 2024	—	—	—	8,762,979
Total	<u>323,395</u>	<u>\$ 28.79</u>		

- (1) This column includes 323,395 shares repurchased under the stock repurchase program in the third quarter of 2024.
- (2) On December 13, 2023, the Company announced a share repurchase program whereby the Company may acquire up to an aggregate of 10,000,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period January 2, 2024 through December 31, 2024. The extent and timing of any repurchases depends on market conditions and other corporate, legal and regulatory considerations. Repurchased shares are held as authorized but unissued shares. These authorized but unissued shares will be available for use in connection with the Company’s equity incentive plans, other compensation programs, other transactions or for other corporate purposes as determined by the Company’s Board of Directors. As of September 30, 2024, the Company had repurchased 1,237,021 shares under this repurchase program.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

None.

### Item 5. Other Information.

Pursuant to Item 408(a) of Regulation S-K, none of the Company's directors or executive officers adopted, terminated or modified a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the three months ended September 30, 2024.

On July 24, 2024, the Board, after careful consideration and deliberation, determined it to be in the best interest of Cadence Bank to make application to become a state-chartered member of the Federal Reserve System. On October 28, 2024, the Company submitted an application to the Board of Governors of the Federal Reserve System for Membership in the Federal

Reserve System. If approved by the Federal Reserve, the Federal Reserve Bank of St. Louis will become the Company's primary federal regulator, which is expected to occur during the fourth quarter of 2024.



## Item 6. Exhibits.

- (2) Stock Purchase Agreement, dated as October 24, 2023, by and among Cadence Bank, Cadence Insurance, Inc., Arthur J. Gallagher Risk Management Services, LLC and Arthur J. Gallagher & Co. (solely for purposes of Section 12.16). (Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the FDIC on October 26, 2023 and incorporated herein by reference thereto).
  
- (3)
  - a) Amended and Restated Articles of Incorporation of the Company. (Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the FDIC on November 1, 2017 and incorporated herein by reference thereto).
  - b) Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company. (Filed as Exhibit 3.2 to the Company's Form 8-A filed with the FDIC on November 20, 2019 and incorporated herein by reference thereto).
  - c) Articles of Second Amendment to the Amended and Restated Articles of the Company. (Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the FDIC on October 29, 2021 and incorporated herein by reference thereto).
  - d) Amended and Restated Bylaws of the Company. (Filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the FDIC on November 1, 2017 and incorporated herein by reference thereto).
  - e) First Amendment to the Amended and Restated Bylaws of the Company. (Filed as Exhibit 3(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the FDIC on February 25, 2021 and incorporated herein by reference thereto).
  - f) Second Amendment to the Amended and Restated Bylaws of the Company. (Filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the FDIC on October 29, 2021 and incorporated herein by reference thereto).
  - g) Second Amended and Restated Articles of Incorporation of the Company. (Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the FDIC on April 29, 2024 and incorporated herein by reference thereto).
  - h) Second Amended and Restated Bylaws of the Company. (Filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the FDIC on April 29, 2024 and incorporated herein by reference thereto).
  
- (31.1) Certification of the Chief Executive Officer of Cadence Bank pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
  
- (31.2) Certification of the Chief Financial Officer of Cadence Bank pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
  
- (32.1) Certification of the Chief Executive Officer of Cadence Bank pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*\*
  
- (32.2) Certification of the Chief Financial Officer of Cadence Bank pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*\*

\* Filed herewith.

\*\* Furnished herewith.

**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.

CADENCE BANK

DATE: November 8, 2024

By: /s/ Valerie C. Toalson

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Valerie C. Toalson

Chief Financial Officer and President - Banking Services

**CADENCE BANK**

**CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James D. Rollins III, certify that:

1. I have reviewed this quarterly report on Form 10-Q (“this report”) of Cadence Bank;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2024

/s/ James D. Rollins III  
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James D. Rollins III  
Chief Executive Officer

**CADENCE BANK**

**CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS AMENDED, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Valerie C. Toalson, certify that:

1. I have reviewed this quarterly report on Form 10-Q (“this report”) of Cadence Bank;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2024

/s/ Valerie C. Toalson  
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Valerie C. Toalson  
Chief Financial Officer and  
President - Banking Services  
(Principal Accounting Officer)

**CADENCE BANK**  
**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of Cadence Bank (the “Company”), for the quarter ended September 30, 2024, as filed with the Federal Deposit Insurance Corporation on the date hereof (the “Report”), I, James D. Rollins III, Chief Executive Officer of the Company, certify in my capacity as an executive officer of the Company, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 8, 2024

/s/ James D. Rollins III

James D. Rollins III

Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Federal Deposit Insurance Corporation or its staff upon request.

**CADENCE BANK**  
**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of Cadence Bank (the “Company”), for the quarter ended September 30, 2024, as filed with the Federal Deposit Insurance Corporation on the date hereof (the “Report”), I, Valerie C. Toalson, Chief Financial Officer of the Company, certify in my capacity as an executive officer of the Company, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 8, 2024

/s/ Valerie C. Toalson

Valerie C. Toalson

Chief Financial Officer and  
President - Banking Services  
(Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Federal Deposit Insurance Corporation or its staff upon request.