

Cadence Bank Announces Agreement to Sell the Insurance Operations of Cadence Insurance to Arthur J. Gallagher & Co.

Strategic decision positions both Cadence Bank and Cadence Insurance for future success.

HOUSTON and TUPELO, Miss., Oct. 24, 2023 /[PRNewswire](#)/ -- Cadence Bank ("Cadence" or the "Company") (NYSE: CADE) today announced that it entered into a definitive agreement to sell its insurance operations, Cadence Insurance, Inc., to Arthur J. Gallagher & Co. ("Gallagher") (NYSE: AJG) for \$904 million in cash¹.

Key Highlights²:

- Sale of Cadence Insurance, Inc., the second largest bank-affiliated insurance brokerage in the nation as ranked by *Business Insurance*, will allow Cadence to capitalize on the valuation premium and reinvest the capital into its strategic transformation efforts and growing its core banking franchise.
- We believe this transaction is extremely attractive for a bank-owned brokerage of 5.4x LTM revenue.
- Transaction is financially compelling with estimated 24% tangible book value per share³ accretion and 160 bps improvement in CET1.
- On an after-tax basis, the immediate net capital increase is expected to be approximately \$620 million and net cash proceeds are estimated at \$650 million. The significant capital creation bolsters the Company's balance sheet flexibility and profitability profile, while providing flexibility for capital redeployment to drive shareholder value.
- The sale is expected to be slightly positive to earnings per share through the use of cash proceeds to reduce wholesale borrowings. Further net income and earnings per share enhancements are anticipated as generated capital is deployed through strategic and franchise growth initiatives over time.

"We have always liked the insurance business," said Dan Rollins, chairman & CEO of Cadence Bank.

"Over the past 24 years, under exceptional leadership, the team has grown Cadence Insurance into the second largest bank-affiliated insurance brokerage in the country. The sale will allow us to focus on what we do best – building strong, long-lasting banking relationships, while also continuing to realize our long-term strategy. I have enjoyed working with the Cadence Insurance team immensely and have profound respect for what they do, and how well they do it. On behalf of all of us at Cadence, we will miss them."

Rollins continued: "Gallagher is well regarded for its culture, ethics, service and responsibility to its people, and I am fully confident our customers and teammates can expect the same level of quality service and commitment to being a great place to work they experience today."

Markham McKnight, CEO of Cadence Insurance, added, "Cadence Bank has been a fantastic partner of ours for the past 24 years, supporting our growth and evolution. During this collaborative process with Cadence Bank, we both determined that Gallagher is the best partner for us. Our team is what makes us who we are, and Gallagher recognized from the first conversation the talent of our team and its commitment to our clients and communities. We are energized about our future with Gallagher and what our team will be enabled to deliver to our clients."

Cadence anticipates the transaction, which is subject to standard closing conditions, will close in the fourth quarter of 2023. Cadence Insurance executive leadership, management and employees will join Gallagher following the sale.

Cadence Insurance is an insurance brokerage business that specializes in commercial and personal property & casualty, employee benefits, business solutions, and risk management services. Cadence Insurance manages 30 offices in eight states across the Southeast and has consistently been recognized as a Best Places to Work by *Business Insurance*, *Baton Rouge Business Report* and *Mississippi Business Journal*.

Morgan Stanley & Co. LLC, MarshBerry, and Ernst & Young served as financial advisors and Hodgson Russ LLP provided legal counsel to Cadence.

To learn more about Cadence Bank, visit [CadenceBank.com](https://www.CadenceBank.com).

About Cadence Bank

Cadence Bank (NYSE: CADE) is a leading regional banking franchise with approximately \$50 billion in assets and over 350 branch locations across the South and Texas. Cadence provides consumers, businesses and corporations with a full range of innovative banking and financial solutions. Services and products include consumer banking, consumer loans, mortgages, home equity lines and loans, credit cards, commercial and business banking, treasury management, specialized lending, asset-based lending, commercial real estate, equipment financing, correspondent banking, SBA lending, foreign exchange, wealth management, investment and trust services, financial planning, and retirement plan management. Cadence is committed to a culture of respect, diversity, inclusion and belonging in both its workplace and communities. Cadence Bank, Member FDIC. Equal Housing Lender.

About Cadence Insurance

Cadence Insurance, Inc. is the second largest bank-owned insurance broker in the nation and is a Top 50 U.S. Broker as ranked by *Business Insurance* magazine's Top 100 Brokers in the U.S. From small companies to organizations with more than 10,000 employees, Cadence Insurance, Inc. delivers the highest standard in brokerage services. The agency has become an industry leader in commercial insurance, surety, employee benefits and private client brokerage services by investing in technology and human capital to expand service offerings and create a competitive advantage for clients.

About Arthur J. Gallagher & Co.

Arthur J. Gallagher & Co. (NYSE:AJG), a global insurance brokerage, risk management and consulting services firm, is headquartered in Rolling Meadows, Illinois. Gallagher provides these services in approximately 130 countries around the world through its owned operations and a network of correspondent brokers and consultants.

Non-GAAP Financial Measures

This press release contains both financial measures based on accounting principles generally accepted in the United States ("GAAP") and non-GAAP based financial measures. Management believes that providing certain non-GAAP financial measures provides investors with information useful to their understanding financial performance, performance trends and financial position. Management utilizes these measures for internal planning and forecasting purposes, and management, as well as securities analysts, investors, and other interested parties, also use these measures to compare peer company operating performance. These non-GAAP measures should not be considered a substitute for GAAP basis measures and results. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. A reconciliation of tangible book value for the Company is included in the table below.

Reconciliation of Non-GAAP Financial Measure:

Cadence Bank	Details
(unaudited, dollars in thousands except per share data)	As of:
Tangible book value:	September 30, 2023
Total shareholders' equity (GAAP)	\$4,395,257
Less: Preferred stock	(166,993)
Less: Goodwill & other intangibles	(1,573,429)
Tangible book value (non-GAAP)	\$2,654,835
Shares outstanding	182,611,075
Tangible book value per share	\$14.54

Forward-Looking Statements

Certain statements made in this news release constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are subject to the safe harbor under the Private Securities Litigation Reform Act of 1995 as well as the "bespeaks caution" doctrine. These statements are often, but not exclusively, made through the use of words or phrases like "assume," "believe," "budget," "contemplate," "continue," "could," "foresee," "indicate," "may," "might," "outlook," "prospect," "potential," "roadmap," "should," "target," "will," "would," the negative versions of such words, or comparable words of a future or forward-looking nature. These forward-looking statements may include, without limitation, discussions regarding general economic and competitive conditions, the timing for the closing of the sale of Cadence Insurance (the "Proposed Transaction"), the impact of the Proposed Transaction of the Company's financial condition and future net income and earnings per share, the amount of net after-tax proceeds expected to be received by the Company from the Proposed Transaction, the Company's ability to deploy capital into

strategic and franchise growth initiatives, or any of the Company's comments related to topics in its risk disclosures or results of operations. Forward-looking statements are based upon management's expectations as well as certain assumptions and estimates made by, and information available to, the Company's management at the time such statements were made. Forward-looking statements are not guarantees of future results or performance and are subject to certain known and unknown risks, uncertainties and other factors that are beyond the Company's control and that may cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements.

Risks, uncertainties and other factors the Company may face include, without limitation: general economic, unemployment, credit market and real estate market conditions, including inflation, and the effect of such conditions on customers, potential customers, assets, investments and liquidity; risks arising from market and consumer reactions to the general banking environment, or to conditions or situations at specific banks; risks arising from media coverage of the banking industry; risks arising from perceived instability in the banking sector; the risks of changes in interest rates and their effects on the level, cost, and composition of, and competition for, deposits, loan demand and timing of payments, the values of loan collateral, securities, and interest sensitive assets and liabilities; the ability to attract new or retain existing deposits, to retain or grow loans or additional interest and fee income, or to control noninterest expense; the effect of pricing pressures on the Company's net interest margin; the failure of assumptions underlying the establishment of reserves for possible credit losses, fair value for loans and other real estate owned; changes in real estate values; a deterioration of the credit rating for U.S. long-term sovereign debt, actions that the U.S. government may take to avoid exceeding the debt ceiling, or uncertainties surrounding the debt ceiling and the federal budget; uncertainties surrounding the functionality of the federal government; potential delays or other problems in implementing and executing the Company's growth, expansion, acquisition, or divestment strategies, including delays in obtaining regulatory or other necessary approvals, or the failure to realize any anticipated benefits or synergies from any acquisitions, growth, or divestment strategies; the ability to pay dividends or coupons on the Company's 5.5% Series A Non-Cumulative Perpetual Preferred Stock, par value \$0.01 per share, or the 4.125% Fixed-to-Floating Rate Subordinated Notes due November 20, 2029; possible downgrades in the Company's credit ratings or outlook which could increase the costs or availability of funding from capital markets; the potential impact of the phase-out of the London Interbank Offered Rate ("LIBOR") or other changes involving LIBOR; changes in legal, financial, accounting, and/or regulatory requirements; the costs and expenses to comply with such changes; the enforcement efforts of federal and state bank regulators; the ability to keep pace with technological changes, including changes regarding maintaining cybersecurity and the impact of generative artificial intelligence; increased competition in the financial services industry, particularly from regional and national institutions; the impact of a failure in, or breach of, the Company's operational or security systems or infrastructure, or those of third parties with whom the Company does business, including as a result of cyber-attacks or an increase in the incidence or severity of fraud, illegal payments, security breaches or other illegal acts impacting the Company or the Company's customers. The Company also faces risks

from natural disasters or acts of war or terrorism; international or political instability, including the impacts related to or resulting from Russia's military action in Ukraine and additional sanctions and export controls, as well as the broader impacts to financial markets and the global macroeconomic and geopolitical environments.

In addition, the Company faces risks from: failure to obtain, or delays in obtaining, required regulatory approvals or clearances for the Proposed Transaction; any failure by the parties to satisfy any of the other conditions to the Proposed Transaction; the possibility that the Proposed Transaction is ultimately not consummated; potential adverse effects of the announcement or the impact of the Proposed Transaction on the ability to develop and maintain relationships by Cadence Insurance with its employees, clients and others with whom it does business; risks related to diversion of management's attention from ongoing business operations due to the Proposed Transaction; risks related to the failure to achieve the expected impact on the Company's financial condition; and risks associated with unexpected costs, liabilities or delays relating to the Proposed Transaction.

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

The foregoing factors should not be construed as exhaustive and should be read in conjunction with those factors that are set forth from time to time in the Company's periodic and current reports filed with the FDIC, including those factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, particularly those under the heading "Item 1A. Risk Factors," in the Company's Quarterly Reports on Form 10-Q under the heading "Part II-Item 1A. Risk Factors," and in the Company's Current Reports on Form 8-K.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable as of the date of this news release, if one or more events related to these or other risks or uncertainties materialize, or if the Company's underlying assumptions prove to be incorrect, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statements. The forward-looking statements speak only as of the date of this news release, and the Company does not undertake any obligation to publicly update or review any forward-looking statement, except as required by applicable law. All written or oral forward-looking statements attributable to the Company are expressly qualified in their entirety by this section.

¹ Subject to customary purchase price adjustments

² All financial metrics based on financial information as of September 30, 2023

³ Non-GAAP financial measure

SOURCE Cadence Bank

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<https://ir.cadencebank.com/2023-10-24-Cadence-Bank-Announces-Agreement-to-Sell-the-Insurance-Operations-of-Cadence-Insurance-to-Arthur-J-Gallagher-Co>