UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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, 2020

OR

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

For the transition period from _____to _____

Commission file number: 001-36872

HANCOCK WHITNEY CORPORATION

(Exact name of registrant as specified in its charter)

Mississippi	**64-0693170**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Hancock Whitney Plaza, 2510 14th Street, Gulfport, Mississippi	**39501**
(Address of principal executive offices)	**(Zip Code)**

(228) 868-4000
(Registrant's telephone number, including area code)

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, par value $3.33 per share	HWC	Nasdaq

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

86,412,669 common shares were outstanding at October 31, 2020.

Hancock Whitney Corporation

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Hancock Whitney Corporation
Glossary of Defined Terms

Entities:

Hancock Whitney Corporation – a financial holding company registered with the Securities and Exchange Commission
Hancock Whitney Bank – a wholly-owned subsidiary of Hancock Whitney Corporation through which Hancock Whitney Corporation conducts its banking operations
Company – Hancock Whitney Corporation and its consolidated subsidiaries
Parent – Hancock Whitney Corporation, exclusive of its subsidiaries
Bank – Hancock Whitney Bank

Other Terms:

ACL – allowance for credit losses
AFS – available for sale securities
AOCI – accumulated other comprehensive income or loss
ALLL – allowance for loan and lease losses
ARRC – Alternative Reference Rates Committee
ASC – Accounting Standards Codification
ASR – accelerated share repurchase
ASU – Accounting Standards Update
ATM – automated teller machine
Basel III – Basel Committee's 2010 Regulatory Capital Framework (Third Accord)
Beta – amount by which deposit or loan costs change in response to movement in short-term interest rates
BOLI – bank-owned life insurance
bp(s) – basis point(s)
C&I – commercial and industrial loans
CARES Act – Coronavirus Aid, Relief, and Economic Security Act
CD – certificate of deposit
CDE – Community Development Entity
CECL – Current Expected Credit Losses, the term commonly used to refer to the methodology of estimating credit losses required by ASC 326, "Financial Instruments – Credit Losses." ASC 326 was adopted by the Company on January 1, 2020, superseding the methodology prescribed by ASC 310.
CMO – collateralized mortgage obligation
Coronavirus – the novel coronavirus declared a pandemic during the first quarter of 2020, resulting in profound market disruptions
COVID-19 – disease caused by the novel coronavirus
FASB – Financial Accounting Standards Board
FDIC – Federal Deposit Insurance Corporation
FHLB – Federal Home Loan Bank
GAAP – Generally Accepted Accounting Principles in the United States of America
HTM – held to maturity securities
LIBOR – London Interbank Offered Rate
LIHTC – Low Income Housing Tax Credit
MD&A – management's discussion and analysis of financial condition and results of operations
MidSouth – MidSouth Bancorp, Inc., an entity the Company acquired on September 21, 2019
NAICS – North American Industry Classification System
NII – net interest income
n/m – not meaningful
OCI – other comprehensive income or loss
ORE – other real estate defined as foreclosed and surplus real estate
PCD – purchased credit deteriorated loans, as defined by ASC 326
PCI – purchased credit impaired loans, as defined by ASC 310-30
PPP – Paycheck Protection Program, a loan program administered by the Small Business Administration designed to provide a direct incentive for small businesses to keep workers on payroll during interruptions caused by the COVID-19 pandemic
Reference rate reform – refers to the global transition away from LIBOR and other interbank offered rates toward new reference rates that are more reliable and robust
Repos – securities sold under agreements to repurchase
SBA – Small Business Administration
SEC – U.S. Securities and Exchange Commission
Securities Act – Securities Act of 1933, as amended
SOFR – secured overnight financing rate
te – taxable equivalent adjustment, or the term used to indicate that a financial measure is presented on a fully taxable equivalent basis
TDR – troubled debt restructuring
TSR – total shareholder return
U.S. Treasury – The United States Department of the Treasury

Part I. Financial Information

Item 1. Financial Statements

Hancock Whitney Corporation and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

(in thousands, except per share data)	September 30, 2020	December 31, 2019
ASSETS		
Cash and due from banks	$ 484,315	$ 432,104
Interest-bearing bank deposits	778,363	109,961
Federal funds sold	694	268
Securities available for sale, at fair value (amortized cost of $5,410,502 and $4,637,610)	5,647,315	4,675,304
Securities held to maturity (fair value of $1,517,688 and $1,611,004)	1,408,961	1,568,009
Loans held for sale	103,566	55,864
Loans	22,240,204	21,212,755
Less: allowance for loan losses	(448,674)	(191,251)
Loans, net	21,791,530	21,021,504
Property and equipment, net of accumulated depreciation of $266,241 and $249,527	384,329	380,209
Right of use assets, net of accumulated amortization of $20,309 and $12,194	114,420	110,023
Prepaid expenses	40,003	40,178
Other real estate and foreclosed assets, net	11,640	30,405
Accrued interest receivable	112,686	92,037
Goodwill	855,453	855,453
Other intangible assets, net	91,505	106,807
Life insurance contracts	611,713	608,063
Funded pension assets, net	191,946	185,791
Other assets	564,885	328,777
Total assets	$ 33,193,324	$ 30,600,757
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits		
Noninterest-bearing	$ 11,881,548	$ 8,775,632
Interest-bearing	15,149,111	15,027,943
Total deposits	27,030,659	23,803,575
Short-term borrowings	1,906,895	2,714,872
Long-term debt	385,887	233,462
Accrued interest payable	7,336	10,200
Lease liabilities	134,007	127,703
Deferred tax liability, net	46,665	37,721
Other liabilities	306,231	205,539
Total liabilities	29,817,680	27,133,072
Stockholders' equity:		
Common stock	309,513	309,513
Capital surplus	1,755,315	1,736,664
Retained earnings	1,211,878	1,476,232
Accumulated other comprehensive income (loss), net	98,938	(54,724)
Total stockholders' equity	3,375,644	3,467,685
Total liabilities and stockholders' equity	$ 33,193,324	$ 30,600,757
Preferred shares authorized (par value of $20.00 per share)	50,000	50,000
Preferred shares issued and outstanding	—	—
Common shares authorized (par value of $3.33 per share)	350,000	350,000
Common shares issued	92,947	92,947
Common shares outstanding	86,400	87,515

See notes to unaudited consolidated financial statements.

Hancock Whitney Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

(in thousands, except per share data)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Interest income:				
Loans, including fees	$ 220,392	$ 243,875	$ 688,032	$ 725,390
Loans held for sale	833	592	2,104	1,189
Securities-taxable	30,863	32,724	95,172	94,107
Securities-tax exempt	4,831	5,058	14,629	15,715
Short-term investments	124	915	791	3,424
Total interest income	257,043	283,164	800,728	839,825
Interest expense:				
Deposits	14,783	49,220	76,349	145,201
Short-term borrowings	1,673	7,729	8,388	23,658
Long-term debt	5,404	3,276	11,754	8,905
Total interest expense	21,860	60,225	96,491	177,764
Net interest income	235,183	222,939	704,237	662,061
Provision for credit losses	24,999	12,421	578,690	38,552
Net interest income (loss) after provision for credit losses	210,184	210,518	125,547	623,509
Noninterest income:				
Service charges on deposit accounts	18,440	21,892	56,795	62,982
Trust fees	14,424	15,098	43,390	46,126
Bank card and ATM fees	17,222	17,154	50,541	49,063
Investment and annuity fees and insurance commissions	5,988	7,048	18,504	20,167
Secondary mortgage market operations	12,875	5,713	28,736	13,872
Other income	14,799	16,325	44,112	40,773
Total noninterest income	83,748	83,230	242,078	232,983
Noninterest expense:				
Compensation expense	97,095	93,858	286,922	265,573
Employee benefits	20,761	18,622	64,892	57,240
Personnel expense	117,856	112,480	351,814	322,813
Net occupancy expense	13,191	13,156	39,272	38,101
Equipment expense	5,355	4,685	14,724	13,706
Data processing expense	21,888	21,532	65,185	60,951
Professional services expense	14,372	17,704	35,098	35,537
Amortization of intangible assets	4,788	4,889	15,302	15,074
Deposit insurance and regulatory fees	4,108	3,995	15,039	14,156
Other real estate and foreclosed asset (income) expense	(482)	2,055	9,188	1,459
Other expense	14,698	33,058	50,026	71,024
Total noninterest expense	195,774	213,554	595,648	572,821
Income (loss) before income taxes	98,158	80,194	(228,023)	283,671
Income taxes expense (benefit)	18,802	12,387	(79,274)	48,423
Net income (loss)	$ 79,356	$ 67,807	$ (148,749)	$ 235,248
Earnings (loss) per common share-basic	$ 0.90	$ 0.77	$ (1.73)	$ 2.69
Earnings (loss) per common share-diluted	$ 0.90	$ 0.77	$ (1.73)	$ 2.69
Dividends paid per share	$ 0.27	$ 0.27	$ 0.81	$ 0.81
Weighted average shares outstanding-basic	86,358	86,377	86,614	85,934
Weighted average shares outstanding-diluted	86,400	86,462	86,614	86,010

See notes to unaudited consolidated financial statements.

Hancock Whitney Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(Unaudited)

(in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income (loss)	$ 79,356	$ 67,807	$ (148,749)	$ 235,248
Other comprehensive income (loss) before income taxes:				
Net change in unrealized gain or loss on securities available for sale and cash flow hedges	425	34,159	217,254	160,627
Reclassification of net gain or loss realized and included in earnings	(4,076)	3,280	(6,593)	11,483
Valuation adjustment to employee benefit plan	—	(7,015)	(10,251)	(7,015)
Amortization of unrealized net loss or gain on securities transferred to held to maturity	(89)	954	(378)	2,435
Other comprehensive income (loss) before income taxes	(3,740)	31,378	200,032	167,530
Income tax expense	48	7,331	46,370	37,977
Other comprehensive income (loss) net of income taxes	(3,788)	24,047	153,662	129,553
Comprehensive income	$ 75,568	$ 91,854	$ 4,913	$ 364,801

See notes to unaudited consolidated financial statements.

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

Three Months Ended September 30, 2020 and 2019

	Common Stock		Capital	Retained	Accumulated Other Comprehensive	
(in thousands, except per share data)	Shares Issued	Amount	Surplus	Earnings	Income (Loss), Net	Total
Balance, June 30, 2020	92,947	$ 309,513	$ 1,747,640	$ 1,156,278	$ 102,726	$ 3,316,157
Net income	—	—	—	79,356	—	79,356
Other comprehensive loss	—	—	—	—	(3,788)	(3,788)
Comprehensive income	—	—	—	79,356	(3,788)	75,568
Cash dividends declared ($0.27 per common share)	—	—	—	(23,803)	—	(23,803)
Common stock activity, long-term incentive plans	—	—	6,595	47	—	6,642
Issuance of stock from dividend reinvestment and stock purchase plans	—	—	1,080	—	—	1,080
Balance, September 30, 2020	92,947	$ 309,513	$ 1,755,315	$ 1,211,878	$ 98,938	$ 3,375,644
Balance, June 30, 2019	87,903	$ 292,716	$ 1,737,492	$ 1,363,910	$ (75,203)	$ 3,318,915
Net income	—	—	—	67,807	—	67,807
Other comprehensive income	—	—	—	—	24,047	24,047
Comprehensive income	—	—	—	67,807	24,047	91,854
Cash dividends declared ($0.27 per common share)	—	—	—	(23,597)	—	(23,597)
Common stock issued in business combination	5,044	16,797	177,052	—	—	193,849
Common stock activity, long-term incentive plan	—	—	4,407	63	—	4,470
Issuance of stock from dividend reinvestment and stock purchase plans	—	—	889	—	—	889
Balance, September 30, 2019	92,947	$ 309,513	$ 1,919,840	$ 1,408,183	$ (51,156)	$ 3,586,380

Nine Months Ended September 30, 2020 and 2019

	Common Stock		Capital	Retained	Accumulated Other Comprehensive	
(in thousands, except per share data)	Shares Issued	Amount	Surplus	Earnings	Income (Loss), Net	Total
Balance, December 31, 2019	92,947	$ 309,513	$ 1,736,664	$ 1,476,232	$ (54,724)	$ 3,467,685
Net loss	—	—	—	(148,749)	—	(148,749)
Other comprehensive income	—	—	—	—	153,662	153,662
Comprehensive income	—	—	—	(148,749)	153,662	4,913
Cumulative effect of change in accounting principle	—	—	—	(44,087)	—	(44,087)
Cash dividends declared ($0.81 per common share)	—	—	—	(71,620)	—	(71,620)
Common stock activity, long-term incentive plans	—	—	16,159	102	—	16,261
Net settlement of accelerated share repurchase agreement (1,001,472 shares)	—	—	12,110	—	—	12,110
Repurchase of common stock	—	—	(12,716)	—	—	(12,716)
Issuance of stock from dividend reinvestment and stock purchase plans	—	—	3,098	—	—	3,098
Balance, September 30, 2020	92,947	$ 309,513	$ 1,755,315	$ 1,211,878	$ 98,938	$ 3,375,644
Balance, December 31, 2018	87,903	$ 292,716	$ 1,725,741	$ 1,243,592	$ (180,709)	$ 3,081,340
Net income	—	—	—	235,248	—	235,248
Other comprehensive income	—	—	—	—	129,553	129,553
Comprehensive income	—	—	—	235,248	129,553	364,801
Cash dividends declared ($0.81 per common share)	—	—	—	(70,771)	—	(70,771)
Common stock issued in business combination	5,044	16,797	177,052	—	—	193,849
Common stock activity, long-term incentive plan	—	—	14,355	114	—	14,469
Issuance of stock from dividend reinvestment and stock purchase plans	—	—	2,692	—	—	2,692
Balance, September 30, 2019	92,947	$ 309,513	$ 1,919,840	$ 1,408,183	$ (51,156)	$ 3,586,380

See notes to unaudited consolidated financial statements.

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

(in thousands)	Nine Months Ended September 30, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (148,749)	$ 235,248
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	22,869	22,867
Provision for credit losses	578,690	38,552
Loss on other real estate and foreclosed assets	9,252	852
Gain on sale of securities	(488)	—
Deferred tax expense (benefit)	(28,949)	30,136
Increase in cash surrender value of life insurance contracts	(14,443)	(10,792)
(Gain) loss on disposal of other assets	(556)	70
Net increase in loans held for sale	(46,691)	(46,727)
Net amortization of securities premium/discount	30,576	23,133
Amortization of intangible assets	15,302	15,074
Stock-based compensation expense	16,661	15,497
Net change in liability from variation margin collateral	(102,501)	(42,500)
Contribution to pension plan	—	(100,000)
Increase (decrease) in interest payable and other liabilities	11,369	(1,632)
Increase in other assets	(97,265)	(10,631)
Other, net	(17,607)	(2,854)
Net cash provided by operating activities	227,470	166,293
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of available for sale securities	211,919	143,334
Proceeds from maturities of securities available for sale	662,269	204,391
Purchases of securities available for sale	(1,667,476)	(810,198)
Proceeds from maturities of securities held to maturity	169,863	297,150
Purchases of securities held to maturity	(20,884)	(183,626)
Net (increase) decrease in short-term investments	(668,828)	383,970
Proceeds from sales of loans and leases	301,609	111,141
Net increase in loans	(1,657,939)	(353,971)
Purchase of life insurance contracts	—	(32,788)
Purchases of property and equipment	(31,214)	(33,746)
Proceeds from sales of other real estate	15,299	20,764
Cash acquired in stock-based business combination	—	28,060
Final cash settlement for acquisition of business	—	(1,112)
Other, net	(4,412)	(19,815)
Net cash used in investing activities	(2,689,794)	(246,446)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	3,227,084	(229,964)
Net increase (decrease) in short-term borrowings	(807,977)	452,691
Proceeds from the issuance of long-term debt, net of issuance costs	166,425	11,649
Repayments of long-term debt	(230)	(226)
Dividends paid	(71,620)	(70,771)
Payroll tax remitted on net share settlement of equity awards	(1,639)	(1,594)
Proceeds from exercise of stock options	—	367
Proceeds from dividend reinvestment and stock purchase plans	3,098	2,692
Settlement of forward contract portion of accelerated share repurchase	12,110	—
Repurchase of shares	(12,716)	—
Net cash provided by financing activities	2,514,535	164,844
NET INCREASE IN CASH AND DUE FROM BANKS	52,211	84,691
CASH AND DUE FROM BANKS, BEGINNING	432,104	383,372
CASH AND DUE FROM BANKS, ENDING	$ 484,315	$ 468,063
SUPPLEMENTAL INFORMATION FOR NON-CASH INVESTING AND FINANCING ACTIVITIES		
Value of stock-based consideration in business combination	$ —	$ 193,849
Assets acquired in settlement of loans	5,459	14,170

See notes to unaudited consolidated financial statements.

HANCOCK WHITNEY CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The consolidated financial statements include the accounts of Hancock Whitney Corporation and all other entities in which it has a controlling interest (the "Company"). The financial statements include all adjustments that are, in the opinion of management, necessary to fairly state the Company's financial condition, results of operations, changes in stockholders' equity and cash flows for the interim periods presented. The Company has also evaluated all subsequent events for potential recognition and disclosure through the date of the filing of this Quarterly Report on Form 10-Q. Some financial information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") have been condensed or omitted in this Quarterly Report on Form 10-Q pursuant to Securities and Exchange Commission rules and regulations. These financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. Financial information reported in these financial statements is not necessarily indicative of the Company's financial condition, results of operations, or cash flows for any other interim or annual period.

Certain prior period amounts have been reclassified to conform to the current period presentation. These changes in presentation did not have a material impact on the Company's financial condition or operating results.

Use of Estimates

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

Critical Accounting Policies and Estimates

On January 1, 2020, the Company adopted Accounting Standards Codification ("ASC") 326, "Financial Instruments – Credit Losses," more commonly referred to as CECL, on a modified retrospective basis. The provisions of this guidance require a material change to the manner in which the Company estimates and reports losses on financial instruments, including loans and unfunded lending commitments, select securities and other assets carried at amortized cost. Results for reporting periods beginning after January 1, 2020 are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable GAAP. Changes to the Company's accounting policies related to CECL are described below. Further, the Company performed an interim test of goodwill impairment using a quantitative assessment, as described below. There were no other material changes or developments during the reporting period with respect to methodologies that the Company uses when applying what management believes are critical accounting policies and developing critical accounting estimates as disclosed in its Annual Report on Form 10-K for the year ended December 31, 2019. Refer to Note 16 – Recent Accounting Pronouncements for a discussion of accounting standards adopted during the nine months ended September 30, 2020 and the impact to the Company's financial statements.

Accounting Policy Updates

Allowance for Credit Losses on Loans, Leases Held for Investment and Unfunded Exposures

For reporting periods beginning on or after January 1, 2020, the Allowance for Credit Losses (ACL) is comprised of the Allowance for Loan and Lease Losses (ALLL), a valuation account available to absorb losses on loans and leases held for investment, and the Reserve for Unfunded Lending Commitments, a liability established to absorb credit losses for the expected life of the contractual term of on and off-balance sheet exposures as of the date of the determination. Quarterly, management estimates losses in the portfolio and unfunded exposures based on a number of factors, including the Company's past loan loss experience, known and potential risks in the portfolio, adverse situations that may affect the borrowers' ability to repay, the estimated value of any underlying collateral, and current and forecasted economic conditions.

The analysis and methodology for estimating the ACL includes two primary elements: a collective approach for pools of loans that have similar risk characteristics using a loss rate analysis, and a specific reserve analysis for credits individually evaluated for credit loss. For the collective approach, the Company segments loans into commercial non-real estate, commercial real estate – owner occupied, commercial real estate – income producing, construction and land development, residential mortgage and consumer, with further segmentation by region and sub-portfolio, as deemed appropriate. Both quantitative and qualitative factors are applied at the portfolio segment levels. The Company applies the practical expedient that permits the exclusion of the accrued interest receivable balance from amortized cost basis of financing receivables.

For the collectively evaluated portfolios, the Company utilizes internally developed credit models and third party economic forecasts for the calculation of expected credit loss over the reasonable and supportable forecast period for the majority of the portfolio and other methods, generally historical loss based, for select portfolios. The Company calculates collective allowance for a two-year reasonable and supportable forecast period utilizing probability weighted multiple macroeconomic scenarios, and then reverts on a linear basis over four quarters to an average historical loss rate for the remaining term. The credit models consist primarily of multivariate regression and autoregressive models that correlate our historical net charge-off rates to select macroeconomic variables at a collective level. Forward-looking macroeconomic forecasts are applied as inputs to the regression equations to estimate quarterly collective net charge-off rates over the reasonable and supportable period. The net charge-off rates from the credit models for the reasonable and supportable period, the linear reversion rates, and the average loss rates for the post reasonable and supportable periods are applied to forecasted balance runoff for the estimated remaining term. The balance runoff incorporates prepayment assumptions developed from historical experience that are applied to the multiple macroeconomic forecasts. Forecasted net charge-off rates are also applied to forecasted draws and subsequent runoff of unfunded commitments in the calculation of the reserve for unfunded lending commitments. Qualitative adjustments to the output of quantitative calculations are made when management deems it necessary to reflect differences in current and forecasted conditions as compared to those during the historical loss period used in model development. Conditions to be considered include, but are not limited to, problem loan trends, current business and economic conditions, credit concentrations, lending policies and procedures, lending staff, collateral values, loan profiles and volumes, loan review quality, changes in competition and regulations, and other adjustments for model limitations or other variables not specifically captured.

The Company establishes specific reserves using an individually evaluated approach for nonaccrual loans, loans modified in troubled debt restructures, loans for which a troubled debt restructure is reasonably expected, and other financial instruments that are deemed to not share risk characteristics with other collectively evaluated financial assets. For loans individually evaluated, a specific allowance is recognized for any shortfall between the loan’s value and its recorded investment. The loan’s value is measured by either the loan’s observable market price, the fair value of the collateral of the loan (less liquidation costs) if it is collateral dependent, or by the present value of expected future cash flows discounted at the loan’s effective interest rate. The Company applies the practical expedient and defines collateral dependent loans as those where the borrower is experiencing financial difficulty and on which repayment is expected to be provided substantially through the operation or sale of the collateral. Loans individually analyzed are not incorporated into the pool analysis to avoid double counting. The Company limits the individually evaluated specific reserve analysis to include commercial and residential mortgage loans with relationship balances of $1 million or greater and all loans classified as troubled debt restructurings.

Acquired Loans and Other Financial Assets

Acquired loans and other financial assets within the scope of CECL are segregated between those purchased with credit deterioration (“PCD”) and those that are not (“non PCD”). Assets considered PCD include those individual financial assets (or groups of financial assets with similar risk characteristics) that as of the date of acquisition are assessed as having experienced a more-than-insignificant deterioration in credit quality since origination. The assessment of what is more-than-insignificant credit deterioration since origination considers information including, but not limited to, financial assets that are delinquent, on nonaccrual and/or otherwise adversely risk rated as of the acquisition date, those that have been downgraded since origination, and those for which, after origination, credit spreads have widened beyond the threshold specified in policy. The Company bifurcates the fair value discount between the credit and noncredit components and records an allowance for credit losses for PCD assets by adding the credit portion of the fair value discount to the initial amortized cost basis and increasing the allowance for credit losses at the date of acquisition. Any noncredit discount or premium resulting from acquiring assets with credit deterioration is allocated to each individual asset. All non PCD financial assets acquired are recorded at the estimated fair value of the asset at acquisition, with the estimated allowance for credit loss recorded as a provision for credit losses through earnings in the period in which the acquisition has occurred. The noncredit discount or premium for PCD assets and full discount for non PCD assets will be accreted to interest income using the interest method based on the effective interest rate at the acquisition date.

Under the transition provisions for application of CECL, the Company has classified all purchased credit impaired loans (“PCI”) previously accounted for under Financial Accounting Standard Subtopic 310-30 to be classified as PCD, without reassessing whether the financial assets meet the criteria of PCD as of the date of adoption. The application of these provisions resulted in an adjustment to the amortized cost basis of the financial asset to reflect the addition of the allowance for credit losses at the date of adoption. The Company elected not to maintain pools of loans accounted for under Subtopic 310-30 at adoption. The Company was also not required to reassess whether modifications to individual acquired financial assets accounted for in pools were troubled debt restructurings as of the date of adoption. The noncredit discount, after the adjustment for the allowance for credit losses, will be accreted to interest income using the interest method based on the effective interest rate determined after the adjustment for credit losses at the adoption date.

Allowance for Credit Losses on Securities

The CECL standard also requires an assessment of the Company's held to maturity debt securities for expected credit losses and the available for sale debt securities for credit-related impairment. The Company applies the practical expedient to exclude the accrued interest receivable balance from amortized cost basis of financing receivables. The allowance for credit losses on held to maturity debt securities is estimated at the individual security level when there is a more than inconsequential risk of default. The assessment uses probability of default and loss given default models based on public ratings, where available, or mapped internally developed risk grades to public ratings and forecasted cash flows using the same economic forecasts and probability weighting as used for the Company's evaluation of the loan portfolio. Qualitative adjustments to the output of the quantitative calculation are made when management deems it necessary to reflect differences in current and forecasted conditions as compared to those during the historical loss period used in model development. The Company evaluates credit impairment on available for sale debt securities at an individual security level. This evaluation is done for securities whose fair value is below amortized cost with a more than inconsequential risk of default and where the Company has assessed the decline in fair value is significant enough to suggest a credit event occurred. Credit events are generally assessed based on adverse conditions specifically related to the security, an industry, or geographic area, changes in the financial condition of the issuer of the security, or in the case of an asset-backed debt security, changes in the financial condition of the underlying loan obligors. The allowance for credit losses for such securities is measured using a discounted cash flow methodology, through which management compares the present value of expected cash flows with the amortized cost basis of the security. The allowance for credit loss is limited to the amount by which the fair value is less than the amortized cost basis.

The Company reassesses the potential for credit losses at each reporting period and records subsequent changes in the allowance for credit losses on securities with a corresponding adjustment recorded in the provision for credit loss expense. If the Company intends to sell the debt security, or more likely than not will be required to sell the security before recovery of its amortized cost basis, the security is charged down to fair value against the allowance for credit losses, with any incremental impairment reported in earnings.

Critical Accounting Estimates

Goodwill Impairment Testing

Goodwill, which represents the excess of cost over the fair value of the net assets of an acquired business, is not amortized but is assessed for impairment on an annual basis, or more often if events or circumstances indicate that it is more likely than not that a goodwill impairment exists. The impairment test compares the estimated fair value of a reporting unit with its net book value. If the unit's fair value is less than its carrying value, an impairment is recognized.

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

During the third quarter of 2020, the Company assessed the indicators of goodwill impairment and noted certain events that indicated that it is "more likely than not" that a goodwill impairment exists, necessitating an interim test of impairment. Triggering events stemming from and in response to the COVID-19 pandemic include continued economic disruption, operating losses driven by a higher provision for credit losses and a lower interest rate environment, and a sustained decrease in the Company's share price. As such, the Company performed a quantitative assessment of goodwill impairment as of September 30, 2020, which included determining the estimated fair value of the reporting unit and comparing that fair value to the reporting unit's carrying amount. The results of the test indicated that the estimated fair value of the reporting unit exceeded its carrying amount at September 30, 2020; therefore, goodwill was not impaired as of the testing date.

The Company used multiple approaches to measure its fair value at September 30, 2020. The primary approaches included an income approach using the discounted net present value of estimated future cash flows and a market approach using transaction or price-to-forward earnings multiples methodology using the actual price paid in recent acquisition transactions for similar entities, discounted for the current recessionary environment, neither of which resulted in impairment. The results from each of the primary approaches were weighted equally, with the valuation of the reporting unit approximately 14% in excess of net book value at September 30, 2020.

Both valuation techniques employed by the Company require significant assumptions. Depending upon the specific approach, assumptions are made regarding the economic environment, expected net interest margins, growth rates, discount rate used to present value future cash flows, asset quality metrics, control premiums, and price-to-forward earnings multiples. Changes to any one of these assumptions could result in significantly different results. Changes in the amount and/or timing of the Company's expected future cash flows or estimated growth rates, lack of improvement and/or further decline in the price of the Company's common stock relative to our book value per share, and/or further deterioration in the economic environment beyond current estimates could result in an impairment charge to goodwill in future reporting periods. Annual impairment testing will be performed in the fourth quarter of 2020 in coordination with our annual strategic planning process, and interim testing is expected to continue until indicators of goodwill impairment no longer exist.

2. Business Combination

On September 21, 2019, the Company completed the acquisition of MidSouth Bancorp, Inc. ("MidSouth") (NYSE: MSL), parent company of MidSouth Bank, N.A. The transaction provides the Company opportunity for both enhanced growth in several of its current markets, such as MidSouth's home market of Lafayette, Louisiana, as well as opportunities for expansion into new markets in Louisiana and Texas. The transaction was accounted for as a business combination whereby the Company acquired net assets with an estimated fair value of $130.5 million and recorded goodwill of $63.4 million. In consideration for the net assets acquired, the Company issued approximately 5.0 million shares of our common stock, resulting in a transaction value of $193.8 million. The following table sets forth the acquisition date fair value of the assets acquired and liabilities assumed, and the resulting goodwill. The goodwill is not deductible for federal income tax purposes.

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

The results of the acquired business were included in the Company's consolidated results of operations from the date of acquisition. The results of the acquired business are not material to the Company's consolidated results of operations and, as such, neither supplemental pro forma information of the combined entity nor revenue and earnings contributed by the acquired business since the date of acquisition are presented.

Goodwill Resulting from Business Combinations

Goodwill represents the excess of the consideration transferred over the fair value of the net assets acquired. It is comprised of estimated future economic benefits arising from the transaction that cannot be individually identified or do not qualify for separate recognition. These benefits include expanded presence in existing markets and entry into new markets, and expected earnings streams and operational efficiencies that the Company believes will result from this business combination. The following table presents the change in the Company's goodwill during the year ended December 31, 2019. No measurement period adjustments were recorded during the nine months ended September 30, 2020.

(in thousands)		
Goodwill balance at December 31, 2018	$	790,972
Final settlement of cash consideration - acquisition of trust and asset management business		1,112
Initial goodwill recorded in the acquisition of MidSouth Bancorp, Inc.		69,207
Measurement period adjustments - acquisition of MidSouth Bancorp, Inc.		(5,838)
Goodwill balance at December 31, 2019	$	855,453
Goodwill balance at September 30, 2020	$	855,453

3. Securities

The following tables set forth the amortized cost, gross unrealized gains and losses, and estimated fair value of debt securities classified as available for sale and held to maturity at September 30, 2020 and December 31, 2019. Amortized cost of securities does not include accrued interest which is reflected in the accrued interest line item on the consolidated balance sheets totaling $23.2 million and $23.9 million at September 30, 2020 and December 31, 2019, respectively.

Securities Available for Sale (in thousands)	September 30, 2020				December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Gross Amortized Cost	Gross Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and government agency securities	$ 192,077	$ 6,664	$ 125	$ 198,616	$ 98,320	$ 652	$ 300	$ 98,672
Municipal obligations	297,712	16,291	347	313,656	242,016	7,789	—	249,805
Residential mortgage-backed securities	2,536,999	70,222	531	2,606,690	1,910,909	20,268	7,020	1,924,157
Commercial mortgage-backed securities	1,965,664	136,056	720	2,101,000	1,570,765	19,880	4,178	1,586,467
Collateralized mortgage obligations	410,050	9,141	21	419,170	807,600	3,757	3,142	808,215
Corporate debt securities	8,000	185	2	8,183	8,000	21	33	7,988
	$ 5,410,502	$ 238,559	$ 1,746	$ 5,647,315	$ 4,637,610	$ 52,367	$ 14,673	$ 4,675,304

Securities Held to Maturity (in thousands)	September 30, 2020				December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Gross Amortized Cost	Gross Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and government agency securities	$ —	$ —	$ —	$ —	$ 50,000	$ 3	$ —	$ 50,003
Municipal obligations	630,894	49,348	17	680,225	641,019	27,146	69	668,096
Residential mortgage-backed securities	24,041	1,641	—	25,682	29,687	883	—	30,570
Commercial mortgage-backed securities	550,201	53,253	—	603,454	539,371	12,474	581	551,264
Collateralized mortgage obligations	203,825	4,502	—	208,327	307,932	3,597	458	311,071
	$ 1,408,961	$ 108,744	$ 17	$ 1,517,688	$ 1,568,009	$ 44,103	$ 1,108	$ 1,611,004

The following tables present the amortized cost and estimated fair value of debt securities available for sale and held to maturity at September 30, 2020 by contractual maturity. Actual maturities will differ from contractual maturities because of rights to call or repay obligations with or without penalties and scheduled and unscheduled principal payments on mortgage-backed securities and collateralized mortgage obligations.

Debt Securities Available for Sale (in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 14,492	$ 14,540
Due after one year through five years	239,148	258,655
Due after five years through ten years	2,066,697	2,196,332
Due after ten years	3,090,165	3,177,788
Total available for sale debt securities	$ 5,410,502	$ 5,647,315

Debt Securities Held to Maturity (in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 2,196	$ 2,191
Due after one year through five years	189,141	201,869
Due after five years through ten years	636,976	701,345
Due after ten years	580,648	612,283
Total held to maturity securities	$ 1,408,961	$ 1,517,688

The Company held no securities classified as trading at September 30, 2020 and December 31, 2019.

The following table presents the proceeds from, gross gain on, and gross losses on sales of securities during the nine months ended September 30, 2020 and 2019.

(in thousands)	Nine Months Ended September 30, 2020	2019
Proceeds	$ 211,919	$ 143,304
Gross gains	1,984	—
Gross losses	1,496	—

Securities with carrying values totaling $3.2 billion and $3.3 billion were pledged as collateral at September 30, 2020 and December 31, 2019 respectively, primarily to secure public deposits or securities sold under agreements to repurchase.

Credit Quality

The Company's policy is to invest only in securities of investment grade quality. These investments are largely limited to U.S. agency securities and municipal securities. Management has concluded, based on the long history of no credit losses, that the expectation of nonpayment of the held to maturity securities carried at amortized cost is zero for securities that are backed by the full faith and credit of and/or guaranteed by the U.S. government. As such, no allowance for credit losses has been recorded for these securities. The municipal portfolio is analyzed separately for allowance for credit loss in accordance with the applicable guidance for each portfolio as noted below.

Effective January 1, 2020, in conjunction with the adoption of CECL, and again at September 30, 2020, the Company evaluated credit impairment for individual securities available for sale whose fair value was below amortized cost with a more than inconsequential risk of default and where the Company had assessed the decline in fair value significant enough to suggest a credit event occurred. There were no securities that met the criteria of a credit loss event and therefore, no allowance for credit loss was recorded for either period. The fair value and gross unrealized losses for securities classified as available for sale with unrealized losses for the periods indicated follow.

Available for Sale
September 30, 2020

(in thousands)	Losses < 12 months Fair Value	Losses < 12 months Gross Unrealized Losses	Losses 12 months or > Fair Value	Losses 12 months or > Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
U.S. Treasury and government agency securities	$ 44,039	$ 125	$ —	$ —	$ 44,039	$ 125
Municipal obligations	26,010	347	—	—	26,010	347
Residential mortgage-backed securities	229,662	529	367	2	230,029	531
Commercial mortgage-backed securities	252,858	720	—	—	252,858	720
Collateralized mortgage obligations	3,300	21	—	—	3,300	21
Corporate debt securities	3,498	2	—	—	3,498	2
	$ 559,367	$ 1,744	$ 367	$ 2	$ 559,734	$ 1,746

Available for Sale
December 31, 2019

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

Effective January 1, 2020 and in conjunction with the adoption of CECL, and again as of September 30, 2020, the Company evaluated its held to maturity municipal obligation portfolio for credit loss using probability of default and loss given default models. The models were run using a long-term average probability of default migration and with a probability weighting of Moody's economic forecasts. The economic forecasts were largely weighted to a baseline scenario with some weight given to other scenarios. The September 30, 2020 forecast was further stressed by running a more severe probability of default migration. The resulting credit loss was negligible for both periods and no allowance for credit loss was recorded. The fair value and gross unrealized losses for securities classified as held to maturity with unrealized losses for the periods indicated follow.

Held to Maturity
September 30, 2020

	Losses < 12 months		Losses 12 months or >		Total	
(in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. Treasury and government agency securities	$ —	$ —	$ —	$ —	$ —	$ —
Municipal obligations	523	2	2,890	15	3,413	17
Residential mortgage-backed securities	—	—	—	—	—	—
Commercial mortgage-backed securities	222	—	—	—	222	—
Collateralized mortgage obligations	—	—	—	—	—	—
	$ 745	$ 2	$ 2,890	$ 15	$ 3,635	$ 17

Held to Maturity
December 31, 2019

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

As of September 30, 2020 the Company had 40 securities with market values below their cost basis. Unrealized losses in both portfolios relate primarily to changes in interest rates on fixed rate debt securities since the respective purchase dates. In all cases, the indicated impairment on these debt securities would be recovered no later than the security's maturity date or possibly earlier if the market price for the security increases with a reduction in the yield required by the market. None of the unrealized losses relate to the marketability of the securities or the issuers' abilities to meet contractual obligations. The Company had adequate liquidity as of September 30, 2020 and December 31, 2019 and did not intend to nor believe that it would be required to sell these securities before recovery of the indicated impairment. The unrealized losses on these securities were determined to be non-credit related as of December 31, 2019 and as noted above, no allowance for credit losses was recorded as of January 1, 2020 or September 30, 2020.

4. Loans and Allowance for Credit Losses

The Company generally makes loans in its market areas of south and central Mississippi; southern and central Alabama; northwest, central and south Louisiana; the northern, central, and panhandle regions of Florida; certain areas of east and northeast Texas, including Houston, Beaumont and Dallas; and Nashville, Tennessee. Loans, net of unearned income, by portfolio are presented at amortized cost basis in the table below. Amortized cost does not include accrued interest, which is reflected in the accrued interest line item in the Consolidated Balance Sheets, totaling $86.0 million and $67.7 million at September 30, 2020 and December 31, 2019, respectively.

(in thousands)		September 30, 2020		December 31, 2019
Commercial non-real estate	$	10,257,788	$	9,166,947
Commercial real estate - owner occupied		2,779,407		2,738,460
Total commercial and industrial		13,037,195		11,905,407
Commercial real estate - income producing		3,406,554		2,994,448
Construction and land development		1,096,149		1,157,451
Residential mortgages		2,754,388		2,990,631
Consumer		1,945,918		2,164,818
Total loans	$	22,240,204	$	21,212,755

The following briefly describes the composition of each loan category.

Commercial and industrial

Commercial and industrial loans are made available to businesses for working capital (including financing of inventory and receivables), business expansion, to facilitate the acquisition of a business, and the purchase of equipment and machinery, including equipment leasing. These loans are primarily made based on the identified cash flows of the borrower and, when secured, have the added strength of the underlying collateral.

Commercial non-real estate loans may be secured by the assets being financed or other tangible or intangible business assets such as accounts receivable, inventory, ownership, enterprise value or commodity interests, and may incorporate a personal or corporate guarantee; however, some short-term loans may be made on an unsecured basis, including a small portfolio of corporate credit cards, generally issued as a part of overall customer relationships.

Commercial non-real estate loans also include loans made under the Small Business Administration's (SBA) Paycheck Protection Program (PPP). PPP loans are guaranteed by the SBA and are forgivable to the debtor upon satisfaction of certain criteria. The loans bear interest at 1% per annum and have two or five year terms, depending on the date of origination. These loans also earn an origination fee of 1% to 5%, depending on the loan size, that is deferred and amortized over the estimated life of the loan using the effective yield method.

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

Commercial real estate – income producing

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

Construction and land development

Construction and land development loans are made to facilitate the acquisition, development, improvement and construction of both commercial and residential-purpose properties. Such loans are made to builders and investors where repayment is expected to be made from the sale, refinance or operation of the property or to businesses to be used in their business operations. This portfolio also includes a small amount of residential construction loans and loans secured by raw land not yet under development.

Residential mortgages

Residential mortgages consist of closed-end loans secured by first liens on 1- 4 family residential properties. The portfolio includes both fixed and adjustable rate loans, although most longer term, fixed rate loans originated are sold in the secondary mortgage market.

Consumer

Consumer loans include second lien mortgage home loans, home equity lines of credit and nonresidential consumer purpose loans. Nonresidential consumer loans include both direct and indirect loans. Direct nonresidential consumer loans are made to finance the purchase of personal property, including automobiles, recreational vehicles and boats, and for other personal purposes (secured and unsecured), and deposit account secured loans. Indirect nonresidential consumer loans include automobile financing provided to the consumer through an agreement with automobile dealerships. Consumer loans also include a small portfolio of credit card receivables issued on the basis of applications received through referrals from the Bank's branches, online and other marketing efforts.

Allowance for Credit Losses

The following tables show activity in the allowance for credit losses by portfolio class for the nine months ended September 30, 2020 and 2019, as well as the corresponding recorded investment in loans at the end of each period. Effective January 1, 2020, the Company adopted the provisions of ASC 326 (CECL) using a modified retrospective basis. The difference between the December 31, 2019 incurred allowance and the CECL allowance is reflected as a cumulative effect of change in accounting principle in the table below. For further discussion of the day one impact of the CECL adoption, refer to Note 16 – Recent Accounting Pronouncements.

(in thousands)	Commercial non-real estate	Commercial real estate- owner occupied	Total commercial and industrial	Commercial real estate- income producing	Construction and land development	Residential mortgages	Consumer	Total
	Nine Months Ended September 30, 2020							
Allowance for credit losses								
Allowance for loan losses:								
Beginning balance	$ 106,432	$ 10,977	$ 117,409	$ 20,869	$ 9,350	$ 20,331	$ 23,292	$ 191,251
Cumulative effect of change in accounting principle	(244)	14,877	14,633	7,287	7,478	12,921	7,092	49,411
Charge-offs	(364,123)	(1,828)	$ (365,951)	(2,211)	(7)	(170)	(13,640)	(381,979)
Recoveries	4,831	659	$ 5,490	46	549	1,078	4,360	11,523
Net provision for loan losses	401,155	41,336	$ 442,491	78,661	12,325	17,613	27,378	578,468
Ending balance - allowance for loan losses	$ 148,051	$ 66,021	$ 214,072	$ 104,652	$ 29,695	$ 51,773	$ 48,482	$ 448,674
Reserve for unfunded lending commitments:								
Beginning balance	$ 3,974	$ —	$ 3,974	$ —	$ —	$ —	$ —	$ 3,974
Cumulative effect of change in accounting principle	5,772	288	6,060	449	15,658	17	5,146	27,330
Provision for losses on unfunded commitments	(3,786)	187	(3,599)	1,599	6,046	(11)	(3,813)	222
Ending balance - reserve for unfunded lending commitments	5,960	475	6,435	2,048	21,704	6	1,333	31,526
Total allowance for credit losses	$ 154,011	$ 66,496	$ 220,507	$ 106,700	$ 51,399	$ 51,779	$ 49,815	$ 480,200
Allowance for loan losses:								
Individually evaluated	$ 27,304	$ 1,344	$ 28,648	$ 24	$ 169	$ 416	$ 456	$ 29,713
Collectively evaluated	120,747	64,677	185,424	104,628	29,526	51,357	48,026	418,961
Allowance for loan losses	$ 148,051	$ 66,021	$ 214,072	$ 104,652	$ 29,695	$ 51,773	$ 48,482	$ 448,674
Reserve for unfunded lending commitments:								
Individually evaluated	$ 992	$ —	$ 992	$ —	$ —	$ —	$ 5	$ 997
Collectively evaluated	4,968	475	5,443	2,048	21,704	6	1,328	30,529
Reserve for unfunded lending commitments:	$ 5,960	$ 475	$ 6,435	$ 2,048	$ 21,704	$ 6	$ 1,333	$ 31,526
Total allowance for credit losses	$ 154,011	$ 66,496	$ 220,507	$ 106,700	$ 51,399	$ 51,779	$ 49,815	$ 480,200
Loans:								
Individually evaluated	$ 73,139	$ 11,124	$ 84,263	$ 5,549	$ 1,837	$ 6,064	$ 3,924	$ 101,637
Collectively evaluated	10,184,649	2,768,283	12,952,932	3,401,005	1,094,312	2,748,324	1,941,994	22,138,567
Total loans	$ 10,257,788	$ 2,779,407	$ 13,037,195	$ 3,406,554	$ 1,096,149	$ 2,754,388	$ 1,945,918	$ 22,240,204

(in thousands)	Commercial non-real estate	Commercial real estate- owner occupied	Total commercial and industrial	Commercial real estate- income producing	Construction and land development	Residential mortgages	Consumer	Total
	Nine Months Ended September 30, 2019							
Allowance for loan losses:								
Beginning balance	$ 97,752	$ 13,757	$ 111,509	$ 17,638	$ 15,647	$ 23,782	$ 25,938	$ 194,514
Charge-offs	(33,382)	(137)	(33,519)	(10)	(7)	(660)	(13,169)	(47,365)
Recoveries	5,662	284	5,946	518	108	433	2,866	9,871
Net provision for loan losses	29,267	545	29,812	7,604	(5,982)	(2,076)	9,194	38,552
Ending balance	$ 99,299	$ 14,449	$ 113,748	$ 25,750	$ 9,766	$ 21,479	$ 24,829	$ 195,572
Ending balance:								
Allowance:								
Individually evaluated for impairment	$ 11,535	$ 57	$ 11,592	$ 49	$ 29	$ 183	$ 365	$ 12,218
Amounts related to purchased credit impaired loans	135	172	307	40	144	8,032	300	8,823
Collectively evaluated for impairment	87,629	14,220	101,849	25,661	9,593	13,264	24,164	174,531
Total allowance	$ 99,299	$ 14,449	$ 113,748	$ 25,750	$ 9,766	$ 21,479	$ 24,829	$ 195,572
Loans:								
Individually evaluated for impairment	$ 201,979	$ 11,109	$ 213,088	$ 2,781	$ 3,385	$ 4,301	$ 1,583	$ 225,138
Purchased credit impaired loans	33,040	45,124	78,164	27,281	23,431	93,450	6,294	228,620
Collectively evaluated for impairment	8,657,985	2,678,146	11,336,131	3,030,506	1,163,902	2,907,207	2,144,448	20,582,194
Total loans	$ 8,893,004	$ 2,734,379	$ 11,627,383	$ 3,060,568	$ 1,190,718	$ 3,004,958	$ 2,152,325	$ 21,035,952

The calculation of the allowance for credit losses under CECL is performed using two primary approaches: a collective approach for pools of loans that have similar risk characteristics using a loss rate analysis, and a specific reserve analysis for credits individually evaluated. The increase in the allowance for credit losses for the nine months ended September 30, 2020 reflects the impact of the economic shutdown in response to the pandemic and the significant drop in oil prices. The allowance for credit losses was developed using multiple Moody's macroeconomic forecasts applied to internally developed credit models for a two year reasonable and supportable period. The Company weighted the baseline economic forecast, which Moody's defines as the "most likely outcome" based on current conditions and its view of where the economy is headed, at 50%. Following the sharp recession in the first half of 2020, the baseline scenario assumes a gradual recovery beginning in the second half of 2020, with the most meaningful growth occurring after a vaccine for the coronavirus becomes widely available in the second quarter of 2021. The upside scenario S-1 and the downside scenario S-2 were each weighted 25% to incorporate reasonably possible alternative outcomes. The S-1 scenario reflects reasonably possible improving conditions and a quicker recovery in 2020 and in 2021 compared to the baseline. The S-2 scenario reflects reasonably possible slower economic recovery, with higher instances of infection and death, and restrictions on travel and business winding down somewhat more slowly as compared to the baseline. The degradation in economic conditions during the nine months ended September 30, 2020 created the need for an increased allowance across all portfolios. The allowance for credit loss activity for the nine months ended September 30, 2020 also reflects the impact the sale of $497 million of energy-related loans. The write-down to loans' observable market value plus cost to sell resulted in charge-offs of $242.6 million and a reserve release of $82.5 million, for a net provision for credit losses impact of $160.1 million, which is mostly reflected in the commercial non-real estate portfolio. Detail of the individually evaluated allowance is provided in the impaired loans section that follows.

Impaired Loans

The following table shows the composition of nonaccrual loans by portfolio class. Prior to the adoption of CECL, purchased credit impaired loans accounted for in pools with an accretable yield were considered to be performing. Such loans totaled $17.5 million at December 31, 2019.

(in thousands)	September 30, 2020	December 31, 2019
Commercial non-real estate	$ 78,184	$ 178,678
Commercial real estate - owner occupied	14,683	7,708
Total commercial and industrial	92,867	186,386
Commercial real estate - income producing	7,028	2,594
Construction and land development	3,234	1,217
Residential mortgages	43,596	39,262
Consumer	24,737	16,374
Total loans	$ 171,462	$ 245,833

For the nine months ended September 30, 2020 and 2019, the estimated amount of interest income that would have been recorded had the loans not been assigned nonaccrual status was $10.6 million and $9.9 million, respectively.

Nonaccrual loans include nonaccruing loans modified in troubled debt restructurings ("TDRs") of $39.9 million and $132.5 million at September 30, 2020 and December 31, 2019, respectively. Total TDRs, both accruing and nonaccruing, were $49.1 million at September 30, 2020 and $193.7 million at December 31, 2019. All TDRs are individually evaluated for credit loss. At September 30, 2020 and December 31, 2019, the Company had unfunded commitments of $1.0 million and $2.4 million, respectively, to borrowers whose loan terms have been modified in a TDR.

The tables below detail by portfolio class TDRs that were modified during the three and nine months ended September 30, 2020 and 2019:

($ in thousands)	Three Months Ended					
	September 30, 2020			September 30, 2019		
Troubled Debt Restructurings:	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial non-real estate	—	$ —	$ —	2	$ 13,083	$ 6,271
Commercial real estate - owner occupied	—	—	—	—	—	—
Total commercial and industrial	—	—	—	2	13,083	6,271
Commercial real estate - income producing	—	—	—	1	123	123
Construction and land development	—	—	—	3	323	323
Residential mortgages	5	1,358	1,358	3	297	297
Consumer	2	25	25	4	70	70
Total loans	7	$ 1,383	$ 1,383	13	$ 13,896	$ 7,084

($ in thousands)	Nine Months Ended					
	September 30, 2020			September 30, 2019		
Troubled Debt Restructurings:	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial non-real estate	3	$ 745	$ 745	10	$ 27,220	$ 20,408
Commercial real estate - owner occupied	—	—	—	1	167	167
Total commercial and industrial	3	745	745	11	27,387	20,575
Commercial real estate - income producing	—	—	—	1	123	123
Construction and land development	1	15	15	3	323	323
Residential mortgages	14	3,424	3,424	10	2,199	2,199
Consumer	7	89	89	6	116	116
Total loans	25	4,273	4,273	31	$ 30,148	$ 23,336

The TDRs modified during the nine months ended September 30, 2020 reflected in the table above include $0.7 million of loans with extended amortization terms or other payment concessions, $1.1 million with reduced interest rates, $0.4 million with significant covenant waivers and $2.1 million with other modifications. The TDRs modified during the nine months ended September 30, 2019 include $0.6 million of loans with extended amortization terms or other payment concessions, $22.1 million with significant covenant waivers and $7.4 million with other modifications.

One commercial non-real estate loan totaling $0.4 million, one residential mortgage loan totaling $0.6 million, and two consumer loans totaling $0.2 million that defaulted during the nine months ended September 30, 2020 had been modified in a TDR during the twelve months prior to default. No loans that defaulted during the nine months ended September 30, 2019 had been modified in a TDR during the twelve months prior to default.

The tables below present loans that are individually evaluated by portfolio class at September 30, 2020 and December 31, 2019. Loans individually evaluated include nonaccrual loans, TDRs and other loans that do not share common characteristics with loans evaluated on a collective basis that have aggregate relationship balances of $1 million or more.

	September 30, 2020			
(in thousands)	Recorded investment without an allowance	Recorded investment with an allowance	Unpaid principal balance	Related allowance for loan loss
Commercial non-real estate	$ 20,689	$ 52,450	$ 125,893	$ 27,304
Commercial real estate - owner occupied	6,900	4,224	14,029	1,344
Total commercial and industrial	27,589	56,674	139,922	28,648
Commercial real estate - income producing	5,453	96	7,016	24
Construction and land development	667	1,170	1,838	169
Residential mortgages	2,890	3,174	6,869	416
Consumer	1,592	2,332	3,924	456
Total loans	$ 38,191	$ 63,446	$ 159,569	$ 29,713

	December 31, 2019			
(in thousands)	Recorded investment without an allowance	Recorded investment with an allowance	Unpaid principal balance	Related allowance for loan loss
Commercial non-real estate	$ 134,191	$ 98,247	$ 270,078	$ 21,733
Commercial real estate - owner occupied	2,665	1,716	7,793	104
Total commercial and industrial	136,856	99,963	277,871	21,837
Commercial real estate - income producing	373	1,525	1,959	18
Construction and land development	—	277	322	21
Residential mortgages	3,383	1,791	5,709	217
Consumer	479	1,004	1,906	292
Total loans	$ 141,091	$ 104,560	$ 287,767	$ 22,385

The tables below present the average balances and interest income for individually evaluated loans for the three and nine months ended September 30, 2020 and 2019. Interest income recognized represents interest on accruing loans modified in a TDR.

	Three Months Ended			
	September 30, 2020		September 30, 2019	
(in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial non-real estate	$ 81,227	$ 37	$ 213,291	$ 1,062
Commercial real estate - owner occupied	10,553	—	14,439	45
Total commercial and industrial	91,780	37	227,730	1,107
Commercial real estate - income producing	5,886	6	2,331	7
Construction and land development	1,422	3	1,702	2
Residential mortgages	5,887	22	4,195	2
Consumer	3,947	21	1,552	21
Total loans	$ 108,922	$ 89	$ 237,510	$ 1,139

(in thousands)	Nine Months Ended			
	September 30, 2020		September 30, 2019	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial non-real estate	$ 190,622	$ 776	$ 225,597	$ 4,202
Commercial real estate - owner occupied	7,306	—	17,044	196
Total commercial and industrial	197,928	776	242,641	4,398
Commercial real estate - income producing	5,749	18	2,430	21
Construction and land development	1,805	7	597	2
Residential mortgages	5,318	43	4,525	9
Consumer	2,651	67	1,442	55
Total loans	$ 213,451	$ 911	$ 251,635	$ 4,485

The TDR disclosure above does not include loans modified under Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") signed into law on March 27, 2020, which allows financial institutions to exclude eligible modifications from TDR assessment. Eligible modification must be (1) related to COVID-19, (2) executed on a loan that was not more than 30 days past due as of December 31, 2019 and (3) executed between March 1, 2020 and the earlier of 60 days after the date of the termination of the national emergency or December 31, 2020. At September 30, 2020, there were 817 loans totaling $564.8 million with active short-term payment deferrals of principal, interest or both, or other qualifying CARES Act modifications. These loans are reported in the aging analysis that follows based on the modified terms.

Aging Analysis

The tables below present the aging analysis of past due loans by portfolio class at September 30, 2020 and December 31, 2019. Prior to the adoption of CECL, purchased credit impaired loans accounted for in pools under ASC 310-30 with an accretable yield were considered to be current in the table below as of December 31, 2019. These loans totaled $6.1 million for 30-59 days past due, $2.0 million for 60-89 days past due and $8.3 million for both greater than 90 days past due and greater than 90 days past due and still accruing at December 31, 2019.

September 30, 2020 (in thousands)	30-59 days past due	60-89 days past due	Greater than 90 days past due	Total past due	Current	Total Loans	Recorded investment > 90 days and still accruing
Commercial non-real estate	$ 6,026	$ 14,277	$ 65,705	$ 86,008	$ 10,171,780	$ 10,257,788	$ 5,110
Commercial real estate - owner occupied	535	2,276	11,708	14,519	2,764,888	2,779,407	113
Total commercial and industrial	6,561	16,553	77,413	100,527	12,936,668	13,037,195	5,223
Commercial real estate - income producing	165	30,238	8,701	39,104	3,367,450	3,406,554	2,490
Construction and land development	1,076	237	3,178	4,491	1,091,658	1,096,149	393
Residential mortgages	3,164	11,779	32,908	47,851	2,706,537	2,754,388	1,818
Consumer	9,451	4,621	12,920	26,992	1,918,926	1,945,918	515
Total	$ 20,417	$ 63,428	$ 135,120	$ 218,965	$ 22,021,239	$ 22,240,204	$ 10,439

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

Credit Quality Indicators

The following tables present the credit quality indicators by segments and portfolio class of loans held for investment at September 30, 2020 and December 31, 2019. The Company routinely assesses the ratings of loans in its portfolio through an established and comprehensive portfolio management process. In addition, the Company often examines portfolios of loans to determine if there are areas of risk not specifically identified in its loan by loan approach. As a result, several loans were downgraded to pass-watch in 2020 in reaction to the economic downturn caused by the pandemic and other environmental factors. In alignment with regulatory guidance, the Company has been working with its customers to manage through this period of severe uncertainty and economic stress, including providing various types of loan deferrals. While a significant number of these deferrals have expired, our ability to predict future cash flow is limited due to the economic uncertainty, and we expect that further risk rating adjustments may be required.

	September 30, 2020					
(in thousands)	Commercial non-real estate	Commercial real estate - owner-occupied	Total commercial and industrial	Commercial real estate - income producing	Construction and land development	Total commercial
Grade:						
Pass	$ 9,617,743	$ 2,562,635	$ 12,180,378	$ 3,278,116	$ 1,062,252	$ 16,520,746
Pass-Watch	368,292	127,688	495,980	83,736	27,851	607,567
Special Mention	85,096	37,299	122,395	2,021	210	124,626
Substandard	186,657	51,785	238,442	42,681	5,836	286,959
Doubtful	—	—	—	—	—	—
Total	$ 10,257,788	$ 2,779,407	$ 13,037,195	$ 3,406,554	$ 1,096,149	$ 17,539,898

	December 31, 2019					
(in thousands)	Commercial non-real estate	Commercial real estate - owner-occupied	Total commercial and industrial	Commercial real estate - income producing	Construction and land development	Total commercial
Grade:						
Pass	$ 8,492,113	$ 2,517,448	$ 11,009,561	2,883,553	$ 1,120,997	$ 15,014,111
Pass-Watch	220,850	146,266	367,116	69,765	25,621	462,502
Special Mention	71,654	14,651	86,305	14,995	283	101,583
Substandard	382,330	60,095	442,425	26,135	10,550	479,110
Doubtful	—	—	—	—	—	—
Total	$ 9,166,947	$ 2,738,460	$ 11,905,407	$ 2,994,448	$ 1,157,451	$ 16,057,306

	September 30, 2020			December 31, 2019		
(in thousands)	Residential mortgage	Consumer	Total	Residential mortgage	Consumer	Total
Performing	$ 2,708,484	$ 1,920,049	$ 4,628,533	$ 2,950,854	$ 2,147,312	$ 5,098,166
Nonperforming	45,904	25,869	71,773	39,777	17,506	57,283
Total	$ 2,754,388	$ 1,945,918	$ 4,700,306	$ 2,990,631	$ 2,164,818	$ 5,155,449

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

Commercial:

- Pass – loans properly approved, documented, collateralized, and performing which do not reflect an abnormal credit risk.
- Pass-Watch – credits in this category are of sufficient risk to cause concern. This category is reserved for credits that display negative performance trends. The "Watch" grade should be regarded as a transition category.
- Special Mention – a criticized asset category defined as having potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may, at some future date, result in the deterioration of the repayment prospects for the credit or the institution's credit position. Special mention credits are not considered part of the Classified credit categories and do not expose the institution to sufficient risk to warrant adverse classification.
- Substandard – an asset that is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.
- Doubtful – an asset that has all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
- Loss – credits classified as Loss are considered uncollectable and are charged off promptly once so classified.

Residential and Consumer:

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

Vintage Analysis

The following table presents credit quality disclosures of amortized cost by class and vintage for term loans and by revolving and revolving converted to amortizing at September 30, 2020. The Company defines vintage as the later of origination, renewal or restructure date.

	Term Loans Amortized Cost Basis by Origination Year								
	2020	2019	2018	2017	2016	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Commercial Loans:									
Pass	$ 4,980,953	$ 3,098,996	$ 1,979,152	$ 1,508,213	$ 1,067,144	$ 1,417,583	$ 2,385,763	$ 82,942	$ 16,520,746
Pass-Watch	70,389	101,741	56,681	78,598	53,259	116,413	125,134	5,352	607,567
Special Mention	5,687	13,763	24,805	17,888	31,355	2,268	25,960	2,900	124,626
Substandard	76,243	21,552	24,505	37,104	18,231	50,571	48,004	10,749	286,959
Doubtful	—	—	—	—	—	—	—	—	—
Total Commercial Loans	$ 5,133,272	$ 3,236,052	$ 2,085,143	$ 1,641,803	$ 1,169,989	$ 1,586,835	$ 2,584,861	$ 101,943	$ 17,539,898
Residential Mortgage and Consumer Loans:									
Performing	$ 351,828	$ 501,172	$ 489,007	$ 629,621	$ 536,380	$ 901,979	$ 1,212,937	$ 5,609	4,628,533
Nonperforming	1,244	4,540	6,181	10,422	5,178	35,169	3,039	6,000	71,773
Total Consumer Loans	$ 353,072	$ 505,712	$ 495,188	$ 640,043	$ 541,558	$ 937,148	$ 1,215,976	$ 11,609	$ 4,700,306

Purchased Credit Impaired Loans

Under the transition provisions for the application of CECL, the Company has classified all loans previously accounted for as purchased credit impaired under ASC 310-30 to be classified as purchased credit deteriorated. The application of these provisions resulted in an increase of $19.8 million to the amortized cost basis of the financial asset and the allowance for credit losses at the date of adoption, representing the remaining credit portion of the purchased discount. The Company elected not to maintain pools of loans accounted for under Subtopic 310-30 with the adoption of CECL. The remaining noncredit discount was allocated to the individual loans and will be accreted to interest income using the interest method based on the effective interest rate. Changes in the carrying amount of purchased credit impaired loans and related accretable yield are presented in the following table for the year ended December 31, 2019.

	December 31, 2019	
(in thousands)	Carrying Amount of Loans	Accretable Yield
Balance at beginning of period	$ 129,596	$ 37,294
Additions	120,562	6,246
Payments received, net	(48,076)	(4,601)
Accretion	13,163	(13,163)
Decrease in expected cash flows based on actual cash flows and changes in cash flow assumptions	—	4,170
Balance at end of period	$ 215,245	$ 29,946

Residential Mortgage Loans in Process of Foreclosure

Loans in process of foreclosure include those for which formal foreclosure proceedings are in process according to local requirements of the applicable jurisdiction. Included in loans at September 30, 2020 and December 31, 2019 was $11.2 million and $8.6 million of consumer loans secured by single family residential real estate that were in process of foreclosure. In March 2020, in light of the economic deterioration stemming from the COVID-19 pandemic, the Company placed all active residential mortgage foreclosures on hold and suspended the filing of new foreclosures. On September 1, 2020 the Company resumed foreclosure activity in all states except Florida, where the moratorium expired on September 30 and foreclosure activity resumed October 1, 2020. In addition to the single family residential real estate loans in process of foreclosure, the Company also held $3.6 million and $6.3 million of foreclosed single family residential properties in other real estate owned at September 30, 2020 and December 31, 2019, respectively.

Loans Held for Sale

At September 30, 2020 and December 31, 2019, loans held for sale was comprised only of mortgage loans originated for sale in the secondary market.

5. Securities Sold under Agreements to Repurchase

Included in short-term borrowings are customer securities sold under agreements to repurchase that mature daily and are secured by U.S. agency securities totaling $806.6 million and $484.4 million at September 30, 2020 and December 31, 2019, respectively. The Company borrows funds on a secured basis by selling securities under agreements to repurchase, mainly in connection with treasury management services offered to its deposit customers. As the Company maintains effective control over assets sold under agreements to repurchase, the securities continue to be carried on the consolidated statements of financial condition. Because the Company acts as borrower transferring assets to the counterparty, and the agreements mature daily, the Company's risk is limited.

6. Long Term Debt

At September 30, 2020 and December 31, 2019, long-term debt was comprised of the following:

(in thousands)	September 30, 2020	December 31, 2019
Subordinated notes payable, maturing June 2045	$ 150,000	$ 150,000
Subordinated notes payable, maturing June 2060	172,500	—
Other long-term debt	73,709	87,890
Less: unamortized debt issuance costs	(10,322)	(4,428)
Total long-term debt	$ 385,887	$ 233,462

The following table sets forth unamortized debt issuance costs associated with the respective debt instruments at September 30, 2020:

(in thousands)	Principal	Unamortized Debt Issuance Costs
Subordinated notes payable, maturing June 2045	$ 150,000	$ 4,296
Subordinated notes payable, maturing June 2060	172,500	6,026
Other long-term debt	73,709	—
Total	$ 396,209	$ 10,322

On June 9, 2020, the Company completed the issuance of subordinated notes payable with an aggregate principal amount of $172.5 million with a stated maturity of June 15, 2060. The notes accrue interest at a fixed rate of 6.25% per annum, with quarterly interest payments that began September 15, 2020. Subject to prior approval by the Federal Reserve, the Company may redeem the notes in whole or in part on any interest payment date on or after June 15, 2025. This debt qualifies as tier 2 capital in the calculation of certain regulatory capital ratios. The proceeds from the issuance are intended for general corporate purposes, including providing capital to Hancock Whitney Bank if and when deemed appropriate.

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

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

7. Derivatives

Risk Management Objective of Using Derivatives

The Company enters into derivative financial instruments to manage risks related to differences in the amount, timing, and duration of the Company’s known or expected cash receipts and its known or expected cash payments, currently associated with fixed rate brokered deposits, certain investment securities and select pools of variable rate loans. The Company also enters into interest rate derivative agreements as a service to certain qualifying customers. A matched book is managed with respect to these customer derivatives in order to minimize its net interest rate risk exposure resulting from such agreements. The Company also enters into risk participation agreements under which it may either sell or buy credit risk associated with a customer’s performance under certain interest rate derivative contracts related to loans in which participation interests have been sold to or purchased from other banks.

Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the notional or contractual amounts and fair values of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets at September 30, 2020 and December 31, 2019.

		September 30, 2020			December 31, 2019		
			Derivative (1)			Derivative (1)	
(in thousands)	Type of Hedge	Notional or Contractual Amount	Assets	Liabilities	Notional or Contractual Amount	Assets	Liabilities
Derivatives designated as hedging instruments:							
Interest rate swaps - variable rate loans	Cash Flow	$ 1,175,000	$ 57,412	—	$ 1,175,000	$ 24,172	$ 337
Interest rate swaps - securities	Fair Value	762,650	842	24,203	441,400	1,474	1,759
Interest rate swaps - brokered deposits	Fair Value	—	—	—	43,000	—	9
		1,937,650	58,254	24,203	1,659,400	25,646	2,105
Derivatives not designated as hedging instruments:							
Interest rate swaps (2)	N/A	4,560,306	164,273	168,207	3,759,232	54,512	55,664
Risk participation agreements	N/A	205,787	78	136	254,825	21	45
Forward commitments to sell residential mortgage loans	N/A	345,871	82	3,584	145,623	651	744
Interest rate-lock commitments on residential mortgage loans	N/A	265,957	2,452	59	83,224	369	375
Foreign exchange forward contracts	N/A	81,492	1,937	1,888	64,632	303	366
Visa Class B derivative contract	N/A	43,565	—	4,616	43,753	—	5,704
		5,502,978	168,822	178,490	4,351,289	55,856	62,898
Total derivatives		$ 7,440,628	$ 227,076	$ 202,693	$ 6,010,689	$ 81,502	$ 65,003
Less: netting adjustment (3)			(58,254)	(146,415)		(27,056)	(43,914)
Total derivative assets/liabilities			$ 168,822	$ 56,278		$ 54,446	$ 21,089

(1) Derivative assets and liabilities are reported at fair value in other assets or other liabilities, respectively, in the consolidated balance sheets.
(2) The notional amount represents both the customer accommodation agreements and offsetting agreements with unrelated financial institutions.
(3) Represents balance sheet netting of derivative assets and liabilities for variation margin collateral held or placed with the same central clearing counterparty. See offsetting assets and liabilities for further information.

Cash Flow Hedges of Interest Rate Risk

The Company is party to various interest rate swap agreements designated and qualifying as cash flow hedges of the Company's forecasted variable cash flows for pools of variable rate loans. For each agreement, the Company receives interest at a fixed rate and pays at a variable rate. Amortization of other comprehensive loss on terminated cash flow hedges totaled $1.4 million and 3.4 million for the nine months ended September 30, 2020 and 2019. The notional amounts of the swap agreements in place at September 30, 2020 expire as follows: $50 million in 2021; $475 million in 2022; $550 million in 2023; and $100 million in 2024.

Fair Value Hedges of Interest Rate Risk

Interest rate swaps on securities available for sale

The Company is party to forward-starting fixed payer swaps that convert the latter portion of the term of certain available for sale securities to a floating rate. These derivative instruments are designated as fair value hedges of interest rate risk. This strategy provides the Company with a fixed rate coupon during the front-end unhedged tenor of the bonds and results in a floating rate security during the back-end hedged tenor with hedged start dates between August 2023 through September 2025, and maturity dates from January 2028 through March 2031. The fair value of the hedged item attributable to interest rate risk will be presented in interest income along with the change in the fair value of the hedging instrument.

The majority of the hedged available for sale securities is a closed portfolio of pre-payable commercial mortgage backed securities. In accordance with ASC 815, prepayment risk may be excluded when measuring the change in fair value of such hedged items attributable to interest rate risk under the last-of-layer approach. At September 30, 2020, the amortized cost basis of the closed portfolio of pre-payable commercial mortgage backed securities totaled $823.6 million. The amount that represents the hedged items was $752.5 million and the basis adjustment associated with the hedged items totaled $23.8 million.

Interest rate swaps on brokered deposits

Prior to January 2020, the Company was party to certain interest rate swap agreements that modified the Company's exposure to interest rate risk by effectively converting a portion of the Company's brokered certificates of deposit from fixed rates to variable rates. The maturities and call features of these interest rate swaps matched the features of the hedged deposits. As interest rates declined or increased, the corresponding movement in the value of the certificates of deposit were offset by the change in the value of the interest rate swaps, resulting in no impact to earnings. Interest expense was adjusted by the difference between the fixed and floating rates for the period the swaps are in effect.

Derivatives Not Designated as Hedges

Customer interest rate derivative program

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

The Company has offered customers a deferral of the monthly derivative payment/settlement if the associated loan was on deferral. At September 30, 2020, the Company had a receivable totaling $0.1 million related to these deferrals.

Risk participation agreements

The Company also enters into risk participation agreements under which it may either assume or sell credit risk associated with a borrower's performance under certain interest rate derivative contracts. In those instances where the Bank has assumed credit risk, it is not a direct counterparty to the derivative contract with the borrower and has entered into the risk participation agreement because it is a party to the related loan agreement with the borrower. In those instances in which the Bank has sold credit risk, it is the sole counterparty to the derivative contract with the borrower and has entered into the risk participation agreement because other banks participate in the related loan agreement. The Bank manages its credit risk under risk participation agreements by monitoring the creditworthiness of the borrower, based on the Bank's normal credit review process.

Mortgage banking derivatives

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

Customer foreign exchange forward contract derivatives

The Company enters into foreign exchange forward derivative agreements, primarily forward foreign currency contracts, with commercial banking customers to facilitate their risk management strategies. The Bank manages its risk exposure from such transactions by entering into offsetting agreements with unrelated financial institutions. Because the foreign exchange forward

contract derivatives associated with this program do not meet hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

Visa Class B derivative contract

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

The contract includes a contingent accelerated termination clause based on the credit ratings of the Company. At September 30, 2020 and December 31, 2019 the fair value of the liability associated with this contract was $4.6 million and $5.7 million, respectively.

Effect of Derivative Instruments on the Statement of Income

The effects of derivative instruments on the consolidated statements of income for the nine months ended September 30, 2020 and 2019 are presented in the table below. Interest income or the reduction of interest income attributable to cash flow hedges includes amortization of accumulated other comprehensive loss that resulted from termination of interest rate swap contracts.

Derivative Instruments:	Location of Gain (Loss) Recognized in the Statement of Income:	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash flow hedges - variable rate loans	Interest income	$ 5,788	$ (956)	$ 11,249	$ (4,632)
Fair value hedges - securities	Interest income	(7)	15	33	15
Fair value hedges - brokered deposits	Interest expense	—	(243)	46	(1,692)
All other instruments	Other noninterest income	1,739	4,324	9,718	8,733
Total gain		$ 7,520	$ 3,140	$ 21,046	$ 2,424

Credit Risk-Related Contingent Features

Certain of the Company's derivative instruments contain provisions allowing the financial institution counterparty to terminate the contracts in certain circumstances, such as a downgrade of the Bank's credit ratings below specified levels, a default by the Bank on its indebtedness, or the failure of the Bank to maintain specified minimum regulatory capital ratios or its regulatory status as a well-capitalized institution. These derivative agreements also contain provisions regarding the posting of collateral by each party. At September 30, 2020, the Company was not in violation of any such provisions. The aggregate fair value of derivative instruments with credit risk-related contingent features that were in a net liability position at September 30, 2020 and December 31, 2019 was $47.1 million and $12.9 million, respectively, for which the Company had posted collateral of $47.8 million and $12.4 million, respectively.

Offsetting Assets and Liabilities

The Company's derivative instruments with certain counterparties contain legally enforceable netting provisions that allow for net settlement of multiple transactions to a single amount, which may be positive, negative, or zero. Agreements with certain bilateral counterparties require both parties to maintain collateral in the event that the fair values of derivative instruments exceed established exposure thresholds. For centrally cleared derivatives, the Company is subject to initial margin posting and daily variation margin exchange with the central clearinghouses. Offsetting information in regards to all derivative assets and liabilities, including accrued interest, subject to these master netting agreements at September 30, 2020 and December 31, 2019 is presented in the following tables.

(in thousands)				Gross Amounts Not Offset in the Statement of Financial Condition		
Description	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts Presented in the Statement of Financial Condition	Financial Instruments	Cash Collateral	Net Amount
As of September 30, 2020						
Derivative Assets	$ 60,231	$ (60,231)	$ —	$ —	$ —	$ —
Derivative Liabilities	$ 195,780	$ (148,738)	$ 47,042	$ —	$ 87,926	$ (40,884)

(in thousands) Description	Gross Amounts Recognized		Gross Amounts Offset in the Statement of Financial Condition		Net Amounts Presented in the Statement of Financial Condition		Gross Amounts Not Offset in the Statement of Financial Condition: Financial Instruments		Cash Collateral		Net Amount	
As of December 31, 2019												
Derivative Assets	$	27,938	$	(27,915)	$	23	$	23	$	—	$	—
Derivative Liabilities	$	56,523	$	(44,570)	$	11,953	$	23	$	35,113	$	(23,183)

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

8. Stockholders' Equity

Common Shares Outstanding

Common shares outstanding excludes treasury shares totaling 5.2 million at September 30, 2020 and 4.0 million at December 31, 2019, with a first-in-first-out cost basis of $176.1 million and $135.8 million at September 30, 2020 and December 31, 2019, respectively. Shares outstanding also excludes unvested restricted share awards totaling 1.4 million at both September 30, 2020 and December 31, 2019.

Shares Issued as Consideration in Business Combination

On September 21, 2019, the Company issued approximately 5.0 million shares of common stock at a market value of $38.42 per share as consideration for its acquisition of MidSouth. Refer to Note 2 – Business Combination for further information.

Stock Buyback Program

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

On October 18, 2019, the Company entered into an accelerated share repurchase agreement ("ASR") with Morgan Stanley & Co. LLC ("Morgan Stanley") to repurchase $185 million of the Company's common stock. Pursuant to the ASR, the Company made a $185 million payment to Morgan Stanley on October 21, 2019, and received from Morgan Stanley an initial delivery of 3,611,870 shares of the Company's common stock, which represented 75% of the estimated total number of shares to be repurchased based on the October 18, 2019 closing price of the Company's common stock. The value of the remaining shares to be exchanged upon final settlement was accounted for as a forward contract until settlement. Final settlement of the ASR agreement occurred on March 18, 2020. Pursuant to the terms of the settlement, the Company received cash of approximately $12.1 million and a final delivery of 1.0 million shares.

In January 2020, the Company repurchased 315,851 shares of its common stock at a price of $40.26 in a privately negotiated transaction. In total, the Company repurchased 4.9 million of the 5.5 million authorized shares under the buyback program at an average price of $37.65 per share.

The Company has suspended the repurchase of shares under its stock buyback program.

Accumulated Other Comprehensive Income (Loss)

The components of Accumulated Other Comprehensive Income (Loss) and changes in those components are presented in the following table.

(in thousands)	Available for Sale Securities	HTM Securities Transferred from AFS	Employee Benefit Plans	Cash Flow Hedges	Equity Method Investment	Total
Balance, December 31, 2018	$ (50,125)	$ (12,044)	$ (110,247)	$ (8,293)	$ —	$ (180,709)
Net change in unrealized loss	125,589	—	—	35,472	(434)	160,627
Reclassification of net loss realized and included in earnings	—	—	6,851	4,632	—	11,483
Valuation adjustment to employee benefit plans	—	—	(7,015)	—	—	(7,015)
Amortization of unrealized net loss on securities transferred to HTM	—	2,435	—	—	—	2,435
Income tax expense (benefit)	28,395	551	(37)	9,068	—	37,977
Balance, September 30, 2019	$ 47,069	$ (10,160)	$ (110,374)	$ 22,743	$ (434)	$ (51,156)
Balance, December 31, 2019	$ 28,950	$ 639	$ (101,278)	$ 17,399	$ (434)	$ (54,724)
Net change in unrealized gain or loss	176,009	—	—	46,180	(4,935)	217,254
Reclassification of net income or loss realized and included in earnings	—	—	4,656	(11,249)	—	(6,593)
Valuation adjustment to employee benefit plans	—	—	(10,251)	—	—	(10,251)
Amortization of unrealized net gain on securities transferred to HTM	—	(378)	—	—	—	(378)
Income tax expense (benefit)	39,817	(85)	(1,265)	7,903	—	46,370
Balance, September 30, 2020	$ 165,142	$ 346	$ (105,608)	$ 44,427	$ (5,369)	$ 98,938

Accumulated Other Comprehensive Income or Loss (“AOCI”) is reported as a component of stockholders’ equity. AOCI can include, among other items, unrealized holding gains and losses on securities available for sale (“AFS”), including the Company’s share of unrealized gains and losses reported by a partnership accounted for under the equity method, gains and losses associated with pension or other post-retirement benefits that are not recognized immediately as a component of net periodic benefit cost, and gains and losses on derivative instruments that are designated as, and qualify as, cash flow hedges. Net unrealized gains and losses on AFS securities reclassified as securities held to maturity (“HTM”) also continue to be reported as a component of AOCI and will be amortized over the estimated remaining life of the securities as an adjustment to interest income. Subject to certain thresholds, unrealized losses on employee benefit plans will be reclassified into income as pension and post-retirement costs are recognized over the remaining service period of plan participants. Accumulated gains or losses on the cash flow hedge of the variable rate loans described in Note 7 will be reclassified into income over the life of the hedge. Accumulated other comprehensive loss resulting from the terminated interest rate swaps will be amortized over the remaining maturities of the designated instruments. Gains and losses within AOCI are net of deferred income taxes, where applicable.

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

Amount reclassified from AOCI (a)	Nine Months Ended September 30,		Affected line item on
(in thousands)	2020	2019	the statement of income
Amortization of unrealized net gain or loss or gain on securities transferred to HTM	$ 378	$ (2,435)	Interest income
Tax effect	(85)	551	Income taxes
Net of tax	293	(1,884)	Net income
Amortization of defined benefit pension and post-retirement items	(4,656)	(6,851)	Other noninterest expense (b)
Tax effect	1,053	1,546	Income taxes
Net of tax	(3,603)	(5,305)	Net income
Reclassification of unrealized gain (loss) on cash flow hedges	12,602	(1,200)	Interest income
Tax effect	(2,851)	271	Income taxes
Net of tax	9,751	(929)	Net income
Amortization of loss on terminated cash flow hedges	(1,353)	(3,432)	Interest income
Tax effect	306	776	Income taxes
Net of tax	(1,047)	(2,656)	Net income
Total reclassifications, net of tax	$ 5,394	$ (10,774)	Net income

(a) Amounts in parentheses indicate reduction in net income.
(b) These AOCI components are included in the computation of net periodic pension and post-retirement cost that is reported with other noninterest expense (see Note 12 – Retirement Plans for additional details).

On March 27, 2020, the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation issued an interim final rule that provides an option to delay the estimated impact on regulatory capital stemming from the implementation CECL for a transition period of five years. The five-year rule provides a full delay of the estimated impact of CECL on regulatory capital transition (0%) for the first two years, followed by a three-year transition (25% of the impact included in 2022, 50% in 2023, 75% in 2024 and 100% thereafter). The two-year delay includes the full impact of day one CECL plus the estimated impact of current CECL activity calculated quarterly as 25% of the current ACL over the day one balance (“modified transition amount”). The modified transition amount will be recalculated each quarter in 2020 and 2021, with the December 31, 2021 impact carrying through the remaining three years of the transition. The Company elected the five-year transition period option upon issuance of the interim final rule.

9. Other Noninterest Income

Components of other noninterest income are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2020	2019	2020	2019
Income from bank-owned life insurance	$ 6,628	$ 4,147	$ 14,211	$ 11,495
Credit related fees	2,911	2,988	8,585	8,520
Income from derivatives	1,739	4,324	9,718	8,733
Other miscellaneous	3,521	4,866	11,598	12,025
Total other noninterest income	$ 14,799	$ 16,325	$ 44,112	$ 40,773

10. Other Noninterest Expense

Components of other noninterest expense are as follows:

(in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Advertising	$ 3,159	$ 5,435	$ 10,089	$ 11,768
Corporate value and franchise taxes	4,872	4,109	13,649	12,366
Telecommunications and postage	4,043	3,610	11,483	10,439
Entertainment and contributions	1,315	2,765	7,146	8,215
Travel expense	309	1,172	1,816	3,614
Printing and supplies	1,271	1,459	4,006	3,720
Tax credit investment amortization	961	1,286	2,882	3,658
Net other retirement expense (income)	(6,337)	(4,152)	(18,796)	(12,409)
Other miscellaneous	5,105	17,374	17,751	29,653
Total other noninterest expense	$ 14,698	$ 33,058	$ 50,026	$ 71,024

11. Earnings (Loss) Per Common Share

The Company calculates earnings (loss) per share using the two-class method. The two-class method allocates net income or loss to each class of common stock and participating security according to common dividends declared and participation rights in undistributed earnings. For reporting periods in which a net loss is recorded, net loss is not allocated to participating securities because the holders of such securities bear no contractual obligation to fund or otherwise share in the losses. Participating securities consist of nonvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents.

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

(in thousands, except per share data)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Numerator:				
Net income (loss) to common shareholders	$ 79,356	$ 67,807	$ (148,749)	$ 235,248
Net dividends or income allocated to participating securities - basic and diluted	1,435	1,141	1,278	3,980
Net income (loss) allocated to common shareholders - basic and diluted	$ 77,921	$ 66,666	$ (150,027)	$ 231,268
Denominator:				
Weighted-average common shares - basic	86,358	86,377	$ 86,614	$ 85,934
Dilutive potential common shares	42	85	—	76
Weighted-average common shares - diluted	86,400	86,462	$ 86,614	$ 86,010
Earnings (loss) per common share:				
Basic	$ 0.90	$ 0.77	$ (1.73)	$ 2.69
Diluted	$ 0.90	$ 0.77	$ (1.73)	$ 2.69

Potential common shares consist of stock options, nonvested performance-based awards, and nonvested restricted share awards deferred under the Company’s nonqualified deferred compensation plan. These potential common shares do not enter into the calculation of diluted earnings per share if the impact would be antidilutive, i.e., increase earnings per share or reduce a loss per share. For reporting periods in which a net loss is reported, no effect is given to potentially dilutive common shares in the computation of loss per common share as any impact from such shares would be antidilutive. Potentially dilutive common shares with weighted averages of 78,867 for the three months ended September 30, 2020 and 43,794 and 37,680 for the three and nine months ended September 30, 2019, respectively, were excluded from the calculation of earnings per common share, as the effect would have been antidilutive.

12. Retirement Plans

The Company sponsors a qualified defined benefit pension plan, the Hancock Whitney Corporation Pension Plan (“Pension Plan”), covering certain eligible associates. Those hired or rehired by the Company prior to June 30, 2017 are eligible to participate; however, the accrued benefits of each participant in the Pension Plan whose combined age plus years of service as of January 1, 2018 totaled less than 55 were frozen as of January 1, 2018 and will not thereafter increase. The Company makes contributions to the Pension Plan in amounts sufficient to meet funding requirements set forth in federal employee benefit and tax laws, plus such additional amounts as the Company may determine to be appropriate. During the first quarter of 2019, the Company made a discretionary contribution of $100 million to the Pension Plan.

The Company also offers a defined contribution retirement benefit plan, the Hancock Whitney Corporation 401(k) Savings Plan (“401(k) Plan”), that covers substantially all associates who have been employed 60 days and meet a minimum age requirement and employment classification criteria. The Company matches 100% of the first 1% of compensation saved by a participant, and 50% of the next 5% of compensation saved. Newly eligible associates are automatically enrolled at an initial 3% savings rate unless the associate actively opts out of participation in the plan. Beginning January 1, 2018, the Company makes an additional basic contribution to associates hired or rehired after June 30, 2017 in an amount equal to 2% of the associate’s eligible compensation. For Pension Plan participants whose benefits were frozen as of January 1, 2018, the 401(k) Plan provides an enhanced Company contribution in the amount of 2%, 4% or 6% of such participant’s eligible compensation, based on the participant’s age and years of service with the Company. Participants vest in basic and enhanced Company contributions upon completion of three years of service.

The Company sponsors a nonqualified defined benefit plan covering certain legacy Whitney employees that was frozen as of December 31, 2012 and no future benefits are accrued under this plan.

The Company sponsors defined benefit postretirement plans for both legacy Hancock and legacy Whitney employees that provide health care and life insurance benefits. Benefits under the Hancock plan are not available to employees hired on or after January 1, 2000. Benefits under the Whitney plan are restricted to retirees who were already receiving benefits at the time of plan amendments in 2007 or active participants who were eligible to receive benefits as of December 31, 2007.

The following tables show the components of net periodic benefits cost included in expense for the plans for the periods indicated.

(in thousands)	Pension Benefits		Other Post-Retirement Benefits	
For The Three Months Ended September 30,	**2020**	**2019**	**2020**	**2019**
Service cost	$ 3,207	$ 2,735	$ 28	$ 22
Interest cost	3,892	4,659	106	165
Expected return on plan assets	(12,047)	(11,299)	—	—
Amortization of net loss and prior service costs	1,854	2,553	(142)	(229)
Net reduction of periodic benefit cost	$ (3,094)	$ (1,352)	$ (8)	$ (42)

(in thousands)	Pension Benefits		Other Post-Retirement Benefits	
For the Nine Months Ended September 30,	**2020**	**2019**	**2020**	**2019**
Service cost	$ 9,690	$ 8,245	$ 78	$ 73
Interest cost	12,315	14,183	377	457
Expected return on plan assets	(36,144)	(33,899)	—	—
Amortization of net loss and prior service costs	5,168	7,535	(512)	(684)
Net reduction of periodic benefit cost	$ (8,971)	$ (3,936)	$ (57)	$ (154)

13. Share-Based Payment Arrangements

The Company maintains incentive compensation plans that provide for awards of share-based compensation to employees and directors. These plans have been approved by the Company’s shareholders. Detailed descriptions of these plans were included in Note 18 to the consolidated financial statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

At September 30, 2020, the Company had 28,725 outstanding and exercisable stock options, with a weighted average exercise price of $34.11 and a weighted average remaining contractual term of 1.4 years. The options had no aggregate intrinsic value.

There were no exercises of stock options during the nine months ended September 30, 2020. The total intrinsic value of options exercised during the nine months ended September 30, 2019 was $0.2 million.

The Company’s restricted and performance-based share awards to certain employees and directors are subject to service requirements. A summary of the status of the Company’s nonvested restricted and performance-based share awards at September 30, 2020 are presented in the following table.

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2020	1,596,258	$ 40.43
Granted	131,025	31.81
Vested	(32,706)	41.39
Forfeited	(55,814)	41.21
Nonvested at September 30, 2020	1,638,763	$ 39.70

At September 30, 2020, there was $44.8 million of total unrecognized compensation expense related to nonvested restricted and performance shares expected to vest in the future. This compensation is expected to be recognized in expense over a weighted average period of 3 years. The total fair value of shares which vested during the nine months ended September 30, 2020 and 2019 was $1.4 million and $1.3 million, respectively.

During the nine months ended September 30, 2020, the Company granted 35,754 performance share awards subject to a total shareholder return (“TSR”) performance metric with a grant date fair value of $46.61 per share and 35,754 performance shares subject to an operating earnings per share performance metric with a grant date fair value of $39.39 per share to key members of executive management. The number of performance shares subject to TSR that ultimately vest at the end of the three-year performance period, if any, will be based on the relative rank of the Company’s three-year TSR among the TSRs of a peer group of 47 regional banks. The fair value of the performance shares subject to TSR at the grant date was determined using a Monte Carlo simulation method. The number of performance shares subject to operating earnings per share that ultimately vest will be based on the Company’s attainment of certain operating earnings per share goals over the two-year performance period. The maximum number of performance shares that could vest is 200% of the target award. Compensation expense for these performance shares is recognized on a straight line basis over the three-year service period.

14. Commitments and Contingencies

In the normal course of business, the Bank enters into financial instruments, such as commitments to extend credit and letters of credit, to meet the financing needs of its customers. Such instruments are not reflected in the accompanying consolidated financial statements until they are funded, although they expose the Bank to varying degrees of credit risk and interest rate risk in much the same way as funded loans. Under regulatory capital guidelines, the Company and Bank must include unfunded commitments meeting certain criteria in risk-weighted capital calculations.

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

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

The contract amounts of these instruments reflect the Company's exposure to credit risk. The Company undertakes the same credit evaluation in making loan commitments and assuming conditional obligations as it does for on-balance sheet instruments and may require collateral or other credit support. At September 30, 2020, the Company had a reserve for unfunded lending commitments of $31.5 million.

The following table presents a summary of the Company's off-balance sheet financial instruments as of September 30, 2020 and December 31, 2019:

(in thousands)	September 30, 2020	December 31, 2019
Commitments to extend credit	$ 7,803,139	$ 7,530,143
Letters of credit	369,538	393,284

Legal Proceedings

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

15. Fair Value Measurements

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

Fair Value of Assets and Liabilities Measured on a Recurring Basis

The following tables present for each of the fair value hierarchy levels the Company's assets and liabilities that are measured at fair value on a recurring basis in the consolidated balance sheets at September 30, 2020 and December 31, 2019:

	September 30, 2020			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Available for sale debt securities:				
U.S. Treasury and government agency securities	$ —	$ 198,616	$ —	$ 198,616
Municipal obligations	—	313,656	—	313,656
Corporate debt securities	—	8,183	—	8,183
Residential mortgage-backed securities	—	2,606,690	—	2,606,690
Commercial mortgage-backed securities	—	2,101,000	—	2,101,000
Collateralized mortgage obligations	—	419,170	—	419,170
Total available for sale securities	—	5,647,315	—	5,647,315
Derivative assets (1)	—	168,822	—	168,822
Total recurring fair value measurements - assets	$ —	$ 5,816,137	$ —	$ 5,816,137
Liabilities				
Derivative liabilities (1)	$ —	$ 51,662	$ 4,616	$ 56,278
Total recurring fair value measurements - liabilities	$ —	$ 51,662	$ 4,616	$ 56,278

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

(1) For further disaggregation of derivative assets and liabilities, see Note 7 - Derivatives.

Securities classified as level 2 include obligations of U.S. Government agencies and U.S. Government-sponsored agencies, residential and commercial mortgage-backed securities and collateralized mortgage obligations that are issued or guaranteed by U.S. government agencies, and state and municipal bonds. The level 2 fair value measurements for investment securities are obtained quarterly from a third-party pricing service that uses industry-standard pricing models. Substantially all of the model inputs are observable in the marketplace or can be supported by observable data.

The Company invests only in securities of investment grade quality with a targeted duration, for the overall portfolio, generally between two and five and a half years. Company policies generally limit investments to U.S. agency securities and municipal securities determined to be investment grade according to an internally generated score which generally includes a rating of not less than "Baa" or its equivalent by a nationally recognized statistical rating agency.

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

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

The Company’s Level 3 liability consists of a derivative contract with the purchaser of 192,163 shares of Visa Class B common stock. Pursuant to the agreement, the Company retains the risks associated with the ultimate conversion of the Visa Class B common shares into shares of Visa Class A common stock, such that the counterparty will be compensated for any dilutive adjustments to the conversion ratio and the Company will be compensated for any anti-dilutive adjustments to the ratio. The agreement also requires periodic payments by the Company to the counterparty calculated by reference to the market price of Visa Class A common shares at the time of sale and a fixed rate of interest that steps up once after the eighth scheduled quarterly payment. The fair value of the liability is determined using a discounted cash flow methodology. The significant unobservable inputs used in the fair value measurement are the Company’s own assumptions about estimated changes in the conversion rate of the Visa Class B common shares into Visa Class A common shares, the date on which such conversion is expected to occur and the estimated growth rate of the Visa Class A common share price. Refer to Note 7 – Derivatives for information about the derivative contract with the counterparty.

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

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

The table below presents a rollforward of the amounts on the consolidated balance sheets for the nine months ended September 30, 2020 and the year ended December 31, 2019 for financial instruments of a material nature that are classified within Level 3 of the fair value hierarchy and are measured at fair value on a recurring basis:

(in thousands)		
Balance at December 31, 2018	$	7,304
Cash settlement		(1,900)
Losses included in earnings		300
Balance at December 31, 2019		5,704
Cash settlement		(1,243)
Losses included in earnings		155
Balance at September 30, 2020	$	4,616

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

($ in thousands)

Level 3 Class	Fair Value	
	September 30, 2020	December 31, 2019
Derivative liability	$ 4,616	$ 5,704
Valuation technique	Discounted cash flow	Discounted cash flow
Unobservable inputs:		
Visa Class A appreciation - range	6% - 18%	6% - 18%
Visa Class A appreciation - weighted average	12%	12%
Conversion rate - range	1.63x - 1.59x	1.63x - 1.59x
Conversion rate -weighted average	1.6109x	1.616x
Time until resolution	3-27 months	12 - 36 months

Fair Value of Assets Measured on a Nonrecurring Basis

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

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

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

The following tables present the Company's financial assets that are measured at fair value on a nonrecurring basis for each of the fair value hierarchy levels.

	September 30, 2020			
(in thousands)	Level 1	Level 2	Level 3	Total
Collateral-dependent impaired loans	$ —	$ 91,819	$ —	$ 91,819
Other real estate owned and foreclosed assets, net	—	—	11,219	11,219
Total nonrecurring fair value measurements	$ —	$ 91,819	$ 11,219	$ 103,038

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

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

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

Securities – The fair value measurement for securities available for sale was discussed earlier in the note. The same measurement techniques were applied to the valuation of securities held to maturity.

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

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

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

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

Short-Term FHLB Borrowings – The fair value at September 30, 2020 is estimated by discounting the future contractual cash flows using current market rates at which borrowings with similar terms and options could be obtained. The fair value at December 31, 2019 assumed that the carrying amount was a reasonable estimate of fair value given the relatively stable interest rate environment.

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

Derivative Financial Instruments – The fair value measurement for derivative financial instruments was discussed earlier in the note.

The following tables present the estimated fair values of the Company’s financial instruments by fair value hierarchy levels and the corresponding carrying amounts:

	September 30, 2020				
(in thousands)	Level 1	Level 2	Level 3	Total Fair Value	Carrying Amount
Financial assets:					
Cash, interest-bearing bank deposits, and federal funds sold	$ 1,263,372	$ —	$ —	$ 1,263,372	$ 1,263,372
Available for sale securities	—	5,647,315	—	5,647,315	5,647,315
Held to maturity securities	—	1,517,688	—	1,517,688	1,408,961
Loans, net	—	91,819	21,970,946	22,062,765	21,791,530
Loans held for sale	—	103,566	—	103,566	103,566
Derivative financial instruments	—	168,822	—	168,822	168,822
Financial liabilities:					
Deposits	—	—	27,017,416	27,017,416	27,030,659
Federal funds purchased	250	—	—	250	250
Securities sold under agreements to repurchase	806,645	—	—	806,645	806,645
FHLB short-term borrowings	—	1,161,666	—	1,161,666	1,100,000
Long-term debt	—	434,597	—	434,597	385,887
Derivative financial instruments	—	51,662	4,616	56,278	56,278

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

16. Recent Accounting Pronouncements

Accounting Standards Adopted in 2020

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU, more commonly referred to as Current Expected Credit Losses, or CECL, along with several subsequently issued related amendments, were codified as ASC 326. The provisions of ASC 326, which supersede the incurred loss methodology, require the measurement of expected credit losses over the life of financial assets based on historical experience, current conditions, and reasonable and supportable forecasts. As such, financial institutions and other organizations are required to use forward-looking information to inform their credit loss estimates. Many of the loss estimation techniques prescribed by previous guidance will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses for the estimated remaining life of the instrument. An entity will continue to use judgment to determine which loss estimation methods are appropriate for its circumstances. In addition, ASC 326 amends the accounting for credit losses on both held to maturity and available for sale debt securities and purchased financial assets with credit deterioration.

The Company adopted the provisions of ASC 326 on January 1, 2020, with a cumulative-effect adjustment to retained earnings for non-purchased credit impaired loans. For purchased credit impaired loans (as defined by ASC 310-30), there was no impact to retained earnings upon adoption; rather, a portion of the purchase accounting fair value mark was reclassified to allowance for credit losses. A more detailed discussion of the Company's policy for accounting for credit losses under the provisions of ASC 326 is presented in Note 1 – Basis of Presentation.

The following table reflects the impact of adoption reflected in the Company's consolidated balance sheets. The increase in the allowance for loan losses represents a reduction in total assets, while the reserve for unfunded lending commitments represents an increase in total liabilities.

(in thousands)	December 31, 2019	January 1, 2020	CECL adoption impact
Assets and Liabilities			
Allowance for loan and lease losses	$ 191,251	$ 240,662	$ 49,411
Reserve for unfunded lending commitments	3,974	31,304	27,330
Allowance for credit losses	$ 195,225	$ 271,966	$ 76,741
Retained Earnings			
Allowance for credit loss increase			$ 76,741
Balance sheet reclassification			(19,767)
Total pretax impact			56,974
Income tax impact			(12,888)
Decrease to retained earnings			$ 44,086

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The amendments in this Update provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this Update are elective and apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments in this Update provide optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this Update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The Company adopted this guidance upon its issuance; at adoption, the Company elected to amend the hedge documentation, without de-designating and re-designating, for all outstanding hedging relationships using the available expedient to assert probability of the hedged interest, regardless of any expected modification in terms related to reference rate reform.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.” The amendments in this Update modify certain disclosure requirements on fair value measurements set forth in Topic 820, Fair Value Measurements. In addition, the amendments in this Update eliminate the phrase “an entity shall disclose at a minimum” to promote the appropriate exercise of discretion by entities when considering fair value measurement disclosures to clarify that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 31, 2019, and the Company adopted the guidance effective January 1, 2020. Refer to Note 15 - Fair Value Measurements for the modified disclosures. Adoption of this guidance had no impact upon the Company’s results of operations or financial condition.

Accounting Standards Issued But Not Yet Adopted

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

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

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

- the negative impacts and disruptions resulting from the outbreak of the novel coronavirus, or COVID-19, on the economies and communities we serve, which has had and may continue to have an adverse impact on our business operations and performance, and has and may continue to have a negative impact on our credit portfolio, stock price, borrowers and the economy as a whole both globally and domestically;
- government or regulatory responses to the COVID-19 pandemic;
- balance sheet and revenue growth expectations may differ from actual results;
- the risk that our provision for loan losses may be inadequate or may be negatively affected by credit risk exposure;
- loan growth expectations;
- management's predictions about charge-offs, including energy-related credits, the impact of changes in oil and gas prices on our energy portfolio, and the downstream impact on businesses that support that sector, especially in the Gulf Coast Region;
- the risk that our enterprise risk management framework may not identify or address risks adequately, which may result in unexpected losses;
- the impact of the transaction with MidSouth or future business combinations upon our performance and financial condition including our ability to successfully integrate the businesses;
- deposit trends;
- credit quality trends;
- changes in interest rates;
- the impact of reference rate reform;
- net interest margin trends;
- future expense levels;
- improvements in expense to revenue (efficiency ratio);
- success of revenue-generating initiatives;
- the effectiveness of derivative financial instruments and hedging activities to manage risks;
- risks related to our reliance on third parties to provide key components of our business infrastructure, including the risks related to disruptions in services or financial difficulties of a third-party vendor;
- risks related to the ability of our operational framework to manage risks associated with our business such as credit risk and operation risk, including third-party vendors and other service providers, which could among other things, result in a breach of operating or security systems as a result of a cyber-attack or similar act;
- projected tax rates;
- future profitability;
- purchase accounting impacts, such as accretion levels;
- our ability to identify and address potential cybersecurity risks, heightened by the increased use of our virtual private network platform, including data security breaches, credential stuffing, malware, "denial-of-service" attacks, "hacking" and identity theft, a failure of which could disrupt our business and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information, disruption or damage to our systems, increased costs, losses, or adverse effects to our reputation;
- our ability to receive dividends from Hancock Whitney Bank could affect our liquidity, including our ability to pay dividends or take other capital actions;
- a material decrease in net income or a net loss over several quarters could result in a decrease in, or the elimination of, our quarterly cash dividend;
- the impact on our financial results, reputation, and business if we are unable to comply with all applicable federal and state regulations or other supervisory actions or directives and any necessary capital initiatives;
- our ability to effectively compete with other traditional and non-traditional financial services companies, some of whom possess greater financial resources than we do or are subject to different regulatory standards than we are;
- our ability to maintain adequate internal controls over financial reporting;
- potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation, regulatory proceedings and enforcement actions, including costs and effects of litigation related to our participation in stimulus programs associated with the government's response to the COVID-19 pandemic;
- the financial impact of future tax legislation; and

- changes in laws and regulations affecting our businesses, including governmental monetary and fiscal policies, legislation and regulations relating to bank products and services, as well as changes in the enforcement and interpretation of such laws and regulations by applicable governmental and self-regulatory agencies, which could require us to change certain business practices, increase compliance risk, reduce our revenue, impose additional costs on us, or otherwise negatively affect our businesses.

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

Forward-looking statements are subject to significant risks and uncertainties. Investors are cautioned against placing undue reliance on such statements. Actual results may differ materially from those set forth in the forward looking statements. Additional factors that could cause actual results to differ materially from those described in the forward-looking statements can be found in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, Part II, Item 1A. “Risk Factors” in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020, Part II, Item 1A. “Risk Factors” in this Quarterly Report on Form 10-Q, and in other periodic reports that we file with the SEC.

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

OVERVIEW

Non-GAAP Financial Measures

Management’s Discussion and Analysis of Financial Condition and Results of Operations include non-GAAP measures used to describe our performance. These non-GAAP financial measures have inherent limitations as analytical tools and should not be considered on a standalone basis or as a substitute for analyses of financial condition and results as reported under GAAP. Non-GAAP financial measures are not standardized and therefore, it may not be possible to compare these measures with other companies that present measures having the same or similar names. These disclosures should not be considered an alternative to GAAP.

A reconciliation of those measures to GAAP measures are provided within the Selected Financial Data section that appears later in this item. The following is a summary of these non-GAAP measures and an explanation as to why they are deemed useful.

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

We present certain additional non-GAAP financial measures to assist the reader with a better understanding of the Company’s performance period over period, as well as to provide investors with assistance in understanding the success management has experienced in executing its strategic initiatives. These non-GAAP measures may reference the concept “operating.” We use the term “operating” to describe a financial measure that excludes income or expense considered to be nonoperating in nature. Items identified as nonoperating are those that, when excluded from a reported financial measure, provide management or the reader with a measure that may be more indicative of forward-looking trends in our business.

We define **Operating Pre-Provision Net Revenue** as total revenue (te) less noninterest expense, excluding nonoperating items. Management believes that operating pre-provision net revenue is a useful financial measure because it enables investors and others to assess the Company’s ability to generate capital to cover credit losses through a credit cycle.

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

Economic Outlook and Ongoing Impact of COVID-19

The COVID-19 pandemic continues to profoundly impact economic conditions throughout the United States and globally. Early and ongoing efforts to contain the spread of the novel coronavirus in the form of stay at home orders and restrictions on travel, trade and retail operations triggered a sharp decline in commercial and consumer activity, resulting in a recessionary economic environment. Gross domestic product ("GDP") declined 31% on an annualized basis and unemployment averaged 13% during the second quarter of 2020. The federal government's CARES Act and other stimulus programs in addition to the Federal Reserve's actions to reduce interest rates to near zero provided businesses and individuals temporary relief from these conditions. Consumer spending increased meaningfully in the third quarter of 2020, resulting in GDP growth and increased hiring and employment. According to an October 2, 2020 release by the Bureau of Labor Statistics, the unemployment rate fell to approximately 8% during the month of September, reflecting the partial resumption of economic activities as many jurisdictions began or continued phased reopening programs.

Economic Outlook

The Company utilizes economic forecasts produced by Moody's Analytics (Moody's) that provide various scenarios to assist with the development of our economic outlook. These forecasts are anchored on a baseline forecast scenario, which by definition reflects a 50% probability that the economy will perform better or worse than the forecasted baseline parameters. Several upside and downside scenarios are produced that are derived from the baseline scenario. In the September 2020 Baseline forecast, the economic recovery in the near-term is expected to be somewhat faster than the June forecast, but growth is muted until a vaccine is widely available. Key underlying assumptions in the Baseline forecast are that (1) there is not a second wave of economic shutdown, (2) a vaccine will be made available by April 2021 with infections abating by June 2021, (3) unemployment rates average 9.1% in the fourth quarter of 2020, 8.4% in 2021, and 6.4% in 2022, (4) lawmakers will pass an additional stimulus bill in 2020 that is split between aid for state and local governments and unemployment benefits, and (5) the Federal Reserve will continue to respond to the economic damage by maintaining rates at or near zero until late 2023.

The alternative Moody's forecast scenarios have varying degrees of positive and negative severity of the outcome of the economic downturn, as well as varying shapes and length of recovery. Management determined that assumptions provided for in the stronger and slower near-term growth scenarios (S-1 and S-2, respectively) were reasonably possible, and as such, the S-1 and S-2 scenarios were given consideration through probability weighting in our allowance for credit losses calculation at September 30, 2020. We believe these alternative scenarios are less likely to occur than the Baseline and have weighted them accordingly in developing our economic forecast. The extent to which observed and forecasted economic conditions deteriorate or recover beyond that currently forecasted may result in additional volatility and allowance for credit loss builds or releases in the future. Changes in the depth and duration of these economic conditions may also require revisions to our currently forecasted cash flows that could result in impairment of certain intangible or other assets in future periods.

Ongoing Impact of COVID-19

Our response at the outset of the COVID-19 crisis was proactive and continues to be adaptive to ongoing changing conditions. We have taken deliberate measures to maintain a strong liquidity position and enhance capital levels, control both interest and noninterest expense, and build an allowance for credit losses that we believe to be appropriate in light of current and forecasted economic conditions. We have participated in various economic relief strategies, including the origination of $2.4 billion of Small Business Administration Paycheck Protection Program (PPP) loans, and offering temporary waivers of certain service fees, short-term deferrals of principal and/or interest on loan payments as well as other modifications to loan repayment terms for customers affected by COVID-19. The PPP loans provided loan growth and contributed favorably to our net interest income and margin during the second and third quarters, while providing much needed assistance in the communities we serve.

We have been able to return most of our financial centers to full service operation and substantially all of our back office associates to onsite work in compliance with guidelines from the Centers for Disease Control and Prevention. Recent easing of certain restrictions on movement and the impacts of government stimulus programs and the low interest rate environment have positively impacted business activity for both commercial and consumer customers. We experienced an increase in most categories of noninterest income, including sizable increases in secondary mortgage origination and sales activity, bank card usage fees and deposit account service charges, albeit not to pre-pandemic levels. We initiated cost reduction measures in the third quarter, including closing two trust locations in New York and New Jersey in mid-September 2020, closing 12 branch locations in Louisiana and Mississippi scheduled for late October 2020 and reducing headcount through higher vacancy levels and attrition, as well as other initiatives. Increased business activity, cost control measures, and balance sheet de-risking strategies undertaken in the first half of the year, including the sale of a large portion of the energy portfolio, resulted in a return to profitability in the third quarter of 2020.

Despite recent improvements in certain economic indicators, significant constraints to commerce remain in place, and considerable uncertainty remains over the timing of an effective and widely available coronavirus vaccine, the timing and scope of additional government stimulus packages, and the economic impact resulting from the outcome of the November 2020 elections. The duration

and extent of the downturn and speed of the related recovery on our business, customers, and the economy as a whole remains uncertain.

Highlights of the Third Quarter 2020

We reported net income for the third quarter of 2020 of $79.4 million, or $.90 per diluted common share (EPS), compared to a net loss for the second quarter 2020 of $117.1 million, or $(1.36) EPS and net income for the third quarter of 2019 of $67.8 million, or $.77 EPS. The second quarter net loss reflected a provision for credit losses of $306.9 million that included both a $160 million, or $1.47 per share, provision for credit losses related to the sale of $497 million of energy loans and an additional reserve build for credit losses related to COVID-19. The third quarter of 2019 included $28.8 million, or $.26 per share, of merger costs associated with the September 2019 acquisition of MidSouth Bancorp, Inc. ("Midsouth").

As noted above, second quarter 2020 results included a $160 million provision for credit loss associated with the sale of $497 million of energy loans that included reserve-based (RBL), midstream and nondrilling service credits, significantly reducing our exposure in this portfolio. The transaction closed on July 21, 2020 and the company received proceeds of $257.5 million from the sale.

Third quarter 2020 results compared to second quarter 2020:

- Return to profitability with net income of $79.4 million, or $.90 per diluted share
- Pre-provision net revenue (PPNR) totaled $126.3 million, up $7.8 million, or 7%, linked-quarter
- Provision of $25 million and allowance for credit losses strong at 2.16% of total loans, up from 2.12%
- Net interest margin remained stable at 3.23%
- Capital levels improved with common equity Tier 1 (CET1) ratio of 10.30%, up 52 bps and tangible common equity (TCE) ratio of 7.53%, up 20 bps
- Loans declined $388 million, or 2%, reflecting limited demand throughout our footprint
- Nonperforming loans declined $13 million, or 7%, from June 30, 2020
- Criticized commercial loans increased $64 million, or 18%, from June 30, 2020, reflecting pandemic-related downgrades
- Core deposits remained resilient, with the decline in total deposits primarily due to a decrease in brokered deposit funding

We were able to return to profitability in the third quarter, despite continued challenges of the current economy. Our de-risking strategies implemented during the first half of 2020, which included building a strong reserve for credit losses, issuing subordinated debt, and divesting a large portion of the energy portfolio, positioned us to report solid results and strengthen our capital. Pre-provision net revenue increased, our provision for credit loss returned to a more normalized level and our capital ratios improved compared to the second quarter of 2020.

The overactive hurricane season has impacted several of our Gulf Coast markets, including Southwest and Southeast Louisiana, Coastal Mississippi, Alabama and Florida, with three significant hurricanes making landfall in the third quarter and another in October. After each event, we quickly mobilized portable banking units and ATMs to affected areas, and most locations reopened under generator power the following day. We will continue to support our clients, communities and our colleagues in these areas. While we had some damage to facilities, we do not expect significant financial impact from any of the storms, including no material provision for credit losses.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income (te) for the third quarter of 2020 was $238.4 million, a $2.7 million, or 1%, decrease from the second quarter of 2020, but up $11.8 million, or 5%, compared to the third quarter of 2019. The linked quarter decrease was primarily attributable to declining earning asset volumes, partially from the energy loan sale, in excess of interest-bearing deposit and lower net yields. Factors impacting the lower yields included $1.5 million increase in securities premium amortization, $0.5 million decrease in purchase accounting accretion and $0.7 million increase in net nonaccrual interest reversals. Net interest income was also negatively impacted by higher long-term debt expense of $1.8 million resulting from a full quarter impact of the June 2020 issuance of subordinated debt. This decline in income was partially offset by an approximate $1.8 million impact of the additional accrual day in the quarter. The increase compared to the third quarter of 2019 is primarily attributable to an increase in earning asset balances, partially offset by the impact of a lower rate environment. The year-over-year increase in earning asset balances is due to PPP loans originated in the second

and third quarters of 2020, the MidSouth acquisition that occurred late in the third quarter of 2019, and an increase in securities and short-term investments resulting from the influx of deposits from PPP loans and stimulus funds.

The net interest margin for the third quarter of 2020 was 3.23%, flat compared to the second quarter of 2020. The impact from lower earning asset yields and a full quarter of interest expense on the subordinated notes issued in June of 2020 offset a reduction in excess liquidity and lower cost of deposits. Compared to the third quarter of 2019, the net interest margin decreased 18 bps, primarily driven by the lower rate environment that resulted in a 78 bp decline in the earning asset yield, partially offset by a 60 bp decline in the cost of funds.

Net interest income (te) for the nine months ended September 30, 2020 was $714.1 million, up $40.9 million, or 6%, from the same period in 2019. The increase was largely driven by a $2.9 billion increase in average earning assets, primarily due to the MidSouth acquisition at the end of the third quarter of 2019, as well as the funding of PPP loans. The lower rate environment and aggressive deposit pricing drove down total cost of funds, which was partially offset by the impact of lower yields on earning assets. The net interest margin was 3.29% for the nine months ended September 30, 2020, down 15 bps from the same period in 2019.

We expect the net interest margin to remain relatively stable for the remainder of 2020. We anticipate margin headwinds in 2021 with the substantial reduction in PPP loans expected to begin in the fourth quarter of 2020 and continue through early 2021.

The following tables detail the components of our net interest income (te) and net interest margin.

	Three Months Ended								
	September 30, 2020			June 30, 2020			September 30, 2019		
(dollars in millions)	Volume	Interest (d)	Rate	Volume	Interest (d)	Rate	Volume	Interest (d)	Rate
Average earning assets									
Commercial & real estate loans (te) (a)	$ 17,607.2	$ 155.6	3.52%	$ 17,931.8	$ 165.3	3.71%	$ 15,126.1	$ 185.5	4.87%
Residential mortgage loans	2,807.5	27.5	3.92%	2,923.2	28.4	3.89%	2,978.7	30.1	4.05%
Consumer loans	1,993.1	24.0	4.79%	2,102.0	25.3	4.85%	2,092.3	30.4	5.76%
Loan fees & late charges	—	15.2	0.00%	—	11.8	0.00%	—	0.1	0.00%
Total loans (te) (b)	22,407.8	222.3	3.95%	22,957.0	230.8	4.04%	20,197.1	246.1	4.84%
Loans held for sale	112.2	0.8	2.96%	90.0	0.6	2.89%	55.3	0.6	4.26%
US Treasury and government agency securities	165.6	0.8	1.99%	127.1	0.8	2.31%	141.6	0.8	2.33%
Mortgage-backed securities and collateralized mortgage obligations	5,326.2	29.4	2.21%	5,128.2	30.4	2.37%	4,966.5	31.4	2.53%
Municipals (te)	889.5	6.7	3.01%	866.3	6.6	3.06%	893.1	6.9	3.08%
Other securities	8.0	0.1	4.33%	8.0	0.1	4.31%	3.5	0.0	3.61%
Total securities (te) (c)	6,389.3	37.0	2.31%	6,129.6	37.9	2.47%	6,004.7	39.1	2.61%
Total short-term investments	503.0	0.1	0.10%	837.2	0.3	0.11%	180.5	1.0	2.01%
Total earning assets (te)	$ 29,412.3	$ 260.2	3.53%	$ 30,013.8	$ 269.6	3.61%	$ 26,437.6	$ 286.8	4.31%
Average interest-bearing liabilities									
Interest-bearing transaction and savings deposits	$ 9,806.8	$ 4.2	0.17%	$ 9,387.3	$ 4.4	0.19%	$ 8,179.3	$ 15.7	0.76%
Time deposits	2,174.6	6.0	1.09%	3,005.1	11.9	1.60%	3,840.1	20.0	2.07%
Public funds	3,196.8	4.6	0.57%	3,320.3	6.3	0.76%	2,979.5	13.5	1.80%
Total interest-bearing deposits	15,178.2	14.8	0.39%	15,712.7	22.6	0.58%	14,998.9	49.2	1.30%
Short-term borrowings	1,733.3	1.6	0.39%	2,254.7	2.3	0.40%	2,063.3	8.1	1.57%
Long-term debt	386.0	5.4	5.60%	276.9	3.6	5.19%	234.3	2.9	4.82%
Total borrowings	2,119.3	7.0	1.33%	2,531.6	5.9	0.93%	2,297.6	11.0	1.90%
Total interest-bearing liabilities	17,297.5	21.8	0.50%	18,244.3	28.5	0.63%	17,296.5	60.2	1.38%
Net interest-free funding sources	12,114.8	—	0.00%	11,769.5	—	0.00%	9,141.1	—	0.00%
Total cost of funds	$ 29,412.3	$ 21.8	0.30%	$ 30,013.8	$ 28.5	0.38%	$ 26,437.6	$ 60.2	0.90%
Net interest spread (te)		$ 238.4	3.02%		$ 241.1	2.98%		$ 226.6	2.93%
Net interest margin	$ 29,412.3	$ 238.4	3.23%	$ 30,013.8	$ 241.1	3.23%	$ 26,437.6	$ 226.6	3.41%

(a) Taxable equivalent (te) amounts were calculated using a federal income tax rate of 21%.
(b) Includes nonaccrual loans.
(c) Average securities do not include unrealized holding gains/losses on available for sale securities.
(d) Included in interest income is net purchase accounting accretion of $3.2 million, $3.7 million and $4.6 million for the three months ended September 30, 2020, June 30, 2020, and September 30, 2019, respectively.

	Nine Months Ended					
	September 30, 2020			September 30, 2019		
(dollars in millions)	Volume	Interest (d)	Rate	Volume	Interest (d)	Rate
Average earning assets						
Commercial & real estate loans (te) (a)	$ 17,217.5	$ 503.5	3.91%	$ 15,090.3	$ 551.3	4.88%
Residential mortgage loans	2,899.6	85.4	3.93%	2,963.7	91.4	4.11%
Consumer loans	2,083.3	78.7	5.05%	2,104.3	90.6	5.76%
Loan fees & late charges	—	26.4	0.00%	—	(0.9)	0.00%
Total loans (te) (b)	22,200.4	694.0	4.17%	20,158.3	732.4	4.86%
Loans held for sale	80.9	2.1	3.47%	34.7	1.2	4.57%
US Treasury and government agency securities	139.2	2.3	2.20%	130.5	2.2	2.30%
Mortgage-backed securities and collateralized mortgage obligations	5,198.4	91.1	2.34%	4,706.7	90.3	2.56%
Municipals (te)	877.7	20.0	3.05%	909.8	21.4	3.13%
Other securities	8.0	0.3	4.31%	3.5	0.1	3.33%
Total securities (te) (c)	6,223.3	113.7	2.44%	5,750.5	114.0	2.64%
Total short-term investments	515.7	0.8	0.21%	208.3	3.4	2.20%
Total earning assets (te)	$ 29,020.3	$ 810.6	3.73%	$ 26,151.8	$ 851.0	4.35%
Average interest-bearing liabilities						
Interest-bearing transaction and savings deposits	$ 9,332.6	$ 21.4	0.31%	$ 8,096.3	$ 45.6	0.75%
Time deposits	2,895.0	33.3	1.54%	3,800.8	57.4	2.02%
Public funds	3,256.2	21.6	0.89%	3,077.7	42.1	1.83%
Total interest-bearing deposits	15,483.8	76.3	0.66%	14,974.8	145.1	1.30%
Short-term borrowings	2,044.9	8.4	0.55%	1,790.1	24.1	1.93%
Long-term debt	298.5	11.8	5.25%	230.5	8.5	3.22%
Total borrowings	2,343.4	20.2	1.15%	2,020.6	32.6	2.15%
Total interest-bearing liabilities	17,827.2	96.5	0.72%	16,995.4	177.7	1.40%
Net interest-free funding sources	11,193.1	—	0.00%	9,156.4	—	0.00%
Total cost of funds	$ 29,020.3	$ 96.5	0.44%	$ 26,151.8	$ 177.7	0.91%
Net interest spread (te)		$ 714.1	3.01%		$ 673.3	2.95%
Net interest margin	$ 29,020.3	$ 714.1	3.29%	$ 26,151.8	$ 673.3	3.44%

(a) Taxable equivalent (te) amounts were calculated using a federal income tax rate of 21%.
(b) Includes nonaccrual loans.
(c) Average securities do not include unrealized holding gains/losses on available for sale securities.
(d) Included in interest income is net purchase accounting accretion of $13.1 million and $14.4 million for the nine months ended September 30, 2020 and 2019, respectively.

Provision for Credit Losses

For the third quarter of 2020, we recorded a provision for credit losses totaling $25.0 million, compared to $306.9 million in the second quarter of 2020 and $12.4 million in the third quarter of 2019. The third quarter of 2020 provision included net charge-offs of $24.0 million and a reserve build of $1.0 million. The second quarter of 2020 provision for credit losses included approximately $146.8 million related to the COVID-19 recessionary environment, with an additional $160.1 million related to the energy loan sale, comprised of charge-offs of $242.6 million and a reserve release of $82.5 million. Economic conditions related to the pandemic, coupled with the write-down of the divested energy loans to their net realizable value, led to the elevated provisions for credit losses recorded in the first and second quarters of the year. As economic forecasts were relatively stable quarter over quarter and loan volumes declined, we returned to a more normalized provision level during the third quarter of 2020. For the nine months ended September 30, 2020, we recorded a total provision for credit losses of $578.7 million, compared to $38.6 million for the nine months ended September 30, 2019. The year-over-year increase is attributable to the impact of widespread economic disruption and the additional provision related to the energy loan sale.

Net charge-offs in the third quarter of 2020 were $24.0 million, or 0.43% of average total loans on an annualized basis, compared to $302.7 million or 5.30% in the second quarter of 2020, and $12.5 million, or 0.25% in the third quarter of 2019. The third quarter of 2020 included net charge-offs of $17.3 million of healthcare-dependent credits and no energy related charge-offs. Substantially all of the commercial credits charged off during the third quarter were existing problem credits that were further impacted by the pandemic. The second quarter of 2020 included $242.6 million of charge-offs on the energy loans sold as a part of our strategy to reduce our concentration in that portfolio. The remaining $60.1 million of second quarter 2020 net charge-offs included $20.7 million of credits in the healthcare sector and $25.9 million of credits in the energy portfolio. Third quarter of 2019 reflects a more normalized level of net charge-offs in a benign credit environment.

The discussion of Allowance for Credit Losses and Asset Quality later in this Item provides additional information on these changes and on general credit quality.

Noninterest Income

Noninterest income totaled $83.7 million for the third quarter of 2020, up $9.8 million, or 13%, from the second quarter of 2020 and up $0.5 million, or 1%, compared to the third quarter of 2019. The linked-quarter increase in noninterest income was attributable to improvements in most fee categories as the economy began to reopen and consumer activity rebounded. The modest increase in noninterest income compared to the prior year was largely due to higher secondary mortgage market fees driven by the low rate environment and benefit proceeds from bank-owned life insurance contracts, partially offset by declines in most other fee categories due to the economic slowdown stemming from the pandemic.

The components of noninterest income are presented in the following table for the indicated periods.

	Three Months Ended			Nine Months Ended	
(in thousands)	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Service charges on deposit accounts	$ 18,440	$ 15,518	$ 21,892	$ 56,795	$ 62,982
Trust fees	14,424	14,160	15,098	43,390	46,126
Bank card and ATM fees	17,222	15,957	17,154	50,541	49,063
Investment and annuity fees and insurance commissions	5,988	5,366	7,048	18,504	20,167
Secondary mortgage market operations	12,875	9,808	5,713	28,736	13,872
Income from bank-owned life insurance	6,628	3,317	4,147	14,211	11,495
Credit related fees	2,911	2,609	2,988	8,585	8,520
Income from derivatives	1,739	4,108	4,324	9,718	8,733
Other miscellaneous	3,521	3,100	4,866	11,598	12,025
Total noninterest income	$ 83,748	$ 73,943	$ 83,230	$ 242,078	$ 232,983

Service charges are composed of overdraft and insufficient funds fees, consumer, business and corporate analysis service charges, overdraft protection fees and other customer transaction-related charges. Service charges on deposits totaled $18.4 million for the third quarter of 2020, up $2.9 million, or 19%, from the second quarter of 2020 and down $3.5 million, or 16%, from the third quarter of 2019. The increase from the second quarter was largely due to higher overdraft activity and service charge fees resulting from an increase in customer spending activity and the resumption of select fees that had been temporarily waived during the first and second quarters. The decrease from the third quarter of 2019 was due to higher customer account balances that resulted from PPP loan proceeds and stimulus payments, and decreased consumer spending due to the economic environment.

Trust fees increased $0.3 million, or 2%, linked quarter and decreased $0.7 million, or 4%, from the same quarter a year ago. The modest increase compared to the prior quarter is primarily due to the rebound of the market. The decrease compared the prior year was largely due to the downturn in the market beginning at the end of the first quarter of 2020 and continuing through much of the second quarter of 2020, impacting assets under management and related trust fees. The estimated fair value of trust assets under management as of September 30, 2020 was $9.0 billion, compared to $8.8 billion at June 30, 2020, and $9.3 billion at September 30, 2019.

Bank card and ATM fees include interchange and other income from credit and debit card transactions, fees earned from processing card transactions for merchants, and fees earned from ATM transactions. Bank card and ATM fees totaled $17.2 million for the third quarter of 2020, up $1.3 million, or 8%, from the second quarter of 2020 and up less than $0.1 million from the same quarter last year. The increase from the prior quarter is due to higher levels of card activity as consumer spending activity increased.

Investment and annuity fees and insurance commissions increased $0.6 million, or 12%, compared to second quarter 2020 and were down $1.1 million, or 15%, compared to the same quarter a year ago. Investment and annuity fees and insurance commissions were up from the prior quarter primarily due to an increase in investment and annuity transaction-based fees as a result of the phased

re-opening of the financial centers during the third quarter of 2020 and an increase in insurance commissions, partially offset by a $0.2 million decrease in corporate underwriting fees. The decrease from the same quarter last year was due to decreases in transaction-based fees due to the continued economic impact of the pandemic, lower insurance commissions, and a $0.3 million decrease in corporate underwriting fees.

Income from secondary mortgage market operations is comprised of income produced from the origination and sales of residential mortgage loans in the secondary market. Income from secondary mortgage market operations was $12.9 million in the third quarter of 2020, up $3.1 million, or 31%, from the second quarter of 2020 and up $7.2 million, or 125%, from the third quarter of 2019. Origination volume during the third quarter of 2020, particularly when compared to the third quarter of 2019, was positively impacted by the low rate environment, resulting in a surge in both refinancing and purchase production. Mortgage production for the third quarter of 2020 was up 31% compared to the second quarter of 2020 and up 57% compared to the third quarter of 2019. Secondary mortgage market operations income will vary based on origination volume and the timing of subsequent sales. To the extent low interest rate trends persist, mortgage loan production may remain elevated in the near term, but is not expected to be at the level experienced in third quarter of 2020.

Income from bank-owned life insurance is generated through insurance benefit proceeds as well as the growth of the cash surrender value of insurance contracts held. Income from bank-owned life insurance was $6.6 million in the third quarter of 2020, up $3.3 million, or 100%, from the second quarter of 2020 and up $2.5 million, or 60%, from the third quarter of 2019. The linked-quarter increase is attributable to benefit proceeds of $3.4 million recorded in the third quarter of 2020, compared to none in the second quarter of 2020, and $0.5 million in the third quarter of 2019. A similar level of benefits proceeds is not expected in the fourth quarter of 2020.

Credit related fees include unused commitment fees and letter of credit fees. Credit related fees were $2.9 million for the third quarter of 2020, up $0.3 million, or 12%, from the second quarter of 2020 and down $0.1 million, or 3%, from the third quarter of 2019. The linked quarter increase was due to higher unused commitment fees and letter of credit fees. The decrease over the same quarter last year is primarily due to lower unused commitment fees, partially offset by higher letter of credit fees. During the second quarter of 2020, customers drew on their lines as a source of liquidity as a cautionary measure in response to the pandemic. They began to pay down the lines during the third quarter of 2020, resulting in higher unused commitment fees compared to the prior quarter, but lower compared to the same quarter a year ago.

Income from our customer interest rate derivative program totaled $1.7 million for the third quarter of 2020 compared to $4.1 million in the second quarter of 2020 and $4.3 million for the third quarter of 2019. The decrease compared to both the previous quarter and the third quarter of 2019 reflects a decline in customer demand for interest rate swap arrangements, resulting in a lower transaction volume, due in part to the sustained low rate environment. Derivative income can be volatile and is dependent upon the composition of the portfolio, volume and mix of sales activity and market value adjustments due to market interest rate movement.

Other miscellaneous income was $3.5 million in the third quarter of 2020, up $0.4 million compared to the second quarter of 2020 and down $1.3 million compared to the third quarter of 2019. The increase compared to the prior quarter was largely due to $0.4 million of net gain on sales of securities, $0.4 million in gains on sales of assets, primarily leases, and an increase of $0.3 million in income from investments in small business investment companies, partially offset by a $0.2 million decrease in syndication fees and a $0.2 million decrease in FHLB stock dividends. The decrease compared to the third quarter of 2019 includes a decrease of $1.0 million in income from investments in small business investment companies, a $0.6 million decrease in syndication fees, and a $0.2 million decrease in FHLB stock dividends, partially offset by the $0.4 million net gain on the sales of securities and the $0.3 million gain on sales of assets, primarily leases.

Noninterest income for the first nine months of 2020 totaled $242.1 million, up $9.1 million, or 4% from the first nine months of 2019. The impact of the lower rate environment drove a surge in activity in our secondary mortgage market operations with fees up $14.9 million, or 107%, compared to the same period in 2019. Income on bank-owned life insurance was up $2.7 million, or 24%, as mortality benefits received in the first nine months of 2020 exceeded the first nine months of 2019 by $2.9 million. Card fees were up $1.5 million, or 3%, due largely to increased activity as a result of the acquisition of MidSouth in the third quarter of 2019, partially offset by lower levels of activity during 2020 as a result of the pandemic. Derivative fees were up $1.0 million, or 11%, with higher activity during the first half of 2020. The first nine months of 2020 also includes a $1.5 million gain on the sale of historic tax credits. These increases were partially offset by lower service charges, down $6.2 million, and trust fees, down $2.7 million, related to the impact of COVID-19 on economic conditions.

Noninterest Expense

Noninterest expense for the third quarter of 2020 was $195.8 million, down $0.8 million, or less than 1%, from the second quarter of 2020, and down $17.8 million, or 8%, from the third quarter of 2019. The linked quarter decrease is largely due to a focus on expense control with offsetting nonrecurring items leading to a slightly lower level of expense, discussed in more detail below. The decrease over the same quarter last year is primarily due to merger costs of $28.8 million associated with the acquisition and operational

integration of MidSouth incurred in the third quarter of 2019. Excluding the nonoperating merger costs, noninterest expense was up $11.0 million, or 6%, reflecting an increase in personnel costs related to annual merit raises as well as increased costs from MidSouth operations, additional costs incurred in response to the pandemic, and an increase in professional services expense largely related to PPP consulting.

The components of noninterest expense for the periods indicated are presented in the following tables.

	Three Months Ended			Nine Months Ended September 30,	
(in thousands)	September 30, 2020	June 30, 2020	September 30, 2019	2020	2019
Compensation expense	$ 97,095	$ 98,756	$ 93,858	$ 286,922	$ 265,573
Employee benefits	20,761	21,653	18,622	64,892	57,240
Personnel expense	117,856	120,409	112,480	351,814	322,813
Net occupancy expense	13,191	13,559	13,156	39,272	38,101
Equipment expense	5,355	4,752	4,685	14,724	13,706
Data processing expense	21,888	21,250	21,532	65,185	60,951
Professional services expense	14,372	10,985	17,704	35,098	35,537
Amortization of intangible assets	4,788	5,169	4,889	15,302	15,074
Deposit insurance and regulatory fees	4,108	5,116	3,995	15,039	14,156
Other real estate and foreclosed asset (income) expense	(482)	(460)	2,055	9,188	1,459
Advertising	3,159	2,696	5,435	10,089	11,768
Corporate value and franchise taxes	4,872	4,481	4,109	13,649	12,366
Telecommunications and postage	4,043	3,374	3,610	11,483	10,439
Entertainment and contributions	1,315	3,384	2,765	7,146	8,215
Travel expense	309	396	1,172	1,816	3,614
Printing and supplies	1,271	1,627	1,459	4,006	3,720
Tax credit investment amortization	961	961	1,286	2,882	3,658
Other retirement expense	(6,337)	(6,337)	(4,152)	(18,796)	(12,409)
Other miscellaneous	5,105	5,177	17,374	17,751	29,653
Total noninterest expense	$ 195,774	$ 196,539	$ 213,554	$ 595,648	$ 572,821

	Three Months Ended			Nine Months Ended September	
(in thousands)	September 30, 2020	June 30, 2020	September 30, 2019	2020	2019
Nonoperating expense					
Personnel expense	$ —	$ —	$ 5,002	$ —	$ 5,002
Net occupancy expense	—	—	735	—	735
Equipment expense	—	—	188	—	188
Data processing expense	—	—	437	—	437
Professional services expense	—	—	7,491	—	7,491
Advertisng	—	—	2,624	—	2,624
Printing and supplies	—	—	433	—	433
other expenses	—	—	11,900	—	11,900
Total nonoperating expenses	$ —	$ —	$ 28,810	$ —	$ 28,810

Personnel expense consists of salaries, incentive compensation, long-term incentives, payroll taxes, and other employee benefits such as 401(k), pension, and medical, life and disability insurance. Personnel expense totaled $117.9 million for the third quarter of 2020, down $2.6 million, or 2%, compared to the prior quarter and up $5.4 million, or 5%, compared to the same quarter last year. The decrease from prior quarter was primarily due to lower bonus, incentive, and payroll tax expense; partially offset by severance accruals related to the closure of two trust offices in New York and New Jersey, twelve branches in Louisiana and Mississippi scheduled for closure in late October 2020, and other associate reductions. The increase over the same quarter last year is primarily due to compensation expense related to annual merit increases, overtime related to an increase in the volume of mortgage origination and implementation of the PPP, other support costs in response to the pandemic, the impact of adding MidSouth operations, and the severance accruals mentioned above. These increases are partially offset by merger-related expenses of $5.0 million in the third quarter of 2019.

Occupancy and equipment expenses are primarily composed of lease expenses, depreciation, maintenance and repairs, rent, taxes, and other equipment expenses. Occupancy and equipment expenses totaled $18.5 million in the third quarter of 2020, up $0.2 million, or 1%, from the second quarter of 2020 and up $0.7 million, or 4%, from the third quarter of 2019. The linked-quarter increase was largely due to an increase in equipment expense, partially offset by a decrease in occupancy expense related to insurance payments in the second quarter of 2020. The increase from the same quarter last year is primarily related increased equipment expense and additional cost from the MidSouth operations. The third quarter of 2019 included $0.9 million in merger-related expenses.

Data processing expense includes expenses related to third party technology processing and servicing costs, technology project costs and fees associated with bank card and ATM transactions. Data processing expense was $21.9 million for the third quarter of 2020, up $0.6 million, or 3%, compared to the second quarter of 2020, and up $0.4 million, or 2%, compared to the third quarter of 2019. The increase over the second quarter of 2020 is due to a higher level of ATM and card activity, reflecting the partial resumption of economic activities as many areas in our market began or continued phased reopening programs. The increase from the third quarter of 2019 is primarily due to a higher level of ATM and card activity as a result of the acquisition of MidSouth. The third quarter of 2019 included $0.4 million of merger-related expenses.

Professional services expense for the third quarter of 2020 totaled $14.4 million, up $3.4 million, or 31%, compared to the previous quarter and down $3.3 million, or 19%, from the third quarter of 2019. The increase over the second quarter of 2020 is primarily attributable to higher consulting fees related to PPP support and legal fees. The third quarter of 2019 included $7.5 million of merger-related expenses. Excluding merger-related cost, professional fees increased $4.2 million compared to the same quarter last year, also largely due to the increase in consulting fees related to PPP support and legal fees.

Deposit insurance and regulatory fees totaled $4.1 million, down $1.0 million, or 20%, from the second quarter of 2020 and up $0.1 million, or 3%, from the third quarter of 2019. The decrease from the prior quarter is largely due to a lower risk-based assessment rate resulting from an improved liquidity position and the sale of energy loans. The increase compared to 2019 is primarily due to higher assessment base and rates, largely driven by the MidSouth acquisition.

Corporate value and franchise tax expense for the third quarter of 2020 totaled $4.9 million, up modestly by $0.4 million, or 9%, compared to the prior quarter and up $0.8 million, or 19%, compared to the same quarter last year. The increase from the third quarter of 2019 is primarily attributable to the impact the acquisition of MidSouth.

Business development-related expenses (including advertising, travel, entertainment and contributions) were $4.8 million for the third quarter of 2020, down $1.7 million, or 26%, from the second quarter of 2020 and $4.6 million, or 49%, from the third quarter of 2019. The linked-quarter decrease was largely due to a $2.5 million contribution made in the second quarter of 2020 as an investment in Gulf South communities to assist with the effects of the pandemic. The year over year decrease was largely due to a decrease in advertising as the third quarter of 2019 included $2.6 million of merger-related expenses for the acquisition of MidSouth, and a decrease in business travel in response to the pandemic.

Other real estate and foreclosed asset (income) reflects gains in excess of expense of $0.5 million for the both the third and second quarter of 2020 and net expense of $2.1 million in the third quarter of 2019. The expense in third quarter of 2019 was largely due to the non-cash write-down of foreclosed asset, partially offset by gains on sales of a former corporate facility.

All other expenses, excluding amortization of intangibles, totaled $5.0 million for the third quarter of 2020, an increase of $0.2 million, or 5%, from the second quarter of 2020 and a decrease of $14.5 million, or 74%, from the third quarter of 2019. The linked-quarter increase was primarily due to higher telephone and postage expense. The third quarter of 2019 included $12.3 million in expenses related to the acquisition of MidSouth. The decrease compared to the same quarter last year also reflects lower other retirement expense in the third quarter of 2020 due to the performance of pension plan assets.

Total noninterest expense totaled $595.6 million for the first nine months of 2020, up $22.8 million, or 4%, from the same period last year. The first nine months of 2019 included $28.8 million in nonoperating expenses related to acquisition of MidSouth. Personnel expense was up $29.0 million, or 9%, related to the MidSouth acquisition, merit-based compensation increases and other costs

associated with pandemic response, including the implementation of the Paycheck Protection Program. Other real estate expense increased $7.7 million, primarily attributable to $9.8 million in write-downs of equity interests in two energy related borrowers recorded in the first quarter of 2020. Data processing was up $4.2 million, or 7%, with an increase in ATM and card fee activity following the acquisition of MidSouth, as well as an increase in outside processing charges. These increases were partially offset by a $6.4 million, or 51%, decrease in other retirement expense with better performance from pension plan assets.

Income Taxes

The effective income tax rate for the third quarter of 2020 was approximately 19.2% compared to 38.9% in the second quarter of 2020 and 15.5% in the third quarter of 2019. The decrease in the third quarter 2020 effective tax rate was largely due to an improved projected annual pre-tax income forecast as compared to the prior quarter. Many factors impact the effective tax rate including, but not limited to, the level of pre-tax income and the relative impact of net tax benefits related to tax credit investments, tax-exempt interest, bank-owned life insurance, and nondeductible expenses.

Additionally, the effective tax rate could be impacted by discrete items that may occur in any given period, such as tax benefits from share-based compensation and changes in valuation allowances that are recognized as a separate component from continuing operations in the interim period the items impact. The effect of a change in tax laws or rates on existing deferred tax assets and liabilities are also recognized as a discrete item in the interim period that includes the enactment date of the change. As such, we recognized a discrete benefit of $7.1 million in the first quarter of 2020 related to our intent to carryback a net operating loss attribute that we inherited from an acquired entity to a 35% statutory tax rate year (provided for under the CARES Act).

Our effective tax rate has historically varied from the federal statutory rate primarily because of tax-exempt income and tax credits. Interest income on bonds issued by or loans to state and municipal governments and authorities, and earnings from the life insurance contract program are the major components of tax-exempt income. The main source of tax credits has been investments in tax-advantaged securities and tax credit projects. These investments are made primarily in the markets we serve and are directed at tax credits issued under the Federal and State New Market Tax Credit (“NMTC”) programs, Low-Income Housing Tax Credit (“LIHTC”) programs, as well as pre-2018 Qualified Zone Academy Bonds (“QZAB”) and Qualified School Construction Bonds (“QSCB”). These investments generate tax credits, which reduce current and future taxes and are recognized when earned as a benefit in the provision for income taxes.

We have invested in NMTC projects through investments in our own Community Development Entity (“CDE”), as well as other unrelated CDEs. Federal tax credits from NMTC investments are recognized over a seven-year period, while recognition of the benefits from state tax credits varies from three to five years. Our LIHTC investments to date are through variable interest entities for which the Company is not the primary beneficiary and, therefore, are not consolidated. LIHTC credits from the affordable housing projects are recognized over a ten-year period, beginning with the year the rental activity begins, as a reduction of the provision for income taxes.

Based on tax credit investments that have been made to date in 2020, we expect to realize benefits from federal and state tax credits over the next three years totaling $7.8 million, $8.6 million and $8.5 million for 2021, 2022, and 2023, respectively. We intend to continue making investments in tax credit projects. However, our ability to access new credits will depend upon, among other factors, federal and state tax policies and the level of competition for such credits.

The Company expects the effective tax rate for the fourth quarter of 2020 to be lower than the third quarter 2020 effective tax rate of 19.2% as tax strategies are evaluated and implemented prior to year-end.

Selected Financial Data

The following tables contain selected financial data as of the dates and for the periods indicated.

	Three Months Ended			Nine Months Ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Common Share Data					
Earnings per share:					
Basic	$ 0.90	$ (1.36)	$ 0.77	$ (1.73)	$ 2.69
Diluted	$ 0.90	$ (1.36)	$ 0.77	$ (1.73)	$ 2.69
Cash dividends paid	$ 0.27	$ 0.27	$ 0.27	$ 0.81	$ 0.81
Book value per share (period-end)	$ 39.07	$ 38.41	$ 39.49	$ 39.07	$ 39.49
Tangible book value per share (period-end)	$ 28.11	$ 27.38	$ 28.73	$ 28.11	$ 28.73
Weighted average number of shares (000s):					
Basic	86,358	86,301	86,377	86,614	85,934
Diluted	86,400	86,301	86,462	86,614	86,010
Period-end number of shares (000s)	86,400	86,342	90,822	86,400	90,822

(in thousands)	Three Months Ended September 30, 2020	June 30, 2020	September 30, 2019	Nine Months Ended September 30 2020	2019
Income Statement:					
Interest income	$ 257,043	$ 266,342	$ 283,164	$ 800,728	$ 839,825
Interest income (te) (a)	260,232	269,590	286,816	810,613	851,019
Interest expense	21,860	28,476	60,225	96,491	177,764
Net interest income (te)	238,372	241,114	226,591	714,122	673,255
Provision for credit losses	24,999	306,898	12,421	578,690	38,552
Noninterest income	83,748	73,943	83,230	242,078	232,983
Noninterest expense (excluding amortization of intangibles)	190,986	191,370	208,665	580,346	557,747
Amortization of intangibles	4,788	5,169	4,889	15,302	15,074
Income before income taxes	98,158	(191,628)	80,194	(228,023)	283,671
Income tax expense (benefit)	18,802	(74,556)	12,387	(79,274)	48,423
Net income (loss)	$ 79,356	$ (117,072)	$ 67,807	$ (148,749)	$ 235,248
For informational purposes - included above, pre-tax					
Provision for credit loss associated with energy loan sale	$ —	$ 160,101	$ —	$ 160,101	$ —
Nonoperating merger-related expenses	—	—	28,810	—	28,810

	Three Months Ended September 30, 2020	June 30, 2020	September 30, 2019	Nine Months Ended September 30, 2020	2019
Performance Ratios					
Return on average assets	0.97%	(1.42)%	0.92%	(0.62)%	1.10%
Return on average common equity	9.42%	(13.59)%	7.95%	(5.77)%	9.69%
Return on average tangible common equity	13.14%	(18.75)%	10.77%	(7.99)%	13.32%
Earning asset yield (te) (a)	3.53%	3.61%	4.31%	3.83%	4.35%
Total cost of funds	0.30%	0.38%	0.90%	0.44%	0.91%
Net Interest Margin (te)	3.23%	3.23%	3.41%	3.29%	3.44%
Noninterest income to total revenue (te)	26.00%	23.47%	26.86%	25.32%	25.71%
Efficiency ratio (b)	59.29%	60.74%	58.05%	60.69%	58.37%
Average loan/deposit ratio	83.72%	85.97%	87.47%	85.61%	87.21%
FTE employees (period-end)	4,058	4,196	4,222	4,058	4,222
Capital Ratios					
Common stockholders' equity to total assets	10.17%	9.98%	11.74%	10.17%	11.74%
Tangible common equity ratio (c)	7.53%	7.33%	8.82%	7.53%	8.82%

(a) Taxable equivalent (te) amounts were calculated using a federal income tax rate of 21%.
(b) The efficiency ratio is noninterest expense to total net interest (te) and noninterest income, excluding amortization of purchased intangibles and nonoperating items.
(c) The tangible common equity ratio is common stockholders' equity less intangible assets divided by total assets less intangible assets.

($ in thousands)	Three Months Ended September 30, 2020	June 30, 2020	September 30, 2019	Nine Months Ended September 30, 2020	2019
Asset Quality Information					
Nonaccrual loans (a) (b)	$ 171,462	$ 183,979	$ 222,860	$ 171,462	$ 222,860
Restructured loans - still accruing	9,115	9,848	60,897	9,115	60,897
Total nonperforming loans	180,577	193,827	283,757	180,577	283,757
ORE and foreclosed assets	11,640	18,724	30,955	11,640	30,955
Total nonperforming assets	$ 192,217	$ 212,551	$ 314,712	$ 192,217	$ 314,712
Accruing loans 90 days past due (c)	$ 10,439	$ 5,230	$ 7,872	$ 10,439	$ 7,872
Net charge-offs	24,008	302,684	12,474	370,456	37,494
Allowance for loan losses	$ 448,674	$ 442,638	$ 195,572	$ 448,674	$ 195,572
Reserve for unfunded lending commitments	31,526	36,571	—	31,526	—
Allowance for credit losses	$ 480,200	$ 479,209	$ 195,572	$ 480,200	$ 195,572
Total provision for credit losses	$ 24,999	$ 306,898	$ 12,421	$ 578,690	$ 38,552
Ratios:					
Nonperforming assets to loans, ORE and foreclosed assets	0.86%	0.94%	1.49%	0.86%	1.49%
Accruing loans 90 days past due to loans	0.05%	0.02%	0.04%	0.05%	0.04%
Nonperforming assets + accruing loans 90 days past due to loans, ORE and foreclosed assets	0.91%	0.96%	1.53%	0.91%	1.53%
Net charge-offs to average loans	0.43%	5.30%	0.25%	2.23%	0.25%
Allowance for loan losses to period-end loans	2.02%	1.96%	0.93%	2.02%	0.93%
Allowance for credit losses to period-end loans	2.16%	2.12%	0.93%	2.16%	0.93%
Allowance for loan losses to nonperforming loans + accruing loans 90 days past due	234.89%	222.37%	67.06%	234.89%	67.06%
For informational purposes - included above					
Provision for credit loss associated with energy loan sale	$ —	$ 160,101	$ —	$ 160,101	$ —
Charge-offs associated with energy loan sale	—	242,628	—	242,628	—

(a) Included in nonaccrual loans are nonaccruing restructured loans totaling $39.9 million, $55.2 million and $101.1 million at September 30, 2020, June 30, 2020 and September 30, 2019, respectively.

(b) Nonaccrual loans do not include purchased credit impaired loans accounted for under ASC 310-30 that would have otherwise been considered nonperforming, totaling $17.8 million at September 30, 2019. Effective January 1, 2020, with the adoption of ASC 326, such metrics include both originated and acquired balances.

(c) Loans past due 90 days or more do not include purchased credit impaired loans accounted for under ASC 310-30 that would have otherwise been considered delinquent, totaling $8.2 million at September 30, 2019. Effective January 1, 2020, with the adoption of ASC 326, such metrics include both originated and acquired balances.

(in thousands)	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Period-End Balance Sheet					
Total loans	$ 22,240,204	$ 22,628,377	$ 21,515,681	$ 21,212,755	$ 21,035,952
Loans held for sale	103,566	364,416	67,587	55,864	75,789
Securities	7,056,276	6,381,803	6,374,490	6,243,313	6,404,719
Short-term investments	779,057	760,194	876,314	110,229	49,513
Earning assets	30,179,103	30,134,790	28,834,072	27,622,161	27,565,973
Allowance for loan losses	(448,674)	(442,638)	(426,003)	(191,251)	(195,572)
Goodwill and other intangible assets	946,958	951,746	956,916	962,260	977,369
Other assets	2,515,937	2,571,502	2,396,708	2,207,587	2,195,779
Total assets	$ 33,193,324	$ 33,215,400	$ 31,761,693	$ 30,600,757	$ 30,543,549
Noninterest-bearing deposits	$ 11,881,548	$ 11,759,085	$ 9,204,631	$ 8,775,632	$ 8,686,383
Interest-bearing transaction and savings deposits	9,971,869	9,605,254	8,931,192	8,845,097	8,758,993
Interest-bearing public fund deposits	3,176,225	3,326,033	3,251,445	3,364,416	2,954,966
Time deposits	2,001,017	2,631,896	3,621,228	2,818,430	3,800,957
Total interest-bearing deposits	15,149,111	15,563,183	15,803,865	15,027,943	15,514,916
Total deposits	27,030,659	27,322,268	25,008,496	23,803,575	24,201,299
Short-term borrowings	1,906,895	1,754,875	2,673,283	2,714,872	2,108,815
Long-term debt	385,887	386,269	225,606	233,462	246,641
Other liabilities	494,239	435,831	433,244	381,163	400,414
Stockholders' equity	3,375,644	3,316,157	3,421,064	3,467,685	3,586,380
Total liabilities & stockholders' equity	$ 33,193,324	$ 33,215,400	$ 31,761,693	$ 30,600,757	$ 30,543,549
For informational purposes only - included above					
SBA Paycheck Protection Program (PPP) loans	$ 2,323,691	$ 2,286,963	$ —	$ —	$ —

(in thousands)	Three Months Ended September 30, 2020	June 30, 2020	September 30, 2019	Nine Months Ended September 30, 2020	2019
Average Balance Sheet					
Total loans	$ 22,407,825	$ 22,957,032	$ 20,197,114	$ 22,200,385	$ 20,158,313
Loans held for sale	112,230	89,935	55,348	80,942	34,740
Securities (a)	6,389,214	6,129,616	6,004,688	6,223,361	5,750,530
Short-term investments	502,992	837,246	180,463	515,661	208,263
Earning assets	29,412,261	30,013,829	26,437,613	29,020,349	26,151,846
Allowance for loan losses	(446,901)	(425,844)	(197,259)	(371,646)	(196,297)
Goodwill and other intangible assets	949,287	954,252	886,868	954,328	884,254
Other assets	2,770,783	2,594,469	2,020,884	2,560,792	1,875,236
Total assets	$ 32,685,430	$ 33,136,706	$ 29,148,106	$ 32,163,823	$ 28,715,039
Noninterest-bearing deposits	$ 11,585,617	$ 10,989,921	$ 8,092,482	$ 10,450,457	$ 8,139,439
Interest-bearing transaction and savings deposits	9,806,826	9,387,292	8,179,240	9,332,604	8,096,299
Interest-bearing public fund deposits	3,196,767	3,320,338	2,979,494	3,256,228	3,077,760
Time deposits	2,174,585	3,005,071	3,840,139	2,894,969	3,800,771
Total interest-bearing deposits	15,178,178	15,712,701	14,998,873	15,483,801	14,974,830
Total deposits	26,763,795	26,702,622	23,091,355	25,934,258	23,114,269
Short-term borrowings	1,733,298	2,254,731	2,063,335	2,044,923	1,790,058
Long-term debt	386,015	276,891	234,240	298,436	230,528
Other liabilities	450,729	436,845	375,438	444,225	335,113
Stockholders' equity	3,351,593	3,465,617	3,383,738	3,441,981	3,245,071
Total liabilities & stockholders' equity	$ 32,685,430	$ 33,136,706	$ 29,148,106	$ 32,163,823	$ 28,715,039
For informational purposes only - included above					
SBA Paycheck Protection Program (PPP) loans	$ 2,308,021	$ 1,727,797	$ —	$ 1,348,786	$ —

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

Reconciliation of Non-GAAP Measures

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

	Three Months Ended			Nine Months Ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	2019
(in thousands)					
Net interest income	$ 235,183	$ 237,866	$ 222,939	$ 704,237	$ 662,061
Noninterest income	83,748	73,943	83,230	242,078	232,983
Total revenue	$ 318,931	$ 311,809	$ 306,169	$ 946,315	$ 895,044
Taxable equivalent adjustment (a)	3,189	3,248	3,652	9,885	11,194
Total revenue (te)	$ 322,120	$ 315,057	$ 309,821	$ 956,200	$ 906,238
Noninterest expense	(195,774)	(196,539)	(213,554)	(595,648)	(572,821)
Nonoperating expense	—	—	28,810	—	28,810
Operating pre-provision net revenue (te)	$ 126,346	$ 118,518	$ 125,077	$ 360,552	$ 362,227

Operating earnings per share - diluted

	Three Months Ended			Nine Months Ended	
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	2019
(in thousands)					
Net income (loss)	$ 79,356	$ (117,072)	$ 67,807	$ (148,749)	$ 235,248
Net income and dividends allocated to participating securities	(1,436)	(422)	(1,141)	(1,278)	(3,980)
Net income (loss) available to common shareholders	77,920	(117,494)	66,666	(150,027)	231,268
Nonoperating items, net of applicable income tax	—	—	22,760	—	30,720
Nonoperating items allocated to participating securities	—	—	(383)	—	(517)
Operating earnings (loss) available to common shareholders	$ 77,920	$ (117,494)	$ 89,043	(150,027)	261,471
Weighted average common shares - diluted	86,400	86,301	86,462	86,614	86,010
Earnings per share - diluted	$ 0.90	$ (1.36)	$ 0.77	$ (1.73)	$ 2.69
Operating earnings per share - diluted	$ 0.90	$ (1.36)	$ 1.03	$ (1.73)	$ 3.04

Quarter earnings per share - diluted, impact of energy loan sale

(in thousands, except per share amounts)	Three Months Ended June 30, 2020
Provision for credit losses attributable to the sale of energy loans	$ 160,101
Income tax benefit at a 21% rate	(33,621)
Impact of energy loan sale, net of income tax	$ 126,480
Weighted average common shares - diluted	86,323
Impact of energy loan sale per share - diluted	$ (1.47)

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

LIQUIDITY

Liquidity management ensures that funds are available to meet the cash flow requirements of our depositors and borrowers, while also meeting the operating, capital and strategic cash flow needs of the Company, the Bank and other subsidiaries. As part of the overall asset and liability management process, liquidity management strategies and measurements have been developed to manage and monitor liquidity risk. The Company enacted strategies in 2020 to strengthen liquidity through various measures to ensure funds are available to meet the needs of our day to day operations and those of our customers during this unprecedented period of disruption in financial and credit markets. At September 30, 2020, we had over $18 billion in net available sources of funds, summarized as follows:

(in millions)	September 30, 2020 Total Available	Amount Used	Net Availability
Internal Sources			
Cash and Free Securities	$ 4,719	$ —	$ 4,719
External Sources			
Federal Home Loan Bank	6,248	2,591	3,657
Federal Reserve Bank	4,567	—	4,567
Brokered Deposits	4,055	105	3,950
Other	1,244	—	1,244
Total Liquidity	$ 20,834	$ 2,696	$ 18,138

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments, maturities and repayments of investment securities and occasional sales of various assets. Short-term investments such as federal funds sold, securities purchased under agreements to resell and interest-bearing deposits with the Federal Reserve Bank or with other commercial banks are additional sources of liquidity to meet cash flow requirements. Free securities represent unpledged securities that can be sold or used as collateral for borrowings, and include unpledged securities assigned to short-term dealer repurchase agreements or to the Federal Reserve Bank discount window. Management has established an internal target for the ratio of free securities to total securities of 20% or greater. As shown in the table below, our ratio of free securities to total securities was 54.68% at September 30, 2020, compared to 48.83% at June 30, 2020 and 54.44% at September 30, 2019. The total of pledged securities at September 30, 2020 was $3.2 billion, down $73.9 million from June 30, 2020. Securities and FHLB letters of credit are pledged as collateral related to public funds and repurchase agreements.

Liquidity Metrics	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Free securities / total securities	54.68%	48.83%	25.42%	47.27%	54.44%
Core deposits / total deposits	96.22%	94.53%	90.48%	93.54%	90.31%
Wholesale funds / core deposits	9.42%	10.37%	17.76%	13.99%	15.54%
Quarter-to-date average loans /quarter-to-date average deposits	83.72%	85.97%	87.28%	88.22%	87.47%

The liability portion of the balance sheet provides liquidity mainly through the ability to use cash sourced from various customers' interest-bearing and noninterest-bearing deposit and sweep accounts. At September 30, 2020, deposits totaled $27.0 billion, a decrease of $291.6 million, or 1%, from June 30, 2020 and an increase of $2.8 billion, or 12%, from September 30, 2019. The decrease from June 30, 2020 is primarily attributable to a decrease in certificates of deposit ("CDs"). The increase from September 30, 2019 is largely attributable to the increase in noninterest-bearing deposits following the funding of PPP loans and the issuance of government stimulus payments. Core deposits consist of total deposits excluding CDs of $250,000 or more and brokered deposits. Core deposits totaled $26.0 billion at September 30, 2020, an increase of $178.9 million from June 30, 2020, and $4.2 billion from September 30, 2019. The ratio of core deposits to total deposits was 96.22% at September 30, 2020, compared to 94.53% at June 30, 2020 and 90.31% at September 30, 2019. Brokered deposits totaled $157.0 million as of September 30, 2020, a decrease of $381.4 million compared to June 30, 2020 and a decrease of $885.0 million compared to September 30, 2019. Brokered deposits declined compared to both comparative periods as brokered certificates that matured during the period were not reissued as part of our effort to utilize excess liquidity.

The use of brokered deposits as a funding source is subject to certain policies regarding the amount, term and interest rate. In the second quarter of 2020, the Bank implemented a reciprocal deposit program that allows depositors to place their uninsured deposits with other FDIC insured financial institutions in order to obtain FDIC insurance on those deposits, and allows us to reciprocate those deposits. To-date, there has been only minimal activity in this program.

Purchases of federal funds, securities sold under agreements to repurchase and other short-term borrowings from customers provide additional sources of liquidity to meet short-term funding requirements. Besides funding from customer sources, the Bank has a line of credit with the FHLB that is secured by blanket pledges of certain mortgage loans. At September 30, 2020, the Bank had borrowings of approximately $1.1 billion and had approximately $3.7 billion available under this line. The unused borrowing capacity at the Federal Reserve's discount window is approximately $4.6 billion; there were no outstanding borrowings with the Federal Reserve at any date during any period covered by this report.

Wholesale funds, which are comprised of short-term borrowings, long-term debt and brokered deposits were 9.42% of core deposits at September 30, 2020, compared to 10.37% at June 30, 2020 and 15.54% at September 30, 2019. At September 30, 2020, wholesale funds totaled $2.5 billion, a decrease of $229.7 million, or 8.6%, from June 30, 2020 and a decrease of $947.6 million, or 27.9%, from

September 30, 2019. The linked quarter decrease in wholesale funds was primarily attributable to the decrease in brokered deposits, offset by an increase in repurchase agreements. The year over year decrease in wholesale funds was attributable to decreases in brokered deposits and short-term borrowings, partially offset by the June 2020 issuance of subordinated debt. The Company has established an internal target for wholesale funds to be less than 25% of core deposits.

Another key measure used to monitor our liquidity position is the loan-to-deposit ratio (average loans outstanding for the reporting period divided by average deposits outstanding). The loan-to-deposit ratio measures the amount of funds the Company lends for each dollar of deposits on hand. Our average loan-to-deposit ratio for the third quarter of 2020 was 83.72%, compared to 85.97% for the second quarter of 2020 and 87.47% for the third quarter of 2019. Management has an established target range for the loan-to-deposit ratio of 87% to 89%, but may operate outside that range under certain circumstances. The loan to deposit ratio is currently impacted by the $2.3 billion of low-risk SBA guaranteed PPP lending that is expected to be largely repaid through the forgiveness process beginning in fourth quarter of 2020 through early 2021.

Cash generated from operations is another important source of funds to meet liquidity needs. The consolidated statements of cash flows present operating cash flows and summarize all significant sources and uses of funds during the nine months ended September 30, 2020 and 2019.

Dividends received from the Bank have been the primary source of funds available to the Parent for the payment of dividends to our stockholders and for servicing its debt. The liquidity management process takes into account the various regulatory provisions that can limit the amount of dividends the Bank can distribute to the Parent. On June 9, 2020, the Parent completed the issuance of subordinated notes payable with an aggregate principal amount of $172.5 million, providing additional liquidity that can be used by the Parent or to provide capital to the Bank, if deemed appropriate.

CAPITAL RESOURCES

Stockholders' equity totaled $3.4 billion at September 30, 2020, up $59.5 million from June 30, 2020 and down $210.7 million from September 30, 2019. The tangible common equity ratio was 7.53% at September 30, 2020, compared to 7.33% at June 30, 2020 and 8.82% at September 30, 2019. The increase in the tangible common equity ratio from June 30, 2020 is primarily attributable to tangible net earnings, partially offset by dividends paid. The decrease from September 30, 2019 is attributable to the decrease in retained earnings as a result of net loss, dividends paid and the cumulative effect of the adoption of CECL, share repurchases, and the growth in tangible assets, largely driven by the origination of PPP loans; these factors were partially offset by net gains on fair value adjustments included in accumulated other comprehensive income. Following the de-risking strategies executed during the first half of 2020, the tangible common equity ratio declined below management's internal target of at least 8.00%; however, the ratio has increased in third quarter and based on current expectations, we estimate the ratio to approximate 8.00% by the end of the year.

The regulatory capital ratios of the Company and the Bank at September 30, 2020 remained well in excess of current regulatory minimum requirements, including capital conservation buffers, by at least $428 million. The Company and the Bank have been categorized as “well-capitalized” in the most recent notices received from our regulators. Refer to the Supervision and Regulation section in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 for further discussion of our capital requirements.

The following table shows the regulatory capital ratios for the Company and the Bank as calculated under current rules for the indicated periods. The capital ratios at September 30, 2020, June 30, 2020 and March 31, 2020 reflect the election to use the interim final five-year transition rule issued on March 27, 2020 available for institutions required to adopt CECL as of January 1, 2020. The new CECL transition rule allows for the option to delay for two years the estimated impact of CECL on regulatory capital (0%), followed by a three-year transition (25% in 2022, 50% in 2023, 75% in 2024, and 100% thereafter). In addition, the two-year delay also includes full impact of January 1, 2020 impact plus an estimated impact of CECL calculated quarterly as 25% of the current ACL over the January 1, balance (modified transition amount). The modified transition amount will be recalculated each quarter in 2020 and 2021, with the December 31, 2021 impact carrying through remaining three-year transition. The election to use the revised final CECL transition rules favorably impacted our leverage ratio upon adoption by 19 bps and our tier 1 common, tier 1 equity and total capital regulatory ratios by 22 bps.

	Well-Capitalized	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Total capital (to risk weighted assets)						
Hancock Whitney Corporation	10.00%	12.92%	12.36%	11.87%	11.90%	12.43%
Hancock Whitney Bank	10.00%	11.78%	11.17%	11.45%	11.53%	11.19%
Tier 1 common equity capital (to risk weighted assets)						
Hancock Whitney Corporation	6.50%	10.30%	9.78%	10.02%	10.50%	11.02%
Hancock Whitney Bank	6.50%	10.53%	9.91%	10.20%	10.74%	10.39%
Tier 1 capital (to risk weighted assets)						
Hancock Whitney Corporation	8.00%	10.30%	9.78%	10.02%	10.50%	11.02%
Hancock Whitney Bank	8.00%	10.53%	9.91%	10.20%	10.74%	10.39%
Tier 1 leverage capital						
Hancock Whitney Corporation	5.00%	7.70%	7.37%	8.40%	8.76%	9.49%
Hancock Whitney Bank	5.00%	7.86%	7.47%	8.55%	8.96%	8.95%

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

On October 18, 2019, the Company entered into an accelerated share repurchase (“ASR”) agreement with Morgan Stanley & Co. LLC (“Morgan Stanley”) to repurchase $185 million of the Company’s common stock. Pursuant to the ASR agreement, the Company made a $185 million payment to Morgan Stanley on October 21, 2019, and received on the same day an initial delivery of approximately 3.6 million shares of the Company’s common stock. On March 18, 2020, pursuant to the terms of the agreement, the final settlement of the ASR commenced whereby the Company received approximately $12.1 million and a final delivery of 1.0 million shares.

In January 2020, the Company repurchased 315,851 shares of its common stock at a price of $40.26 per share in a privately negotiated transaction. The Company has repurchased a total of 4.9 million shares of the 5.5 million authorized under the buyback program at an average price of $37.65 per share through the ASR agreement and the privately negotiated transaction. The Company has suspended further repurchases of shares under this program.

On June 9, 2020, the Parent completed the issuance of subordinated notes with an aggregate principal amount of $172.5 million and a stated maturity of June 15, 2060, that qualify as tier 2 capital in the calculation of certain regulatory capital ratios.

On August 27, 2020, our board of directors declared a regular third quarter cash dividend of $0.27 per share, consistent with the prior quarter. The dividend was paid on September 15, 2020. The Company intends to pay its next quarterly dividend and is in consultation with its regulators regarding the dividend payment, while the board evaluates the dividend payout policy quarterly.

As of September 30, 2020, the Company has PPP loans totaling $2.3 billion that are guaranteed by the SBA, and when meeting certain regulatory criteria, are subject to forgiveness. These loans carry a 0% risk-weighting in the tier 1 and total capital regulatory ratios due to the full guarantee by the SBA. However, these loans are reflected in average assets used to compute tier 1 leverage.

BALANCE SHEET ANALYSIS

Securities

Investment in securities totaled $7.1 billion at September 30, 2020, up $674.5 million, or 11%, from June 30, 2020 and up $651.6 million, or 10%, from September 30, 2019. At September 30, 2020, securities available for sale totaled $5.7 billion and securities held to maturity totaled $1.4 billion. The purpose of our securities portfolio is to increase profitability, mitigate interest rate risk, provide liquidity and comply with regulatory requirements. Our securities portfolio includes securities categorized as available for sale and held to maturity. Available for sale securities are carried at fair value and may be sold prior to maturity. Unrealized gains or losses on available for sale securities, net of deferred taxes, are recorded as accumulated other comprehensive income in shareholders' equity.

Our securities portfolio consists mainly of residential and commercial mortgage-backed securities and collateralized mortgage obligations that are issued or guaranteed by U.S. government agencies. We invest only in high quality investment grade securities with a targeted portfolio effective duration generally between two and five and a half years. At September 30, 2020, the average expected maturity of the portfolio was 5.54 years with an effective duration of 4.00 years and a nominal weighted-average yield of 2.20%. Management simulations indicate that the effective duration would increase to 4.29 years with a 100 bp increase in the yield curve and increase to 4.50 years with a 200 bp increase. At June 30, 2020, the average expected maturity of the portfolio was 5.51 years with an effective duration of 3.79 years and a nominal weighted-average yield of 2.41%. The average maturity of the portfolio at September 30, 2019 was 5.75 years, with an effective duration was 4.0 years and the nominal weighted-average yield was 2.63%. The changes in expected maturity, effective duration, and nominal weighted-average yield compared to prior quarter and year-over-year were primarily related to securities portfolio growth and the reinvestment of the securities portfolio maturities, paydowns and sales.

Effective January 1, 2020 and in conjunction with the adoption of CECL, and again as of September 30, 2020, the Company evaluated its securities portfolio for credit loss. Based on our assessment, expected credit loss was negligible for both periods and therefore, no allowance for credit loss was recorded.

Loans

Total loans at September 30, 2020 were $22.2 billion, down $0.4 billion, or 2%, from June 30, 2020, and up $1.2 billion, or 6%, from September 30, 2019. The linked-quarter decline was primarily related to limited demand throughout our footprint stemming from the current economic environment. Growth compared to the same quarter last year reflect the originations of PPP loans, partially offset by the sale of a portion of the energy loan portfolio and a decrease in demand across our footprint.

The following table shows the composition of our loan portfolio at each date indicated:

(in thousands)	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Total loans:					
Commercial non-real estate	$ 10,257,788	$ 10,465,280	$ 9,321,340	$ 9,166,947	$ 8,893,004
Commercial real estate - owner occupied	2,779,407	2,762,259	2,731,320	2,738,460	2,734,379
Total commercial and industrial	13,037,195	13,227,539	12,052,660	11,905,407	11,627,383
Commercial real estate - income producing	3,406,554	3,350,299	3,232,783	2,994,448	3,060,568
Construction and land development	1,096,149	1,128,959	1,098,726	1,157,451	1,190,718
Residential mortgages	2,754,388	2,877,316	2,979,985	2,990,631	3,004,958
Consumer	1,945,918	2,044,264	2,151,527	2,164,818	2,152,325
Total loans	$ 22,240,204	$ 22,628,377	$ 21,515,681	$ 21,212,755	$ 21,035,952

Commercial and industrial ("C&I") loans, including both non-real estate and owner occupied real estate secured loans, totaled approximately $13.0 billion, or 59% of the total loan portfolio, at September 30, 2020, a decrease of $0.2 billion, or 1%, from June 30, 2020 and an increase of $1.4 billion, or 12%, from September 30, 2019. The linked-quarter decline is primarily due to lower demand across our footprint. The year over year increase is related to PPP loan originations, partially offset by the energy loan sale and lower demand across most regions and specialty lines as a result of the economic impact of the pandemic.

The Bank lends mainly to middle market and smaller commercial entities, although it participates in larger shared credit loan facilities. Shared national credits funded at September 30, 2020 totaled approximately $1.6 billion, or 7% of total loans, a decrease of $145.3 million from June 30, 2020, due primarily to the energy loan sale. At September 30, 2020, approximately $291.1 million of our shared national credits were with healthcare-related customers.

Loans to borrowers in the energy sector totaled $337.8 million at September 30, 2020, down $14.1 million, or 4%, from June 30, 2020 and $696.0 million, or 67%, compared to September 30, 2019. The linked quarter decrease in energy-related loans resulted from net paydowns. The year-over-year decrease was largely due to the sale of $497 million of energy loans in June 2020, net paydowns and charge-offs, partially offset by acquired MidSouth energy loans. At September 30, 2020, the majority of the remaining energy portfolio is comprised of customers engaged in onshore and offshore services and products to support exploration and production activities, with approximately 70% of the balances in increments of $10 million or less.

Our loan portfolio is well diversified by product, client, and geography throughout our footprint. Nevertheless, we may be exposed to certain concentrations of credit risk which exist in relation to different borrowers or groups of borrowers, specific types of collateral, industries, loan products, or regions. The following table provides detail of the more significant industry concentrations for our commercial and industrial loan portfolio, which is based on NAICS codes for all industries, with the exceptions of energy, which is based on the borrower's source of revenue (i.e. manufacturer whose income is derived from energy-related business is reported as energy), and PPP loans, as those are expected to be 100% SBA guaranteed and therefore have limited credit risk.

	September 30, 2020		June 30, 2020		March 31, 2020		December 31, 2019		September 30, 2019	
($ in thousands)	Balance	Pct of Total	Balance	Pct of Total	Balance	Pct of Total	Balance	Pct of Total	Balance	Pct of Total
Commercial & industrial loans:										
Real estate and rental and leasing	$ 1,273,360	10%	$ 1,326,198	10%	$ 1,420,629	12%	$ 1,432,319	12%	$ 1,454,795	13%
Healthcare and social assistance	1,135,986	9%	1,129,983	9%	1,201,423	10%	1,144,369	10%	1,084,884	9%
Retail trade	1,035,295	8%	1,057,248	8%	1,066,780	9%	1,098,810	9%	1,060,765	9%
Manufacturing	934,582	7%	967,054	7%	959,653	8%	928,467	8%	957,622	8%
Transportation and warehousing	825,113	3%	839,192	6%	828,215	7%	768,971	6%	705,536	6%
Public administration	696,160	6%	723,565	5%	761,284	6%	774,401	7%	765,492	7%
Finance and insurance	655,468	5%	693,044	5%	740,915	6%	677,500	6%	632,197	5%
Wholesale trade	664,648	5%	691,671	5%	784,354	7%	751,794	6%	691,648	6%
Accommodation, food services and entertainment	632,582	5%	640,167	5%	616,473	5%	613,982	5%	611,663	5%
Construction	631,239	5%	599,238	5%	700,313	6%	724,614	6%	637,512	5%
Professional, scientific, and technical services	481,296	5%	476,011	4%	503,325	4%	515,634	4%	492,424	4%
Other services (except public administration)	433,718	4%	442,407	4%	456,084	4%	451,889	4%	476,731	4%
Energy	335,677	3%	348,547	3%	935,076	8%	958,486	8%	1,026,680	9%
Educational services	309,664	2%	323,673	2%	326,708	3%	342,544	3%	353,366	3%
Other	668,716	5%	682,578	5%	751,428	5%	721,627	6%	676,068	7%
Total commercial & industrial loans	$ 10,713,504	82%	$ 10,940,576	83%	$ 12,052,660	100%	$ 11,905,407	100%	$ 11,627,383	100%
PPP loans	2,323,691	18%	2,286,963	17%	—	—	—	—	—	—
Total commercial & industrial loans	$ 13,037,195	100%	$ 13,227,539	100%	$ 12,052,660	100%	$ 11,905,407	100%	$ 11,627,383	100%

Commercial real estate – income producing loans totaled approximately $3.4 billion at September 30, 2020, an increase of $56.3 million, or 2%, from June 30, 2020 and $346.0, or 11%, from September 30, 2019. Construction and land development loans, totaling approximately $1.1 billion at September 30, 2020, decreased $32.8 million, or 3%, from June 30, 2020 and $94.6 million, or 8%, from September 30, 2019. The following table details for the preceding five quarters the end-of-period aggregated commercial real estate – income producing and construction loan balances by property type. Loans reflected in 1-4 Family Residential Construction include both loans to construction builders as well as single family borrowers.

	September 30, 2020		June 30, 2020		March 31, 2020		December 31, 2019		September 30, 2019	
($ in thousands)	Balance	Pct of Total	Balance	Pct of Total	Balance	Pct of Total	Balance	Pct of Total	Balance	Pct of Total
Commercial real estate - income producing and construction loans:										
Retail	$ 744,994	17%	$ 712,844	16%	$ 708,087	16%	$ 663,196	16%	$ 636,484	15%
Multifamily	625,992	14%	601,749	13%	552,464	13%	520,444	13%	539,994	13%
Healthcare related properties	559,196	12%	546,641	12%	569,166	13%	517,855	12%	562,726	13%
Office	504,168	11%	537,476	12%	475,565	11%	447,972	11%	447,872	11%
Industrial	530,450	12%	538,955	12%	535,070	12%	498,291	12%	491,984	12%
Hotel, motel and restaurants	524,275	12%	510,021	11%	502,866	12%	477,728	11%	431,082	10%
1-4 family residential construction	464,347	10%	457,011	10%	439,739	10%	443,835	11%	486,848	11%
Other land loans	273,915	6%	258,858	6%	246,377	6%	250,357	6%	262,298	6%
Other	275,366	6%	315,703	8%	302,175	7%	332,221	8%	391,998	9%
Total commercial real estate - income producing and construction loans	$ 4,502,703	100%	$ 4,479,258	100%	$ 4,331,509	100%	$ 4,151,899	100%	$ 4,251,286	100%

Our residential mortgages loan portfolio totaled $2.8 billion at September 30, 2020, down $122.9 million, or 4%, from June 30, 2020 and down $250.6 million, or 8%, compared to September 30, 2019. The low interest rate environment has led to increased activity in mortgages originated for sale, resulting in a decline in our residential mortgage portfolio. Generally, fixed-rate longer-term loans originated are sold in the secondary market. The consumer loan portfolio totaled $1.9 billion at September 30, 2020, down $98.3 million, or 5%, compared to June 30, 2020, and down $206.4 million, or 10%, compared to September 30, 2019. The decline in the consumer loan portfolio is due in part to the wind down of indirect auto lending.

The markets that we serve have been negatively impacted by the widespread economic shutdown and market turmoil caused by the pandemic and prolonged depressed oil prices. While we expect to see impacts across all of our portfolios, we have identified four principle sectors that are of particular focus where we expect there may be a greater effect and a more challenging recovery. We are closely monitoring our concentrations in these industries and others with active and frequent borrower dialogue, payment deferral, and other accommodations and financial support, where warranted. While these industries and others have been significantly impacted by the pandemic, the long-term impacts remain unknown and are dependent on several factors, including the severity of the economic downturn, length of time until full recovery and the effectiveness of government stimulus plans.

The table below summarizes our funded commercial loan exposure to these sectors under focus at September 30, 2020 and the relative concentration to the total loan portfolio, excluding low-risk SBA guaranteed PPP loans. Loans within our sectors under focus total approximately 24% of total loans outstanding, excluding PPP loans, and comprise nearly 50% of both our commercial criticized and pass watch rated loans.

($ in thousands)	Balance	Percentage of Total Loans *
Sectors under focus *		
Healthcare and social assistance		
Hospitals	$ 288,073	1.40%
Offices of physicians & dentists	477,719	2.40%
Assisted living (investor CRE)	372,119	2.00%
Assisted living (non- investor CRE)	207,470	1.00%
All other healthcare	242,173	1.20%
Total healthcare and social assistance	1,587,554	8.00%
Hospitality		
Hotel	523,117	2.60%
Restaurants full service, casual dining and bars	370,109	1.90%
Restaurants limited service	121,086	0.60%
Entertainment	147,291	0.70%
Total hospitality	1,161,603	5.80%
Retail trade		
Retail CRE	670,955	3.40%
Retail goods and services	1,096,208	5.50%
Total retail trade	1,767,163	8.90%
Energy	337,828	1.70%
Total Sectors under focus	$ 4,854,148	24.40%

* Excludes PPP loans

Management's expectation for loan growth through the remainder of the year is tempered given the ongoing economic environment. We expect forgiveness of PPP loans to begin in fourth quarter and continue through early 2021. As such, continued contraction of total loans is anticipated for the fourth quarter of 2020.

Allowance for Credit Losses and Asset Quality

The Company's allowance for credit losses was $480.2 million at September 30, 2020, compared to $479.2 million at June 30, 2020 and $195.2 million at December 31, 2019. The adoption of the CECL standard on January 1, 2020 includes increases totaling $49.4 million in the funded allowance for loan losses and $27.3 million in the reserve for unfunded lending commitments. These increases are the result of the difference between estimated incurred losses at the adoption date and the forward-looking projected losses over the remaining estimated term of the financial instruments. The higher reserves from the change in accounting principal is largely driven by our longer-term assets as well as expected future funding of construction lending and certain other revolving products. Refer to Note 1 – Basis of Presentation – Critical Accounting Policies and Estimates for a description of the CECL methodology and Note 16 – Recent Accounting Pronouncements for additional discussion of the impact of adoption.

The $1.0 million increase in the third quarter 2020 allowance for credit losses is primarily due to higher individually evaluated reserves (generally used for nonperforming and troubled debt restructured loans), largely offset by lower collectively evaluated reserves driven by a modestly improved economic forecast and lower overall outstanding balances. The Company probability-weighted three Moody's macroeconomic scenarios in the calculation of our collectively evaluated allowance for credit losses. Consistent with the second quarter, the baseline scenario was weighted most heavily at 50% and the upside scenario S-1 (faster near-term growth) and downside scenario S-2 (slower near-term growth) were each weighted 25% to incorporate reasonably possible alternative economic outcomes. All three economic scenarios utilized reflect a gradual recovery from the recessionary first half of 2020, with second quarter 2020 unemployment as the peak; however, the upside and downside scenarios have varying degrees of size and timing of additional fiscal stimulus and duration of recovery. The baseline scenario reflects what we believe to be the most likely outcome, and, therefore was given the greatest probability weighting, and the alternative scenarios reflect reasonably possible outcomes due to the uncertainty, both upside and downside, in the economy in the near-term.

The September 2020 baseline forecast assumes that the new cases of COVID-19 peaked in July 2020 and does not include new widespread business closures. In this scenario, a vaccine is expected by April 2021 and infections are expected to abate by June 2021. Positive job numbers reported to-date have led to a slighter quicker recovery in the U.S. job market than included in the June 2020 forecast. This scenario assumes that an additional stimulus bill is passed in 2020 to aid in the recovery. Additional information on the September Baseline forecast is provided in the "Economic Outlook and Ongoing Impact of COVID-19" of this document. The stronger near-term growth S-1 forecast reflects a quicker economic recovery than the baseline forecast, with more rapid GDP growth and lower unemployment rates through our reasonable and supportable forecast period. The slower near-term growth S-2 forecast

reflects a slower economic recovery than the baseline forecast, with higher incidence of infection and death and restrictions on travel and business winding down somewhat more slowly, resulting in higher unemployment rates than the Baseline scenario in the reasonable and supportable period. The S-2 scenario also reflects a delay in additional economic stimulus with sustained recovery not occurring until the second half of 2021.

The $285 million increase in the allowance for credit loss for September 30, 2020 compared to December 31, 2019, reflects the $76.7 million cumulative effect adjustment for the adoption of CECL and a net reserve build of $208.2 million which included increases for pandemic-related impacts to the economy, net of the second quarter allowance release of $82.5 million related to the energy loan sale.

Our allowance for credit loss coverage to total loans remains strong at 2.16% at September 30, 2020, or 2.40% when excluding SBA guaranteed PPP loans, compared to 2.12% at June 30, 2020, or 2.36% excluding PPP loans, and 0.92% at December 31, 2019.

The allowance for credit losses on the commercial nonenergy portfolio increased to $357.2 million, or 2.08% of that portfolio, at September 30, 2020 compared to the June 30, 2020 allowance of $350.5 million, or 2.01%. The commercial nonenergy portfolio includes concentration in lessors of real estate to various pandemic-impacted industries including hospitality and tourism which includes hotels, restaurants, and bars, certain nonessential healthcare, certain types of retail outlets, and other industries that have been significantly impacted by the widespread shutdown. The increase in allowance is primarily due to individually evaluated reserves, largely in the healthcare sector, with increased coverage reflecting declining loan balances as demand has been limited throughout the footprint. The allowance for credit losses on the energy portfolio increased to $21.4 million, or 6.33% of that portfolio, compared to the June 30, 2020 allowance of $19.9 million, or 5.66%, with the increase also due to individually evaluated credits. Our residential mortgage reserve for credit loss decreased to $51.8 million, or 1.88%, at September 30, 2020, compared to $57.4 million, or 2.02%, at June 30, 2020, due primarily to favorable movement in forecasted variables for home prices. Our allowance for credit losses on the consumer portfolio was $49.8 million, or 2.56 %, at September 30, 2020, compared to $51.5 million, or 2.52 %, at June 30, 2020.

Criticized commercial loans totaled $412 million at September 30, 2020, up from $348 million at June 30, 2020. The increase in commercial criticized loans includes $39 million attributable to the commercial nonenergy portfolio and $25 million attributable to the energy portfolio and was largely concentrated in pandemic-impacted portfolios. Criticized loans are defined as those having potential weaknesses that deserve management’s close attention (risk-rated as special mention, substandard and doubtful), including both accruing and nonaccruing loans. The Company routinely assesses the ratings of loans in its portfolio through an established and comprehensive portfolio management process. In addition, the Company often looks at portfolios of loans to determine if there are areas of risk not specifically identified in its loan by loan approach. In alignment with regulatory guidance, we have been working with our customers by providing various types of loan deferrals to manage the effects of economic stress. While a significant number of these deferrals have expired, our ability to predict future cash flow is limited due to economic uncertainty, and we expect that further risk rating adjustments may be required.

Net charge-offs were $24.0 million, or .43% of average total loans on an annualized basis in the third quarter of 2020, compared to $302.7 million, or 5.30% of average total loans in the second quarter of 2020. Commercial net charge-offs totaled $23.2 million in the third quarter of 2020, consisting largely of charges related to healthcare-dependent credits. This compared to second quarter commercial charge-offs of $299.4 million, which included $242.6 million of charge-offs from the energy loan sale. Our residential mortgage portfolio reflected minimal net recoveries in both the third and second quarters of 2020 and consumer net charge-offs were $1.1 million in the third quarter of 2020, down from $3.9 million in the prior quarter. Third quarter 2020 consumer charge-offs were favorably impacted by loan deferrals and are expected to return to more normalized levels in the near term.

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

(in thousands)	Three Months Ended September 30, 2020	Three Months Ended June 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Provision and Allowance for Credit Losses					
Allowance for loan losses:					
Allowance for loan losses at beginning of period	$ 442,638	$ 426,003	$ 195,625	$ 191,251	$ 194,514
Loans charged-off:					
Commercial non real estate	24,557	298,853	11,729	364,123	33,382
Commercial real estate - owner-occupied	122	1,192	66	1,828	137
Total commercial & industrial	24,679	300,045	11,795	365,951	33,519
Commercial real estate - income producing	710	671	—	2,211	10
Construction and land development	2	5	7	7	7
Total commercial	25,391	300,721	11,802	368,169	33,536
Residential mortgages	29	-	221	170	660
Consumer	2,904	5,196	5,002	13,640	13,169
Total charge-offs	28,324	305,917	17,025	381,979	47,365
Recoveries of loans previously charged-off:					
Commercial non real estate	1,532	1,073	2,932	4,831	5,662
Commercial real estate - owner-occupied	552	26	63	659	284
Total commercial & industrial	2,084	1,099	2,995	5,490	5,946
Commercial real estate - income producing	—	39	516	46	518
Construction and land development	98	217	11	549	108
Total commercial	2,182	1,355	3,522	6,085	6,572
Residential mortgages	317	549	167	1,078	433
Consumer	1,817	1,329	862	4,360	2,866
Total recoveries	4,316	3,233	4,551	11,523	9,871
Total net charge-offs	24,008	302,684	12,474	370,456	37,494
Provision for loan losses	30,044	319,319	12,421	578,468	38,552
Cumulative effect of change in accounting principle (a)	—	-	—	49,411	—
Allowance for loan losses at end of period	$ 448,674	$ 442,638	$ 195,572	$ 448,674	$ 195,572
Reserve for Unfunded Lending Commitments:					
Reserve for Unfunded Lending Commitments at beginning of period	$ 36,571	$ 48,992	$ —	$ 3,974	$ —
Cumulative effect of change in accounting principle (a)	—	—	—	27,330	—
Provision for losses on unfunded lending commitments	(5,045)	(12,421)	—	222	—
Reserve for unfunded lending commitments at end of period	$ 31,526	$ 36,571	$ —	$ 31,526	$ —
Total Allowance for Credit Losses	$ 480,200	$ 479,209	$ 195,572	$ 480,200	$ 195,572
Total Provision for Credit Losses	$ 24,999	$ 306,898	$ 12,421	$ 578,690	$ 38,552
Ratios:					
Gross charge-offs to average loans	0.50%	5.36%	0.33%	2.30%	0.31%
Recoveries to average loans	0.08%	0.06%	0.09%	0.07%	0.07%
Net charge-offs to average loans	0.43%	5.30%	0.25%	2.23%	0.25%
Allowance for loan losses to period-end loans	2.02%	1.96%	0.93%	2.02%	0.93%
Allowance for credit losses to period-end loans	2.16%	2.12%	0.93%	2.16%	0.93%
For informational purposes - included above					
Provision for credit loss associated with energy	$ —	$ 160,101	$ —	$ 160,101	$ —
Charge-offs associated with energy loan sale	$ —	$ 242,628	$ —	$ 242,628	$ —

(a) Represents the increase in the allowance upon the January 1, 2020 adoption of ASC 326, commonly referred to as Current Expected Credit Losses, or CECL.

The following table sets forth nonperforming assets by type for the periods indicated, consisting of nonaccrual loans, troubled debt restructurings and foreclosed and surplus ORE and other foreclosed assets. Loans past due 90 days or more and still accruing are also disclosed.

(in thousands)	September 30, 2020	December 31, 2019
Loans accounted for on a nonaccrual basis: (a)		
Commercial non-real estate	$ 41,401	$ 49,628
Commercial non-real estate - restructured	36,783	129,050
Total commercial non-real estate	78,184	178,678
Commercial real estate - owner occupied	14,394	7,413
Commercial real estate - owner-occupied - restructured	289	295
Total commercial real estate - owner-occupied	14,683	7,708
Commercial real estate - income producing	6,932	2,489
Commercial real estate - income producing - restructured	96	105
Total commercial real estate - income producing	7,028	2,594
Construction and land development	3,192	1,051
Construction and land development - restructured	42	166
Total construction and land development	3,234	1,217
Residential mortgage	40,865	36,638
Residential mortgage - restructured	2,731	2,624
Total residential mortgage	43,596	39,262
Consumer	24,737	16,159
Consumer - restructured	—	215
Total consumer	24,737	16,374
Total nonaccrual loans	$ 171,462	$ 245,833
Restructured loans - still accruing:		
Commercial non-real estate	$ 5,195	$ 59,136
Commercial real estate - owner occupied	—	—
Commercial real estate - income producing	357	373
Construction and land development	123	111
Residential mortgage	2,308	514
Consumer	1,132	1,131
Total restructured loans - still accruing	9,115	61,265
Total nonperforming loans	180,577	307,098
ORE and foreclosed assets	11,640	30,405
Total nonperforming assets (b)	$ 192,217	$ 337,503
Loans 90 days past due still accruing to loans (c)	$ 10,439	$ 6,582
Total restructured loans	$ 49,056	$ 193,720
Ratios:		
Nonperforming assets to loans plus ORE and foreclosed assets	0.86%	1.59%
Allowance for loan losses to nonperforming loans and accruing loans 90 days past due	234.89%	60.97%
Loans 90 days past due still accruing to loans	0.05%	0.03%

(a) Nonaccrual loans do not include purchased credit impaired loans accounted for under ASC 310-30 that would have otherwise been considered nonperforming, totaling $17.5 million at December 31, 2019. Effective January 1, 2020 with the adoption of ASC 326, such metrics include both originated and acquired.

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

(c) Accruing loans past due 90 days or more do not include purchased credit impaired loans accounted for under ASC 310-30 that would have otherwise been considered delinquent, totaling $8.3 million at December 31, 2019. Effective January 1, 2020 with the adoption of ASC 326, such metrics include both originated and acquired.

Nonperforming assets totaled $192.2 million at September 30, 2020, down $20.3 million from June 30, 2020, and $145.3 million from December 31, 2019. Nonperforming loans decreased approximately $13.3 million compared to June 30, 2020, and $126.5 million from December 31, 2019. The decline in nonperforming loans compared to the prior quarter was largely due to charge-offs, while the decrease from year-end was primarily due to the energy loan sale. ORE and foreclosed assets decreased to $11.6 million at September 30, 2020, from $18.7 million at June 30, 2020, and $30.4 million at December 31, 2019. The decrease compared to year-end includes the first quarter 2020 write-downs of equity interest in two energy-related companies received in borrower bankruptcy restructurings

on two energy credits totaling $9.8 million. Nonperforming assets as a percent of total loans, ORE and other foreclosed assets was 0.86% at September 30, 2020, down 8 bps from June 30, 2020, and 73 bps from December 31, 2019.

Short-Term Investments

Short-term liquidity assets are held to ensure funds are available to meet the cash flow needs of both borrowers and depositors. Short-term liquidity investments, including interest-bearing bank deposits and federal funds sold, were $779.1 million at September 30, 2020, up $18.9 million from June 30, 2020 and $729.5 million from September 30, 2019. Typically, these balances will change on a daily basis depending upon movement in customer loan and deposit accounts. Average short-term investments of $503.0 million for the third quarter of 2020 were down $334.3 million compared to the second quarter of 2020, and up $322.5 million compared to the third quarter of 2019.

Deposits

Deposits provide the most significant source of funding for our interest earning assets. Our ability to compete for market share depends on our deposit pricing and our wide range of products and services that are focused on customer needs. In order to meet our customers' needs, we offer high-quality banking services with convenient delivery channels, including online and mobile banking. We provide specialized services to our commercial customers to promote commercial deposit growth. These services include treasury management, industry expertise and lockbox services.

Total deposits were $27.0 billion at September 30, 2020, down $291.6 million, or 1%, from June 30, 2020, primarily driven by a decrease in certificates of deposit, both retail and brokered. Total deposits increased $2.8 billion, or 12%, from September 30, 2019, primarily due to strong growth in noninterest-bearing deposits, largely the result of proceeds from PPP loan funding remaining on deposit. Average deposits for the third quarter of 2020 were $26.8 billion, up $61.2 million, or less than 1%, from the second quarter of 2020 and up $3.7 billion, or 16%, from the third quarter of 2019.

Noninterest-bearing demand deposits were $11.9 billion at September 30, 2020, up $122.5 million, or 1%, from June 30, 2020, and $3.2 billion, or 37%, from September 30, 2019. The continued elevated balances are primarily due to residual impacts of the stimulus response to the pandemic. We expect the balance to decline during the fourth quarter as these funds are utilized. The year over year increase reflects the deposit of proceeds from PPP loans funded primarily during the second quarter of 2020. Noninterest-bearing demand deposits comprised 44% of total deposits at September 30, 2020, 43% at June 30, 2020 and 36% at September 30, 2019.

Interest-bearing transaction and savings accounts of $10.0 billion at September 30, 2020 increased $366.6 million, or 4%, from June 30, 2020 and $1.2 billion, or 14%, from September 30, 2019. These increases were primarily driven by movement from maturing certificates of deposit in the low interest rate environment, as well as PPP loan proceeds that remain in customer accounts.

Interest-bearing public fund deposits totaled $3.2 billion at September 30, 2020, down $149.8 million, or 5%, from June 30, 2020, and up $221.3 million, or 7%, from September 30, 2019. Time deposits other than public funds totaled $2.0 billion at September 30, 2020, down $630.9 million, or 24%, from June 30, 2020, with a $392.2 million decrease in brokered certificates of deposit and a $238.7 million decrease in retail certificates of deposits. The decrease in time deposits resulted from higher level of maturities and slower production due to the pandemic. Maturing brokered deposits were not replaced due to excess liquidity. Time deposits other than public funds were down $1.8 billion, or 47%, from September 30, 2019, with a decrease of $936.4 million in brokered certificates of deposit and $863.6 million in retail certificates of deposits.

Short-Term Borrowings

At September 30, 2020, short-term borrowings totaled $1.9 billion, up $152 million, or 9%, from June 30, 2020 driven by an increase in repurchase agreements. Short-term borrowings decreased $201.9 million, or 10%, from September 30, 2019, mainly due to decreases of $337.5 million in FHLB borrowings and $125.2 million in federal funds purchased, partially offset by an increase of $260.7 million in repurchase agreements.

Average short-term borrowings of $1.7 billion in the third quarter of 2020 were down $521.4 million, or 23%, compared to the second quarter of 2020, and $330.0 million, or 16%, compared to the third quarter of 2019.

Customer repurchase agreements and FHLB borrowings are the major sources of short-term borrowings. Customer repurchase agreements are offered mainly to commercial customers to assist them with their cash management strategies or to provide a temporary investment vehicle for their excess liquidity pending redeployment for corporate or investment purposes. While customer

repurchase agreements provide a recurring source of funds to the Bank, amounts available will vary. FHLB borrowings are funds from the Federal Home Loan Bank that are collateralized by certain residential mortgage and commercial real estate loans included in the Bank's loan portfolio, subject to specific criteria.

Long-Term Debt

Long-term debt totaled $385.9 million at September 30, 2020 and $386.3 million at June 30, 2020, compared to $246.6 million at September 30, 2019. On June 9, 2020, the Parent completed the issuance of subordinated notes payable with an aggregate principal amount of $172.5 million with a stated maturity of June 15, 2060. The notes accrue interest at a fixed rate of 6.25% per annum, with quarterly interest payments that began September 15, 2020. Subject to prior approval by the Federal Reserve, the Company may redeem the notes in whole or in part on any interest payment date on or after June 15, 2025. This debt qualifies as tier 2 capital in the calculation of certain regulatory capital ratios.

Long-term debt also includes subordinated notes payable with an aggregate principal amount of $150 million with a stated maturity of June 15, 2045with a fixed rate of 5.95% per annum. Subject to prior approval by the Federal Reserve, the Company may redeem these notes in whole or in part on any of its quarterly interest payment dates after June 15, 2020. This debt also qualifies as tier 2 capital in the calculation of certain regulatory capital ratios. The remaining long-term debt is comprised primarily of borrowings associated with tax credit fund activities.

OFF-BALANCE SHEET ARRANGEMENTS

Loan Commitments and Letters of Credit

In the normal course of business, the Bank enters into financial instruments, such as commitments to extend credit and letters of credit, to meet the financing needs of its customers. Such instruments are not reflected in the accompanying consolidated financial statements until they are funded, although they expose the Bank to varying degrees of credit risk and interest rate risk in much the same way as funded loans. Under regulatory capital guidelines, the Company and Bank must include unfunded commitments meeting certain criteria in risk-weighted capital calculations.

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

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

The contract amounts of these instruments reflect the Company's exposure to credit risk. The Company undertakes the same credit evaluation in making loan commitments and assuming conditional obligations as it does for on-balance sheet instruments and may require collateral or other credit support. At September 30, 2020, the Company had a reserve for unfunded lending commitments totaling $31.5 million.

The following table shows the commitments to extend credit and letters of credit at September 30, 2020 according to expiration date.

		Expiration Date			
(in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Commitments to extend credit	$ 7,803,139	$ 3,794,225	$ 1,756,576	$ 1,415,153	$ 837,185
Letters of credit	369,538	279,980	81,560	7,998	—
Total	$ 8,172,677	$ 4,074,205	$ 1,838,136	$ 1,423,151	$ 837,185

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

On January 1, 2020, the Company adopted Accounting Standards Codification ("ASC") 326, "Financial Instruments – Credit Losses," more commonly referred to as "CECL." The provisions of this guidance required a material change to the manner in which the Company estimates and reports losses on financial instruments. Changes to the Company's accountings policies related to CECL are disclosed in Note 1 – Basis of Presentation – Critical Accounting Estimates, with further discussion of changes to significant accounting estimates noted below. Further, the Company performed a quantitative interim test of goodwill impairment during the nine months ended September 30, 2020. There were no other material changes or developments during the reporting period with respect to methodologies that the Company uses when applying what management believes are critical accounting policies and developing critical accounting estimates as disclosed in its Annual Report on Form 10-K for the year ended December 31, 2019.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and with those generally practiced 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.

Allowance for Credit Loss

The allowance for credit losses is established in accordance with the CECL standard which introduces several additional subjective inputs to the allowance estimation process. The standard requires that management incorporate an economic forecast for a reasonable and supportable period, which is two years based on our current policy. The Company utilizes third party forecasts that consist of multiple economic scenarios, including a baseline, with a probability distribution of 50% better or worse economic performance and various upside and downside scenarios utilized an aggregated state (or regional) levels across our footprint or national level, depending on the portfolio. The economic forecasts are generally lagging and may not incorporate all events and circumstances through the financial statement date. The Company's management considers available forecasts, current events not captured and our specific portfolio characteristics and applies weights to the scenario output based on a best estimate of likely outcomes. During 2020, the United States and global financial markets experienced unprecedented volatility, with significant uncertainty surrounding the pandemic, including varying degrees of economic shutdown and a significant and sustained decline in oil prices. The lack of a vaccine or decidedly effective medical treatment for the virus has significantly reduced travel and impaired tourism and trade, which has deteriorated the Gulf Coast economy. Changing economic conditions and resulting government response in the form of interest rate adjustments and several current and expected future stimulus packages have introduced enhanced estimation uncertainty in the forecasts used to estimate expected credit loss. Our credit loss models were built using historical data that may not correlate to economic conditions stemming from the pandemic. The estimate of the life of a loan considers both contractual cash flows as well as estimated prepayments and forecasted draws on unfunded loan commitments that were also built on historical data that may react differently given the current environment. Such forecasted information is inherently uncertain, particularly in the volatile environment resulting from the pandemic. Forecast uncertainty includes the severity of the impact to local and global economic conditions as well as the timing of recovery, among other things. Therefore, actual results may differ significantly from management's estimates.

The quantitative loss rate analysis is supplemented by a review of qualitative factors that considers whether conditions differ from those existing during the historical periods used in the development of the credit loss models. Such factors include, but are not limited to, problem loan trends, changes in loan profiles and volumes, changes in lending policies and procedures, current economic and business conditions, credit concentrations, model limitations and other factors not captured by our models. While quantitative data for these factors is used where available, there is a high level of judgment applied in these processes.

For credits that are individually evaluated, a specific allowance is calculated as the shortfall between the credit's value and the bank's exposure. The loan's value is measured by either the loan's observable market price, the fair value of the collateral of the loan (less liquidation costs) if it is collateral dependent, or by the present value of expected future cash flows discounted at the loan's effective interest rate. Collateral on impaired loans includes, but is not limited to, commercial and residential real estate, oil and gas reserves, marine vessels, accounts receivable and other corporate assets. Values for impaired credits are highly subjective and based on information available at the time of valuation and the current resolution strategy. These values are difficult to assess and have heightened uncertainty resulting from the impact of the pandemic on market conditions. Actual results could differ from these estimates.

Management considers the appropriateness of these critical assumptions as part of its allowance review and believes the ACL level is appropriate based on information available through the financial statement date. Refer to Note 4 – Loans and Allowance for Credit Losses for further discussion of significant assumptions used in the current allowance calculation.

Goodwill Impairment Testing

Goodwill, which represents the excess of cost over the fair value of the net assets of an acquired business, is not amortized but is assessed for impairment on an annual basis, or more often if events or circumstances indicate that it is more likely than not that a goodwill impairment exists. The Company completed its annual impairment test of goodwill as of September 30, 2019 by performing a qualitative ("Step Zero") assessment. The qualitative assessment involved the examination of changes in macroeconomic conditions,

industry and market conditions, overall financial performance, cost factors and other relevant entity-specific events, including changes in management and other key personnel and changes in the share price of the Company's common stock. As a result of the assessment, the Company concluded that its goodwill was not impaired.

During the third quarter of 2020, the Company assessed the indicators of goodwill impairment and noted certain events that indicated that it is "more likely than not" that a goodwill impairment exists, necessitating an interim test of impairment. Triggering events stemming from and in response to the COVID-19 pandemic include continued economic disruption, operating losses driven by a higher provision for credit losses and a lower interest rate environment, and a sustained decrease in the share price of the Company. As such, the Company performed a quantitative assessment of goodwill impairment as of September 30, 2020, which included determining the estimated fair value of the reporting unit and comparing that fair value to the reporting unit's carrying amount. The results of the test indicated that the estimated fair value of the reporting unit exceeded its carrying amount at September 30, 2020; therefore, goodwill was not impaired as of the testing date.

The Company used multiple approaches to measure its fair value at September 30, 2020. The primary approaches included an income approach using the discounted net present value of estimated future cash flows and a market approach using transaction or price-to-forward earnings multiples methodology using the actual price paid in recent acquisition transactions for similar entities, discounted for the current recessionary environment, neither of which resulted in impairment. The results from each of the primary approaches were weighted equally, with the valuation of the reporting unit approximately 14% in excess of net book value at September 30, 2020.

Both valuation techniques employed by the Company require significant assumptions. Depending upon the specific approach, assumptions are made regarding the economic environment, expected net interest margins, growth rates, discount rate used to present value future cash flows, asset quality metrics, control premiums, and price-to-forward earnings multiples. Changes to any one of these assumptions could result in significantly different results. Changes in the amount and/or timing of Company's expected future cash flows or estimated growth rates, lack of improvement and/or further decline in the price of the Company's common stock relative to our book value per share, and/or further deterioration in the economic environment beyond current estimates could result in an impairment charge to goodwill in future reporting periods. Annual impairment testing will be performed in the fourth quarter of 2020 in coordination with a more robust corporate-wide annual budget process and interim testing is expected to continue until indicators of goodwill impairment no longer exist.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Note 16 to our consolidated financial statements included elsewhere in this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

The following table presents an analysis of our interest rate risk as measured by the estimated changes in net interest income resulting from an instantaneous and sustained parallel shift in rates at September 30, 2020. Shifts are measured in 100 basis point increments in a range from -500 to +500 basis points from base case, with +100 through +300 basis points presented in the table below. Our interest rate sensitivity modeling incorporates a number of assumptions including loan and deposit repricing characteristics, the rate of loan prepayments and other factors. The base scenario assumes that the current interest rate environment is held constant over a 24-month forecast period and is the scenario to which all others are compared in order to measure the change in net interest income. Policy limits on the change in net interest income under a variety of interest rate scenarios are approved by the Board of Directors. All policy scenarios assume a static volume forecast where the balance sheet is held constant, although other scenarios are modeled.

	Estimated Increase (Decrease) in NII	
Change in Interest Rates	**Year 1**	**Year 2**
(basis points)		
+100	3.10%	6.23%
+200	7.04%	13.05%
+300	10.80%	19.36%

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

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

In July 2017, the United Kingdom Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. Working groups comprised of various regulators and other industry groups have been formed in the United States and other countries in order to provide guidance on this topic. In particular, the Alternative Reference Rates Committee (“ARRC”) has proposed that the Secured Overnight Financing Rate (“SOFR”) is the rate that represents best practice as the alternative to LIBOR for use in derivatives and other financial contracts that are currently indexed to LIBOR. The ARRC has also published recommended fallback language for LIBOR-linked financial instruments, among numerous other areas of guidance. ARRC has proposed a paced market transition plan to SOFR from LIBOR, and organizations are currently working on industry-wide and company-specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. However, at this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR-based securities and variable rate loans, debentures, or other securities or financial arrangements, given LIBOR’s role in determining market interest rates globally.

Management has established a LIBOR Transition Working Group (the “Group”) whose purpose is to direct the overall transition process for the Company. The Group is an internal, cross-functional team with representatives from business lines, support and control functions and legal counsel. During the third quarter of 2019, key provisions in our loan documents were modified to ensure new and renewed loans include appropriate pre-cessation trigger language and LIBOR fallback language for transition from LIBOR to the new benchmark when such transition occurs. All direct exposures resulting from existing financial contracts that mature after 2021 have been inventoried and are monitored on an ongoing basis. Remediation of these exposures will be consistent with industry timing. The Group has also inventoried indirect LIBOR exposures within the Company's systems, models and processes. The results of this assessment will drive development and prioritization of remediation plans, and the Group is continuing to monitor developments and taking steps to ensure readiness when the LIBOR benchmark rate is discontinued.

At September 30, 2020, approximately 28% of our loan portfolio consisted of variable rate loans tied to LIBOR, along with related derivatives and other financial instruments.

Item 4. Controls and Procedures

In connection with the preparation of this Quarterly Report on Form 10-Q, an evaluation was carried out by the Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2020, the Company’s disclosure controls and procedures were effective.

Our management, including the Chief Executive Officer and Chief Financial Officer, identified no change in our internal control over financial reporting that occurred during the three month period ended September 30, 2020, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting. Consideration by management was given to operational changes that were made in response to the COVID-19 pandemic.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

The Company disclosed risk factors in its Annual Report on Form 10-K for the year ended December 31, 2019. The risks described may not be the only risks facing us. Additional risks and uncertainties not currently known to us or that are currently considered to not be material also may materially adversely affect our business, financial condition, and/or operating results. The following risk factors have been included in this Quarterly Report on Form 10-Q in response to the global market disruptions that have resulted from the COVID-19 pandemic.

The COVID-19 pandemic has adversely impacted our business and financial results, and the ultimate impact will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic.

The COVID-19 pandemic has created and will likely continue to create extensive disruptions to the global economy and to the lives of individuals throughout the world. Governments, businesses, and the public are taking unprecedented actions to contain the spread of COVID-19 and to mitigate its effects, including quarantines, travel bans, shelter-in-place orders, closures of businesses and schools, fiscal stimulus, and legislation designed to deliver monetary aid and other relief. While the scope, duration, and full effects of COVID-19 are rapidly evolving and not fully known, the pandemic and related efforts to contain it have disrupted global economic activity, adversely affected the functioning of financial markets, impacted interest rates, increased economic and market uncertainty, and disrupted trade and supply chains. If these effects continue for a prolonged period or result in sustained economic stress or recession, many of the risk factors identified in the "Risk Factors" section included in our Annual Report on Form 10-K for the year ended December 31, 2019 could be exacerbated and such effects could have a material adverse impact on us in a number of ways related to credit, collateral, customer demand, funding, operations, interest rate risk, liquidity and litigation, as described in more detail below.

Credit Risk. Our risks of timely loan repayment and the value of collateral supporting the loans are affected by the strength of our borrowers' business. Concern about the spread of COVID-19 has caused and is likely to continue to cause business shutdowns, limitations on commercial activity and financial transactions, labor shortages, supply chain interruptions, increased unemployment and commercial property vacancy rates, reduced profitability and ability for property owners to make mortgage payments, and overall economic and financial market instability, all of which may cause our customers to be unable to make scheduled loan payments. If the effects of COVID-19 result in widespread and sustained repayment shortfalls on loans in our portfolio, we could incur significant delinquencies, foreclosures and credit losses, particularly if the available collateral is insufficient to cover our exposure. The future effects of COVID-19 on economic activity could negatively affect the collateral values associated with our existing loans, the ability to liquidate the real estate collateral securing our residential and commercial real estate loans, our ability to maintain loan origination volume and to obtain additional financing, the future demand for or profitability of our lending and services, and the financial condition and credit risk of our customers. Further, in the event of delinquencies, regulatory changes and policies designed to protect borrowers may slow or prevent us from making our business decisions or may result in a delay in our taking certain remediation actions, such as foreclosure. In addition, we have unfunded commitments to extend credit to customers. During a challenging economic environment, increased borrowings under these commitments could adversely impact our liquidity. Furthermore, in an effort to support our communities during the pandemic, we are participating in the Paycheck Protection Program ("PPP") under the CARES Act whereby loans to small businesses are made and those loans are subject to the regulatory requirements that would require forbearance of loan payments for a specified time or that could limit our ability to pursue all available remedies in the event of a loan default. If the borrower under the PPP loan fails to qualify for loan forgiveness, or if the SBA determines there is a deficiency in the manner in which any PPP loans were originated, funded or serviced by the Bank, we are subject to repayment risk as well as the heightened risk of holding these loans at unfavorable interest rates as compared to loans to customers that we would have otherwise extended credit.

Strategic Risk. Our financial condition and results of operations may be affected by a variety of external factors that may affect the price or marketability of our products and services, changes in interest rates that may increase our funding costs, reduced demand for our financial products due to economic conditions and the various response of governmental and nongovernmental authorities. The COVID-19 pandemic has significantly increased economic and demand uncertainty and has led to severe disruption and volatility in the global capital markets. Furthermore, many of the governmental actions in response to the pandemic have been

directed toward curtailing household and business activity to contain COVID-19. These actions have been rapidly changing. For example, in many of our markets, local governments have acted to temporarily close or restrict the operations of most businesses. The future effects of COVID-19 on economic activity could negatively affect the future banking products we provide, including a decline in loan originations.

Operational Risk. Current and future restrictions on our workforce's access to our facilities could limit our ability to meet customer servicing expectations and have a material adverse effect on our operations. We rely on business processes and branch activity that largely depend on people and technology, including access to information technology systems as well as information, applications, payment systems and other services provided by third parties. In response to COVID-19, we have modified our business practices with a portion of our employees working remotely from their homes to have our operations uninterrupted as much as possible. Further, technology in employees' homes may not be as robust as in our offices and could cause the networks, information systems, applications, and other tools available to employees to be more limited or less reliable than in our offices. The continuation of these work-from-home measures also introduces additional operational risk, including increased cybersecurity risk. These cyber risks include greater phishing, malware, and other cybersecurity attacks, vulnerability to disruptions of our information technology infrastructure and telecommunications systems for remote operations, increased risk of unauthorized dissemination of confidential information, limited ability to restore the systems in the event of a systems failure or interruption, greater risk of a security breach resulting in destruction or misuse of valuable information, and potential impairment of our ability to perform critical functions, including wiring funds, all of which could expose us to risks of data or financial loss, litigation and liability and could seriously disrupt our operations and the operations of any impacted customers.

Moreover, we rely on many third parties in our business operations, including the appraiser of the real property collateral, vendors that supply essential services such as loan servicers, providers of financial information, systems and analytical tools and providers of electronic payment and settlement systems, and local and federal government agencies, offices, and courthouses. In light of the developing measures responding to the pandemic, many of these entities may limit the availability and access of their services. For example, loan origination could be delayed due to the limited availability of real estate appraisers for the collateral. Loan closings could be delayed related to reductions in available staff in recording offices or the closing of courthouses in certain counties or parishes, which slows the process for title work, mortgage and UCC filings in those counties or parishes. If the third-party service providers continue to have limited capacities for a prolonged period or if additional limitations or potential disruptions in these services materialize, it may negatively affect our operations.

Further, we use quantitative models to help manage certain aspects of our business and to assist with certain business decisions, including estimating credit losses, grading loans and extending credit, estimating the effects of changing interest rates and other market measures on our financial condition and results of operations. Our modeling methodologies rely on many assumptions, historical analyses and correlations. These assumptions may be incorrect, particularly in times of market distress, as we have experienced and expect to continue to experience as a result of the COVID-19 pandemic, and the historical correlations on which we rely may not continue to be relevant. As a result, our models may not capture or fully express the risks we face or may lead us to misjudge the business and economic environment in which we operate. If our models fail to produce reliable results on an ongoing basis, we may not make appropriate risk management or other business or financial decisions. Furthermore, strategies that we employ to manage and govern the risks associated with our use of models may not be effective or fully reliable, and as a result, we may realize losses or other lapses.

If our models fail to produce reliable results on an ongoing basis, we may not make appropriate risk management or other business or financial decisions. Furthermore, strategies that we employ to manage and govern the risks associated with our use of models may not be effective or fully reliable, and as a result, we may realize losses or other lapses.

Interest Rate Risk. Our net interest income, lending activities, deposits and profitability are and are likely to continue to be negatively affected by volatility in interest rates caused by uncertainties stemming from COVID-19. In March 2020, the Federal Reserve lowered the target range for the federal funds rate to a range from 0 to 0.25 percent, citing concerns about the impact of COVID-19 on markets and stress in the energy sector. A prolonged period of extremely volatile and unstable market conditions would likely increase our funding costs and negatively affect market risk mitigation strategies. Higher income volatility from changes in interest rates and spreads to benchmark indices will likely cause a loss of future net interest income and a decrease in current fair market values of our assets. Fluctuations in interest rates will impact both the level of income and expense recorded on most of our assets and liabilities and the market value of all interest-earning assets and interest-bearing liabilities, which in turn could have a material adverse effect on our net income, operating results, or financial condition.

Because there have been no comparable recent global pandemics that resulted in similar global impact, we do not yet know the full extent of and the long-term impact of COVID-19's effects on our business, operations, or the global economy as a whole. Any future developments will be highly uncertain and cannot be predicted, including the scope and duration of the pandemic, the effectiveness of our work from home arrangements, third party providers' ability to support our operations, and any actions taken by governmental

authorities and other third parties in response to the pandemic. The uncertain future development of this crisis could materially and adversely affect our business, operations, operating results, financial condition, liquidity or capital levels.

Liquidity and Litigation Risk. Federal, state and local governments have mandated or encouraged financial services companies to make accommodations to borrowers and other customers affected by the COVID-19 pandemic. Legal and regulatory responses to concerns about the COVID-19 pandemic could result in additional regulation or restrictions affecting the conduct of our business in the future. In addition to the potential effects from negative economic conditions noted above, the Company instituted a program to help COVID-19 impacted customers. This program included waiving certain fees and charges and offering payment deferment and other loan relief, as appropriate, for customers impacted by COVID-19. The Company's liquidity could be negatively impacted if a significant number of customers apply and are approved for the deferral of payments or request additional deferrals. In addition, if these deferrals are not effective in mitigating the effect of COVID-19 on the Company's customers, it may adversely affect its business and results of operations more substantially over a longer period of time. A significant amount of the loan growth the Company experienced year-to-date in 2020 was a direct result of PPP loans; this loan growth is likely to end in the near-term. Furthermore, since the inception of the PPP, a number of banks have been subject to litigation regarding the process and procedures that such banks used in processing applications for the PPP and claims related to agent fees. In addition, some banks have received negative media attention associated with the PPP. The Company and the Bank are exposed to similar litigation risk and negative media attention, from both customers and non-customers that approached the Bank regarding PPP loans, regarding its process and procedures used in processing applications for the PPP, or litigation from agents with respect to agent fees. If any such litigation against the Company or the Bank is not resolved in a manner favorable to the Company or the Bank, it may result in significant financial liability or adversely affect the Company's reputation. In addition, litigation can be costly, regardless of outcome. Any financial liability, litigation costs or reputational damage caused by PPP related litigation or negative media attention could have a material adverse impact on our business, financial condition and results of operations.

The PPP has also attracted interest from federal and state enforcement authorities, oversight agencies, regulators and Congressional committees. State attorney generals and other federal and state agencies may assert that they are not subject to the provisions of the CARES Act and the PPP regulations entitling the Bank to rely on borrower certifications, and they may take more aggressive actions against the Bank for alleged violations of the provisions governing the Bank's participation in the PPP. Federal and state regulators can impose or request that we consent to substantial sanctions, restrictions and requirements if they determine there are violations of laws, rules or regulations or weaknesses or failures with respect to general standards of safety and soundness, which could adversely affect our business, reputation, results of operation and financial condition.

We are subject to lending concentration risk.

Our loan portfolio contains several industry and collateral concentrations including, but not limited to, commercial and residential real estate, energy, healthcare and hospitality. Due to the exposure in these concentrations, disruptions in markets, economic conditions, including those resulting from the global response to COVID-19, changes in laws or regulations or other events could cause a significant impact on the ability of borrowers to repay and may have a material adverse effect on our business, financial condition and results of operations.

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

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

None.

Item 6. Exhibits

(a) Exhibits:

Exhibit Number	Description	Filed Herewith	Form	Exhibit	Filing Date
2.1	Master Purchase Agreement by and among Hancock Whitney Bank, OCM Engy Holdings, LLC, et al	X			
3.1	Second Amended and Restated Articles of Hancock Whitney Corporation		8-K	3.1	5/1/2020
3.2	Second Amended and Restated Bylaws of Hancock Whitney Corporation		8-K	3.2	5/1/2020
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
101.INS	Inline XBRL Instance Document	X			
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X			
104	Cover Page Interactive Data File	X			

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Hancock Whitney Corporation

By: /s/ John M. Hairston
John M. Hairston
President & Chief Executive Officer
(Principal Executive Officer)

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

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

November 4, 2020

Exhibit 2.1

MASTER PURCHASE AGREEMENT

by and among

HANCOCK WHITNEY BANK

as Seller

OCM ENGY HOLDINGS, LLC

as Buyer

OCM ENGY HOLDINGS III PT, LP

as ORRI Buyer

OCM ENGY HOLDINGS II CTB, LLC

as Castex Buyer and

OCM ENGY HOLDINGS IV PT, LP

as PR Buyer

July 17, 2020

MASTER PURCHASE AGREEMENT

THIS MASTER PURCHASE AGREEMENT (this "Agreement") is entered into as of July 17, 2020, by and between **HANCOCK WHITNEY BANK**, ("Seller") and **OCM ENGY HOLDINGS, LLC**, a Delaware limited liability company ("Buyer"), **OCM ENGY HOLDINGS III PT, LP** ("ORRI Buyer"), **OCM ENGY HOLDINGS II CTB, LLC** ("Castex Buyer"), and **OCM ENGY HOLDINGS IV PT, LP** ("PR Buyer" and together with Buyer, ORRI Buyer, and the Castex Buyer, the "OCM Buyers").

RECITALS

A. Seller wishes to sell to the OCM Buyers, and the OCM Buyers wish to purchase from Seller, all of the Purchased Interests, under the terms and subject to the conditions set forth herein.

B. The purpose of this Agreement is to set forth the understandings and agreements of the parties with respect to the terms and conditions pursuant to which Seller will sell the Purchased Interests to the OCM Buyers and the OCM Buyers will purchase the Purchased Interests from Seller.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the agreements set forth herein and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Definitions. The following terms shall have the meanings hereinafter respectively set forth.

"Accounting Expert" has the meaning set forth in Section 2.3(d).

"Adequate Protection Order" means, with respect to any Loan, an order of any Bankruptcy Court authorizing or ordering a Borrower or Obligor to make any Adequate Protection Payments to the Lenders.

"Adequate Protection Payments" means, with respect to any Loan Interests, amounts (other than PIK Interest) authorized and/or ordered to be paid by the Bankruptcy Court (if any) as adequate protection for Interest and Accruing Fees on the loans and obligations owed under the related credit agreement pursuant to an Adequate Protection Order that accrue prior to the Cut-Off Date.

"Affiliate" means, with respect to any specified Person, any other Person directly or indirectly controlling, controlled by or under common control with such specified Person. For the

purposes of this definition, "*control*" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "*controlling*" and "*controlled*" have correlative meanings to the foregoing.

"Agency Receipts" means, with respect to any Loan Interest, any amounts received by Seller or any of its Affiliates in their capacity as Agent pursuant to the Loan Documents relating to the related Loan, including, without limitation, fees, charges and other compensation, indemnification and other payments and reimbursements of expenses.

"Agent" means any administrative, collateral, syndication, documentation or other similar agent under the credit agreement relating to a Loan Interest.

"Agent Expenses" means any costs, liabilities, losses, claims, damages and expenses incurred by, and any indemnification claims of, the Agent, for which the Agent has recourse under the Loan Documents and that are attributable or allocable to the Loan Interests.

"Agreement" has the meaning set forth in the preamble hereto.

"Assigned Loan Interests" means a Loan Interest that is assigned at Closing from Seller to Buyer pursuant to a Bi-Lateral Assignment, and is designated as an "Assigned Loan Interest" in the Loan Schedule.

"Assignment and Assumption Agreements" means those certain assignment and assumption agreements between Buyer and Seller dated as of the Closing Date related to Loan Interests (and does not include any Seller Bi-Lateral Loan Interests) substantially in the form specified in the Loan Agreement relating to the applicable Syndicated Loan Interest and otherwise reasonably acceptable to the parties hereto.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy," as now and hereafter in effect, or any successor statue.

"Bankruptcy Court" means any United States Bankruptcy Court.

"Bankruptcy Proceeding" means a proceeding under the Bankruptcy Code in which a Borrower or other Obligor is a debtor.

"Base Purchase Price" means $257,518,216.00.

"Benefit Plan Investor" means (i) an employee benefit plan (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA")), that is subject to Title I of ERISA; (ii) a plan described in Section 4975(e)(1) of the Code, that is subject to Section 4975 of the Code, including but not limited to a Keogh plan and an individual retirement account; (iii) any entity whose underlying assets include plan assets by reason of investment by such employee benefit plans or plans in such entity; and (iv) under certain circumstances, all or a portion of the general account of a life insurance company or a wholly owned subsidiary thereof.

"Bi-Lateral Assignments" means those certain assignment and assumption agreements between Buyer and Seller dated as of the Closing Date related to Seller Bi-Lateral Loan Interests (and does not include any Syndicated Loan Interests) in a form reasonably acceptable to the parties hereto.

"Borrower" means any borrower identified in the Loan Documents relating to a Loan Interest.

"Business Day" means any day of the week other than Saturday, Sunday, or a day which is a legal holiday in New York, or a day on which national banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"Buyer" has the meaning set forth in the preamble hereto.

"Cash Collections" has the meaning set forth in the definition of "Purchase Price." "Cash Expenditures" has the meaning set forth in the definition of "Purchase Price." "Castex" means Castex Energy 2005 HoldCo, LLC.
"Castex Buyer" means OCM ENGY Holdings II CTB, LLC, a Delaware limited liability company.

"Castex LLCA" means the Limited Liability Company Agreement of Castex dated March 14, 2018.

"Closing" means the consummation of the transfer of the Purchased Interests from Seller to Buyer pursuant to the terms hereof.

"Closing Date" means the date on which the Closing occurs.

"Closing Purchase Price" means Seller's good faith estimate of the Purchase Price (calculated in accordance with the definition thereof) provided to the Buyer no later than 7:00 p.m. New York City time on July 17, 2020, which shall include a worksheet showing the calculation of all adjustments made to the Base Purchase Price in arriving at the Closing Purchase Price and reasonable supporting documentation for all such calculations.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitment" means any Lender Obligation consisting of an obligation to fund loans or make advances to, or purchase participations in, loans or advances to or letters of credit issued for, any Borrower, or any other funding liability, in each case pursuant to any Loan Documents relating to the Loan Interests (other than Agent Expenses).

"Confidential Information" means the fact that this Agreement or any other agreement contemplated therein (other than the documentation pursuant to which the transfer of the Purchased Interests to Buyer is effected) exists, that discussions are taking or have taken place concerning the transactions contemplated thereby, and any terms, conditions or other facts with respect

thereto, including the status thereof, any material non-public information concerning Seller, Buyer or any of its respective Affiliates with which the other party or its Affiliates came or may come into contact in the course of the transactions contemplated by this Agreement; provided, however, that "Confidential Information" does not include (i) information that is or becomes available to the public other than as a result of a breach by the disclosing party or any of its Affiliates of this Agreement, (ii) information that a party or any of its Affiliates can establish by competent proof was within its possession on a non-confidential basis prior to it being provided to it or such Affiliate, or (iii) information that becomes available to a party or any of its respective Affiliates on a non-confidential basis from a source other than the other party or any of its Affiliates or representatives, which source is not, to the knowledge of the disclosing party or any of its Affiliates, after due inquiry, prohibited from disclosing such information by any legal, contractual or fiduciary obligation.

"Consent Requests" means the requests pursuant to which the Seller has requested the administrative agent, under Syndicated Loan Interests, to obtain the required consent to assign the relevant Loan Interest to Buyer pursuant to the Assignment and Assumption Agreements in order to effect the Elevation of the corresponding Participation Interest under the Master Participation Agreement.

"Cut-Off Date" means June 30, 2020.

"Data Site" means the electronic data room to which representatives of OCM Buyers and its Affiliates were granted access by Seller in connection with the transactions contemplated hereby (as updated through 5:00 p.m. New York time on the Business Day prior to the Closing Date).

"Defaulted Loan Interest" means a Loan Interest with respect to which any of the following has occurred with the related Loan:

(a) a payment default at the maturity (whether by acceleration or otherwise) of such Loan;

(b) a payment default continuing for a period of 30 days or more in respect of such Loan;

(c) an enforcement action has been taken in respect of such Loan;

(d) a Bankruptcy Proceeding has been instituted with respect to an Obligor under such Loan;

(e) an Obligor under such Loan admits in writing an inability to pay its debts generally as they become due or enters into an assignment for the benefit of its creditors; or

(f) except in the case of a payment default, Seller's Knowledge exists that an Obligor is in default (with all applicable grace periods having expired) irrespective of whether the Lenders has entered into a forbearance agreement with respect to such default.

"Diligence Responses" means the diligence responses provided by Seller to Buyer in connection with diligence requests made by Buyer in connection with the transaction contemplated hereby.

"Elevation" has the meaning assigned to such term in the Master Participation Agreement.

"Elevation Date" has the meaning assigned to such term in the Master Participation Agreement.

"Encumbrance" means any mortgage, pledge, lien, security interest, restriction, charge, option, right of first refusal, hypothecation or encumbrance or other adverse claim against title of any kind.

"Equity Interest" means any equity interest granted to or received by Seller (and held by Seller as of the Cut-Off Date) pursuant to any Loan Document (including any Underlying Collateral Document) or by way of Bankruptcy Proceedings, foreclosure or workout or sale pursuant to the Uniform Commercial Code with respect to any Loan, including, without limitation, the equity interests listed on the Equity Interest Schedule.

"Equity Interest Schedule" means the schedule of equity interests attached hereto as Schedule 2.

"Excluded Information" has the meaning set forth in Section 10.8.

"Governmental Authority" means any federal, state, or other governmental department, agency, institution, authority, regulatory body, court or tribunal, foreign or domestic, and includes arbitration bodies, whether governmental, private or otherwise and other entities exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Indemnified Taxes" means all Taxes, other than Transfer Taxes, imposed on or incurred by the Seller with respect to its ownership of the Purchased Interests or the operation of the Renaissance ORRI or the production of hydrocarbons or the receipts of proceeds therefrom for any Tax periods ending on or before the Closing Date (including, for any Straddle Period, all Taxes of the Seller that relate to the portion of such Straddle Period ending on the Closing Date). For the avoidance of doubt, Indemnified Taxes shall not include any Taxes imposed or incurred with respect to (i) any Tax period beginning after the Closing Date or (ii) for any Straddle Period, the portion of such Straddle Period beginning after the Closing Date.

"Independent Accountant" means a Big Four accounting firm that is not, at the time of determination, the independent auditor of the ultimate parent of any OCM Buyer or Seller.

"Interest and Accruing Fees" means, with respect to any Loan Interest, all interest and accruing ordinary course fees (such as commitment, facility, letter of credit and other similar fees) that are paid in connection with the Loans and Commitments (if any) pursuant to the applicable Loan Documents; provided that Interest and Accruing Fees shall not include any PIK Interest.

"Interest Rate" means the Federal Funds Rate (as defined in the Master Participation Agreement).

"Lender" means a lender under a credit agreement relating to a Loan Interest and its successors and permitted transferees and assigns.

"Lender Obligations" means all obligations, liabilities and commitments of a holder of a Loan Interest pursuant to and in accordance with any of the Loan Documents, including the commitment to make advances of funds to or for the benefit of a Borrower thereunder.

"Loan" means a loan listed on the Loan Schedule.

"Loan Agreement" means with respect to each Loan Interest the credit agreement (or equivalent loan or other financing agreement or document) specified as such in the Loan Schedule (including all restatements, waivers, supplements, amendments and other modifications entered into from time to time pursuant thereto or in connection therewith), in each case, as amended, supplemented or otherwise modified from time to time.

"Loan Documents" means, with respect to each Loan Agreement and all guarantees, promissory notes, security agreements, mortgages, deeds of trust, control agreements or similar arrangements, pledge agreements, collateral or absolute assignments, collateral agreements, letters of credit, irrevocable proxies, powers of attorney, other security instruments, legal opinions, title policies, letters of credit, reimbursement agreements, waivers, amendments, modifications, supplements, forbearances, intercreditor agreements, subordination agreements, disqualified or ineligible institution, entity, competitor and similar lists, written consents, written releases, default notice letters, reservation of rights letters, restructuring agreements, plan or restructuring support agreements, and all other agreements, documents or instruments executed and delivered from time to time in connection therewith, in each case including amendments, restatements, supplements, or other modifications of the foregoing documents and as amended, restated, supplemented or otherwise modified from time to time, including, to the extent Seller is a party or otherwise bound, agreements among lenders, lender voting agreements, lender lock-up agreements, restructuring agreements, plan or restructuring agreements

"Loan Interest" means all rights and interests of Seller in and to a Loan. "Loan Schedule" means the schedule of loans attached hereto as Schedule 1.

"Master Participation Agreement" means that certain Master Participation Agreement between Buyer and Seller dated as of the Closing Date, including the collateral annex attached thereto in the form attached hereto as Exhibit A unless otherwise agreed by the parties and subject to the updating of the "Schedules" attached thereto with respect to amounts required to be represented as of the Closing Date for each Participation Interest.

"Material Loan Documents" means, with respect to any Loan Interest, the Loan Agreement relating to such Loan Interest and all intercreditor agreements, subordination agreements, waivers and amendments executed in connection therewith, in each case as currently in effect.

"Material Related Agreements" means, with respect to any Equity Interest, the Renaissance ORRI, or the agreement pursuant to which such Purchased Interest was granted, acquired by Seller or any Affiliate thereof, and all amendments thereto, as currently in effect.

"Non-Recurring Fees" means amendment, consent, waiver and other similar non-ordinary course fees that are paid in connection with the Loan Interests and Commitments (if any) pursuant to the Loan Documents (as amended, supplemented, restructured or otherwise modified) and any other amounts paid in connection with the Loan Interests and Commitments (if any) pursuant to the Loan Documents (as amended, supplemented, restructured or otherwise modified) and not constituting Interest and Accruing Fees or PIK Interest.

"Note" means, with respect to any Loan Interest, any promissory note or other instrument evidencing the Borrower's repayment obligation with respect thereto and all amendments, modifications or supplements thereto.

"Notice of Objection" has the meaning set forth in Section 2.3(c).

"Obligor" means, with respect to any Loan Interest, any Person (other than the Borrower(s), the Lender(s) and any Agent(s) under the related Loan Agreement) that is obligated under the related Loan Documents.

"OCM Buyers" has the meaning set forth in the preamble hereto.

"ORRI Buyer" means OCM ENGY Holdings III PT, LP, a Delaware limited liability company.

"Participation Interests" means the participations granted to Buyer under the Master Participation Agreement.

"Payment Rights Agreements" means those certain Payment Rights Agreements between Seller and PR Buyer dated as of the Closing Date in the form attached hereto as Exhibit B unless otherwise agreed by the parties.

"Person" means any individual, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"PIK Interest" means any paid-in-kind interest, fees or other amounts paid or payable in kind in connection with a Loan and any related Commitments pursuant to the Loan Documents or any related Adequate Protection Order.

"PR Buyer" has the meaning set forth in the preamble hereto.

"Purchase Price" means the Base Purchase Price adjusted, without duplication, by subtracting the sum of all cash payments relating to any Loans, Equity Interests and any other Purchased Interests received by Seller or any of its Affiliates after the Cut-Off Date and prior to the Closing (including, without limitation, principal payments and interest payments, in each case whether scheduled or unscheduled, fee payments, cost reimbursements, all amounts paid in full satisfaction of all obligations of all Borrowers under the Loan Documents relating to any Loan, as

applicable, by way of repayment or refinancing and cash dividends and distributions, but excluding any Seller Accruals and Agency Receipts) (such cash payments collectively, "Cash Collections"), and adding the sum of (A) all Commitments and Agent Expenses funded by the Seller after the Cut-Off Date and prior to the Closing pursuant to the Loan Documents relating to any Loan Interests and (B) any other costs and expenses paid by Seller with respect to the Equity Interests and any other Purchased Interests after the Cut-Off Date and prior to the Closing (such amounts collectively, "Cash Expenditures").

"Purchased Interests" means the Participation Interests, the Equity Interests, the rights and obligations under the Payment Rights Agreements and the Renaissance ORRI.

"Reconciliation Statement" has the meaning set forth in Section 2.3(b).

"Related Agreements" means any agreements governing an Equity Interest or the Renaissance ORRI, or to which such Equity Interest or Renaissance ORRI is subject, including the agreement or agreements pursuant to which such Equity Interest or Renaissance ORRI was granted or acquired by Seller or any Affiliate thereof, and all amendments thereto, as currently in effect.

"Renaissance ORRI" means the overriding royalty interests granted by Renaissance Offshore, LLC in favor of Seller pursuant to that certain Conveyance of Overriding Royalty Interests dated as of June 11, 2020, made by Renaissance Offshore, LLC to Seller and each of the other parties identified thereto.

"Renaissance ORRI Transfer Agreement" means the agreement between Seller and ORRI Buyer dated as of the date hereof governing the terms and conditions pursuant to which the Renaissance ORRI will be transferred from Seller to ORRI Buyer.

"Retained Obligations" means, with respect to any Purchased Interest, all obligations and liabilities of Seller and any Affiliate of Seller relating to such Purchased Interest that (i) result from facts, events or circumstances arising or occurring prior to the Cut-Off Date, (ii) result from the breach, prior to the Closing Date, by Seller of its representations, warranties, covenants or agreements under this Agreement or any Related Agreement, (iii) result from the bad faith, gross negligence, or willful misconduct of Seller, any Affiliate of Seller, prior to the Closing Date, (iv) are attributable to the actions or obligations of Seller, any Affiliate of Seller, prior to the Closing Date, in any capacity other than as a Lender under the Loan Documents relating to such Loan Interest, or an owner of equity interests under the Related Agreements relating to such Equity Interest, or holder of the Renaissance ORRI, (v) result from any responsibility or obligation to reimburse Castex pursuant to Sections 6.5 and 7.3(b) of the Castex LLCA and are attributable to owning any Equity Interest in Castex for U.S. federal income tax purposes on or prior to the Closing Date or (vi) are Indemnified Taxes.

"Scheduled Closing Date" means July 21, 2020 or; provided, that if Closing does not occur on such date, the Scheduled Closing Date shall be the next succeeding Business Day on which the conditions to Closing set forth in Article 6 can be satisfied.

"Securities Act" has the meaning set forth in Section 3.1(g).

"Securities Purchase Agreements" means those certain Securities Purchase Agreements between Seller and Buyer or an Affiliate of Buyer dated as of the date hereof pursuant to which Seller will assign and delegate Seller's rights and obligations to Buyer or such Affiliate with respect to the Equity Interests and the Related Agreements.

"Seller" has the meaning set forth in the preamble hereto.

"Seller Accruals" means, in respect of a Loan Interest, any Interest and Accruing Fees, Non-Recurring Fees, other fees, indemnity payments, expense reimbursements and Adequate Protection Payments that have been paid or accrued during, or to the extent relating to, the period on or prior to the Cut-Off Date.

"Seller Bi-Lateral Loan Interests" means any Loan Interest with respect to which Seller is the only Lender of record with respect to such Loan Interest.

"Seller Disclosure Schedule" means the Disclosure Schedule prepared by Seller which is attached as Schedule 3.

"Seller's Knowledge" means the actual knowledge of Michael Achary, Kevin Rafferty, or Richter Fridman, each of whom Seller represents and warrants are officers or employees of Seller, as of the date hereof, with responsibility for the ongoing administration and management of the Loan Interests and Purchased Interests.

"Straddle Period" means any Tax period beginning before and ending after the Closing Date.

"Syndicated Loan Interest" means any Loan Interest with respect to which there is a syndicate of Lenders (including Seller) in which there exists an administrative agent.

"Taxes" means (a) any taxes, assessments, fees, unclaimed property and escheat obligations and other governmental charges imposed by any Governmental Authority, including income, profits, gross receipts, net proceeds, alternative or add on minimum, ad valorem, value added, turnover, sales, use, property, personal property (tangible and intangible), environmental, stamp, leasing, lease, user, excise, duty, franchise, capital stock, transfer, registration, license, withholding, social security (or similar), unemployment, disability, payroll, employment, social contributions, fuel, excess profits, occupational, premium, windfall profit, severance, production, estimated, or other charge of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not and (b) any liability of for the payment of any amounts of the type described in clause (a) as a result of the operation of law or any express or implied obligation to indemnify any other Person.

"Transaction Documents" means this Agreement, the Master Participation Agreement, the Securities Purchase Agreements, the Renaissance ORRI Transfer Agreement, the Payment Rights Agreements, the Assignment and Assumption Agreements, the Bi-Lateral Assignments and any other agreements or documents executed or to be executed between Buyer and Seller, in connection with the transactions contemplated hereby or thereby (other than any Loan Documents or Related Agreements).

"Transfer Taxes" has the meaning set forth in Section 2.4.

"Underlying Collateral" means, with respect to any Loan Interest, any and all property, whether tangible or intangible, of whatever kind and wherever located, whether now owned or hereafter acquired or created, in or over which an Encumbrance has been, or is purported to have been, granted to (or otherwise created) for the benefit of the Lenders under the Loan Documents relating to such Loan Interest.

"Underlying Collateral Documents" means, with respect to any Loan Interest, any mortgage, deed of trust, pledge agreement, security agreement, guaranty, assignment, collateral agreement, stock power or other agreement of any kind securing in any manner the performance or payment by any Borrower or Obligor of its obligations or the obligations of any other Borrower or any Obligor pursuant to the related Loans or Notes.

"Uniform Commercial Code" means the Uniform Commercial Code as in effect from time to time in the State of New York or any other state the laws of which are required to be applied in connection with the issues of perfection of security interests.

ARTICLE 2
PURCHASE OF INTERESTS

2.1 Purchase and Sale of Interests. At the Closing, in consideration of and conditioned upon the payment by Buyer to Seller of the Closing Purchase Price on the Closing Date (a) Seller shall participate, grant, transfer and convey to Buyer, without recourse except as specifically provided herein or in the Master Participation Agreement, all of the Participation Interests, and Buyer shall accept such grant, transfer and conveyance and assume, as of the Closing, all of the obligations, duties and liabilities in connection with such Participation Interests each in accordance with the terms and conditions set forth in the Master Participation Agreement, (b) Seller shall sell a payment right to PR Buyer with respect to the Loan Interests set forth in the Payment Rights Agreement and Buyer shall acquire such payment right each in accordance with the terms and conditions set forth in such Payment Rights Agreement, (c) Seller and Buyer or Castex Buyer, as applicable, shall effectuate the transfer and assignment of the Equity Interests in accordance the terms and conditions of the Securities Purchase Agreement, and (d) Seller and ORRI Buyer shall effectuate the transfer and assignment of the Renaissance ORRI from Seller to ORRI Buyer in accordance with the terms and conditions of the Renaissance ORRI Transfer Agreement; provided that in no event will an OCM Buyer or any Affiliate of an OCM Buyer assume, or otherwise be liable for, any Retained Obligations.

2.2 Closing Date Elevations. On the Closing Date, Seller will assign, transfer and convey and delegate the Assigned Loan Interests to Buyer, and Buyer shall assume and acquire the Assigned Loan Interests from Seller. For purposes of the Master Participation Agreement, the Assigned Loan Interests shall be considered to have been elevated as of Closing Date, immediately following the effectiveness of the grant of the Participation Interests under the Master Participation Agreement, and the Elevation Date of such Assigned Loan Interests shall be the Closing Date.

2.3 Payment of Purchase Price; Adjustments.

(a) Closing Purchase Price. At the Closing, Buyer, on behalf of the OCM Buyers, shall pay to Seller an amount equal to the Closing Purchase Price by wire transfer of immediately available funds to an account designated in writing by Seller and the OCM Buyers' obligation to purchase, and Seller's obligation to sell, the Purchased Interests (subject to the terms and conditions set forth in Section 2.1 above) at the Closing shall be absolute and irrevocable.

(b) Post-Closing Adjustments. After the Closing Date, Seller or an OCM Buyer may from time to time, within sixty (60) calendar days of the Closing Date, submit adjustments, together with reasonably supporting documentation, to the Closing Purchase Price in order to reconcile the Closing Purchase Price to the Purchase Price (any such adjustment a "Reconciliation Statement"). In Buyer preparing such calculations, the Buyer shall be entitled to reasonable access to all relevant books and records of Seller and its Affiliates to the extent relating to the Purchased Interests.

(c) Notice of Objection. The party receiving such a notification will have ten days following delivery of a Reconciliation Statement during which to notify the other party in writing (the "Notice of Objection") of any objections to such Reconciliation Statement, setting forth in reasonable detail the basis of its objections and, if practical, the U.S. dollar amount of each objection. If the party who received the Reconciliation Statement fails to deliver a Notice of Objection in accordance with this Section 2.3(c), the Reconciliation Statement shall be final and binding on all parties hereto and the purchase price set forth in the Reconciliation Statement shall become the Purchase Price, in each case subject to any adjustments that are required to be made as finally determined pursuant to Section 2.3. Matters included in any Reconciliation Statement to which the receiving party does not object in a Notice of Objection shall be deemed accepted by such receiving party and shall not be subject to further dispute or review. If the receiving party of such Reconciliation Statement timely submits a Notice of Objection, then (i) for 15 Business Days after the date upon which the other party receives the Notice of Objection, Buyer and Seller will each use their commercially reasonable efforts to agree on the calculation of the Purchase Price and (ii) failing such agreement within 15 Business Days of such notice, the matter shall be resolved in accordance with Section 2.3(d).

(d) Resolution. If Buyer and Seller have not agreed on the Purchase Price within 30 Business Days after delivery of a Notice of Objection, then either Buyer or Seller shall have the right to refer the matter for resolution to the Independent Accountant or such other international accounting firm as the parties shall otherwise agree (such firm, the "Accounting Expert"). Within 15 Business Days after the selection of the Accounting Expert, Buyer and Seller shall each deliver to the other party and to the Accounting Expert a notice setting forth in reasonable detail its calculation of the Purchase Price as set forth in the Reconciliation Statement or in the Notice of Objection in each case subject to any modifications to which the parties have agreed. The parties shall instruct the Accounting Expert to consider only those items and amounts set forth in the Reconciliation Statement with which Seller has disagreed pursuant to a Notice of Objection and for which the Buyer and Seller have not resolved their disagreement. When referring the matter for resolution to the Accounting Expert, Buyer and Seller shall instruct the Accounting Expert to, acting as an expert and not an arbitrator, determine the Purchase Price pursuant to and solely in accordance with the definition of such term (and terms used therein) contained in Article 1 hereof, and provide a written description of the basis for such determination, within 30 Business Days after receipt thereof. The Accounting Expert's determination of the

Purchase Price shall be final and binding on each of the parties hereto subject to any adjustments that are required to be made as finally determined pursuant to Section 2.3. The fees and expenses of the Accounting Expert incurred pursuant to this Section 2.3(d) shall be paid pro rata among Buyer and Seller in accordance with the percentage of the disputed amounts awarded to Buyer or Seller as a result of the Accounting Expert's decision. Each party shall bear the costs of its own counsel, witnesses (if any) and employees.

(e) Payment. If the Purchase Price, as determined in accordance with Sections 2.3(b) and (c) above, exceeds the Closing Purchase Price, Buyer, on behalf of the OCM Buyers, shall pay to Seller, within five Business Days after the determination of the Purchase Price, an amount equal to the sum of such excess, plus interest on such excess at the Interest Rate from the Closing Date to the date of payment, by wire transfer in immediately available funds to such accounts as may be specified by Seller. If the Purchase Price, as determined in accordance with Sections 2.3(b) and (c) above, is less than the Closing Purchase Price, Seller shall pay to the Buyer, within five Business Days after the determination of the Purchase Price, an amount equal to such deficit plus interest on such deficit at the Interest Rate from the Closing Date to the date of payment, by wire transfer in immediately available funds to an account or accounts specified by the Buyer.

(f) Retained Claims. Nothing in this Section 2.3 shall limit or preclude Seller's or the OCM Buyers' respective right to assert a claim for breach by Seller or an OCM Buyer, as the case may be, of any representation or warranty made by Seller or an OCM Buyer, as the case may be, under this Agreement or any other Transaction Document.

(g) Withholding. Buyer shall be entitled to deduct and withhold from any amounts otherwise payable or deliverable under this Agreement to Seller (and Seller shall indemnify, defend and hold harmless Buyer against) such amounts as may be required to be deducted or withheld therefrom under applicable law. To the extent such amounts are so deducted or withheld, such amounts shall be treated for all purposes as having been paid to the Person to whom such amounts would otherwise have been paid absent such deduction or withholding.

2.4 Transfer Taxes. Each of (i) the OCM Buyers and (ii) Seller shall be responsible for the payment of 50% of all state and local transfer, sales, use, stamp, court or documentary, intangible, recording, filing, registration or other similar Taxes resulting from the transactions contemplated by this Agreement and from the delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Purchased Interest, any Transaction Document, any Loan Document, or any Material Related Agreement ("Transfer Taxes"). The OCM Buyers and the Seller shall cooperate in good faith to minimize, to the extent permissible under applicable law, the amount of any such Transfer Taxes.

ARTICLE 3
BUYER'S REPRESENTATIONS AND WARRANTIES

3.1 OCM Buyers' Representations and Warranties. Each OCM Buyer hereby represents and warrants to Seller, severally and not jointly, as of the date of execution of this Agreement and as of the Closing Date as follows:

(a) Each OCM Buyer is validly existing and in good standing under the laws of its state of incorporation. Each OCM Buyer has all requisite power and authority to carry on its business as such business currently is being conducted, to execute and deliver this Agreement and the other Transaction Documents to which it is or will become a party, and to perform its obligations hereunder and thereunder. Each OCM Buyer is duly qualified and has all necessary licenses to do business in all jurisdictions in which the failure to so qualify or be so licensed would have a material adverse effect on an OCM Buyer's ability to execute, deliver and perform its obligations under this Agreement and any other Transaction Documents to which it is or will be become a party.

(b) Each OCM Buyer has taken all necessary action to authorize the execution, delivery and performance of this Agreement and any other Transaction Documents to which it is or will become a party, and no further authorization or consent by an OCM Buyer or its equity owners is required in connection therewith (subject to any required consents being obtained in connection with the Loan Agreements and the Related Agreements). This Agreement and each other Transaction Document to which each OCM Buyer is a party has been duly executed and delivered by each OCM Buyer and is the legal, valid and binding obligation of each OCM Buyer, enforceable against each OCM Buyer in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforceability of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Each other Transaction Document to which each OCM Buyer will become a party will, when executed and delivered by each OCM Buyer, be duly executed and delivered by each OCM Buyer and will constitute the legal, valid and binding obligation of each OCM Buyer, enforceable against each OCM Buyer in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforceability of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) The execution and delivery by each OCM Buyer of this Agreement and the other Transaction Documents to which each OCM Buyer is or will become a party and the performance by each OCM Buyer of its obligations hereunder and thereunder do not and will not:

(a)contravene or conflict with any OCM Buyers' organizational documents or (b) contravene or conflict with or constitute a violation by an OCM Buyer or any of its Affiliates of any provision of (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award to which such OCM Buyer is subject, or (ii) any agreement, contract, indenture, mortgage, note, lease or other agreement, document or instrument to which each OCM Buyer is a party, by which each OCM Buyer is bound or to which any of such OCM Buyer's assets is subject, except in the case of subsection (b) above, that which would not reasonably be expected to have a material adverse effect on such OCM Buyer's ability to execute, deliver and perform its obligations under this Agreement and the other Transaction Documents to which it is or will become a party.

(d) No notice to, registration with, consent or approval of or any other action by any Person is required for an OCM Buyer to execute and deliver this Agreement and the other Transaction Documents to which an OCM Buyer is or will become a party or the performance by an OCM Buyer of its obligations hereunder or thereunder (subject to any required consents being obtained in connection with the Loan Agreements and the Related Agreements).

(e) There is no action, suit, legal or arbitration proceeding or administrative proceeding or investigation pending or, to the knowledge of each OCM Buyer threatened, against an OCM Buyer that could have a material adverse effect on the ability of an OCM Buyer to consummate the transactions contemplated hereunder or under any of the other Transaction Documents to which an OCM Buyer is or will become a party, or which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the consummation of the transactions contemplated hereunder or thereunder.

(f) No broker, finder or other Person acting under the authority of an OCM Buyer or any of its Affiliates is entitled to any broker's commission or other fee in connection with the Purchased Interests for which Seller could be responsible.

(g) Each OCM Buyer is an "accredited investor" within the meaning of Rule 501(a) of Regulation D promulgated under the United States Securities Act of 1933, as amended (the "Securities Act").

(h) Each OCM Buyer (i) is a sophisticated Person with respect to the purchase of the Purchased Interests and the assumption of any related obligations, (ii) is able to bear the economic risks of an investment in the Purchased Interests and the assumption of any related obligations, (iii) has adequate information concerning the business and financial condition of the Borrowers and Obligors and the status of any Bankruptcy Proceedings relating thereto to make an informed decision regarding the purchase of the Purchased Interests and the assumption of any related obligations, (iv) has such knowledge and experience in financial and business matters, and has made such investments of a similar nature, so as to be aware of the risks and uncertainties inherent in an investment in the Purchased Interests and the assumption of any related obligations, and (v) has independently and without reliance upon Seller or any of its Affiliates or representatives, and based upon such information as each OCM Buyer has deemed appropriate, made its own analysis and decision to enter into this Agreement and the other Transaction Documents to which it is or will become a party, except that each OCM Buyer has relied upon the express representations, warranties, covenants and agreements in this Agreement. Each OCM Buyer acknowledges that Seller has not given an OCM Buyer any investment advice, credit information or opinion on whether the purchase of the Purchased Interests or the assumption of any related obligations is prudent.

(i) Each OCM Buyer understands that the Purchased Interests have not been registered under the Securities Act, the securities laws of any state thereof or the securities laws of any other country or jurisdiction, nor is such registration contemplated.

(j) The Purchased Interests to be acquired hereunder are being acquired by the applicable OCM Buyer for such OCM Buyer's own account for investment purposes only and not with a view to resale or distribution, pledge, assignment or transfer in violation of the Securities Act.

(k) Each OCM Buyer was offered the Purchased Interests through private negotiations, not through any general solicitation or general advertising.

(l) Each OCM Buyer is not a Benefit Plan Investor.

(m) Each OCM Buyer is not an Affiliate of any Borrower or Obligor with respect to any of the Loans or Equity Interests.

3.2 No Further Representations. Except as expressly stated in this Agreement, any Transaction Document and in any transfer documents executed pursuant to this Agreement and any other Transaction Document, each OCM Buyer makes no representations or warranties, express or implied, with respect to the transactions contemplated hereby.

ARTICLE 4
SELLER'S REPRESENTATIONS AND WARRANTIES

Seller hereby represents and warrants to the OCM Buyers as of the date of execution of this Agreement and the Closing Date as follows:

4.1 Organization and Good Standing. Seller is a corporation duly formed, validly existing and in good standing under the laws of the state of its incorporation. Seller has all requisite power and authority to carry on its business as such business currently is being conducted, to execute and deliver this Agreement and the other Transaction Documents to which it is or will become a party, and to perform its obligations hereunder and thereunder. Seller is duly qualified and has all necessary licenses to do business in all jurisdictions in which the failure to so qualify would have a material adverse effect on Seller's ability to execute, deliver and perform its obligations under this Agreement and the other Transaction Documents to which it is or will become a party.

4.2 Authorization. Seller has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is or will become a party and no further authorization or consent by Seller or its stockholders is required in connection therewith. This Agreement and each other Transaction Document to which Seller is a party has been duly executed and delivered by Seller and is the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Each other Transaction Document to which Seller will become a party will, when executed and delivered by Seller, be duly executed and delivered by Seller and will constitute the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.3 No Conflicts; Consents. The execution and delivery by Seller of this Agreement and the other Transaction Documents to which Seller is or will become a party and the performance by Seller of its obligations hereunder or thereunder do not and will not taken individually or as a whole: (a) contravene or conflict with the articles of incorporation or by-laws of Seller, (b) contravene or conflict with or constitute a violation by Seller or any of its Affiliates of any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, award or agreement with any Governmental Authority to which Seller is subject or (c) conflict with, violate,

result in the breach or termination of, or impair or result in the loss of Seller's rights in, any agreement, contract, indenture, mortgage, note, lease or other agreement, document or instrument to which Seller is a party. Except as disclosed in Section 4.3 of the Seller Disclosure Schedule or as set forth in the Transaction Documents, no notices, reports or other filings are required to be made by Seller with, nor are any consents, licenses, permits, authorizations or approvals required to be obtained by Seller from, any Person in connection with the execution, delivery and performance by Seller of this Agreement or the other Transaction Documents to which Seller is or will become a party, or the consummation of the transactions contemplated hereby or thereby, taken individually or as a whole (other than any required consents necessary to effect an Elevation of a Participation Interest pursuant to the Master Participation Agreement).

4.4 Litigation. There is no action, suit, legal or arbitration proceeding or administrative proceeding or investigation pending or, to the Seller's Knowledge, threatened, against Seller which could have a material adverse effect on the ability of Seller to consummate the transactions contemplated under this Agreement or the other Transaction Documents to which Seller is or will become a party or which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement or such other Transaction Documents.

4.5 No Brokers. No broker, finder or other Person acting under the authority of Seller or any of its Affiliates is entitled to any broker's commission or other fee in connection with the Purchased Interests for which Buyer could be responsible.

4.6 Accredited Investor. Seller is an "accredited investor" within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act.

4.7 Seller Status. The Seller (i) is a sophisticated Person with respect to the sale of the Purchased Interests and the retention of the Retained Obligations, (ii) is able to bear the economic risks of a sale of the Purchased Interests and the retention of the Retained Obligations, (iii) has adequate information concerning the business and financial condition of the Borrowers, and any Obligors and the status of any Bankruptcy Proceeding related thereto to make an informed decision regarding the sale of the Purchased Interests and the retention of the Retained Obligations, (iv) has such knowledge and experience in financial and business matters, and has made such sales of a similar nature, so as to be aware of the risks and uncertainties inherent in a sale of the Purchased Interests and the retention of the Retained Obligations, and (v) has independently and without reliance upon any OCM Buyer or any of its Affiliates or representatives, and based upon such information as Seller has deemed appropriate, made its own analysis and decision to enter into this Agreement and the other Transaction Documents to which it is or will become a party, except that Seller has relied upon the express representations, warranties, covenants and agreements of each OCM Buyer in this Agreement. Seller acknowledges that the OCM Buyers have not given Seller any investment advice, credit information or opinion on whether the sale of the Purchased Interests or the retention of any related obligations is prudent.

4.8 Benefit Plan Investor. Seller is not a Benefit Plan Investor.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES AS TO THE PURCHASED INTERESTS

Seller hereby represents and warrants as of the date of execution of this Agreement and the Closing Date to Buyer, ORRI Buyer, or Castex Buyer, as applicable, as follows:

5.1 Loan Schedule. Each of the representations and warranties set forth in Sections 4.1(c)(ii) and 4.1(e) of the Master Participation Agreement are true, correct, and complete in all material respects with respect to each Loan Interest described or incorporated by reference on the Loan Schedule, including as applicable to the Loan Interests set forth in items 2, 3, and 4 thereof (assuming, solely for purposes of this Section 5.1 that such items 2, 3, and 4 were Participation Interests governed by the Master Participation Agreement and that the information set forth in the Loan Schedule for such Loan Interests is referred to in each instance where such representations and warranties refer to a "Schedule"); provided, however, that (i) no such representations contemplated to be made as of the Settlement Date are required or deemed to be made as of the date hereof, and (ii) with respect to item 4, Buyer is unable to acquire a participation interest and the representation and warranty set forth in 4.1(c)(ii) of the Master Participation Agreement shall not be applicable to item 4. Without limiting the foregoing, the "Commitments" field of the Loan Schedule (and any "Schedule" incorporated by reference therein) shall not have increased between the Cut-Off Date and the Closing Date.

5.2 Data Site. Except as set forth in Section 5.2 of the Seller Disclosure Schedule, the Data Site contains (a) true and correct copies of all Material Loan Documents and Material Related Agreements relating to each Loan and Purchased Interest and (b) to Seller's Knowledge true and correct copies of all other information (other than public information) in written or electronic form which has been in the possession of the Seller or its Affiliates that a prudent investor would consider material to a decision to invest in any Loan or any of the Purchased Interests. As used in clause (b) above "possession" means in the physical possession of the officers, directors and employees of Seller and its Affiliates or which is subject to access, (including access electronically) by such officers, directors and employees in the ordinary course of their business activities.

5.3 Diligence Responses. Seller did not make any material misrepresentations with respect to its Diligence Responses to the OCM Buyers or omit any information that would make such Diligence Responses materially misleading; provided, however, with respect to any Diligence Responses related to Syndicated Loan Interests, to the extent Seller has relied upon documentation received by Seller from the applicable Agent related to such Syndicated Loan Interest, unless Seller knew or had a reasonable basis for knowing that any such documentation was inaccurate, incomplete, false or misleading, Seller shall have no liability to the extent any such documentation provided to Seller by the applicable Agent was inaccurate, incomplete, false or misleading.

5.4 No Default. Except as set forth in Section 5.4 of the Seller Disclosure Schedule (and identified by reference to the applicable Borrower), no Loan Interest is a Defaulted Loan Interest.

5.5 No Modifications Between Cut-Off Date and Closing Date. Neither any Loan Document nor any Related Agreement, has been waived, modified, amended or terminated and no

Obligor has been released or discharged from any liability or obligation thereunder that, in any such case, affects the Purchased Interest in any material respect pursuant to a written instrument in each case between the period from the Cut-Off Date through the Closing Date, except as set forth in Section 5.5 of the Seller Disclosure Schedule.

5.6 No Further Representations. Except as expressly stated in this Agreement, any Transaction Document and in any transfer documents executed pursuant to this Agreement and any other Transaction Document, Seller makes no representations or warranties, express or implied, with respect to the transactions contemplated hereby.

5.7 Taxes. There are no liens for unpaid Taxes (other than statutory liens for Taxes that are not yet due and payable) on any of the Purchased Interests. The OCM Buyers will not be held liable for any unpaid Taxes that are or have become due on or prior to, or for the portion of unpaid Taxes that are treated as having been accrued during the period preceding, the Closing Date as a successor or transferee, by statute, contract or otherwise, as a result of the transfer of the Purchased Interests pursuant to this Agreement.

5.8 Tax Treatment. Seller has consistently treated the Loan Interests and the Participation Interests as direct or indirect interests, respectively, in indebtedness for U.S. federal income tax purposes Seller has not received written notice from a Borrower that (i) the payments it has received prior to the date hereof have been treated by any Borrower or Lender as other than payments of principal and interest paid on indebtedness or (ii) the Loan Interests or the Participation Interests have been treated by a Borrower or a Lender as other than indebtedness for
U.S. federal income tax purposes.

5.9 Financing Statements. UCC-1 financing statements effective to perfect a security interest granted in the Underlying Collateral constituting personal property in which a security interest can be perfected by the filing of a financing statement in the State of Louisiana under Article 9 of the Uniform Commercial Code of the State of Louisiana, have been filed against each Borrower or other Obligor formed in the State of Louisiana for the Loans set forth on Schedule 5 (and identified by reference to the applicable Borrower), in each case meeting the requirements of the applicable related Loan Agreement for which such personal property constitutes Underlying Collateral.

ARTICLE 6
CONDITIONS TO CLOSING

6.1 Conditions to OCM Buyer’s Obligations to Consummate the Closing. OCM Buyer’s obligation to consummate the Closing on the Scheduled Closing Date shall be conditioned upon satisfaction (or waiver by OCM Buyers in writing) of the following conditions:

(a) The representations and warranties of Seller in Articles 4 and 5 of this Agreement and in the Master Participation Agreement and the other Transaction Documents shall be true and correct in all material respects (except to the extent qualified by materiality, in which case such representations and warranties shall be true and correct in all respects) as of the date hereof and as of the Closing Date.

(b) Seller shall have performed its obligations under this Agreement and the other Transaction Documents required to be performed on or prior to the Closing Date in all material respects.

(c) No material suit, action, or other proceeding instituted by any Person (other than Buyer or an Affiliate of Buyer) shall be pending before any court or other Governmental Authority seeking to restrain, prohibit, enjoin, or declare illegal, or providing for substantial damages in connection with, the transactions contemplated by this Agreement or the other Transaction Documents (other than any such suit, action, or other proceeding relating specifically to one or more Purchased Interests but not the sale of the Purchased Interests generally).

(d) With respect to each Loan set forth on Schedule 4 attached hereto (and identified by reference to the applicable Borrower), secured, or purporting to be secured by, Underlying Collateral, consisting of real property interests, duly executed, recorded mortgages are in effect as of the Closing Date that have been included in the Data Site and made available to Buyer which create a valid and effective mortgage lien on such Underlying Collateral meeting the requirements of the Loan Document for such Loan (as determined by Buyer acting in good faith and in a commercially reasonable manner), except with respect to real property interests having a present market value, as reasonably determined by Buyer in a commercially reasonable manner, in the aggregate that is no greater than $12,875,910.80.

(e) Seller shall have delivered each of the items specified in Section 7.2 to Buyer.

6.2 Conditions to Seller's Obligations to Consummate the Closing. Seller's obligation to consummate the Closing on the Scheduled Closing Date shall be conditioned upon satisfaction (or waiver by Seller in writing) of the following conditions:

(a) The representations and warranties of each OCM Buyer in Article 3 of this Agreement and in the Master Participation Agreement and the other Transaction Documents shall be true and correct in all material respects (except to the extent qualified by materiality, in which case such representations and warranties shall be true and correct in all respects) as of the date hereof and as of the Closing Date.

(b) Each OCM Buyer shall have performed its obligations under this Agreement to be performed on or prior to the Closing Date in all material respects.

(c) No material suit, action, or other proceeding instituted by any Person (other than Seller or an Affiliate of Seller) shall be pending before any court or other Governmental Authority seeking to restrain, prohibit, enjoin, or declare illegal, or providing for substantial damages in connection with, the transactions contemplated by this Agreement or the other Transaction Documents (other than any such suit, action, or other proceeding relating specifically to one or more Purchased Interests but not the sale of the Purchased Interests generally).

(d) Each OCM Buyer shall have delivered, as applicable, each of the items specified in Section 7.1 to Seller.

6.3 Obligation to Satisfy Closing Conditions. Each of Seller and each OCM Buyer shall use all commercially reasonable efforts to cause the satisfaction of all conditions to the obligations of the other party set forth in Sections 6.1 and 6.2, as applicable.

ARTICLE 7
CLOSING AND AGREEMENT DELIVERIES

7.1 OCM Buyers' Obligations at Closing. Each OCM Buyer shall perform the following on the Closing Date:

The applicable OCM Buyer shall deliver to Seller:

(a) the payment required to be made pursuant to Section 2.1;

(b) the Master Participation Agreement duly executed by Buyer;

(c) the Assignment and Assumption Agreements duly executed by Buyer;

(d) the Bi-Lateral Assignments duly executed by Buyer;

(e) the Payment Rights Agreements duly executed by PR Buyer;

(f) each other Transaction Document to which an OCM Buyer is a party, duly executed by such OCM Buyer;

(g) such other documents as Seller may reasonably request that are customary for a transaction of this nature and necessary to evidence or consummate the transactions contemplated by this Agreement; and

(h) a fully completed and validly executed IRS Form W-9, W-8BEN-E, W- 8IMY or W-8ECI (as applicable).

7.2 Seller's Obligations at Closing. Seller shall perform the following on the Closing

Date: Seller shall deliver to Buyer:

(a) the Master Participation Agreement duly executed by Seller;

(b) the Assignment and Assumption Agreements duly executed by Seller;

(c) the Bi-Lateral Assignments duly executed by Seller;

(d) the Payment Rights Agreement duly executed by Seller;

(e) a properly completed and executed Internal Revenue Service Form W-9 with respect to Seller;

(f) a certificate of non-foreign status with respect to Seller meeting the requirement of Treasury Regulation Section 1.445-2(b)(2) and Section 1446(f)(2) of the Code;

(g) each other Transaction Document to which Seller is a party, duly executed by Seller; and

(h) such other documents as Buyer may reasonably request that are customary for a transaction of this nature and necessary to evidence or consummate the transactions contemplated by this Agreement.

ARTICLE 8
PRE-CLOSING COVENANTS OF SELLER

8.1 Covenants of Seller. During the period from the date hereof to the Closing Date, Seller agrees with Buyer that:

(a) Seller shall consult with Buyer or its Affiliates prior to agreeing to or consenting to or voting in favor of:

(i) any amendment of any of the Loan Documents or Material Related Agreements; or

(ii) the release of any security for any Loan Interest except when required to do so pursuant to the provisions of the related Loan Documents; or

(iii) any waiver of rights, any consent, or any grant of any other material concession under any Loan Documents or Related Agreement.

(b) Seller shall provide to Buyer, on behalf of the OCM Buyers, a copy of any written notice or other written communication or other material information concerning the Purchased Interests, and any amendment, supplement, consent, waiver or other modification in respect thereof under any related Loan Document or Related Agreement, in each case to the extent received by Seller or its Affiliates prior to Closing.

(c) Seller shall promptly notify Buyer if Seller becomes aware of any event or circumstance that would be reasonably likely to result in a material breach of any of the representations, warranties, covenants or agreements made by the Seller in this Agreement or the other Transaction Documents.

(d) Seller shall not transfer any of the Purchased Interests or grant any liens or Encumbrances on the Purchased Interests.

ARTICLE 9
POST-CLOSING COVENANTS

9.1 Consents to Assignment. On the Closing Date, Seller shall deliver the Consent Requests and shall use commercially reasonably efforts to obtain the consent of the recipients as

provided under such applicable Loan Agreement in order to elevate the relevant Participation Interest in accordance with the Master Participation Agreement. With respect to the Loan Interest subject to each Payment Rights Agreement, Seller shall use commercially reasonably efforts to obtain the consent of each Person whose consent is needed in order for Seller to grant Buyer a participation in such Loan Interest. Upon obtaining such consent, Seller shall grant Buyer a participation in such Loan Interest by supplementing the Master Participation Agreement to include such Loan Interest.

9.2 Seller Bi-Lateral Loan Interests. With respect to any Seller Bi-Lateral Loan Interests, upon reasonable request of the Buyer, Seller shall promptly execute or cause to be executed any and all documents that are necessary or advisable for the purposes of transferring Seller's interest in any Underlying Collateral Documents with respect to any Seller Bi-Lateral Loan Interests to Buyer in accordance with the terms of the relevant Loan Documents.

9.3 Document Delivery; Data Site. With respect to the Loan Interests and the Equity Interests, as soon as practicable but in no event later than 60 calendar days after the Closing Date, Seller shall deliver to Buyer, on behalf of the OCM Buyers, or such other Person as Buyer shall designate in writing, copies of all Loan Documents, and Material Related Agreements, in each case in its possession, relating to such Loan Interests and Equity Interests; provided that Seller shall be entitled to satisfy its delivery obligations under this Section 9.3 by causing the Data Site to remain in operation pursuant to and in accordance with the succeeding sentence. Seller agrees that it shall cause the Data Site to remain in operation (and shall not remove any files, documents or other information posted thereto) until September 30, 2020, and Seller shall cause Buyer and its Affiliates to be granted access thereto during such time (provided, however, that any Affiliates of Buyer granted access shall comply with any confidentiality restrictions imposed upon Buyer in connection with such access).

9.4 Further Assurances. Each party agrees to (a) execute and deliver, or cause to be executed and delivered, all such other and further agreements, documents and instruments, and (b) take or cause to be taken all such other and further actions as the other party may reasonably request to effectuate the intent and purposes, and carry out the terms, of this Agreement.

ARTICLE 10
MISCELLANEOUS

10.1 Termination. Either the OCM Buyers or Seller may terminate this Agreement if the Closing has not occurred for any reason (other than due to a breach of a representation, warranty or covenant in this Agreement by the party seeking to terminate) on or before July 24, 2020. If the Closing does not occur as a result of the failure of the condition to Closing set forth in Section 6.1(d), Buyer shall provide Seller documentary evidence setting forth the basis therefor together with reasonably supporting documentation.

10.2 Survival. All representations and warranties made by Seller and OCM Buyers in this Agreement and the other Transaction Documents shall survive the Closing.

10.3 Amendments, Waivers. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an

amendment, by the parties hereto, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

10.4 Entire Agreement. This Agreement and the other agreements contemplated herein set forth the entire understanding among the parties hereto as to the subject matter hereof and thereof, and all prior or contemporaneous agreements, understandings, representations and statements between the parties with respect to such subject matter, written or oral, are merged into and superseded by this Agreement and such other agreements.

10.5 Severability. Any part, provision, representation, warranty or covenant of this Agreement that is prohibited or which is held to be void or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any section, provision, representation, warranty or covenant of this Agreement that is prohibited or unenforceable or is held to be void or unenforceable in any particular jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereto waive any provision of law which prohibits or renders void or unenforceable any provision hereof.

10.6 Notices. Unless otherwise specified, all notices required or permitted to be given by this Agreement shall be in writing and shall be (a) delivered in person, (b) delivered by certified or registered mail, postage prepaid, with return receipt requested, (c) transmitted by facsimile, (d) transmitted by e-mail (provided that any notice for a default under this Agreement shall not be transmitted by email) or (e) if sent by Federal Express or other nationally recognized overnight courier service or overnight express U.S. mail, postage prepaid:

(i) to the Seller at the following address: Hancock Whitney Bank

701 Poydras Street, Suite 3400
New Orleans LA 70139 Attn: Mike Achary
Title: SEVP & Chief Financial Officer Phone: (504) 586-7161
Email: Michael.Achary@hancockwhitney.com

With copies to:

Hancock Whitney Bank Attn: Joy Lambert Phillips PO Box
4019
Gulfport, MS 39502 Title: General Counsel Office:
(228) 563-5755
Email: joy.phillips@hancockwhitney.com and
Hancock Whitney Bank 3200 Kirby St. 11th Floor
Houston, TX 77098
Attn: Kevin Rafferty
Title: Director of Business Development and Special Assignments Phone: (832) 922-0385
Email: Kevin.Rafferty@hancockwhitney.com

(ii) to the Buyer, on behalf of the OCM Buyers, at the following address: OCM ENGY HOLDINGS, LLC

C/O OAKTREE CAPITAL MANAGEMENT, L.P.
333 S. Grand Ave., 28th Floor Los Angeles, CA 90071
jmikes@oaktreecapital.com
+1 (213) 356-3293
ghan@oaktreecapital.com
+1 (213) 830-6243

or to such other address of which Buyer, Seller notifies the other parties in writing. Notices personally delivered or transmitted by facsimile or e-mail shall be deemed to have been given on the date of delivery. All other notices in accordance herewith shall be deemed to have been given upon receipt (or refusal to accept delivery).

10.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but which together shall constitute one and the same agreement.

10.8 Excluded Information. Notwithstanding anything in this Agreement to the contrary each OCM Buyer acknowledges that (i) Seller may currently have, and later may come into possession of material non-public information with respect to the Purchased Interests, the related Borrowers or other Obligors under the Loan Interests that is not known to each OCM Buyer and that may be material to a decision to purchase the Purchased Interests and assume any related obligations ("Excluded Information"), (ii) each OCM Buyer has determined to purchase the Purchased Interests and assume any related obligations notwithstanding its lack of knowledge of the Excluded Information, and (iii) Seller shall have no liability to such OCM Buyer with respect to the nondisclosure of the Excluded Information in connection with the transactions contemplated

hereby; provided, however, that the Excluded Information shall not and does not affect the truth and accuracy of Seller's representations and warranties in this Agreement.

10.9 No Consequential Damages. Notwithstanding anything in this Agreement to the contrary, no party shall have any liability under this Agreement for any indirect, speculative, special, incidental, consequential, punitive or similar damages, including lost profits, lost opportunity costs or lost prospective economic advantage.

10.10 Governing Law; Proceedings; Waiver of Jury Trial.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) Each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of any court located in the Borough of Manhattan in the County of New York in the State of New York or any federal court sitting in the Borough of Manhattan in the County of New York in the State of New York for purposes of any suit, action or other proceeding arising out of this Agreement (and each of the parties agrees not to commence any action, suit or proceeding relating thereto except in such courts). THE PARTIES WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY SUCH DISPUTE.

10.11 Confidentiality. The parties agree that, without the prior written consent of the other party, they will not disclose, and will cause their respective Affiliates and representatives not to disclose, any Confidential Information to any Person, except (i) as required to implement or enforce this Agreement or any other Transaction Document, (ii) if required to do so by any law, court, regulation, subpoena or other legal process, (iii) to any Governmental Authority, stock exchange on which any of such parties' securities are listed or traded, or any self regulatory organization having or asserting jurisdiction over such party, (iv) if advised by its attorneys that it has a legal obligation to do so, or (v) to its professional advisors, servicers, auditors and other relevant service providers to the extent they are under an obligation to keep such Confidential Information confidential.

10.12 Assignment. No party hereto shall be entitled to transfer or assign its rights or obligations under this Agreement to any other Person without the prior written consent of the other parties hereto; provided that any OCM Buyer may assign any or all of its rights to an Affiliate of such OCM Buyer without prior written consent of Seller. Notwithstanding the foregoing proviso, any OCM Buyer who assigns any or all of its rights to an Affiliate of such OCM Buyer shall provide prior written notice to Seller and shall meet all of Seller's "know your customer" requirements. No OCM Buyer shall be permitted to delegate any of its obligations under any Transaction Document other than as permitted therein. This Agreement shall be binding upon the parties hereto and their respective successors and permitted assigns.

10.13 Subrogation. To the extent that any OCM Buyer enforces any right, claim or remedy against Seller under this Agreement and receives payment or another remedy from Seller in respect of such right, claim or remedy, such OCM Buyer agrees that, to the extent permitted by law, without the need for further action on the part of either party, Seller shall be subrogated to the

rights of such OCM Buyer against any other person or entity, with respect to such right, claim or remedy to the extent that such OCM Buyer receives such payment or other remedy from Seller.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized representatives as of the date first written above.

SELLER:

HANCOCK WHITNEY BANK

By: Name:
Title:

BUYER:

OCM ENGY HOLDINGS, LLC

By: Name:
Title:

By: _Name:
Title:

[Signature Page to Master Purchase Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized representatives as of the date first written above.

SELLER:

HANCOCK WHITNEY BANK

By: _Name:
Title:

BUYER:

OCM ENGY HOLDINGS, LLC

By: Name:
Title:

[Signature Page to Master Purchase Agreement]

EXHIBIT 31.1

CERTIFICATION

I, John M. Hairston, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hancock Whitney Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 4, 2020
Date

By: /s/ John M. Hairston
John M. Hairston
President & Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Michael M. Achary, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hancock Whitney Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 4, 2020
Date

By: /s/ Michael M. Achary
Michael M. Achary
Senior Executive Vice President & Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with this Quarterly Report on Form 10-Q of Hancock Whitney Corporation (the “Company”) for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), John M. Hairston, as Chief Executive Officer of the Company hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

November 4, 2020
Date

By: /s/ John M. Hairston
John M. Hairston
President & Chief Executive Officer
(Principal Executive Officer)

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

This certification shall not be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 32.2

CERTIFICATION

Certification Pursuant to 18 U.S.C. Section 1350
(Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with this Quarterly Report on Form 10-Q of Hancock Whitney Corporation (the "Company") for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael M. Achary, as Chief Financial Officer of the Company hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

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

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

November 4, 2020	By:	/s/ Michael M. Achary
Date		Michael M. Achary Senior Executive Vice President & Chief Financial Officer (Principal Financial Officer)

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

This certification shall not be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.