FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, DC 20429

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

OR

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

For the transition period from ________________ to ________________

FDIC Certificate No. 11813

BANCORPSOUTH BANK

(Exact name of registrant as specified in its charter)

Mississippi **(State or other jurisdiction of incorporation or organization)**	**64-0117230** **(I.R.S. Employer Identification No.)**
One Mississippi Plaza, 201 South Spring Street **Tupelo, Mississippi** **(Address of principal executive offices)**	**38804** **(Zip Code)**

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

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

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

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

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

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

Large Accelerated Filer	☒	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 ☒

As of July 30, 2021, the registrant had outstanding 108,601,081 shares of common stock, par value $2.50 per share.

BANCORPSOUTH BANK
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PART I.

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

BANCORPSOUTH BANK AND SUBSIDIARIES
Consolidated Balance Sheets

	June 30, 2021	December 31, 2020
	(Unaudited)	(1)
	(Dollars in thousands, except share and per share amounts)	
ASSETS		
Cash and due from banks	$ 331,873	$ 284,095
Interest bearing deposits with other banks	629,390	133,273
Available-for-sale securities, at fair value	9,084,111	6,231,006
Loans and leases	15,023,228	15,039,239
Less: Unearned income	19,189	16,760
Allowance for credit losses	265,720	244,422
Net loans and leases	14,738,319	14,778,057
Loans held for sale, at fair value	403,046	397,076
Premises and equipment, net	533,276	508,147
Accrued interest receivable	98,575	106,318
Goodwill	957,474	851,612
Other identifiable intangibles	54,659	55,899
Bank-owned life insurance	355,660	333,264
Other real estate owned	17,333	11,395
Other assets	408,649	391,052
TOTAL ASSETS	$ 27,612,365	$ 24,081,194
LIABILITIES		
Deposits:		
Demand: Noninterest bearing	$ 7,619,308	$ 6,341,457
Interest bearing	9,671,662	8,524,010
Savings	2,939,958	2,452,059
Other time	2,607,558	2,528,915
Total deposits	22,838,486	19,846,441
Securities sold under agreement to repurchase	683,135	637,715
Accrued interest payable	8,718	10,885
Junior subordinated debt securities	307,601	297,250
Long-term debt	4,189	4,402
Other liabilities	700,662	462,024
TOTAL LIABILITIES	24,542,791	21,258,717
SHAREHOLDERS' EQUITY		
Preferred stock, $0.01 par value per share Authorized and Issued - 6,900,000 shares for both periods presented	166,993	166,993
Common stock, $2.50 par value per share Authorized - 500,000,000 shares; Issued - 108,614,595 and 102,561,480 shares, respectively	271,536	256,404
Capital surplus	730,294	565,187
Accumulated other comprehensive (loss) income	(34,575)	11,923
Retained earnings	1,935,326	1,821,970
TOTAL SHAREHOLDERS' EQUITY	3,069,574	2,822,477
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 27,612,365	$ 24,081,194

(1) Derived from audited consolidated financial statements.

See accompanying notes to condensed unaudited consolidated financial statements.

BANCORPSOUTH BANK AND SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands, except share and per share amounts)			
INTEREST REVENUE:				
Loans and leases	$ 171,305	$ 173,164	$ 340,500	$ 350,183
Deposits with other banks	97	207	205	946
Federal funds sold, securities purchased under agreement to resell, FHLB and other equity investments	28	178	34	493
Available-for-sale securities:				
Taxable	23,983	20,783	45,175	42,291
Tax-exempt	676	1,178	1,363	2,238
Loans held for sale	3,040	1,962	4,635	3,385
Total interest revenue	199,129	197,472	391,912	399,536
INTEREST EXPENSE:				
Deposits:				
Interest bearing demand	8,247	11,631	17,043	27,153
Savings	626	943	1,326	2,233
Other time	6,428	10,296	13,394	21,464
Federal funds purchased and securities sold under agreement to repurchase	206	291	409	1,727
Short-term and long-term debt	44	477	89	2,334
Junior subordinated debt	3,387	3,263	6,656	6,524
Other	9	1	24	1
Total interest expense	18,947	26,902	38,941	61,436
Net interest revenue	180,182	170,570	352,971	338,100
Provision for credit losses	11,500	20,000	11,500	67,250
Net interest revenue, after provision for credit losses	168,682	150,570	341,471	270,850
NONINTEREST REVENUE:				
Mortgage banking	9,105	29,557	34,415	39,027
Credit card, debit card and merchant fees	11,589	9,080	21,248	18,256
Deposit service charges	8,849	7,647	17,326	19,329
Security gains (losses), net	96	62	178	(23)
Insurance commissions	36,106	33,118	66,773	62,721
Wealth management	7,543	6,421	16,008	12,991
Gain on sale of PPP loans	21,572	—	21,572	—
Other	7,083	5,373	12,359	15,453
Total noninterest revenue	101,943	91,258	189,879	167,754
NONINTEREST EXPENSE:				
Salaries and employee benefits	108,188	108,103	209,248	216,375
Occupancy, net of rental income	13,187	12,890	26,001	25,598
Equipment	4,967	4,762	9,531	9,411
Deposit insurance assessments	1,638	1,962	3,093	3,508
Other	46,004	34,787	81,934	74,368
Total noninterest expense	173,984	162,504	329,807	329,260
Income before income taxes	96,641	79,324	201,543	109,344
Income tax expense	21,102	18,164	44,449	23,923
Net income	$ 75,539	$ 61,160	$ 157,094	$ 85,421
Less: Preferred dividends	2,372	2,372	4,744	4,744
Net income available to common shareholders	73,167	58,788	152,350	80,677
Earnings per common share: Basic	$ 0.69	$ 0.57	$ 1.46	$ 0.78
Diluted	$ 0.69	$ 0.57	$ 1.46	$ 0.78
Dividends declared per common share	$ 0.190	$ 0.185	$ 0.380	$ 0.370

See accompanying notes to condensed unaudited consolidated financial statements.

BANCORPSOUTH BANK AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(Dollars in thousands)			
Net income	$ 75,539	$ 61,160	$ 157,094	$ 85,421
Other comprehensive income (loss), net of tax				
Net unrealized gains (losses) on securities	8,039	6,326	(48,188)	85,822
Pension and other postretirement benefits	845	1,016	1,690	2,032
Other comprehensive income (loss), net of tax	8,884	7,342	(46,498)	87,854
Comprehensive income	$ 84,423	$ 68,502	$ 110,596	$ 173,275

See accompanying notes to condensed unaudited consolidated financial statements.

BANCORPSOUTH BANK AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(Unaudited)

Three months ended June 30, 2021

	Preferred Stock		Common Stock			Accumulated Other		
	Shares	Amount	Shares	Amount	Capital Surplus	Comprehensive (Loss) Income	Retained Earnings	Total
	(Dollars in thousands, except share and per share amounts)							
Balance at March 31, 2021	6,900,000	$ 166,993	102,624,818	$ 256,562	$ 563,481	$ (43,459)	$ 1,881,621	$ 2,825,198
Net income	—	—	—	—	—	—	75,539	75,539
Change in fair value of available-for-sale securities net of tax effect of $2,309	—	—	—	—	—	8,039	—	8,039
Change in pension funding status, net of tax effect of $281	—	—	—	—	—	845	—	845
Comprehensive income								84,423
Recognition of stock compensation	—	—	(10,702)	(27)	4,441	—	—	4,414
Repurchase of stock	—	—	(84,217)	(211)	(2,462)	—	—	(2,673)
Issuance of stock in conjunction with acquisitions	—	—	6,084,696	15,212	164,834	—	—	180,046
Preferred dividends declared, $0.344 per share	—	—	—	—	—	—	(2,372)	(2,372)
Common dividends declared, $0.19 per share	—	—	—	—	—	—	(19,462)	(19,462)
Balance at June 30, 2021	6,900,000	$ 166,993	108,614,595	$ 271,536	$ 730,294	$ (34,575)	$ 1,935,326	$ 3,069,574

Three months ended June 30, 2020

	Preferred Stock		Common Stock			Accumulated Other		
	Shares	Amount	Shares	Amount	Capital Surplus	Comprehensive Income	Retained Earnings	Total
	(Dollars in thousands, except share and per share amounts)							
Balance at March 31, 2020	6,900,000	$ 166,993	102,632,484	$ 256,581	$ 558,114	$ 17,849	$ 1,682,367	$ 2,681,904
Net income	—	—	—	—	—	—	61,160	61,160
Change in fair value of available-for-sale securities, net of tax effect of $2,104	—	—	—	—	—	6,326	—	6,326
Change in pension funding status, net of tax effect of $337	—	—	—	—	—	1,016	—	1,016
Comprehensive income								68,502
Recognition of stock compensation	—	—	17,110	43	4,761	—	—	4,804
Repurchase of stock	—	—	(83,293)	(208)	(1,334)	—	—	(1,542)
Preferred dividends declared, $0.344 per share	—	—	—	—	—	—	(2,372)	(2,372)
Common dividends declared, $0.185 per share	—	—	—	—	—	—	(18,609)	(18,609)
Balance at June 30, 2020	6,900,000	$ 166,993	102,566,301	$ 256,416	$ 561,541	$ 25,191	$ 1,722,546	$ 2,732,687

See accompanying notes to condensed unaudited consolidated financial statements.

BANCORPSOUTH BANK AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(Unaudited)

	Six months ended June 30, 2021							
	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Capital Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	(Dollars in thousands, except share amounts)							
Balance at December 31, 2020	6,900,000	$ 166,993	102,561,480	$ 256,404	$ 565,187	$ 11,923	$ 1,821,970	$ 2,822,477
Net income	—	—	—	—	—	—	157,094	157,094
Change in fair value of available-for-sale securities net of tax effect of ($16,022)	—	—	—	—	—	(48,188)	—	(48,188)
Change in pension funding status, net of tax effect of $562	—	—	—	—	—	1,690	—	1,690
Comprehensive income								110,596
Recognition of stock compensation	—	—	115,963	289	4,486	—	—	4,775
Repurchase of stock	—	—	(147,544)	(369)	(4,213)	—	—	(4,582)
Issuance of stock in conjunction with acquisitions	—	—	6,084,696	15,212	164,834	—	—	180,046
Preferred dividends declared, $0.688 per share	—	—	—	—	—	—	(4,744)	(4,744)
Common dividends declared, $0.38 per share	—	—	—	—	—	—	(38,994)	(38,994)
Balance at June 30, 2021	6,900,000	$ 166,993	108,614,595	$ 271,536	$ 730,294	$ (34,575)	$ 1,935,326	$ 3,069,574

	Six months ended June 30, 2020							
	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Capital Surplus	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total
	(Dollars in thousands, except share amounts)							
Balance at December 31, 2019	6,900,000	$ 167,021	104,522,804	$ 261,307	$ 605,976	$ (62,663)	$ 1,713,376	$ 2,685,017
Net income	—	—	—	—	—	—	85,421	85,421
Change in fair value of available-for-sale securities, net of tax effect of $28,532	—	—	—	—	—	85,822	—	85,822
Change in pension funding status, net of tax effect of $674	—	—	—	—	—	2,032	—	2,032
Comprehensive income								173,275
Recognition of stock compensation	—	—	458,561	1,147	7,756	—	—	8,903
Repurchase of stock	—	—	(3,454,307)	(8,636)	(82,236)	—	—	(90,872)
Issuance of stock in conjunction with acquisitions	—	—	1,039,243	2,598	30,045	—	—	32,643
Preferred dividends declared, $0.344 per share	—	—	—	—	—	—	(4,744)	(4,744)
Common dividends declared, $0.37 per share	—	—	—	—	—	—	(38,007)	(38,007)
Issuance of preferred stock	—	(28)	—	—	—	—	—	(28)
Cumulative effect of change in accounting principles	—	—	—	—	—	—	(33,500)	(33,500)
Balance at June 30, 2020	6,900,000	$ 166,993	102,566,301	$ 256,416	$ 561,541	$ 25,191	$ 1,722,546	$ 2,732,687

See accompanying notes to condensed unaudited consolidated financial statements.

BANCORPSOUTH BANK AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended June 30, 2021	Six months ended June 30, 2020
	(Dollars in thousands)	
Operating activities:		
Net income	$ 157,094	$ 85,421
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	11,500	66,000
Depreciation and amortization	17,446	16,501
Amortization of intangibles	4,719	4,750
Amortization of debt securities premium and discount, net	27,055	4,793
Share-based compensation expense	4,775	8,903
Securities (gains) losses, net	(178)	23
Gain on sale of PPP loans	(21,572)	—
Net (decrease) increase in deferred loan origination fees	(11,987)	23,536
Decrease (increase) in interest receivable	12,206	(34,882)
Decrease in interest payable	(2,479)	(1,786)
Realized gain on mortgages sold, net	(35,811)	(22,114)
Proceeds from mortgages sold	1,698,320	1,312,500
Origination of mortgages held for sale	(1,696,176)	(1,466,077)
Loss on other real estate owned, net	630	1,089
Increase in bank-owned life insurance	(3,622)	(3,786)
Increase in prepaid pension asset	(6,403)	(3,817)
Change in payments for operating leases	(5,036)	(4,991)
Other, net	14,198	45,462
Net cash provided by operating activities	164,679	31,525
Investing activities:		
Proceeds from calls and maturities of available-for-sale securities	913,590	516,649
Proceeds from sales of available-for-sale securities	290,053	147,621
Purchases of available-for-sale securities	(3,571,805)	(993,609)
Net decrease in short-term investments	30,300	20,000
Proceeds from sale of PPP loans	725,384	—
Net decrease (increase) in loans and leases	210,846	(1,176,779)
Purchases of premises and equipment	(18,323)	(28,682)
Proceeds from sale of premises and equipment	662	956
Purchases of bank-owned life insurance, net of proceeds from death benefits	(59)	1,036
Net cash received in bank acquisitions	294,239	6,852
Proceeds from sale of other real estate owned	2,848	3,930
Net cash used in investing activities	(1,122,265)	(1,502,026)
Financing activities:		
Net increase in deposits	1,525,982	2,398,715
Net increase (decrease) in short-term and other debt	45,420	(568,408)
Repayment of long-term debt	(20,403)	(197)
Repurchase of common stock	(4,582)	(90,872)
Fees associated with preferred stock issuance	—	(28)
Payment of cash dividends on common stock	(40,192)	(38,002)
Payment of cash dividends on preferred stock	(4,744)	(4,744)
Net cash provided by financing activities	1,501,481	1,696,464
Net increase in cash and cash equivalents	543,895	225,963
Cash and cash equivalents at beginning of period	417,368	333,006
Cash and cash equivalents at end of period	$ 961,263	$ 558,969

See accompanying notes to the condensed unaudited consolidated financial statements

BANCORPSOUTH BANK AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended June 30,	
	2021	2020
Supplemental Cash Flow Information	(Dollars in thousands)	
Cash paid during the period for:		
Income tax payments (refunds), net	$ 44,108	$ 35,491
Interest paid	36,774	59,788
Non-cash Activities:		
Transfers of loans to other real estate owned, at fair value	7,728	5,438
MSR and hedge fair value adjustment	5,473	(13,456)
Financed sales of other real estate owned	77	—
Transfers of loans held for sale to loan portfolio, at fair value	6,750	2,153
Stock issued in connection with bank acquisitions	180,046	32,643
Right-of-use assets obtained in exchange for new operating lease liabilities	261	1,539
Lease liabilities arising from obtaining ROU assets	(489)	(2,558)

See accompanying notes to the condensed unaudited consolidated financial statements.

Condensed Notes to Consolidated Financial Statements
(Unaudited)

NOTE 1 – BASIS OF FINANCIAL STATEMENT PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying unaudited interim consolidated financial statements of BancorpSouth Bank (the "Company") have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and follow general practices within the industries in which the Company operates. For further information, refer to the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 as filed with the Federal Deposit Insurance Corporation (the "FDIC") on February 25, 2021. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial statements have been included and all such adjustments were of a normal, recurring nature. The results of operations for the three-month and six-month periods ended June 30, 2021 are not necessarily indicative of the results to be expected for the full year. Amounts in prior year financial statements are reclassified whenever necessary to conform to the current year presentation.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, BXS Insurance Inc., BancorpSouth Bank Securities Corporation, BXS Investor, Inc., and BXS Community Fund, LLC. During the second quarter of 2021, BancorpSouth Municipal Development Corporation merged into the Company. Neither the merger nor operations of BancorpSouth Municipal Development Corporation had, or will have, a material effect on the Company's operations and financial results.

NOTE 2—BUSINESS COMBINATIONS

On January 1, 2020, the Company completed the merger with Texas First Bancshares Inc., and its wholly owned subsidiary, Texas First State Bank, (collectively referred to as "Texas First"), pursuant to which Texas First was merged with and into the Company. Texas First operated six full-service banking offices in Waco, Texas and Killeen-Temple, Texas metropolitan statistical areas. Under the terms of the definitive merger agreement, the Company issued approximately 1,040,000 shares of the Company's common stock, plus $13.0 million in cash for all outstanding shares of Texas First's capital stock. As of June 30, 2021, total goodwill related to the Texas First acquisition was $22.0 million. Goodwill is calculated as the excess of both the consideration exchanged and liabilities assumed as compared to the fair value of identifiable assets acquired, none of which is expected to be deductible for tax purposes. Additionally, the Company recognized $2.4 million of core deposit intangibles in conjunction with this acquisition. This acquisition was not considered significant to the Company's consolidated financial statements and, therefore, pro forma data and related disclosures are not included.

The following table presents the amounts recorded on the consolidated balance sheets on the acquisition date of January 1, 2020 for Texas First, showing the fair value as adjusted during the measurement period (in thousands):

Assets:		
Cash and due from banks	$	19,714
Interest bearing deposits with other banks		139
Available for sale securities and other equity investments		154,568
Federal funds sold		20,000
Loans and leases		180,430
Premises and equipment		10,869
Accrued interest receivable		1,266
Other identifiable intangibles		2,445
Other assets		4,796
Total assets	$	394,227
Liabilities assumed:		
Deposits	$	370,072
Accrued interest payable		138
Other liabilities		378
Total liabilities	$	370,588
Net assets acquired	$	23,639
Consideration paid:		
Market value of common stock		(32,643)
Total cash paid		(13,001)
Total fair value of consideration paid	$	(45,644)
Goodwill	$	22,005

On October 7, 2020, the Company completed the acquisition of Alexander & Sanders Insurance Agency, Inc., headquartered in Baton Rouge, Louisiana. Alexander & Sanders provides risk management and insurance services to professional firms across Louisiana. The acquisition is considered immaterial to the Company's financial statements.

On April 12, 2021, the Company announced the signing of a definitive merger agreement (the "Cadence Merger Agreement") with Cadence Bancorporation, the parent company of Cadence Bank N.A., (collectively referred to as "Cadence"), pursuant to which Cadence will be merged with and into the Company, with the Company continuing as the surviving entity. Cadence operates 98 full-service banking offices in the southeast. As of March 31, 2021, Cadence collectively reported total assets of $18.8 billion, total loans of $12.4 billion and total deposits of $16.1 billion. Upon the terms and subject to the conditions set forth in the Cadence Merger Agreement, each Cadence shareholder, other than Cadence and the Company, will receive 0.70 shares of the Company's common stock. In addition, Cadence will pay a one-time special dividend of $1.25 per share of Cadence common stock at closing.

On May 1, 2021, the Company completed the merger with National United Bancshares Inc., the parent company of National United, (collectively referred to as "National United"), pursuant to which National United was merged with and into the Company. National United operated six full-service banking offices in the Killeen-Temple, Texas; Waco, Texas; and Austin-Round Rock-Georgetown, Texas metropolitan statistical areas. Under the terms of the definitive merger agreement, the Company issued approximately 3,110,000 shares of the Company's common stock, plus $33.25 million in cash for all outstanding shares of National United's capital stock. As of June 30, 2021, total goodwill related to the National United acquisition was $52.8 million. Goodwill is calculated as the excess of both the consideration exchanged and liabilities assumed as compared to the fair value of identifiable assets acquired, none of which is expected to be deductible for tax purposes. Additionally, the Company recognized

$2.5 million of core deposit intangibles in conjunction with this acquisition. This acquisition was not considered significant to the Company's consolidated financial statements and, therefore, pro forma data and related disclosures are not included.

Due to the Company's evaluation of post-merger activity and the extensive information gathering and management review processes required to properly record acquired assets and liabilities, the Company considers its valuations of National United's assets and liabilities to be provisional as management continues to identify and assess information regarding the nature of these assets and liabilities for the associated valuation assumptions and methodologies used.

The following table presents the amounts recorded on the consolidated balance sheets on the acquisition date of May 1, 2021 for National United, showing the fair value as adjusted during the measurement period (in thousands):

Assets:	
Cash and due from banks	$ 198,315
Interest bearing deposits with other banks	3,963
Available for sale securities and other equity investments	132,046
Federal funds sold	30,300
Loans and leases	429,081
Premises and equipment	9,802
Accrued interest receivable	1,932
Other identifiable intangibles	2,541
Other real estate owned	663
Bank-owned life insurance	6,651
Other assets	3,880
Total assets	$ 819,174
Liabilities assumed:	
Deposits	$ 744,601
Accrued interest payable	138
Other liabilities	1,953
Total liabilities	$ 746,692
Net assets acquired	$ 72,482
Consideration paid:	
Market value of common stock	(92,018)
Total cash paid	(33,256)
Total fair value of consideration paid	$ (125,274)
Goodwill	$ 52,792

On May 1, 2021, the Company completed the merger with FNS Bancshares Inc., the parent company of FNB Bank, (collectively referred to as "FNS"), pursuant to which FNS was merged with and into the Company. FNS operated 17 full-service banking offices in Alabama, Georgia and Tennessee. The merger expanded the Company's presence in Jackson, DeKalb and Marshall counties in Alabama and the Chattanooga, Tennessee-Georgia and Nashville-Davidson-Murfreesboro-Franklin, Tennessee metropolitan statistical areas. Under the terms of the definitive merger agreement, the Company issued approximately 2,975,000 shares of the Company's common stock, plus $18.0 million in cash for all outstanding shares of FNS's capital stock. As of June 30, 2021, total goodwill related to the FNS acquisition was $53.1 million. Goodwill is calculated as the excess of both the consideration exchanged and liabilities assumed as compared to the fair value of identifiable assets acquired, none of which is expected to be deductible for tax purposes. Additionally, the Company recognized approximately $938,000 of core deposit intangibles in conjunction with this acquisition. This acquisition was not considered significant to the Company's consolidated financial statements and, therefore, pro forma data and related disclosures are not included.

Due to the Company's evaluation of post-merger activity and the extensive information gathering and management review processes required to properly record acquired assets and liabilities, the Company considers its valuations of FNS's assets and liabilities to be provisional as management continues to identify and assess information regarding the nature of these assets and liabilities for the associated valuation assumptions and methodologies used.

The following table presents the amounts recorded on the consolidated balance sheets on the acquisition date of May 1, 2021 for FNS, showing the fair value as adjusted during the measurement period (in thousands):

Assets:		
Cash and due from banks	$	139,378
Interest bearing deposits with other banks		3,842
Available for sale securities and other equity investments		170,158
Loans and leases		453,040
Premises and equipment		15,044
Accrued interest receivable		2,531
Other identifiable intangibles		938
Other real estate owned		1,023
Bank-owned life insurance		12,064
Other assets		13,125
Total assets	$	811,143
Liabilities assumed:		
Deposits	$	721,462
Accrued interest payable		174
Junior subordinated debt		10,000
Long-term debt		20,206
Other liabilities		6,340
Total liabilities	$	758,182
Net assets acquired	$	52,961
Consideration paid:		
Market value of common stock		(88,028)
Total cash paid		(18,003)
Total fair value of consideration paid	$	(106,031)
Goodwill	$	53,070

NOTE 3 – LOANS AND LEASES

The Company's loan and lease portfolio is disaggregated into the following portfolio segments: commercial and industrial; commercial real estate; consumer; and all other. The commercial and industrial segment is further disaggregated into the commercial and industrial-non real estate and commercial and industrial-owner occupied classes. The commercial real estate segment is further disaggregated into the agricultural, construction, acquisition and development, and commercial real estate classes. The consumer segment is further disaggregated into the consumer mortgages, home equity, and credit cards classes.

A summary of gross loans and leases by segment and class as of the dates indicated follows:

	June 30, 2021	December 31, 2020
	(In thousands)	
Commercial and industrial		
Commercial and industrial-non real estate	$ 2,058,792	$ 2,674,208
Commercial and industrial-owner occupied	2,273,433	2,281,127
Total commercial and industrial	4,332,225	4,955,335
Commercial real estate		
Agricultural	350,067	317,994
Construction, acquisition and development	1,926,421	1,728,682
Commercial real estate	3,323,883	3,211,434
Total commercial real estate	5,600,371	5,258,110
Consumer		
Consumer mortgages	3,991,790	3,726,241
Home equity	625,365	630,097
Credit cards	84,699	89,077
Total consumer	4,701,854	4,445,415
All other	388,778	380,379
Gross loans total (1)	15,023,228	15,039,239
Less: unearned income	19,189	16,760
Net loans	$ 15,004,039	$ 15,022,479

(1) Gross loans and leases are net of deferred costs of $5.1 million and fees of $5.4 million at June 30, 2021 and December 31, 2020, respectively.

The Company engages in lending primarily to consumers, small and medium-sized business enterprises and government entities. Loans are issued generally to finance home purchases and improvements, personal expenditures, business investment and operations, construction and development and income producing properties. The Company provides financing to publicly traded businesses only on a limited basis through syndications and participations. Loans are underwritten to be repaid primarily by available cash flow from personal income, investment income, business operations, rental income or the sale of developed or constructed properties. Collateral and personal guaranties of business owners are generally required as a condition of financing arrangements and provide additional cash flow and proceeds from asset sales of guarantors in the event primary sources of repayment are no longer sufficient.

While loans are structured to provide protection to the Company if borrowers are unable to repay as agreed, the Company recognizes that there are numerous risks that may result in deterioration of the repayment ability of borrowers and guarantors. These risks include failure of business operations due to economic, legal, market, logistical, weather, health and governmental or *force majeur*e events. The economic disruption resulting from the coronavirus ("COVID-19") pandemic and the accompanying stay-at-home restrictions, which developed during 2020, had a substantial impact on the risk that businesses may experience difficulty in meeting repayment obligations and that the Company may experience losses or deterioration in performance in its loan portfolio. Economic conditions have shown improvement in recent months now that vaccinations are available, however, some states have reinstated restrictions and are seeing an uptick in cases. The economic disruption due to COVID-19, including labor shortages, supply-chain disruptions and higher labor and commodity prices, continues to have a negative effect on many borrowers and the risk of future defaults remains.

The Company has actively participated in assisting its customers with applications for resources through the Paycheck Protection Program ("PPP"), which is administered by the Small Business Administration ("SBA") with the intent to help businesses keep their workforce employed during the COVID-19 pandemic. PPP loans have a two-year or five-year term and earn interest at 1%. The Company believes that a significant portion of these loans will ultimately be forgiven by the SBA in accordance with the terms of the program. The PPP loans are designed to be fully guaranteed by the U.S. government and as such should not present a credit risk. During the second quarter of 2021, the Company sold PPP loans totaling $725.4 million which generated a gain on sale of $21.6 million. The remaining balance of PPP loans of $167.1 million is included in the commercial and industrial-non real estate loan class and all other loan segment.

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

Commercial and Industrial:

Commercial and Industrial - Commercial and industrial loans are loans and leases to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal guarantees are generally required for these loans. Also included in this category are loans to finance agricultural production. The Company recognizes that risk from economic cycles, pandemics, including COVID-19, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans.

Real Estate – Commercial and Industrial-Owner Occupied - Commercial and industrial-owner occupied loans include loans secured by business facilities to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal guarantees are generally required for these loans. The Company recognizes that risk from economic cycles, pandemics, including COVID-19, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans.

Commercial Real Estate:

Agricultural - Agricultural loans include loans to purchase agricultural land and production lines secured by farmland. The Company recognizes that risks in the agricultural sector including crop failures due to weather, insects and other blights, commodity prices, governmental intervention, lawsuits, labor or logistical disruptions and real estate market conditions may have an adverse impact on the scheduled repayment or performance of agricultural loans.

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

The underwriting process for construction, acquisition and development loans with interest reserves is essentially the same as that for a loan without interest reserves and may include analysis of borrower and guarantor financial strength, market demand for the proposed project, experience and success with similar projects, property values, time horizon for project completion and the availability of permanent financing once the project is completed. The Company's loan policy generally prohibits the use of interest reserves on loans. Construction, acquisition and development loans, with or without interest reserves, are inspected periodically to ensure that the project is on schedule and eligible for requested draws. Inspections may be performed by construction inspectors hired by the Company or by appropriate loan officers and are done periodically to monitor the progress of a particular project. These inspections may also include discussions with project managers and engineers.

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

Commercial - Commercial loans include loans to finance income-producing commercial and multi-family properties. Lending in this category is generally limited to properties located in the Company's market area with only limited exposure to properties located elsewhere but owned by in-market borrowers. Loans in this category include loans for neighborhood retail centers, medical and professional offices, single retail stores, warehouses and apartments leased generally to local businesses and residents. The underwriting of these loans takes into consideration the occupancy and rental rates as well as the financial health of the borrower. The Company's exposure to national retail tenants is minimal. The Company has not purchased commercial real estate loans from brokers or third-party originators. The Company recognizes that risk from economic cycles, pandemics, including COVID-19, government restrictions, delayed or missed rent payments, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans.

Consumer:

Consumer Mortgages - Consumer mortgages are first or second-lien loans to consumers secured by a primary residence or second home. These loans are generally amortized over terms up to 25 years. The loans are generally secured by properties located within the local market area of the community bank which originates and services the loan. These loans are underwritten in accordance with the Company's general loan policies and procedures which require, among other things, proper documentation of each borrower's financial condition, satisfactory credit history and property value. In addition to loans originated through the Company's branches, the Company originates and services consumer mortgages sold in the secondary market which are underwritten and closed pursuant to investor and agency guidelines. The Company's exposure to subprime mortgages is minimal.

Home Equity - Home equity loans include revolving credit lines which are secured by a first or second lien on a borrower's residence. Each loan is underwritten individually by lenders who specialize in home equity lending and must conform to Company lending policies and procedures for consumer loans as to borrower's financial condition, ability to repay, satisfactory credit history and the condition and value of collateral. Properties securing home equity loans are generally located in the local market area of the Company branch or office originating and servicing the loan. The Company has not purchased home equity loans from brokers or other lending institutions.

Credit Cards - Credit cards include consumer and business MasterCard and Visa accounts. The Company offers credit cards primarily to its deposit and loan customers.

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

All Other:

All Other - All other loans and leases include consumer installment loans and loans and leases to state, county and municipal governments and non-profit agencies. Consumer installment loans and leases include term loans of up to five years secured by automobiles, boats and recreational vehicles. The Company offers lease financing for vehicles and heavy equipment to state, county and municipal governments and medical equipment to healthcare providers across the southern states. The Company recognizes that risk from economic cycles, pandemics, including COVID-19, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans.

The following table shows the Company's loans and leases, net of unearned income, as of June 30, 2021 by segment, class and geographical location:

	Alabama and Florida Panhandle	Arkansas	Louisiana	Mississippi	Missouri	Tennessee and Georgia	Texas	Other	Total
					(In thousands)				
Commercial and industrial									
Commercial and industrial- non real estate	$ 200,136	$ 140,703	$ 189,328	$ 438,063	$ 70,107	$ 124,418	$ 886,927	$ 6,352	$ 2,056,034
Commercial and industrial- owner occupied	304,416	160,747	217,698	579,772	63,502	119,129	827,525	644	2,273,433
Total commercial and industrial	504,552	301,450	407,026	1,017,835	133,609	243,547	1,714,452	6,996	4,329,467
Commercial real estate									
Agricultural	32,020	68,507	22,108	66,530	6,920	12,187	140,762	1,033	350,067
Construction, acquisition and development	241,404	56,528	70,949	359,989	20,030	92,610	1,084,692	219	1,926,421
Commercial real estate	476,140	313,530	236,752	632,114	202,824	230,910	1,229,165	2,448	3,323,883
Total commercial real estate	749,564	438,565	329,809	1,058,633	229,774	335,707	2,454,619	3,700	5,600,371
Consumer									
Consumer mortgages	703,186	322,580	343,656	815,369	109,712	356,234	1,305,445	35,608	3,991,790
Home equity	128,529	43,435	70,696	201,327	16,118	126,052	39,208	—	625,365
Credit cards	—	—	—	—	—	—	—	84,699	84,699
Total consumer	831,715	366,015	414,352	1,016,696	125,830	482,286	1,344,653	120,307	4,701,854
All other	64,976	31,056	32,756	122,687	1,750	20,578	98,232	312	372,347
Total	$ 2,150,807	$ 1,137,086	$ 1,183,943	$ 3,215,851	$ 490,963	$ 1,082,118	$ 5,611,956	$ 131,315	$15,004,039

There are no other loan and lease concentrations that exceed 10% of total loans and leases not already reflected in the preceding tables. A substantial portion of construction, acquisition and development loans are secured by real estate in markets in which the Company is located. The Company's loan policy generally prohibits loans for the sole purpose of carrying interest reserves. Certain of the construction, acquisition and development loans were structured with interest-only terms. A portion of the consumer mortgage and commercial real estate portfolios were originated through the permanent financing of construction, acquisition and development loans. Future economic distress could negatively impact borrowers' and guarantors' ability to repay their debt which would make more of the Company's loans collateral dependent.

The following tables provide details regarding the aging of the Company's loan and lease portfolio, net of unearned income, by segment and class at June 30, 2021 and December 31, 2020:

	June 30, 2021						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
	(In thousands)						
Commercial and industrial							
Commercial and industrial- non real estate	$ 3,135	$ 1,039	$ 8,868	$ 13,042	$ 2,042,992	$ 2,056,034	$ 40
Commercial and industrial- owner occupied	956	4,854	9,022	14,832	2,258,601	2,273,433	883
Total commercial and industrial	4,091	5,893	17,890	27,874	4,301,593	4,329,467	923
Commercial real estate							
Agricultural	413	262	1,284	1,959	348,108	350,067	—
Construction, acquisition and development	2,030	845	1,555	4,430	1,921,991	1,926,421	—
Commercial real estate	7,672	30	6,684	14,386	3,309,497	3,323,883	—
Total commercial real estate	10,115	1,137	9,523	20,775	5,579,596	5,600,371	—
Consumer							
Consumer mortgages	22,212	7,844	30,653	60,709	3,931,081	3,991,790	14,131
Home equity	1,631	211	688	2,530	622,835	625,365	66
Credit cards	202	125	232	559	84,140	84,699	215
Total consumer	24,045	8,180	31,573	63,798	4,638,056	4,701,854	14,412
All other	1,298	300	604	2,202	370,145	372,347	51
Total	$ 39,549	$ 15,510	$ 59,590	$ 114,649	$14,889,390	$15,004,039	$ 15,386

	December 31, 2020						
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Outstanding	90+ Days Past Due still Accruing
	(In thousands)						
Commercial and industrial							
Commercial and industrial- non real estate	$ 2,572	$ 1,203	$ 8,314	$ 12,089	$ 2,661,340	$ 2,673,429	$ 307
Commercial and industrial- owner occupied	2,629	621	5,840	9,090	2,272,037	2,281,127	—
Total commercial and industrial	5,201	1,824	14,154	21,179	4,933,377	4,954,556	307
Commercial real estate							
Agricultural	1,706	—	2,438	4,144	313,850	317,994	—
Construction, acquisition and development	650	2,092	8,073	10,815	1,717,867	1,728,682	—
Commercial real estate	865	1,500	8,165	10,530	3,200,904	3,211,434	—
Total commercial real estate	3,221	3,592	18,676	25,489	5,232,621	5,258,110	—
Consumer							
Consumer mortgages	26,791	8,959	33,959	69,709	3,656,532	3,726,241	13,743
Home equity	1,208	174	1,077	2,459	627,638	630,097	—
Credit cards	325	233	301	859	88,218	89,077	256
Total consumer	28,324	9,366	35,337	73,027	4,372,388	4,445,415	13,999
All other	928	170	480	1,578	362,820	364,398	14
Total	$ 37,674	$ 14,952	$ 68,647	$ 121,273	$14,901,206	$15,022,479	$ 14,320

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

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

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

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

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

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

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

Purchased Credit Deteriorated (Loss): An internal grade for loans with evidence of deterioration of credit quality since origination that are acquired by completion of a transfer, and for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable. While these loans are generally collateral-dependent, loans purchased with credit deterioration that are not collateral-dependent are initially classified as Substandard but may improve or deteriorate in credit quality after acquisition with their ratings adjusted accordingly.

The following tables provide details of the Company's loan and lease portfolio, net of unearned income, by segment, class and internally assigned grade at June 30, 2021 and December 31, 2020:

	June 30, 2021							
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Purchased Credit Deteriorated (Loss)	Total
	(In thousands)							
Commercial and industrial								
Commercial and industrial-non real estate	$ 2,005,765	$ —	$ 40,286	$ 171	$ —	$ 1,885	$ 7,927	$ 2,056,034
Commercial and industrial-owner occupied	2,193,141	4,000	63,638	—	—	7,452	5,202	2,273,433
Total commercial and industrial	4,198,906	4,000	103,924	171	—	9,337	13,129	4,329,467
Commercial real estate								
Agricultural	341,430	—	6,326	—	—	—	2,311	350,067
Construction, acquisition and development	1,879,040	—	40,498	—	—	714	6,169	1,926,421
Commercial real estate	3,150,789	—	159,066	—	—	9,316	4,712	3,323,883
Total commercial real estate	5,371,259	—	205,890	—	—	10,030	13,192	5,600,371
Consumer								
Consumer mortgages	3,926,705	—	63,645	—	—	1,256	184	3,991,790
Home equity	619,269	—	6,096	—	—	—	—	625,365
Credit cards	84,699	—	—	—	—	—	—	84,699
Total consumer	4,630,673	—	69,741	—	—	1,256	184	4,701,854
All other	362,556	—	9,726	—	—	—	65	372,347
Total	$14,563,394	$ 4,000	$ 389,281	$ 171	$ —	$ 20,623	$ 26,570	$15,004,039

(1) Impaired loans are shown exclusive of $7.4 million of accruing troubled debt restructurings ("TDRs"), $2.1 million of non-accruing TDRs and approximately $56,000 of 90+ days past due, still accruing TDRs.

	December 31, 2020							
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Purchased Credit Deteriorated (Loss)	Total
	(In thousands)							
Commercial and industrial								
Commercial and industrial-non real estate	$ 2,616,471	$ 7,202	$ 39,040	$ 172	$ —	$ 1,949	$ 8,595	$ 2,673,429
Commercial and industrial-owner occupied	2,208,214	—	58,683	—	—	11,579	2,651	2,281,127
Total commercial and industrial	4,824,685	7,202	97,723	172	—	13,528	11,246	4,954,556
Commercial real estate								
Agricultural	310,766	—	4,526	—	—	777	1,925	317,994
Construction, acquisition and development	1,686,907	1,534	32,363	—	—	2,054	5,824	1,728,682
Commercial real estate	3,062,894	—	134,054	—	—	10,780	3,706	3,211,434
Total commercial real estate	5,060,567	1,534	170,943	—	—	13,611	11,455	5,258,110
Consumer								
Consumer mortgages	3,645,357	—	78,287	—	—	2,406	191	3,726,241
Home equity	624,581	—	5,516	—	—	—	—	630,097
Credit cards	89,077	—	—	—	—	—	—	89,077
Total consumer	4,359,015	—	83,803	—	—	2,406	191	4,445,415
All other	357,812	—	6,519	—	—	—	67	364,398
Total	$14,602,079	$ 8,736	$ 358,988	$ 172	$ —	$ 29,545	$ 22,959	$15,022,479

(1) Impaired loans are shown exclusive of $10.5 million of accruing TDRs, approximately $975,000 of non-accruing TDRs and approximately $5,000 of 90+ days past due, still accruing TDRs.

The following tables provide credit quality indicators by class and period of origination as of June 30, 2021:

	Commercial and Industrial - Non Real Estate								
	Period Originated:								
	Six Months Ended June 30, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 291,308	$ 512,603	$ 229,334	$ 136,429	$ 93,423	$ 77,760	$ 650,153	$ 14,755	$2,005,765
Substandard	1,116	4,012	8,721	4,008	6,464	1,073	13,753	1,139	40,286
Doubtful	—	—	—	—	—	171	—	—	171
Impaired	—	513	—	—	—	682	—	690	1,885
Purchased Credit Deteriorated (Loss)	—	—	1,686	—	1,877	3,796	568	—	7,927
Total	$ 292,424	$ 517,128	$ 239,741	$ 140,437	$ 101,764	$ 83,482	$ 664,474	$ 16,584	$2,056,034
% Criticized	0.4 %	0.9 %	4.3 %	2.9 %	8.2 %	6.9 %	2.2 %	11.0 %	2.4 %

	Commercial and Industrial - Owner Occupied								
	Period Originated:								
	Six Months Ended June 30, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 158,963	$ 435,593	$ 374,879	$ 305,984	$ 233,409	$ 494,648	$ 157,755	$ 31,910	$2,193,141
Special Mention	—	—	—	—	—	—	4,000	—	4,000
Substandard	—	2,820	9,498	20,077	5,390	17,391	2,192	6,270	63,638
Impaired	—	—	6,826	—	—	217	409	—	7,452
Purchased Credit Deteriorated (Loss)	—	—	—	3,070	—	2,132	—	—	5,202
Total	$ 158,963	$ 438,413	$ 391,203	$ 329,131	$ 238,799	$ 514,388	$ 164,356	$ 38,180	$2,273,433
% Criticized	— %	0.6 %	4.2 %	7.0 %	2.3 %	3.8 %	4.0 %	16.4 %	3.5 %

	Agricultural								
	Period Originated:								
	Six Months Ended June 30, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 59,208	$ 72,317	$ 46,391	$ 47,527	$ 45,493	$ 49,442	$ 20,824	$ 228	$ 341,430
Substandard	1,993	945	1,462	268	1,172	486	—	—	6,326
Purchased Credit Deteriorated (Loss)	591	—	—	—	578	1,142	—	—	2,311
Total	$ 61,792	$ 73,262	$ 47,853	$ 47,795	$ 47,243	$ 51,070	$ 20,824	$ 228	$ 350,067
% Criticized	4.2 %	1.3 %	3.1 %	0.6 %	3.7 %	3.2 %	— %	— %	2.5 %

	Construction, Acquisition, & Development								
	Period Originated:								
	Six Months Ended June 30, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 217,297	$ 177,161	$ 123,053	$ 81,758	$ 31,521	$ 41,252	$1,139,771	$ 67,227	$1,879,040
Substandard	5,805	2,419	2,940	22,444	986	397	4,311	1,196	40,498
Impaired	—	—	—	—	—	714	—	—	714
Purchased Credit Deteriorated (Loss)	—	—	—	424	—	—	5,745	—	6,169
Total	$ 223,102	$ 179,580	$ 125,993	$ 104,626	$ 32,507	$ 42,363	$1,149,827	$ 68,423	$1,926,421
% Criticized	2.6 %	1.3 %	2.3 %	21.9 %	3.0 %	2.6 %	0.9 %	1.7 %	2.5 %

	Commercial Real Estate								
	Period Originated:								
	Six Months Ended June 30, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 334,557	$ 430,352	$ 433,557	$ 435,547	$ 331,539	$ 817,085	$ 326,804	$ 41,348	$3,150,789
Substandard	3,833	4,019	4,854	27,058	59,788	41,813	8,820	8,881	159,066
Impaired	—	—	—	—	5,073	3,307	936	—	9,316
Purchased Credit Deteriorated (Loss)	—	—	3,087	765	—	860	—	—	4,712
Total	$ 338,390	$ 434,371	$ 441,498	$ 463,370	$ 396,400	$ 863,065	$ 336,560	$ 50,229	$3,323,883
% Criticized	1.1 %	0.9 %	1.8 %	6.0 %	16.4 %	5.3 %	2.9 %	17.7 %	5.2 %

Consumer Mortgages									
	Period Originated:								
	Six Months Ended June 30, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 700,263	$1,127,435	$ 525,257	$ 440,585	$ 357,324	$ 663,443	$ 110,427	$ 1,971	$3,926,705
Substandard	876	8,986	10,333	12,043	11,514	19,547	193	153	63,645
Impaired	—	486	—	770	—	—	—	—	1,256
Purchased Credit Deteriorated (Loss)	—	—	—	—	133	51	—	—	184
Total	$ 701,139	$1,136,907	$ 535,590	$ 453,398	$ 368,971	$ 683,041	$ 110,620	$ 2,124	$3,991,790
% Criticized	0.1 %	0.8 %	1.9 %	2.8 %	3.2 %	2.9 %	0.2 %	7.2 %	1.6 %

All Other									
	Period Originated:								
	Six Months Ended June 30, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 59,888	$ 89,539	$ 42,200	$ 29,715	$ 18,845	$ 24,139	$ 96,864	$ 1,366	$ 362,556
Substandard	117	845	4,605	904	479	2,544	222	10	9,726
Purchased Credit Deteriorated (Loss)	—	—	65	—	—	—	—	—	65
Total	$ 60,005	$ 90,384	$ 46,870	$ 30,619	$ 19,324	$ 26,683	$ 97,086	$ 1,376	$ 372,347
% Criticized	0.2 %	0.9 %	10.0 %	3.0 %	2.5 %	9.5 %	0.2 %	0.7 %	2.6 %

The following tables provide credit quality indicators by class and period of origination as of December 31, 2020:

Commercial and Industrial - Non Real Estate									
	Period Originated:								
	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$1,336,424	$ 278,282	$ 164,830	$ 144,292	$ 41,721	$ 57,149	$ 571,076	$ 22,697	$2,616,471
Special Mention	—	—	7,202	—	—	—	—	—	7,202
Substandard	3,612	9,402	3,342	6,025	653	755	14,066	1,185	39,040
Doubtful	—	—	—	—	—	172	—	—	172
Impaired	560	—	7	—	692	—	690	—	1,949
Purchased Credit Deteriorated (Loss)	—	1,939	100	2,183	—	3,878	495	—	8,595
Total	$1,340,596	$ 289,623	$ 175,481	$ 152,500	$ 43,066	$ 61,954	$ 586,327	$ 23,882	$2,673,429
% Criticized	0.3 %	3.9 %	6.1 %	5.4 %	3.1 %	7.8 %	2.6 %	5.0 %	2.1 %

	Commercial and Industrial - Owner Occupied								
	Period Originated:								
	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 459,161	$ 366,548	$ 338,614	$ 258,564	$ 210,823	$ 362,305	$ 175,585	$ 36,614	$2,208,214
Substandard	1,469	9,348	9,804	6,282	6,135	16,815	8,830	—	58,683
Impaired	—	7,351	1,139	2,117	—	563	409	—	11,579
Purchased Credit Deteriorated (Loss)	—	—	484	—	—	2,167	—	—	2,651
Total	$ 460,630	$ 383,247	$ 350,041	$ 266,963	$ 216,958	$ 381,850	$ 184,824	$ 36,614	$2,281,127
% Criticized	0.3 %	4.4 %	3.3 %	3.1 %	2.8 %	5.1 %	5.0 %	— %	3.2 %

	Agricultural								
	Period Originated:								
	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 76,877	$ 49,455	$ 53,608	$ 49,135	$ 21,040	$ 37,211	$ 22,392	$ 1,048	$ 310,766
Substandard	92	846	325	938	2,196	102	—	27	4,526
Impaired	—	—	675	102	—	—	—	—	777
Purchased Credit Deteriorated (Loss)	—	190	—	593	1,142	—	—	—	1,925
Total	$ 76,969	$ 50,491	$ 54,608	$ 50,768	$ 24,378	$ 37,313	$ 22,392	$ 1,075	$ 317,994
% Criticized	0.1 %	2.1 %	1.8 %	3.2 %	13.7 %	0.3 %	— %	2.5 %	2.3 %

	Construction, Acquisition, & Development								
	Period Originated:								
	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 218,301	$ 138,547	$ 100,454	$ 45,566	$ 23,824	$ 26,833	$1,101,186	$ 32,196	$1,686,907
Special Mention	—	—	—	—	—	—	1,534	—	1,534
Substandard	2,961	1,263	10,167	1,205	1,386	306	11,528	3,547	32,363
Impaired	—	2,054	—	—	—	—	—	—	2,054
Purchased Credit Deteriorated (Loss)	—	—	5,824	—	—	—	—	—	5,824
Total	$ 221,262	$ 141,864	$ 116,445	$ 46,771	$ 25,210	$ 27,139	$1,114,248	$ 35,743	$1,728,682
% Criticized	1.3 %	2.3 %	13.7 %	2.6 %	5.5 %	1.1 %	1.2 %	9.9 %	2.4 %

	Commercial Real Estate								
	Period Originated:								
	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 390,066	$ 425,472	$ 481,726	$ 370,632	$ 465,593	$ 518,347	$ 340,017	$ 71,041	$3,062,894
Substandard	6,328	5,088	19,578	57,942	17,370	15,480	10,110	2,158	134,054
Impaired	—	—	—	5,225	5,365	—	190	—	10,780
Purchased Credit Deteriorated (Loss)	—	2,933	773	—	—	—	—	—	3,706
Total	$ 396,394	$ 433,493	$ 502,077	$ 433,799	$ 488,328	$ 533,827	$ 350,317	$ 73,199	$3,211,434
% Criticized	1.6 %	1.9 %	4.1 %	14.6 %	4.7 %	2.9 %	2.9 %	2.9 %	4.6 %

	Consumer Mortgages								
	Period Originated:								
	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$1,176,140	$ 615,866	$ 534,372	$ 423,722	$ 321,085	$ 477,734	$ 92,332	$ 4,106	$3,645,357
Substandard	5,551	12,532	17,098	12,334	7,393	20,442	2,757	180	78,287
Impaired	—	1,856	—	—	—	550	—	—	2,406
Purchased Credit Deteriorated (Loss)	—	—	—	138	—	53	—	—	191
Total	$1,181,691	$ 630,254	$ 551,470	$ 436,194	$ 328,478	$ 498,779	$ 95,089	$ 4,286	$3,726,241
% Criticized	0.5 %	2.3 %	3.1 %	2.9 %	2.3 %	4.2 %	2.9 %	4.2 %	2.2 %

	All Other								
	Period Originated:								
	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Pass	$ 147,756	$ 43,545	$ 37,108	$ 21,715	$ 10,553	$ 22,287	$ 73,393	$ 1,455	$ 357,812
Substandard	865	1,562	1,152	328	221	1,687	347	357	6,519
Purchased Credit Deteriorated (Loss)	—	67	—	—	—	—	—	—	67
Total	$ 148,621	$ 45,174	$ 38,260	$ 22,043	$ 10,774	$ 23,974	$ 73,740	$ 1,812	$ 364,398
% Criticized	0.6 %	3.6 %	3.0 %	1.5 %	2.1 %	7.0 %	0.5 %	19.7 %	1.8 %

The following table provides the credit quality indicators for line-of-credit arrangements at June 30, 2021 and December 31, 2020:

	June 30, 2021		December 31, 2020	
	Home equity	Credit card	Home equity	Credit card
Non-performing (1)	$ 1,314	$ 771	$ 3,151	$ 918
Performing	624,051	83,928	626,946	88,159
Total	$ 625,365	$ 84,699	$ 630,097	$ 89,077

(1) Non-performing loans and leases consist of non-accrual loans and leases, loans and leases 90 days or more past due and still accruing, and restructured loans and leases still accruing.

In connection with the acquisitions discussed in Note 2-Business Combinations, the Company acquired loans both with and without evidence of credit quality deterioration since origination.

Acquired loans are recorded at their fair value at the time of acquisition with no carryover from the acquired institution's previously recorded allowance for loan and lease losses. Acquired loans are accounted for under the following accounting pronouncements: Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 326, *Financial Instruments-Credit Losses*.

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

In addition, a grade is assigned to each loan during the valuation process. For acquired loans that are not individually reviewed during the valuation process, such loans are assumed to have characteristics similar to the assigned rating of the acquired institution's risk rating, adjusted for any estimated differences between the Company's rating methodology and the acquired institution's rating methodology.

The following table represents the fair value of loans purchased through the acquisition of Texas First by portfolio segment:

	January 1, 2020
	(In thousands)
Commercial and industrial	
Commercial and industrial-non real estate	$ 18,175
Commercial and industrial-owner occupied	6,527
Total commercial and industrial	24,702
Commercial real estate	
Agricultural	4,895
Construction, acquisition and development	37,326
Commercial real estate	66,317
Total commercial real estate	108,538
Consumer mortgages	42,710
All other	4,480
Total	$ 180,430

The Company purchased loans through the acquisition of Texas First for which there was, at the date of acquisition, more than insignificant deterioration of credit quality since origination. The carrying amount of those loans is as follows:

	January 1, 2020
	(In thousands)
Purchase price of loans at acquisition	$ 7,177
Allowance for credit losses at acquisition	4,226
Non-credit discount (premium) at acquisition	597
Par value of acquired loans at acquisition	$ 12,000

The following table represents the fair value of loans purchased through the acquisition of FNS by portfolio segment:

	May 1, 2021
	(In thousands)
Commercial and industrial	
Commercial and industrial-non real estate	$ 54,320
Commercial and industrial-owner occupied	42,463
Total commercial and industrial	96,783
Commercial real estate	
Agricultural	7,541
Construction, acquisition and development	42,676
Commercial real estate	153,162
Total commercial real estate	203,379
Consumer	
Consumer mortgages	94,965
Home equity	38,737
Total consumer	133,702
All other	19,176
Total	$ 453,040

The Company purchased loans through the acquisition of FNS for which there was, at the date of acquisition, more than insignificant deterioration of credit quality since origination. The carrying amount of those loans is as follows:

	May 1, 2021
	(In thousands)
Purchase price of loans at acquisition	$ 59,313
Allowance for credit losses at acquisition	4,700
Non-credit discount (premium) at acquisition	457
Par value of acquired loans at acquisition	$ 64,470

The following table represents the fair value of loans purchased through the acquisition of National United by portfolio segment:

	May 1, 2021
	(In thousands)
Commercial and industrial	
Commercial and industrial-non real estate	$ 72,232
Commercial and industrial-owner occupied	35,625
Total commercial and industrial	107,857
Commercial real estate	
Agricultural	13,519
Construction, acquisition and development	102,965
Commercial real estate	75,261
Total commercial real estate	191,745
Consumer	
Consumer mortgages	87,442
Home equity	2,750
Total consumer	90,192
All other	39,287
Total	$ 429,081

The Company purchased loans through the acquisition of National United for which there was, at the date of acquisition, more than insignificant deterioration of credit quality since origination. The carrying amount of those loans is as follows:

	May 1, 2021
	(In thousands)
Purchase price of loans at acquisition	$ 46,275
Allowance for credit losses at acquisition	8,103
Non-credit discount (premium) at acquisition	944
Par value of acquired loans at acquisition	$ 55,322

The following tables present the amortized cost basis of collateral-dependent loans by segment and class and type of collateral as of June 30, 2021 and December 31, 2020:

	June 30, 2021				
	Company Originated				
	Real Estate Commercial	Real Estate Consumer	Equipment	Other	Total
	(In thousands)				
Commercial and industrial					
Commercial and industrial-non real estate	$ —	$ —	$ 793	$ 1,092	$ 1,885
Commercial and industrial-owner occupied	6,827	—	—	—	6,827
Total commercial and industrial	6,827	—	793	1,092	8,712
Commercial real estate					
Agricultural	—	—	—	—	—
Construction, acquisition and development	714	—	—	—	714
Commercial real estate	3,308	—	—	—	3,308
Total commercial real estate	4,022	—	—	—	4,022
Consumer					
Consumer mortgages	—	1,255	—	—	1,255
Home equity	—	—	—	—	—
Credit cards	—	—	—	—	—
Total consumer	—	1,255	—	—	1,255
All other	—	—	—	—	—
Total	$ 10,849	$ 1,255	$ 793	$ 1,092	$ 13,989

	June 30, 2021				
	Acquired				
	Real Estate Commercial	Real Estate Consumer	Equipment	Other	Total
	(In thousands)				
Commercial and industrial					
Commercial and industrial-non real estate	$ —	$ —	$ 5,307	$ 2,620	$ 7,927
Commercial and industrial-owner occupied	3,232	2,595	—	—	5,827
Total commercial and industrial	3,232	2,595	5,307	2,620	13,754
Commercial real estate					
Agricultural	2,311	—	—	—	2,311
Construction, acquisition and development	5,745	424	—	—	6,169
Commercial real estate	10,720	—	—	—	10,720
Total commercial real estate	18,776	424	—	—	19,200
Consumer					
Consumer mortgages	133	52	—	—	185
Home equity	—	—	—	—	—
Credit cards	—	—	—	—	—
Total consumer	133	52	—	—	185
All other	—	—	65	—	65
Total	$ 22,141	$ 3,071	$ 5,372	$ 2,620	$ 33,204

	June 30, 2021				
	Total				
	Real Estate Commercial	Real Estate Consumer	Equipment	Other	Total
	(In thousands)				
Commercial and industrial					
Commercial and industrial-non real estate	$ —	$ —	$ 6,100	$ 3,712	$ 9,812
Commercial and industrial-owner occupied	10,059	2,595	—	—	12,654
Total commercial and industrial	10,059	2,595	6,100	3,712	22,466
Commercial real estate					
Agricultural	2,311	—	—	—	2,311
Construction, acquisition and development	6,459	424	—	—	6,883
Commercial real estate	14,028	—	—	—	14,028
Total commercial real estate	22,798	424	—	—	23,222
Consumer					
Consumer mortgages	133	1,307	—	—	1,440
Home equity	—	—	—	—	—
Credit cards	—	—	—	—	—
Total consumer	133	1,307	—	—	1,440
All other	—	—	65	—	65
Total	$ 32,990	$ 4,326	$ 6,165	$ 3,712	$ 47,193

	December 31, 2020				
	Company Originated				
	Real Estate Commercial	Real Estate Consumer	Equipment	Other	Total
	(In thousands)				
Commercial and industrial					
Commercial and industrial-non real estate	$ —	$ —	$ 793	$ 1,156	$ 1,949
Commercial and industrial-owner occupied	7,689	—	—	—	7,689
Total commercial and industrial	7,689	—	793	1,156	9,638
Commercial real estate					
Agricultural	—	—	—	—	—
Construction, acquisition and development	1,414	640	—	—	2,054
Commercial real estate	3,422	—	—	—	3,422
Total commercial real estate	4,836	640	—	—	5,476
Consumer					
Consumer mortgages	1,856	550	—	—	2,406
Home equity	—	—	—	—	—
Credit cards	—	—	—	—	—
Total consumer	1,856	550	—	—	2,406
All other	—	—	—	—	—
Total	$ 14,381	$ 1,190	$ 793	$ 1,156	$ 17,520

	December 31, 2020				
	Acquired				
	Real Estate Commercial	Real Estate Consumer	Equipment	Other	Total
	(In thousands)				
Commercial and industrial					
Commercial and industrial-non real estate	$ —	$ —	$ 5,434	$ 3,161	$ 8,595
Commercial and industrial-owner occupied	6,541	—	—	—	6,541
Total commercial and industrial	6,541	—	5,434	3,161	15,136
Commercial real estate					
Agricultural	2,702	—	—	—	2,702
Construction, acquisition and development	5,400	424	—	—	5,824
Commercial real estate	11,064	—	—	—	11,064
Total commercial real estate	19,166	424	—	—	19,590
Consumer					
Consumer mortgages	138	53	—	—	191
Home equity	—	—	—	—	—
Credit cards	—	—	—	—	—
Total consumer	138	53	—	—	191
All other	—	—	67	—	67
Total	$ 25,845	$ 477	$ 5,501	$ 3,161	$ 34,984

	December 31, 2020				
	Total				
	Real Estate Commercial	Real Estate Consumer	Equipment	Other	Total
	(In thousands)				
Commercial and industrial					
Commercial and industrial-non real estate	$ —	$ —	$ 6,227	$ 4,317	$ 10,544
Commercial and industrial-owner occupied	14,230	—	—	—	14,230
Total commercial and industrial	14,230	—	6,227	4,317	24,774
Commercial real estate					
Agricultural	2,702	—	—	—	2,702
Construction, acquisition and development	6,814	1,064	—	—	7,878
Commercial real estate	14,486	—	—	—	14,486
Total commercial real estate	24,002	1,064	—	—	25,066
Consumer					
Consumer mortgages	1,994	603	—	—	2,597
Home equity	—	—	—	—	—
Credit cards	—	—	—	—	—
Total consumer	1,994	603	—	—	2,597
All other	—	—	67	—	67
Total	$ 40,226	$ 1,667	$ 6,294	$ 4,317	$ 52,504

Loans of $500,000 or greater are considered for specific provision when management has determined based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the note and that the loan is collateral-dependent. The Company's recorded investment in collateral-dependent loans at June 30, 2021 and December 31, 2020 was $47.2 million and $52.5 million, respectively. At June 30, 2021 and December 31, 2020, $21.4 million and $23.6 million, respectively, of those loans had a valuation allowance of $10.8 million and $5.7 million, respectively. The remaining balance of collateral-dependent loans of $25.8 million and $28.9 million at June 30, 2021 and December 31, 2020, respectively, have sufficient collateral supporting the collection of all contractual principal and interest or were charged down to the underlying collateral's fair value, less estimated selling costs. Therefore, such loans did not have an associated valuation allowance.

Non-performing loans and leases ("NPLs") consist of non-accrual loans and leases, loans and leases 90 days or more past due and still accruing, and loans and leases that have been restructured because of the borrower's weakened financial condition. The following table presents information concerning NPLs as of the dates indicated:

	June 30, 2021	December 31, 2020
	(In thousands)	
Non-accrual loans and leases	$ 61,664	$ 96,378
Loans and leases 90 days or more past due, still accruing	15,386	14,320
Restructured loans and leases still accruing	7,368	10,475
Total non-performing loans and leases	$ 84,418	$ 121,173

The Company's policy for all loan classifications provides that loans and leases are generally placed in non-accrual status if, in management's opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due, unless such loan or lease is both well-secured and in the process of collection. At June 30, 2021, the Company's geographic NPL distribution was concentrated primarily in its Texas, Mississippi, Alabama and Florida Panhandle markets.

The following table presents the amortized cost basis of loans on nonaccrual status and loans 90 days or more past due by segment and class as of June 30, 2021 and December 31, 2020:

	June 30, 2021			December 31, 2020		
	Non-accrual Loans	Non-accrual Loans with No Related Allowance	Loans 90+ Days Past Due, still Accruing	Non-accrual Loans	Non-accrual Loans with No Related Allowance	Loans 90+ Days Past Due, still Accruing
				(In thousands)		
Commercial and industrial						
Commercial and industrial-non real estate	$ 10,485	$ 2,152	$ 40	$ 12,768	$ 2,481	$ 307
Commercial and industrial- owner occupied	11,872	7,452	883	15,783	11,579	—
Total commercial and industrial	22,357	9,604	923	28,551	14,060	307
Commercial real estate						
Agricultural	1,284	—	—	5,013	777	—
Construction, acquisition and development	2,582	714	—	9,738	7,454	—
Commercial real estate	13,483	12,072	—	16,249	12,513	—
Total commercial real estate	17,349	12,786	—	31,000	20,744	—
Consumer						
Consumer mortgages	20,532	1,389	14,131	32,951	2,544	13,743
Home equity	686	—	66	2,657	—	—
Credit cards	122	—	215	173	—	256
Total consumer	21,340	1,389	14,412	35,781	2,544	13,999
All other	618	—	51	1,046	—	14
Total	$ 61,664	$ 23,779	$ 15,386	$ 96,378	$ 37,348	$ 14,320

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Commercial and industrial				
Commercial and industrial-non real estate	$ 495	$ 42	$ 523	$ 60
Commercial and industrial- owner occupied	507	120	584	162
Total commercial and industrial	1,002	162	1,107	222
Commercial real estate				
Agricultural	412	72	821	147
Construction, acquisition and development	131	9	245	40
Commercial real estate	562	56	837	121
Total commercial real estate	1,105	137	1,903	308
Consumer				
Consumer mortgages	379	264	495	467
Home equity	7	22	11	50
Credit cards	16	—	20	—
Total consumer	402	286	526	517
All other	59	7	59	21
Total	$ 2,568	$ 592	$ 3,595	$ 1,068

In the normal course of business, management may grant concessions, which would not otherwise be considered, to borrowers that are experiencing financial difficulty. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified period or the rescheduling of payments in accordance with a bankruptcy plan. In most cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. Other conditions that warrant a loan being considered a TDR include reductions in interest rates to below market rates due to bankruptcy plans or by the bank in an attempt to assist the borrower in working through liquidity problems. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection in determining the appropriate accrual status at the time of restructure. TDRs recorded as nonaccrual loans may generally be returned to accrual status in years after the restructure if the loan is paid current in accordance with the terms of the restructured loan. The most common concessions that were granted involved rescheduling payments of principal and interest over a longer amortization period, granting a period of reduced principal payment or interest only payment for a limited time period, or the rescheduling of payments in accordance with a bankruptcy plan.

The Federal Reserve and other regulatory agencies have taken several actions designed to cushion the economic fallout of COVID-19. The Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) was signed into law at the end of March 2020, the goal of which is to prevent a severe economic downturn through various measures, including direct financial aid to American families and economic stimulus to significantly impacted industry sectors. The package also includes extensive emergency funding for hospitals and providers. In keeping with regulatory guidance to work with borrowers during this unprecedented situation and as outlined in the CARES Act, the Company implemented a payment deferral program for its customers that are affected by the pandemic. The Company offered 90 day payment deferrals on loans that are less than 30 days past due and in compliance with all borrowing covenants. Approximately 0.2% of the loan portfolio by outstanding balance, excluding PPP loans, was in deferral and 1.1% had been converted to interest only as of June 30, 2021. In accordance with interagency guidance issued in March 2020 and the CARES Act, which was extended through 2021 by the Consolidated Appropriations Act signed December 21, 2020, these short term deferrals and modifications are not considered TDRs.

The following table details the portions of the loan portfolio with the most significant negative impacts related to the COVID-19 pandemic including deferrals and interest only credits at June 30, 2021.

	Outstanding Balance	Total Committed Balance	$ Loans Converted to Interest Only (1)	% Loans Converted to Interest Only (1)	$ Deferred (1)	% Deferred (1)
	(Dollars in thousands)					
Hotels & accommodation[1]	$ 691,709	$ 787,583	$ 108,703	15.7 %	$ —	— %
Retail CRE[1]	1,184,619	1,296,911	—	—	—	—
Food services[1]	262,469	285,275	4,004	1.5	—	—
High risk portfolios[1]	2,138,797	2,369,769	112,707	5.3	—	—
All other portfolios	12,865,242	16,585,212	46,769	0.4	25,795	0.2
Total	$ 15,004,039	$ 18,954,981	$ 159,476	1.1 %	$ 25,795	0.2 %

(1) Excludes PPP loans

The following tables summarize the financial effect of TDRs recorded during the periods indicated:

	Three Months Ended June 30, 2021		
	Number of Contracts	Pre-Modification Outstanding Amortized Cost	Post-Modification Outstanding Amortized Cost
	(Dollars in thousands)		
Commercial and industrial			
Commercial and industrial-non real estate	3	$ 221	$ 219
Commercial and industrial-owner occupied	1	259	259
Total commercial and industrial	4	480	478
Commercial real estate			
Agricultural	2	60	60
Construction, acquisition and development	1	3	3
Commercial real estate	3	1,857	1,819
Total commercial real estate	6	1,920	1,882
Consumer mortgages	7	530	528
All other	2	44	44
Total	19	$ 2,974	$ 2,932

	Six Months Ended June 30, 2021		
	Number of Contracts	Pre-Modification Outstanding Amortized Cost	Post-Modification Outstanding Amortized Cost
	(Dollars in thousands)		
Commercial and industrial			
Commercial and industrial-non real estate	3	$ 221	$ 219
Commercial and industrial-owner occupied	2	324	324
Total commercial and industrial	5	545	543
Commercial real estate			
Agricultural	2	60	60
Construction, acquisition and development	1	3	3
Commercial real estate	3	1,857	1,819
Total commercial real estate	6	1,920	1,882
Consumer			
Consumer mortgages	12	1,151	1,147
Home equity	3	68	67
Total consumer	15	1,219	1,214
All other	2	44	44
Total	28	$ 3,728	$ 3,683

	Year Ended December 31, 2020		
	Number of Contracts	Pre-Modification Outstanding Recorded Amortized Cost	Post-Modification Outstanding Amortized Cost
	(Dollars in thousands)		
Commercial and industrial			
Commercial and industrial-non real estate	8	$ 377	$ 359
Commercial and industrial-owner occupied	4	2,844	2,843
Total commercial and industrial	12	3,221	3,202
Commercial real estate			
Construction, acquisition and development	2	151	151
Consumer			
Consumer mortgages	9	811	808
Home equity	4	228	116
Total consumer	13	1,039	924
All other	11	129	128
Total	38	$ 4,540	$ 4,405

The tables below summarize TDRs for which there was a payment default during the three months and six months months ended June 30, 2021 and 2020 (i.e. 30 days or more past due at any given time during the period indicated), and also as to whether the modification occurred 12 months or less prior to the re-default.

	Three months ended June 30, 2021	
	Number of Contracts	Amortized Cost
	(Dollars in thousands)	
Commercial and industrial-non real estate	1	$ 46
Commercial real estate	1	30
Consumer		
Consumer mortgages	1	89
Home equity	1	25
Total consumer	2	114
All other	1	33
Total	5	$ 223

	Six months ended June 30, 2021	
	Number of Contracts	Amortized Cost
	(Dollars in thousands)	
Commercial and industrial-non real estate	1	$ 46
Commercial real estate	1	30
Consumer		
Consumer mortgages	2	167
Home equity	1	25
Total consumer	3	192
All other	2	34
Total	7	$ 302

	Three months ended June 30, 2020	
	Number of Contracts	Amortized Cost
	(Dollars in thousands)	
Commercial and industrial-non real estate	1	$ 51
All other	1	3
Total	2	$ 54

	Six months ended June 30, 2020	
	Number of Contracts	Amortized Cost
	(Dollars in thousands)	
Commercial and industrial		
Commercial and industrial-non real estate	3	$ 178
Commercial and industrial-owner occupied	1	2,465
Total commercial and industrial	4	2,643
Consumer mortgages	2	81
All other	1	3
Total	7	$ 2,727

NOTE 4 – ALLOWANCE FOR CREDIT LOSSES

The following tables summarize the changes in the allowance for credit losses by segment and class for the periods indicated:

	Three months ended June 30, 2021					
	Balance, Beginning of Period	Initial Allowance on Loans Purchased with Credit Deterioration	Charge-offs	Recoveries	Provision for Loans and Leases	Balance, End of Period
	(In thousands)					
Commercial and industrial						
Commercial and industrial-non real estate	$ 22,995	$ 879	$ (1,411)	$ 2,318	$ 4,034	$ 28,815
Commercial and industrial-owner occupied	37,400	1,600	(471)	735	4,121	43,385
Total commercial and industrial	60,395	2,479	(1,882)	3,053	8,155	72,200
Commercial real estate						
Agricultural	3,943	32	—	8	2,634	6,617
Construction, acquisition and development	26,553	6,872	(125)	1,265	10,299	44,864
Commercial real estate	84,331	2,248	(498)	26	(19,674)	66,433
Total commercial real estate	114,827	9,152	(623)	1,299	(6,741)	117,914
Consumer						
Consumer mortgages	49,912	225	(421)	510	6,068	56,294
Home equity	3,863	316	(64)	201	734	5,050
Credit cards	9,089	—	(476)	254	265	9,132
Total consumer	62,864	541	(961)	965	7,067	70,476
All other	3,031	631	(396)	345	1,519	5,130
Total	$ 241,117	$ 12,803	$ (3,862)	$ 5,662	$ 10,000	$ 265,720

	Six months ended June 30, 2021					
	Balance, Beginning of Period	Initial Allowance on Loans Purchased with Credit Deterioration	Charge-offs	Recoveries	Provision for Loans and Leases	Balance, End of Period
	(In thousands)					
Commercial and industrial						
Commercial and industrial-non real estate	$ 31,906	$ 879	$ (3,680)	$ 3,349	$ (3,639)	$ 28,815
Commercial and industrial-owner occupied	30,578	1,600	(1,148)	797	11,558	43,385
Total commercial and industrial	62,484	2,479	(4,828)	4,146	7,919	72,200
Commercial real estate						
Agricultural	4,910	32	(98)	94	1,679	6,617
Construction, acquisition and development	28,891	6,872	(932)	1,318	8,715	44,864
Commercial real estate	64,291	2,248	(976)	82	788	66,433
Total commercial real estate	98,092	9,152	(2,006)	1,494	11,182	117,914
Consumer						
Consumer mortgages	66,072	225	(714)	913	(10,202)	56,294
Home equity	4,421	316	(114)	421	6	5,050
Credit cards	9,620	—	(1,209)	551	170	9,132
Total consumer	80,113	541	(2,037)	1,885	(10,026)	70,476
All other	3,733	631	(897)	738	925	5,130
Total	$ 244,422	$ 12,803	$ (9,768)	$ 8,263	$ 10,000	$ 265,720

	Year ended December 31, 2020						
	Balance, Beginning of Period	Impact of Adopting ASC 326	Initial Allowance on Loans Purchased with Credit Deterioration	Charge-offs	Recoveries	Provision for Loans and Leases	Balance, End of Period
	(In thousands)						
Commercial and industrial							
Commercial and industrial-non real estate	$ 19,509	$ 13,372	$ 1,043	$ (17,201)	$ 1,705	$ 13,478	$ 31,906
Commercial and industrial-owner occupied	13,365	8,509	49	(1,806)	1,515	8,946	30,578
Total commercial and industrial	32,874	21,881	1,092	(19,007)	3,220	22,424	62,484
Commercial real estate							
Agricultural	2,198	2,099	1,142	(241)	39	(327)	4,910
Construction, acquisition and development	12,912	1,091	—	(4,955)	545	19,298	28,891
Commercial real estate	22,297	12,891	1,920	(3,939)	439	30,683	64,291
Total commercial real estate	37,407	16,081	3,062	(9,135)	1,023	49,654	98,092
Consumer							
Consumer mortgages	32,977	27,443	69	(1,460)	1,324	5,719	66,072
Home equity	5,785	(506)	—	(834)	622	(646)	4,421
Credit cards	6,615	(3,284)	—	(2,641)	961	7,969	9,620
Total consumer	45,377	23,653	69	(4,935)	2,907	13,042	80,113
All other	3,408	1,019	3	(2,784)	1,207	880	3,733
Total	$ 119,066	$ 62,634	$ 4,226	$ (35,861)	$ 8,357	$ 86,000	$ 244,422

	Three months ended June 30, 2020				
	Balance, Beginning of Period	Charge- offs	Recoveries	Provision for Loans and Leases	Balance, End of Period
	(In thousands)				
Commercial and industrial					
Commercial and industrial-non real estate	$ 25,938	$ (1,506)	$ 277	$ 1,404	$ 26,113
Commercial and industrial-owner occupied	23,090	(13)	136	(1,128)	22,085
Total commercial and industrial	49,028	(1,519)	413	276	48,198
Commercial real estate					
Agricultural	5,501	(21)	6	(283)	5,203
Construction, acquisition and development	26,806	(9)	172	8,155	35,124
Commercial real estate	52,921	—	50	3,679	56,650
Total commercial real estate	85,228	(30)	228	11,551	96,977
Consumer					
Consumer mortgages	63,533	(124)	345	8,530	72,284
Home equity	5,321	(162)	259	332	5,750
Credit cards	10,816	(703)	195	(621)	9,687
Total consumer	79,670	(989)	799	8,241	87,721
All other	4,273	(396)	320	(68)	4,129
Total	$ 218,199	$ (2,934)	$ 1,760	$ 20,000	$ 237,025

	Six months ended June 30, 2020						
	Balance, Beginning of Period	Impact of Adopting ASC 326	Initial Allowance on Loans Purchased with Credit Deterioration	Charge-offs	Recoveries	Provision for Loans and Leases	Balance, End of Period
	(In thousands)						
Commercial and industrial							
Commercial and industrial-non real estate	$ 19,509	$ 13,372	$ 1,043	$(12,298)	$ 632	$ 3,855	$ 26,113
Commercial and industrial-owner occupied	13,365	8,509	49	(197)	1,315	(956)	22,085
Total commercial and industrial	32,874	21,881	1,092	(12,495)	1,947	2,899	48,198
Commercial real estate							
Agricultural	2,198	2,099	1,142	(86)	12	(162)	5,203
Construction, acquisition and development	12,912	1,091	—	(3,182)	417	23,886	35,124
Commercial real estate	22,297	12,891	1,920	(67)	185	19,424	56,650
Total commercial real estate	37,407	16,081	3,062	(3,335)	614	43,148	96,977
Consumer							
Consumer mortgages	32,977	27,443	69	(648)	742	11,701	72,284
Home equity	5,785	(506)	—	(398)	339	530	5,750
Credit cards	6,615	(3,284)	—	(1,501)	480	7,377	9,687
Total consumer	45,377	23,653	69	(2,547)	1,561	19,608	87,721
All other	3,408	1,019	3	(1,310)	664	345	4,129
Total	$ 119,066	$ 62,634	$ 4,226	$(19,687)	$ 4,786	$ 66,000	$237,025

The following table represents a rollforward of the reserve for unfunded commitments for the periods indicated. The reserve for unfunded commitments is classified in other liabilities on the balance sheet.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Balance, beginning of period	$ 7,044	$ 5,250	$ 7,044	$ 4,000
Provision for credit losses for unfunded commitments	1,500	—	1,500	1,250
Balance, end of period	$ 8,544	$ 5,250	$ 8,544	$ 5,250

The economic disruption resulting from the COVID-19 pandemic and government restrictions and economic intervention resulted in significant deterioration which was evident during 2020 and early 2021 in many economic metrics included in the economic forecasts used to support the ACL, compared to the previous quarters. The U.S. economy and the regional economy in the Company's market area experienced both rapid decline and a rapid recovery during this period. During the second quarter of 2021 while business activity began to return to pre-pandemic levels in most areas of the bank's market area, businesses faced labor shortages, supply chain interruptions and higher labor and materials costs which contributed to a slower pace of recovery as the quarter ended. The ACL estimate includes both portfolio changes and changes in economic conditions experienced during the quarter and a forecast of slowing recovery over the next two quarters followed by a slow pick-up late in 2022. The unemployment rate has the highest weighting within the Company's credit modeling framework. The Company's forecast for unemployment includes a range between 5.8 percent and 5.0 percent through the second quarter of 2023. The forecasts recognize the potential for a longer recovery period and recession during the forecast period. The Company recognizes that despite the development of vaccines and treatments, a recurrence in COVID-19 infections may occur and pandemic restrictions may be reinstated and have short-term, long-term and regional impacts to the economic recovery. In addition, qualitative factors such as changes in economic conditions, concentrations of risk, and changes in portfolio risk resulting from regulatory changes are considered in determining the adequacy of the level of the allowance for credit losses. The changes in the reserve in the commercial and industrial-non real estate, commercial and industrial-owner occupied, commercial real estate and consumer mortgages classes in recent quarters are mostly related to the impact of COVID-19 and the accompanying economic volatility. Additional reserves have been allocated to the hospitality, nursing home, construction, retail commercial real estate and small business areas since they have been most vulnerable to the economic disruption.

NOTE 5 – OTHER REAL ESTATE OWNED

The following table presents the activity in other real estate owned ("OREO") for the periods indicated:

	Six months ended June 30, 2021	Year ended December 31, 2020
	(In thousands)	
Balance at beginning of period	$ 11,395	$ 6,746
Additions to foreclosed properties		
New foreclosed properties, including through acquisitions	9,445	16,994
Reductions in foreclosed properties		
Sales including realized gains and losses, net	(2,631)	(11,614)
Writedowns for unrealized losses	(876)	(731)
Balance at end of period	$ 17,333	$ 11,395

The following tables present OREO by segment and class as of the dates indicated:

	June 30, 2021	December 31, 2020
	(In thousands)	
Commercial and industrial		
Commercial and industrial	$ —	$ —
Commercial and industrial-owner occupied	760	1,136
Total commercial and industrial	760	1,136
Commercial real estate		
Agricultural	—	256
Construction, acquisition and development	407	384
Commercial real estate	13,220	9,002
Total commercial real estate	13,627	9,642
Consumer		
Consumer mortgages	1,823	478
Home equity	1,123	123
Total consumer	2,946	601
All other	—	16
Total	$ 17,333	$ 11,395

The Company incurred total foreclosed property expense of $649,000 and $1.3 million for the second quarter of 2021 and 2020, respectively. Realized net gains and losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, resulted in gains of approximately

$10,000 and losses of approximately $766,000 for the second quarter of 2021 and 2020, respectively. The Company incurred total foreclosed property expenses of $1.7 million and $2.2 million for the first six months of 2021 and 2020, respectively. Realized net losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, were approximately $630,000 and $1.1 million for the first six months of 2021 and 2020, respectively.

NOTE 6 – SECURITIES

A comparison of amortized cost, estimated fair values, and allowance for credit losses of available-for-sale securities and the corresponding amounts of gross unrealized gains and losses of available-for-sale securities recognized in accumulated other comprehensive income (loss) as of June 30, 2021 and December 31, 2020 follows:

	June 30, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Allowance for Credit Losses
	(In thousands)				
U.S. Government agencies	$ 2,716,349	$ 42,452	$ 389	$ 2,758,412	$ —
U.S. Government agency issued residential mortgage-backed securities	4,733,019	5,652	29,131	4,709,540	—
U.S. Government agency issued commercial mortgage-backed securities	1,462,197	24,850	8,989	1,478,058	—
Obligations of states and political subdivisions	115,731	2,120	603	117,248	—
Corporate bonds	20,000	853	—	20,853	—
Total	$ 9,047,296	$ 75,927	$ 39,112	$ 9,084,111	$ —

	December 31, 2020				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Allowance for Credit Losses
	(In thousands)				
U.S. Government agencies	$ 2,805,581	$ 65,827	$ —	$ 2,871,408	$ —
U.S. Government agency issued residential mortgage-backed securities	2,421,951	5,004	5,546	2,421,409	—
U.S. Government agency issued commercial mortgage-backed securities	773,578	33,050	422	806,206	—
Obligations of states and political subdivisions	110,871	3,082	—	113,953	—
Corporate bonds	18,000	78	48	18,030	—
Total	$ 6,129,981	$ 107,041	$ 6,016	$ 6,231,006	$ —

Gross gains of approximately $88,000 and no gross losses were recognized on sales of available-for-sale securities during the first six months of 2021. Gross gains of approximately $37,000 and no gross losses were recognized on sales of available-for-sale securities during the first six months of 2020.

The amortized cost and estimated fair value of available-for-sale securities at June 30, 2021 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2021		
	Amortized Cost	Estimated Fair Value	Weighted Average Yield
	(In thousands)		
Maturing in one year or less	$ 945,436	$ 954,821	2.24 %
Maturing after one year through five years	1,724,398	1,757,644	1.57
Maturing after five years through ten years	123,530	124,649	2.06
Maturing after ten years	58,716	59,399	2.67
Mortgage-backed securities	6,195,216	6,187,598	1.07
Total	$9,047,296	$9,084,111	

The following tables summarize information pertaining to available-for-sale securities in an unrealized loss position for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that security has been in a continuous loss position at June 30, 2021 and December 31, 2020:

	June 30, 2021					
	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government agencies	$ 149,611	$ 389	$ —	$ —	$ 149,611	$ 389
U.S. Government agency issued residential mortgage-backed securities	3,391,592	27,522	192,427	1,609	3,584,019	29,131
U.S. Government agency issued commercial mortgage-backed securities	655,626	8,989	—	—	655,626	8,989
Obligations of states and political subdivisions	19,151	603	—	—	19,151	603
Corporate bonds	—	—	—	—	—	—
Total	$4,215,980	$ 37,503	$ 192,427	$ 1,609	$4,408,407	$ 39,112

	December 31, 2020					
	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government agencies	$ —	$ —	$ —	$ —	$ —	$ —
U.S. Government agency issued residential mortgage-backed securities	1,459,476	5,546	—	—	1,459,476	5,546
U.S. Government agency issued commercial mortgage-backed securities	119,534	421	885	1	120,419	422
Obligations of states and political subdivisions	—	—	—	—	—	—
Corporate bonds	11,952	48	—	—	11,952	48
Total	$1,590,962	$ 6,015	$ 885	$ 1	$1,591,847	$ 6,016

Management evaluates available-for-sale securities in unrealized loss positions to determine whether the impairment is due to credit-related factors or noncredit-related factors. Based upon a review of the credit quality of these securities, management has no intent to sell these securities until the full recovery of unrealized losses, which may not be until maturity, and it is more likely than not that the Company would not be required to sell the securities prior to recovery of costs. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Management believes that the unrealized losses detailed in the previous tables are due to noncredit-related factors, such as changes in interest rates and other market conditions. Therefore, no allowance for credit losses was recorded related to these securities as of June 30, 2021 and December 31, 2020. No unrealized losses were recorded into income during the first six months of 2021 and 2020.

As of June 30, 2021, the Company had FHLB stock with a carrying value of $8.3 million and required investment of $7.4 million. As of December 31, 2020, the Company had Federal Home Loan Bank ("FHLB") stock with a carrying value of $8.0 million and required investment of $7.1 million. FHLB stock is included in other assets on the consolidated balance sheet.

NOTE 7 – PER SHARE DATA

Basic and diluted earnings per share ("EPS") are calculated in accordance with *FASB ASC 260*, "Earnings Per Share". Under *FASB ASC 260*, basic EPS is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed using the weighted-average number of shares determined for the basic EPS computation plus the shares resulting from the assumed exercise of all outstanding share-based awards using the treasury stock method. There were antidilutive other equity awards of approximately 9,009 and 4,505 shares excluded from dilutive shares for the three and six months ended June 30, 2021, respectively. Antidilutive other equity awards of approximately 85,131 and 42,565 shares of Company common stock for the three months and six months ended June 30, 2020 were excluded from dilutive shares.

The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the periods shown:

	Three months ended June 30,					
	2021			2020		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS						
Net income	$ 75,539			$ 61,160		
Preferred stock dividends	2,372			2,372		
Income available to common shareholders	73,167	105,627	$ 0.69	$ 58,788	102,604	$ 0.57
Effect of dilutive share- based awards		211			223	
Diluted EPS						
Income available to common shareholders plus assumed exercise of all outstanding share-based awards	$ 73,167	105,838	$ 0.69	$ 58,788	102,827	$ 0.57

	Six months ended June 30,					
	2021			2020		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS						
Net income	$ 157,094			$ 85,421		
Preferred stock dividends	4,744			4,744		
Income available to common shareholders	$ 152,350	104,124	$ 1.46	$ 80,677	103,479	$ 0.78
Effect of dilutive share- based awards		151			302	
Diluted EPS						
Income available to common shareholders plus assumed exercise of all outstanding share-based awards	$ 152,350	104,275	$ 1.46	$ 80,677	103,781	$ 0.78

NOTE 8 – ACCUMULATED OTHER COMPREHENSIVE INCOME

The following tables present the components of accumulated other comprehensive income (loss) and the related tax effects allocated to each component for the periods indicated:

	Three months ended June 30,					
	2021			2020		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
	(In thousands)					
Net unrealized gains (losses) on available-for-sale securities:						
Unrealized gains (losses) arising during the holding period	$ 10,436	$ (2,331)	$ 8,105	$ 8,465	$ (2,113)	$ 6,352
Reclassification adjustment for net gains realized in net income (1)	(88)	22	(66)	(35)	9	(26)
Recognized employee benefit plan net periodic benefit cost (2)	1,126	(281)	845	1,353	(337)	1,016
Change in Accumulated Other Comprehensive Income ("AOCI")	$ 11,474	$ (2,590)	$ 8,884	$ 9,783	$ (2,441)	$ 7,342
Net income			75,539			61,160
Comprehensive income			$ 84,423			$ 68,502

(1) Reclassification adjustments for net gains on available-for-sale securities are reported as security gains, net on the consolidated statements of income.

(2) Recognized employee benefit plan net periodic benefit cost includes recognized prior service cost and recognized net loss. For more information, see Note 10 - Pension Benefits.

	Six months ended June 30,					
	2021			2020		
	Before tax amount	Tax effect	Net of tax amount	Before tax amount	Tax effect	Net of tax amount
	(In thousands)					
Net unrealized (losses) gains on available-for-sale securities:						
Unrealized (losses) gains arising during the holding period	$ (64,122)	$ 16,000	$ (48,122)	$114,391	$ (28,541)	$ 85,850
Reclassification adjustment for net gains realized in net income (1)	(88)	22	(66)	(37)	9	(28)
Recognized employee benefit plan net periodic benefit cost (2)	2,252	(562)	1,690	2,706	(674)	2,032
Change in Accumulated Other Comprehensive Income ("AOCI")	$ (61,958)	$ 15,460	$ (46,498)	$117,060	$ (29,206)	$ 87,854
Net income			157,094			85,421
Comprehensive income			$110,596			$173,275

(1) Reclassification adjustments for net gains on available-for-sale securities are reported as security gains, net on the consolidated statements of income.

(2) Recognized employee benefit plan net periodic benefit cost includes recognized prior service cost and recognized net loss. For more information, see Note 10 - Pension Benefits.

NOTE 9 – GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amounts of goodwill by operating segment for the six months ended June 30, 2021 were as follows:

	Community Banking	Insurance Agencies	Total
		(In thousands)	
Balance as of December 31, 2020	$ 765,147	$ 86,465	$ 851,612
Goodwill recorded during the period	105,862	—	105,862
Balance as of June 30, 2021	$ 871,009	$ 86,465	$ 957,474

The goodwill recorded in the Company's Community Banking reporting segment during 2021 was related to two banks acquired in the second quarter of 2021. See Note 2 - Business Combinations.

The Company's policy is to assess goodwill for impairment at the reporting segment level on an annual basis or sooner if an event occurs or circumstances change which indicate that the fair value of a reporting segment is below its carrying amount. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Accounting standards require management to estimate the fair value of each reporting segment in assessing impairment at least annually. The Company's annual assessment date is during the Company's fourth quarter. No events occurred during the first six months of 2021 that indicated the necessity of an earlier goodwill impairment assessment. Because of the volatile market conditions in 2020 during which the Company's market value fell below book value, the Company performed a qualitative assessment of whether it was more likely than not that a reporting unit's fair value was less than its carrying value during each quarter of 2020, including a goodwill impairment assessment performed by a third party valuation specialist during the third quarter of 2020. Based on these assessments, it was determined that the Company's reporting segments' fair value exceeded their carrying value and no goodwill impairment was recorded during 2020.

In the current economic environment, forecasting cash flows, credit losses and growth in addition to valuing the Company's assets with any degree of assurance is very difficult and subject to significant changes over very short periods of time. Management will continue to update its analysis as circumstances change. As market conditions continue to be volatile and unpredictable, impairment of goodwill related to the Company's reporting segments may be necessary in future periods.

The following tables present information regarding the components of the Company's identifiable intangible assets for the dates and periods indicated:

	As of June 30, 2021		As of December 31, 2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:		(In thousands)		
Core deposit intangibles	$ 88,169	$ 43,333	$ 84,690	$ 39,995
Customer relationship intangibles	47,771	39,724	47,771	38,779
Non-solicitation intangibles	3,461	2,373	3,461	1,937
Total	$ 139,401	$ 85,430	$ 135,922	$ 80,711
Unamortized intangible assets:				
Trade names	$ 688	$ —	$ 688	$ —
Total	$ 688	$ —	$ 688	$ —

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Aggregate amortization expense for:	(In thousands)			
Core deposit intangibles	$ 1,701	$ 1,676	$ 3,338	$ 3,355
Customer relationship intangibles	482	461	945	957
Non-solicitation intangibles	218	219	436	438
Total	$ 2,401	$ 2,356	$ 4,719	$ 4,750

The following table presents information regarding estimated amortization expense on the Company's amortizable identifiable intangible assets for the year ending December 31, 2021 and the succeeding four years:

	Core Deposit Intangibles	Customer Relationship Intangibles	Non-Solicitation Intangibles	Total
Estimated Amortization Expense:	(In thousands)			
For the year ending December 31, 2021	$ 6,648	$ 1,867	$ 871	$ 9,386
For the year ending December 31, 2022	6,393	1,618	653	8,664
For the year ending December 31, 2023	6,144	1,340	—	7,484
For the year ending December 31, 2024	5,906	1,107	—	7,013
For the year ending December 31, 2025	5,640	874	—	6,514

NOTE 10 – PENSION BENEFITS

The following table presents the components of net periodic benefit costs for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Service cost	$ 1,808	$ 1,853	$ 3,616	$ 3,706
Interest cost	1,038	1,748	2,076	3,496
Expected return on assets	(5,716)	(5,102)	(11,432)	(10,204)
Recognized prior service cost	(66)	(180)	(132)	(360)
Recognized net loss	1,192	1,533	2,384	3,066
Net periodic benefit costs (1)	$ (1,744)	$ (148)	$ (3,488)	$ (296)

(1) While service cost is included in salaries and employee benefits, the components of net periodic pension costs other than the service cost component are included in the line item "other noninterest expense" in the consolidated statements of income for the periods ended June 30, 2021 and 2020.

NOTE 11—RECENT PRONOUNCEMENTS

Accounting Standards Currently Effective for 2021:

In August 2018, the FASB issued No. ASU 2018-12 Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts. This ASU became effective for interim and annual periods after December 15, 2020. The adoption of this ASU did not have a significant impact on our financial position or results of operations of the Company.

In August 2018, the FASB issued No. ASU 2018-14 Compensation – Retirement Benefits – Defined Benefit Plans– General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans. This ASU became effective for interim and annual periods after December 15, 2020. This

ASU modifies certain disclosures related to defined benefit plans. The adoption of this ASU impacts disclosures only and did not have a significant impact on our financial position or results of operations of the Company.

In December 2019, the FASB issued No. ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU became effective for interim and annual periods beginning after December 15, 2020. The adoption of this ASU did not have a significant impact on the financial position or results of operations of the Company.

In January 2020, the FASB issued No. ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. This ASU became effective for interim and annual periods beginning after December 15, 2020. The adoption of this ASU did not have a significant impact on the financial position or results of operations of the Company.

In March 2020, the FASB issued No. ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting and in January of 2021, issued No. ASU 2021-01, Reference Rate Reform (Topic 848). These ASUs are effective as of March 12, 2020 through December 31, 2022. The adoption of these ASUs is not expected to have a significant impact on the financial position or results of operations of the Company. The Company formed a working group to coordinate the orderly transition from the London Interbank Offered Rate (LIBOR) to one or more alternative reference rates. The working group consists of senior management of the Company, and the working group provides updates to the Credit Committee of Management and the Credit Risk Committee of the Board on a recurring basis. Key initiatives of the working group include identification of LIBOR exposure, review of associated contract language to determine optionality for transferring to an alternative reference rate, and review of system capabilities for accommodating alternative reference rates. The Company is on schedule to comply with the discontinuance of new LIBOR-based production effective January 1, 2022 forward. In addition, the Company is on schedule to transition from LIBOR to an alternative reference for existing contracts upon the cessation of LIBOR, which includes an effective date for the 1-week and 2-months settings of January 1, 2022 and an effective date of July 1, 2023 for the overnight and 1, 3, 6, and 12-months settings.

NOTE 12 - SEGMENT REPORTING

The Company determines reportable segments based upon the services offered, the significance of those services to the Company's financial condition and operating results and management's regular review of the operating results of those services. The Company's primary segment is the Banking Services Group, which includes providing a full range of deposit products, commercial loans and consumer loans. The Company has also designated four additional reportable segments -- Mortgage, Insurance Agencies, Wealth Management, and General Corporate and Other. The Company’s Mortgage segment includes the mortgage banking activities of originating mortgage loans, selling mortgage loans in the secondary market and servicing the mortgage loans that are sold on a servicing retained basis. The Company's insurance agencies serve as agents in the sale of commercial lines of insurance and full lines of property and casualty, life, health and employee benefits products and services. The Wealth Management segment offers individuals, businesses, governmental institutions and non-profit entities a wide range of solutions to help protect, grow and transfer wealth. Offerings include credit related products, trust and investment management, asset management, retirement and savings solutions, estate planning and annuity products. The General Corporate and Other segment includes other activities not allocated to Banking Services Group, Mortgage, Insurance Agencies or Wealth Management segments.

Results of operations and selected financial information by segment for the three-month and six-month periods ended June 30, 2021 and 2020 were as follows:

	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
			(In thousands)			
Three months ended June 30, 2021						
Results of Operations						
Net interest revenue	$ 170,877	$ 12,187	$ 4	$ 1	$ (2,887)	$ 180,182
Provision for credit losses	—	—	—	—	11,500	11,500
Net interest revenue after provision for credit losses	170,877	12,187	4	1	(14,387)	168,682
Noninterest revenue	21,493	9,104	36,129	8,270	26,947	101,943
Noninterest expense	101,115	8,632	28,601	4,854	30,782	173,984
Income before income taxes	91,255	12,659	7,532	3,417	(18,222)	96,641
Income tax expense (benefit)	19,672	2,428	1,985	697	(3,680)	21,102
Net income	$ 71,583	$ 10,231	$ 5,547	$ 2,720	$ (14,542)	$ 75,539
Selected Financial Information						
Total assets at end of period	$23,751,767	$1,795,584	$ 310,954	$ 57,699	$1,696,361	$27,612,365
Depreciation and amortization	7,652	120	791	24	2,800	11,387

	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
			(In thousands)			
Three months ended June 30, 2020						
Results of Operations						
Net interest revenue	$ 166,038	$ 8,749	$ 10	$ 3	$ (4,230)	$ 170,570
Provision for credit losses	—	—	—	—	20,000	20,000
Net interest revenue after provision for credit losses	166,038	8,749	10	3	(24,230)	150,570
Noninterest revenue	19,387	29,557	33,232	6,985	2,097	91,258
Noninterest expense	102,185	6,265	27,322	4,863	21,869	162,504
Income before income taxes	83,240	32,041	5,920	2,125	(44,002)	79,324
Income tax expense (benefit)	21,384	7,671	1,542	568	(13,001)	18,164
Net income	$ 61,856	$ 24,370	$ 4,378	$ 1,557	$ (31,001)	$ 61,160
Selected Financial Information						
Total assets at end of period	$19,823,508	$1,432,282	$ 292,994	$ 46,691	$ 1,640,701	$23,236,176
Depreciation and amortization	7,350	177	735	29	2,739	11,030

	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
	(In thousands)					
Six months ended June 30, 2021						
Results of Operations						
Net interest revenue	$ 336,108	$ 22,704	$ 12	$ 2	$ (5,855)	$ 352,971
Provision for credit losses	—	—	—	—	11,500	11,500
Net interest revenue after provision for credit losses	336,108	22,704	12	2	(17,355)	341,471
Noninterest revenue	41,606	34,415	66,803	17,373	29,682	189,879
Noninterest expense	195,647	15,729	55,615	10,103	52,713	329,807
Income before income taxes	182,067	41,390	11,200	7,272	(40,386)	201,543
Income tax expense (benefit)	40,031	8,947	2,952	1,572	(9,053)	44,449
Net income	$ 142,036	$ 32,443	$ 8,248	$ 5,700	$ (31,333)	$ 157,094
Selected Financial Information						
Total assets at end of period	$23,751,767	$ 1,795,584	$ 310,954	$ 57,699	$ 1,696,361	$27,612,365
Depreciation and amortization	14,888	250	1,579	48	5,400	22,165

	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
	(In thousands)					
Six months ended June 30, 2020						
Results of Operations						
Net interest revenue	$ 327,301	$ 17,709	$ 30	$ 21	$ (6,961)	$ 338,100
Provision for credit losses	—	—	—	—	67,250	67,250
Net interest revenue after provision for credit losses	327,301	17,709	30	21	(74,211)	270,850
Noninterest revenue	43,263	39,044	67,125	14,161	4,161	167,754
Noninterest expense	203,419	13,776	54,678	9,644	47,743	329,260
Income before income taxes	167,145	42,977	12,477	4,538	(117,793)	109,344
Income tax expense (benefit)	37,145	9,767	3,332	1,031	(27,352)	23,923
Net income	$ 130,000	$ 33,210	$ 9,145	$ 3,507	$ (90,441)	$ 85,421
Selected Financial Information						
Total assets at end of period	$19,823,508	$ 1,432,282	$ 292,994	$ 46,691	$ 1,640,701	$23,236,176
Depreciation and amortization	13,948	375	1,507	53	5,368	21,251

The increase in income for the Banking Services Group for the three months and six months ended June 30, 2021 compared to the same periods in 2020 is due to an increase in net interest revenue due to an increase in earnings on investments and a decrease in interest expense related to interest-bearing and other time deposits. The increase in income for the Banking Services Group is also a result of the completion of two bank acquisitions during the first six months of 2021 compared to the completion of one bank acquisition during the first six months of 2020. The decrease in income for the Mortgage segment for the three months ended June 30, 2021 compared to the same period in 2020 is primarily a result of a decrease in mortgage production revenue from $31.9 million for the second quarter of 2020 to $11.0 million during the second quarter of 2021 due to lower margins on rates paid on delivery volumes. The decrease in the loss in the General, Corporate and Other segment when comparing the three-month and six-month periods is primarily a result of a gain on sale of PPP loans of $21.6 million in the second quarter of 2021 and no gain on sale of PPP loans in the second quarter or first six months of 2020, and a decrease in provision for credit losses. A provision for credit losses of $11.5 million was recorded for both the second quarter and first six months of 2021. A provision for credit losses of $20.0 million and $67.3 million was recorded during the second quarter and first six months of 2020, respectively.

The following table shows revenue disaggregated by segment for non-interest revenue type as of the following periods:

	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
Three months ended June 30, 2021			(In thousands)			
Noninterest Income						
In Scope of Topic 606						
Credit card, debit card and merchant fees	$ 11,589	$ —	$ —	$ —	$ —	$ 11,589
Deposit service charges	8,849	—	—	—	—	8,849
Insurance commissions	—	—	36,106	—	—	36,106
Trust income	—	—	—	4,434	—	4,434
Brokerage commissions and fees	—	—	—	3,059	—	3,059
Total noninterest income (in-scope of Topic 606)	20,438	—	36,106	7,493	—	64,037
Total noninterest income (out-of-scope of Topic 606)	1,055	9,104	23	777	26,947	37,906
Total noninterest income	$ 21,493	$ 9,104	$ 36,129	$ 8,270	$ 26,947	$ 101,943

	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
Three months ended June 30, 2020			(In thousands)			
Noninterest Income						
In Scope of Topic 606						
Credit card, debit card and merchant fees	$ 9,080	$ —	$ —	$ —	$ —	$ 9,080
Deposit service charges	7,647	—	—	—	—	7,647
Insurance commissions	—	—	33,118	—	—	33,118
Trust income	—	—	—	4,064	—	4,064
Brokerage commissions and fees	—	—	—	2,303	—	2,303
Total noninterest income (in-scope of Topic 606)	16,727	—	33,118	6,367	—	56,212
Total noninterest income (out-of-scope of Topic 606)	2,660	29,557	114	618	2,097	35,046
Total noninterest income	$ 19,387	$ 29,557	$ 33,232	$ 6,985	$ 2,097	$ 91,258

Six months ended June 30, 2021	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
	(In thousands)					
Noninterest Income						
In Scope of Topic 606						
Credit card, debit card and merchant fees	$ 21,248	$ —	$ —	$ —	$ —	$ 21,248
Deposit service charges	17,326	—	—	—	—	17,326
Insurance commissions	—	—	66,773	—	—	66,773
Trust income	—	—	—	9,563	—	9,563
Brokerage commissions and fees	—	—	—	6,344	—	6,344
Total noninterest income (in-scope of Topic 606)	38,574	—	66,773	15,907	—	121,254
Total noninterest income (out-of-scope of Topic 606)	3,032	34,415	30	1,466	29,682	68,625
Total noninterest income	$ 41,606	$ 34,415	$ 66,803	$ 17,373	$ 29,682	$ 189,879

Six months ended June 30, 2020	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
	(In thousands)					
Noninterest Income						
In Scope of Topic 606						
Credit card, debit card and merchant fees	$ 18,256	$ —	$ —	$ —	$ —	$ 18,256
Deposit service charges	19,329	—	—	—	—	19,329
Insurance commissions	—	—	62,721	—	—	62,721
Trust income	—	—	—	8,077	—	8,077
Brokerage commissions and fees	—	—	—	4,805	—	4,805
Total noninterest income (in-scope of Topic 606)	37,585	—	62,721	12,882	—	113,188
Total noninterest income (out-of-scope of Topic 606)	5,678	39,044	4,404	1,279	4,161	54,566
Total noninterest income	$ 43,263	$ 39,044	$ 67,125	$ 14,161	$ 4,161	$ 167,754

NOTE 13 – MORTGAGE SERVICING RIGHTS

Mortgage Servicing Rights ("MSRs"), which are recognized as a separate asset on the date the corresponding mortgage loan is sold on a servicing retained basis, are recorded at fair value as determined at each accounting period end. An estimate of the fair value of the Company's MSRs is determined utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. Data and assumptions used in the fair value calculation related to MSRs as of the dates indicated were as follows:

	June 30, 2021	December 31, 2020
	(In thousands)	
Unpaid principal balance	$ 7,407,690	$ 7,330,293
Weighted-average prepayment speed (CPR)	13.0	15.6
Discount rate (annual percentage)	9.5	9.5
Weighted-average coupon interest rate (percentage)	3.6	3.8
Weighted-average remaining maturity (months)	332.0	332.0
Weighted-average servicing fee (basis points)	27.7	27.5

Because the valuation is determined by using discounted cash flow models, the primary risk inherent in valuing the MSRs is the impact of fluctuating interest rates on the estimated life of the servicing revenue stream. The use of different estimates or assumptions could also produce different fair values. As of June 30, 2021 and 2020, the Company had a hedge in place designed to cover approximately 34.4% and 11.7% of the MSR, respectively. The Company is susceptible to fluctuations in the value of its MSRs in changing interest rate environments.

The Company has only one class of mortgage servicing asset comprised of closed end loans for one-to-four family residences, secured by first liens. The following table presents the activity in this class for the periods indicated:

	2021	2020
	(In thousands)	
Fair value as of January 1	$ 47,571	$ 57,109
Additions:		
Origination of servicing assets	12,421	7,376
Changes in fair value:		
Due to payoffs/paydowns	(6,219)	(5,650)
Due to change in valuation inputs or assumptions used in the valuation model	6,842	(18,013)
Other changes in fair value	—	(1)
Fair value as of June 30	$ 60,615	$ 40,821

All of the changes to the fair value of the MSRs are recorded as part of mortgage banking noninterest revenue on the income statement. As part of mortgage banking noninterest revenue, the Company recorded contractual servicing fees of $5.1 million and $4.6 million for the three months ended June 30, 2021 and 2020 and late and other ancillary fees of approximately $196,000 and $85,000 for the three months ended June 30, 2021 and 2020, respectively. The Company recorded contractual servicing fees of $10.1 million and $9.4 million for the six months ended June 30, 2021 and 2020 and late and other ancillary fees of approximately $393,000 and $382,000 for the six months ended June 30, 2021 and 2020, respectively.

NOTE 14 – DERIVATIVE INSTRUMENTS AND OFFSETTING ASSETS AND LIABILITIES

The derivatives held by the Company include commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual fixed-rate mortgage loans, including interest rate swap futures. The Company's objective in obtaining the forward commitments is to mitigate the interest rate risk associated with the commitments to fund the fixed-rate mortgage loans. Both the commitments to fund fixed-rate mortgage loans and the forward commitments to sell individual fixed-rate mortgage loans are reported at fair value, with adjustments being recorded in current period earnings, and are not accounted for as hedges. At June 30, 2021, the notional amount of forward commitments to sell individual fixed-rate mortgage loans was $562.8 million with a carrying value and fair value reflecting a gain of $0.9 million. At December 31, 2020, the notional amount of forward commitments to sell individual fixed-rate mortgage loans was $618.0 million with a carrying value and fair value reflecting a gain of $0.3 million. At June 30, 2021, the notional amount of commitments to fund individual fixed-rate mortgage loans was $302.6 million with a carrying value and fair value reflecting a gain of $9.1 million. At December 31, 2020, the notional amount of commitments to fund individual fixed-rate mortgage loans was $407.0 million with a carrying value and fair value reflecting a gain of $16.9 million.

The Company also enters into derivative financial instruments in the form of interest rate swaps to meet the financing, interest rate and equity risk management needs of its customers. Upon entering into these interest rate swaps to meet customer needs, the Company enters into offsetting positions to minimize interest rate and equity risk to the Company. These derivative financial instruments are reported at fair value with any resulting gain or loss recorded in current period earnings. These instruments and their offsetting positions are recorded in other assets and other liabilities on the consolidated balance sheets. As of June 30, 2021, the notional amount of customer related derivative financial instruments was $389.0 million with an average maturity of 22.5 months, an average interest receive rate of 2.5% and an average interest pay rate of 5.1%. As of December 31, 2020, the notional amount of customer related derivative financial instruments was $374.4 million with an average maturity of 28.4 months, an average interest receive rate of 2.5% and an average interest pay rate of 5.1%.

Additionally, the Company utilizes securities sold under agreements to repurchase to facilitate the needs of our customers and to facilitate secured short-term funding needs. Securities sold under agreements to repurchase are stated at the amount of cash received in connection with the transaction. The Company monitors collateral levels on a continuous basis and may be required to provide additional collateral based on the fair value of the underlying securities. Securities sold under agreement to repurchase were $683.1 million million and $637.7 million at June 30, 2021 and December 31, 2020, respectively.

Certain financial instruments, such as derivatives, may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements or similar agreements. The Company's derivative transactions with upstream financial institution counterparties are generally executed under International Swaps and Derivative Association master agreements which include "right of set-off" provisions. In such cases, there is generally a legally enforceable right to offset recognized amounts and there may be an intention to settle such amounts on a net basis. Nonetheless, the Company does not generally offset such financial instruments for financial reporting purposes.

The following tables present components of financial instruments eligible for offsetting for the periods indicated:

	June 30, 2021					
				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized	Financial Instruments	Financial Collateral Pledged	Net Amount
	(In thousands)					
Financial assets:						
Derivatives:						
Forward commitments	$ 10,788	$ —	$ 10,788	$ —	$ —	$ 10,788
Loan/lease interest rate swaps	2,094	—	2,094	—	—	2,094
Total financial assets	$ 12,882	$ —	$ 12,882	$ —	$ —	$ 12,882
Financial liabilities:						
Derivatives:						
Forward commitments	$ 799	$ —	$ 799	$ —	$ —	$ 799
Loan/lease interest rate swaps	2,094	—	2,094	—	(2,094)	—
Repurchase arrangements	683,135	—	683,135	(683,135)	—	—
Total financial liabilities	$ 686,028	$ —	$ 686,028	$ (683,135)	$ (2,094)	$ 799

	December 31, 2020					
				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amount Recognized	Gross Amount Offset	Net Amount Recognized	Financial Instruments	Financial Collateral Pledged	Net Amount
	(In thousands)					
Financial assets:						
Derivatives:						
Forward commitments	$ 19,965	$ —	$ 19,965	$ —	$ —	$ 19,965
Loan/lease interest rate swaps	2,885	—	2,885	—	—	2,885
Total financial assets	$ 22,850	$ —	$ 22,850	$ —	$ —	$ 22,850
Financial liabilities:						
Derivatives:						
Forward commitments	$ 2,815	$ —	$ 2,815	$ —	$ —	$ 2,815
Loan/lease interest rate swaps	2,885	—	2,885	—	(2,885)	—
Repurchase arrangements	637,715	—	637,715	(637,715)	—	—
Total financial liabilities	$ 643,415	$ —	$ 643,415	$ (637,715)	$ (2,885)	$ 2,815

NOTE 15 – FAIR VALUE DISCLOSURES

"Fair value" is defined by *FASB ASC 820, Fair Value Measurement*, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. *FASB ASC 820* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Determination of Fair Value

The Company uses the valuation methodologies listed below to measure different financial instruments at fair value. An indication of the level in the fair value hierarchy in which each instrument is generally classified is included. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

Available-for-sale securities and other equity investments. Available-for-sale securities and other equity investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. The Company's available-for-sale securities and other equity investments that are traded on an active exchange, such as the New York Stock Exchange, are classified as Level 1. Available-for-sale securities and other equity investments valued using matrix pricing are classified as Level 2. Available-for-sale securities and other equity investments valued using matrix pricing that has been adjusted to compensate for the present value of expected cash flows, market liquidity, credit quality and volatility are classified as Level 3.

Mortgage servicing rights. The Company records MSRs at fair value on a recurring basis with subsequent remeasurement of MSRs based on change in fair value. An estimate of the fair value of the Company's MSRs is determined by utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. All of the Company's MSRs are classified as Level 3. For additional information about the Company's valuation of MSRs, see Note 13, Mortgage Servicing Rights.

Derivative instruments. The Company's derivative instruments consist of commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual fixed-rate mortgage loans. Fair value of these derivative instruments is measured on a recurring basis using recent observable market prices. The Company also enters into interest rate swaps to meet the financing, interest rate and equity risk management needs of its customers. The fair value of these instruments is either an observable market price or a discounted cash flow valuation using the terms of swap agreements but substituting original interest rates with prevailing interest rates ranging from 1.6% to 3.1%. The Company also considers the associated counterparty credit risk when determining the fair value of these instruments. The Company's interest rate swaps, commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual fixed-rate mortgage loans are classified as Level 3.

Loans held for sale. Loans held for sale are carried at fair value. The fair value of loans held for sale is based on commitments outstanding from investors as well as what secondary markets are currently offering for portfolios with similar characteristics. Therefore, loans held for sale are subjected to recurring fair value adjustments and are classified as Level 2. The Company obtains quotes, bids or pricing indications on all or part of these loans directly from the buyers. Premiums and discounts received or to be received on the quotes, bids or pricing indications are indicative of the fact that the cost is lower or higher than fair value.

Collateral-dependent loans. Collateral-dependent loans considered for specific reserve under FASB ASC 326 are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Collateral-dependent loans include impaired loans and purchased credit deteriorated (loss) loans. Collateral-Dependent loans are subject to nonrecurring fair value adjustments to reflect (1) partial write-downs that are based on the observable market price or current appraised value of the collateral, or (2) the full charge-off of the loan carrying value. All of the Company's collateral-dependent loans are classified as Level 3.

Other real estate owned. OREO is carried at the lower of cost or estimated fair value, less estimated selling costs and is subject to nonrecurring fair value adjustments. Estimated fair value is determined on the basis of independent appraisals and other relevant factors less an average of 7% for estimated selling costs. All of the Company's OREO is classified as Level 3.

Off-Balance sheet financial instruments. The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreement and the present creditworthiness of the counterparties. The Company has reviewed the unfunded portion of commitments to extend credit as well as standby and other letters of credit, and has determined that the fair value of such financial instruments is not material. The Company classifies the estimated fair value of credit-related financial instruments as Level 3.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Available-for-sale securities:				
U.S. Government agencies	$ —	$ 2,758,412	$ —	$ 2,758,412
U.S. Government agency issued residential mortgage-backed securities	—	4,709,540	—	4,709,540
U.S. Government agency issued commercial mortgage-backed securities	—	1,478,058	—	1,478,058
Obligations of states and political subdivisions	—	117,248	—	117,248
Corporate bonds	—	20,853	—	20,853
Other equity investments	307	684	—	991
Mortgage servicing rights	—	—	60,615	60,615
Derivative instruments	—	—	12,649	12,649
Loans held for sale	—	403,046	—	403,046
Total	$ 307	$ 9,487,841	$ 73,264	$ 9,561,412
Liabilities:				
Derivative instruments	$ —	$ —	$ 2,893	$ 2,893

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Available-for-sale securities:				
U.S. Government agencies	$ —	$ 2,871,408	$ —	$ 2,871,408
U.S. Government agency issued residential mortgage-backed securities	—	2,421,409	—	2,421,409
U.S. Government agency issued commercial mortgage-backed securities	—	806,206	—	806,206
Obligations of states and political subdivisions	—	113,953	—	113,953
Corporate bonds	—	18,030	—	18,030
Other equity investments	230	671	—	901
Mortgage servicing rights	—	—	47,571	47,571
Derivative instruments	—	—	22,542	22,542
Loans held for sale	—	397,076	—	397,076
Total	$ 230	$ 6,628,753	$ 70,113	$ 6,699,096
Liabilities:				
Derivative instruments	$ —	$ —	$ 5,700	$ 5,700

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the six-month period ended June 30, 2021 and 2020:

	Mortgage Servicing Rights	Derivative Instruments, net
	(In thousands)	
Balance at December 31, 2020	$ 47,571	$ 16,842
Year to date net gains (losses) included in: Net gain (loss)	623	(7,086)
Additions	12,421	—
Balance at June 30, 2021	$ 60,615	$ 9,756
Net unrealized (losses) gains included in net income for the quarter relating to assets and liabilities held at June 30, 2021	$ (3,604)	$ (7,525)

	Mortgage Servicing Rights	Derivative Instruments, net
	(In thousands)	
Balance at December 31, 2019	$ 57,109	$ 2,795
Year to date net (losses) gains included in: Net (loss) gain	(23,664)	18,909
Additions	7,376	—
Balance at June 30, 2020	$ 40,821	$ 21,704
Net unrealized (losses) gains included in net income for the quarter relating to assets and liabilities held at June 30, 2020	$ (5,719)	$ 9,240

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The following tables present the balances of assets and liabilities measured at fair value on a nonrecurring basis as of June 30, 2021 and 2020:

	June 30, 2021				Six months ended June 30, 2021
	Level 1	Level 2	Level 3	Total	Net Losses
Assets:			(In thousands)		
Impaired loans	$ —	$ —	$ 20,623	$ 20,623	$ (2,374)
Purchased Credit Deteriorated (Loss)	—	—	26,570	26,570	(551)
Other real estate owned	—	—	17,333	17,333	(759)

	June 30, 2020				Six months ended June 30, 2020
	Level 1	Level 2	Level 3	Total	Net Losses
Assets:			(In thousands)		
Impaired loans	$ —	$ —	$ 57,406	$ 57,406	$ —
Purchased Credit Deteriorated (Loss)	—	—	29,635	29,635	(3,052)
Other real estate owned	—	—	7,164	7,164	(108)

Fair Value of Financial Instruments

FASB ASC 825, Financial Instruments, requires that the Company disclose estimated fair values for its financial instruments. Fair value estimates, methods and assumptions that are used by the Company in estimating fair values of financial instruments and that are not disclosed above in Note 15 are set forth below.

Cash and Due From Banks and Interest Bearing Deposits with Other Banks. The carrying amounts for cash and due from banks approximate fair values due to their immediate and shorter-term maturities.

Loans and Leases. Fair values are estimated for portfolios of loans and leases with similar financial characteristics. The fair value of loans and leases is calculated by discounting scheduled cash flows through the estimated maturity using rates the Company would currently offer customers based on the credit and interest rate risk inherent in the loan or lease. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market and borrower information. The aforementioned assumptions are utilized to provide an estimate of the exit price considered in an orderly transaction between market participants. Estimated maturity represents the expected average cash flow period, which in some instances is different than the stated maturity. All of the Company’s loans and leases are classified as Level 3.

Deposit Liabilities. Under *FASB ASC 825*, the fair value of deposits with no stated maturity, such as noninterest bearing demand deposits, interest bearing demand deposits and savings, is equal to the amount payable on demand as of the reporting date. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the prevailing rates offered for deposits of similar maturities. The Company’s noninterest bearing demand deposits, interest bearing demand deposits and savings are classified as Level 1. Certificates of deposit are classified as Level 2.

Debt. The carrying amounts for federal funds purchased and repurchase agreements approximate fair value because of their short-term maturity. The fair value of the Company’s fixed-term FHLB advances is based on the discounted value of contractual cash flows. The discount rate is estimated using the prevailing rates available for advances of similar maturities. The fair value of the Company’s junior subordinated debt is based on market prices or dealer quotes. The Company’s federal funds purchased, repurchase agreements and junior subordinated debt are classified as Level 1. FHLB advances are classified as Level 2.

Lending Commitments. The Company’s lending commitments are negotiated at prevailing market rates and are relatively short-term in nature. As a matter of policy, the Company generally makes commitments for fixed-rate loans for relatively short periods of time. Therefore, the estimated value of the Company’s lending commitments approximates the carrying amount and is immaterial to the financial statements. The Company’s lending commitments are classified as Level 2. The Company’s off-balance sheet commitments including letters of credit, which totaled $73.9 million at June 30, 2021, are funded at current market rates at the date they are drawn upon. It is management’s opinion that the fair value of these commitments would approximate their carrying value, if drawn upon.

The following table presents carrying and fair value information of financial instruments at June 30, 2021 and December 31, 2020:

	June 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:	(In thousands)			
Cash and due from banks	$ 331,873	$ 331,873	$ 284,095	$ 284,095
Interest bearing deposits with other banks	629,390	629,390	133,273	133,273
Available-for-sale securities, FHLB and other equity investments	9,093,399	9,093,399	6,239,897	6,239,897
Net loans and leases	14,738,319	15,024,056	14,778,057	15,226,569
Loans held for sale	403,046	403,046	397,076	397,076
Accrued interest receivable	98,575	98,575	106,318	106,318
Mortgage servicing rights	60,615	60,615	47,571	47,571
Liabilities:				
Noninterest bearing deposits	7,619,308	7,619,308	6,341,457	6,341,457
Savings and interest bearing deposits	12,611,620	12,611,620	10,976,069	10,976,069
Other time deposits	2,607,558	2,623,022	2,528,915	2,557,269
Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings	683,135	657,863	637,715	624,536
Accrued interest payable	8,718	8,718	10,885	10,885
Long-term debt and other borrowings	311,790	312,518	301,652	302,599
Derivative instruments:				
Forward commitments to sell fixed rate mortgage loans	909	909	285	285
Commitments to fund fixed rate mortgage loans	9,080	9,080	16,865	16,865
Interest rate swap position to receive	1,862	1,862	2,577	2,577
Interest rate swap position to pay	(2,094)	(2,094)	(2,885)	(2,885)

NOTE 16 – OTHER NONINTEREST REVENUE AND EXPENSE

The following table details other noninterest revenue for the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Bank-owned life insurance	$ 1,845	$ 1,855	$ 3,865	$ 3,854
Other miscellaneous income	5,238	3,518	8,494	11,599
Total other noninterest income	$ 7,083	$ 5,373	$ 12,359	$ 15,453

The following table details other noninterest expense for the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Advertising	$ 783	$ 918	$ 1,787	$ 2,017
Foreclosed property expense	649	1,306	1,670	2,230
Telecommunications	1,517	1,512	2,915	2,973
Public relations	1,012	459	1,753	1,139
Data processing	11,024	9,693	21,448	19,339
Computer software	4,887	4,979	10,000	9,294
Amortization of intangibles	2,401	2,355	4,719	4,749
Legal fees	774	1,375	1,940	2,273
Merger expense	9,962	510	11,611	5,004
Postage and shipping	1,317	1,198	2,864	2,639
Other miscellaneous expense	11,678	10,482	21,227	22,711
Total other noninterest expense	$ 46,004	$ 34,787	$ 81,934	$ 74,368

NOTE 17 – COMMITMENTS AND CONTINGENT LIABILITIES

Leases

The Company recognizes a liability based on future lease payments, called the lease liability, and recognizes the right of use of the underlying asset for the lease term, called the right-of-use ("ROU") asset. The lease liability is measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate. The lease liability is reflected in other liabilities while the ROU asset is reflected with premises and equipment. The ROU asset is measured at the amount of the lease liability adjusted for any unamortized initial direct costs, and any impairment of the ROU asset. The Company has no finance leases. Certain of the Company's leases contain options to renew the lease therefore these renewal options are included in the calculation of the lease liability as they are reasonably certain to be exercised. The Company's leases do not contain residual value guarantees or material variable lease payments. The Company does not have any material restrictions or covenants imposed by leases that would impact the Company's ability to pay dividends or cause the Company to incur additional financial obligations. We elected the short-term lease recognition exemption for our leases that qualify. This means, for those leases that qualify, we do not recognize ROU assets or lease liabilities. We also made an accounting policy election as a practical expedient to not separate lease and non-lease components for all of our leases.

In determining whether a contract contains a lease, the Company examines the contract to ensure an asset was specifically identified and that the Company has control of use over the asset. The discount rate used in determining the lease liability and related right of use asset is based upon what would be obtained by the Company for similar loans as an incremental rate as of the date of origination or renewal.

For the three months ended June 30, 2021 and 2020, the weighted average remaining lease term for operating leases was 13.5 years and 13.9 years respectively, and the weighted average discount rate used in the measurement of operating lease liabilities was 3.1% for both the three months ended June 30, 2021 and 2020. For the six months ended June 30, 2021 and 2020, the weighted average remaining lease term for operating leases was 13.5 years and 13.9 years respectively, and the weighted average discount rate used in the measurement of operating lease liabilities was 3.1% and 3.1% respectively.

The following table details lease costs for the three months and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(in thousands)			
Operating lease costs	$ 2,237	$ 2,202	$ 4,432	$ 4,378
Variable lease costs	306	310	613	602
Sublease income	—	(11)	—	(22)
Total operating lease costs	$ 2,543	$ 2,501	$ 5,045	$ 4,958

There were no leveraged leases or lease transactions with related parties during the first six months ended June 30, 2021 and 2020. At June 30, 2021 and 2020, the Company had no leases that had not yet commenced.

For leases that may contain renewal options or options to extend the lease term, the Company is reasonably certain to do so, therefore, these extended terms are included in our lease liability calculation. A maturity analysis of operating lease liabilities is included in the table below as of June 30, 2021:

	Amount
	(In thousands)
Remainder of 2021	$ 4,399
2022	8,600
2023	7,758
2024	7,504
2025	6,902
Thereafter	55,141
Total future minimum lease payments	90,304
Discount effect of cash flows	17,617
Present value of net future minimum lease payments	$ 72,687

As of June 30, 2021, the Company's operating lease ROU assets and liabilities were $70.6 million and $72.7 million, respectively. At December 31, 2020, the Company's operating lease ROU assets and liabilities were $70.4 million and $72.2 million, respectively.

Leases for which the Company is the lessor, are substantially all accounted for as operating leases and the lease components and non-lease components are accounted for separately. The remaining lease periods vary from one month to five years and the contractual maturities of gross lease receivables were not material to the financial position of our Company.

Litigation

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

The Company and its subsidiaries are engaged in lines of business that are heavily regulated and involve a large volume of financial transactions and potential transactions with numerous customers or applicants, and the Company is a public company with a large number of shareholders. From time to time, applicants, borrowers, customers, shareholders, former employees and other third parties have brought actions against the Company or its subsidiaries, in some cases claiming substantial damages. Financial services companies are subject to the risk of class action litigation, and, from time to time, the Company and its subsidiaries are subject to such actions brought against it. Additionally, the Company is, and management expects it to be, engaged in a number of foreclosure proceedings and other collection actions as part of its lending and leasing collections activities, which, from time to time, have resulted in counterclaims against the Company and its subsidiaries. Various legal proceedings have arisen and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations. The Company and its subsidiaries may also be subject to enforcement actions by federal or state regulators, including the FDIC, the Consumer Financial Protection Bureau (the "CFPB"), the United States Department of Justice (the "DOJ"), state attorneys general and the Mississippi Department of Banking and Consumer Finance (the "MDBCF").

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

The Company cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against it, its subsidiaries and its directors, management or employees, including remedies or damage awards. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of the Company's business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, the Company establishes an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings and the potential loss, however, may turn out to be substantially higher than the amount accrued. Further, the Company's insurance policies have deductibles and coverage limits, and such policies will likely not cover all costs and expenses related to the defense or prosecution of such legal proceedings or any losses arising therefrom.

Although the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, if applicable, management believes that the litigation-related liability of $1.2 million accrued as of June 30, 2021 is adequate and that any incremental change in potential liability arising from the Company's legal proceedings and threatened claims, including the matters described herein and those otherwise arising in the ordinary course of business, will not have a material adverse effect on the Company's business or consolidated results of operations or financial condition. It is possible, however, that future developments could result in an unfavorable outcome for or resolution of any one or more of the legal proceedings in which the Company or its subsidiaries are defendants, which may be material to the Company's business or consolidated results of operations or financial condition for a particular fiscal period or periods.

BancorpSouth and Cadence Merger Litigation

Following the announcement of the Company's merger with Cadence, six civil actions were filed alleging, among other things, that the preliminary proxy statement filed with the FDIC and the Securities and Exchange Commission ("SEC") by the Company and Cadence, respectively, in connection with the merger was materially incomplete and misleading in various respects. Five of these suits were filed by purported holders of Cadence common stock against Cadence and its board of directors (and, in one case, BancorpSouth) and assert claims under Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. The sixth suit was filed by a purported holder of the Company against the Company and its board of directors and also asserts claims under Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. One plaintiff in the foregoing actions voluntarily dismissed the action on June 16, 2021. Following discussions, the Company and Cadence reached agreement with the remaining plaintiffs to resolve these actions following the making by Cadence of certain supplemental disclosures to the joint proxy statement/offering circular of the Company and Cadence, which was filed with the FDIC and the SEC, respectively, on July 7, 2021. Cadence made such supplemental disclosures in a Form 8-K filed with the SEC on August 2, 2021. The plaintiffs agreed that, following the filing of such Form 8-K, the plaintiffs would dismiss the civil actions in their entirety.

NOTE 18 – LONG-TERM DEBT

The Company had long-term FHLB and other borrowings of $4.2 million and $4.4 million at June 30, 2021 and December 31, 2020, respectively.

NOTE 19 – JUNIOR SUBORDINATED DEBT

On November 20, 2019, the Company completed its public offering of $300 million aggregate principal amount of its 4.125% Fixed-to-Floating Rate Subordinated Notes due November 20, 2029 (the "Notes"). The Company received net proceeds, after deducting the underwriting discount and estimated expenses, of approximately $296.9 million. On November 20, 2019, the Notes began bearing interest at a fixed annual interest rate equal to 4.125%, payable semiannually in arrears, with such payments having commenced on May 20, 2020. Beginning November 20, 2024, the interest rate will reset quarterly to an annual interest rate equal to the three-month London Inter-bank Offered Rate ("LIBOR") plus 2.47%, payable quarterly in arrears. The Notes are unsecured obligations of the Company and will not be guaranteed by any of its subsidiaries. The Notes are subordinated and rank junior in right of payment to all of the Company's existing and future senior indebtedness. There is no sinking fund for the Notes. The Company may on or after November 20, 2024, and on any interest payment date thereafter, redeem the Notes, in whole or in part, subject to certain conditions. The Notes do not contain any covenants or restrictions restricting the incurrence of debt, or restrictions on the payment of dividends.

NOTE 20 – PREFERRED STOCK

On November 20, 2019, the Company completed its public offering of 6,900,000 shares of 5.50% Series A Non-Cumulative Perpetual Preferred Stock, par value $0.01 per share, with a liquidation preference of $25 per share of Series A Preferred Stock (the "Series A Preferred Stock"), which represents $172,500,000 in aggregate liquidation preference (the "Series A Preferred Stock Offering"). The Company received net proceeds from the Series A Preferred Stock Offering, after deducting the underwriting discount and estimated expenses, of approximately $167.5 million. Holders of the Series A Preferred Stock will be entitled to receive, only when, as, and if declared by the Company's Board of Directors, noncumulative cash dividends based upon the liquidation preference of $25 per share of Series A Preferred Stock, and no more, at a rate equal to 5.50% per annum, payable quarterly, in arrears, on February 20, May 20, August 20 and November 20 of each year beginning on February 20, 2020. The Series A Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provision. The Company may redeem shares of Series A Preferred Stock at its option, subject to regulatory approval, at a redemption price equal to $25 per share, plus any declared and unpaid dividends. The Board of Directors of the Company declared quarterly cash dividends of $0.34375 per share of Series A Preferred Stock that were paid on February 22, 2021 to shareholders of record at the close of business on February 5, 2021, and paid on May 20, 2021 to shareholders of record at the close of business on May 5, 2021.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FORWARD-LOOKING STATEMENTS

Certain statements made in this Report are not statements of historical fact and constitute "forward-looking statements" within the meaning of Section 21E of the Exchange Act, and are subject to the safe harbor created thereby under the Private Securities Litigation Reform Act of 1995. These statements are often, but not always, made through the use of words or phrases such as "anticipate," "aspire," "assume," "believe," "budget," "contemplate," "continue," "could," "estimate," "expect," "forecast," "foresee," "goal," "hope," "indicate," "intend," "may," "might," "outlook," "plan," "project," "projection," "predict," "prospect," "potential," "roadmap," "seek," "should," "target," "will," and "would," or the negative versions of those words or other comparable words of a future or forward-looking nature. These forward-looking statements include, without limitation, discussions regarding general economic, interest rate, real estate market, competitive, employment, and credit market conditions, including the impact of the COVID-19 pandemic on the Company's business; the Company's: assets; business; cash flows; financial condition; liquidity; prospects; results of operations; deposit and customer repo growth; interest and fee-based revenue; capital resources; capital metrics; efficiency ratio; valuation of mortgage servicing rights; net income; net interest revenue; non-interest revenue; net interest margin; interest expense; non-interest expense;

earnings per share; interest rate sensitivity; interest rate risk; balance sheet and liquidity management; off-balance sheet arrangements; fair value determinations; asset quality; credit quality; credit losses; provision and allowance for credit losses, impairments, charge-offs, recoveries and changes in loan volumes; investment securities portfolio yields and values; ability to manage the impact of pandemics, natural disasters and other force majeure events; adoption and use of critical accounting policies; adoption and implementation of new accounting standards and their effect on the Company's financial results and the Company's financial reporting; utilization of non-GAAP financial metrics; declaration and payment of dividends; 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; mortgage origination volume; mortgage servicing and production revenue; insurance commission revenue; implementation and execution of cost savings initiatives; ability to successfully litigate, resolve or otherwise dispense with threatened, pending, ongoing and future litigation and governmental, administrative and investigatory matters; ability to successfully complete pending or future acquisitions, dispositions and other strategic growth opportunities and initiatives; ability to successfully obtain regulatory approval for acquisitions and other growth initiatives; ability to successfully integrate and manage acquisitions; opportunities and efforts to grow market share; reputation; ability to compete with other financial institutions; ability to recruit and retain key employees and personnel; access to capital markets; availability of capital; investments in the securities of other financial institutions; and ability to operate the Company's regulatory compliance programs in accordance with applicable law.

Forward-looking statements are based upon management's expectations as well as certain assumptions and estimates made by, and information available to, the Company's management at the time such statements were made. Forward-looking statements are not historical facts, are not guarantees of future results or performance and are subject to certain known and unknown risks, uncertainties and other factors that are beyond the Company's control and that may cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. These risks, uncertainties and other factors include, without limitation, potential delays or other problems in implementing and executing the Company's growth, expansion and acquisition strategies, including delays in obtaining regulatory or other necessary approvals or the failure to realize any anticipated benefits or synergies from any acquisitions or growth strategies; the risks of changes in interest rates and their effects on the level and composition of deposits, loan demand and the values of loan collateral, securities and interest sensitive assets and liabilities; 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; the availability of and access to capital; possible downgrades in the Company's credit ratings or outlook which could increase the costs or availability of funding from capital markets; the ability to attract new or retain existing deposits or to retain or grow loans; the ability to grow additional interest and fee income or to control noninterest expense; the potential impact of the proposed phase-out of LIBOR or other changes involving LIBOR; competitive factors and pricing pressures, including their effect on the Company's net interest margin; general economic, unemployment, credit market and real estate market conditions, and the effect of such conditions on the creditworthiness of borrowers, collateral values, the value of investment securities and asset recovery values; changes in legal, financial and/or regulatory requirements; recently enacted and potential legislation and regulatory actions and the costs and expenses to comply with new and/or existing legislation and regulatory actions, including those actions in response to the COVID-19 pandemic such as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the "Economic Aid Act") and any related rules and regulations; changes in U.S. Government monetary and fiscal policy; FDIC special assessments or changes to regular assessments; the enforcement efforts of federal and state bank regulators; possible adverse rulings, judgments, settlements and other outcomes of pending, ongoing and future litigation and governmental, administrative and investigatory matters (including litigation or actions arising from the Company's participation in and administration of programs related to the COVID-19 pandemic (including, among other things, the PPP loan programs authorized by the CARES Act and the Economic Aid Act); the ability to keep pace with technological changes, including changes regarding maintaining cybersecurity; the impact of 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; natural disasters or acts of war or terrorism; the adverse effects of the ongoing global COVID-19 pandemic, including the magnitude and duration of the pandemic, and the effect of actions taken to mitigate the impact of the COVID-19 pandemic on the Company, the Company's employees, the Company's customers, the global economy and the financial markets;

international or political instability; impairment of the Company's goodwill or other intangible assets; losses of key employees and personnel; adoption of new accounting standards, including the effects from the adoption of the current expected credit loss methodology on January 1, 2020, or changes in existing standards; the occurrence of any event, change or other circumstances that could give rise to the right of one or both of the parties to terminate the Merger Agreement between the Company and Cadence; the outcome of any legal proceedings that may be instituted against the Company or Cadence; the possibility that the merger will not close when expected or at all because required regulatory, shareholder or other approvals are not received or other conditions to the closing are not satisfied on a timely basis or at all, or are obtained subject to conditions that are not anticipated; the ability of the Company and Cadence to meet expectations regarding the timing, completion and accounting and tax treatments of the merger; the risk that any announcements relating to the merger could have adverse effects on the market price of the common stock of either or both parties to the merger; the possibility that the anticipated benefits of the proposed transaction will not be realized when expected or at all, including as a result of the impact of, or problems arising from, the integration of the two companies or as a result of the strength of the economy and competitive factors in the areas where the Company and Cadence do business; certain restrictions during the pendency of the merger that may impact the parties' ability to pursue certain business opportunities or strategic transactions; the possibility that the merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events; diversion of management's attention from ongoing business operations and opportunities; the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in the merger within the expected timeframes or at all and to successfully integrate Cadence's operations and those of the Company; such integration may be more difficult, time consuming or costly than expected; revenues following the merger may be lower than expected; potential adverse reactions or changes to business or employee relationships, including those resulting from the announcement or completion of the merger; the Company and Cadence's success in executing their respective business plans and strategies and managing the risks involved in the foregoing; and the dilution caused by the Company's issuance of additional shares of its capital stock in connection with the merger.

The foregoing factors should not be construed as exhaustive and should be read in conjunction with those other factors discussed in "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and the Company's other filings with the Federal Deposit Insurance Corporation (the "FDIC") which are available at https://www.fdic.gov/ and in the "Investor Relations" section of the Company's website, https://www.bancorpsouth.com/, under the heading "Public Filings."

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

TERMINOLOGY

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to "the Company," "we," "us" and "our" refer only to BancorpSouth Bank, a Mississippi-chartered bank, and its consolidated subsidiaries as of June 30, 2021.

OVERVIEW

The Company is a regional bank headquartered in Tupelo, Mississippi with $27.6 billion in assets at June 30, 2021. The Company has commercial banking operations in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Missouri, Tennessee and Texas, and one loan production office in Durant, Oklahoma. The Company's insurance agency subsidiary also operates an office in Illinois. The Company and its insurance agency subsidiary provide commercial banking, leasing, mortgage origination and servicing, insurance, brokerage and trust services to corporate customers, local governments, individuals and other financial institutions through an extensive network of branches and offices.

Management's discussion and analysis provides a narrative discussion of the Company's financial condition and results of operations. For a complete understanding of the following discussion, please refer to the unaudited consolidated financial statements for the three-month and six-month periods ended June 30, 2021 and 2020 and the consolidated financial statements as of December 31, 2020 and the notes to such financial statements found under "Part I, Item 1. Financial Statements" of this Report. This discussion and analysis is based on such reported financial information.

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

The Company's efforts in 2020 and thus far in 2021 were largely focused on navigating the health, logistical and economic impacts of the COVID-19 pandemic and related recovery matters. The Company has not yet seen increases in charge-offs or significant deterioration in other credit quality metrics. The Company continues to perform at a very high level. The Company has worked diligently to create an environment that protects the health and well-being of our teammates while also meeting the needs of our customers. It is still too early to predict the ultimate impact of the pandemic on our customers and loan portfolio, particularly in light of the government stimulus programs.

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

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

CADENCE MERGER

On April 12, 2021, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Cadence Bancorporation, a Delaware corporation ("Cadence"), and the Company entered into a related bank-level Agreement and Plan of Merger (the "Bank Merger Agreement") with Cadence's bank subsidiary, Cadence Bank, N.A., a national association ("Cadence Bank"), pursuant to which BancorpSouth and Cadence have agreed to effect a merger-of-equals transaction. The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, Cadence will merge with and into BancorpSouth (the "Merger"), with BancorpSouth continuing as the surviving entity. Immediately following the Merger, or at such later time as the parties may mutually agree, Cadence Bank will merge with and into BancorpSouth (the "Bank Merger"), with BancorpSouth continuing as the surviving entity. The Merger Agreement and the Bank Merger Agreement were unanimously approved by the Board of Directors of each of BancorpSouth, Cadence and Cadence Bank.

The main office and bank headquarters of the combined company will be located in Tupelo, Mississippi, and the corporate headquarters of the combined company will be located in Houston, Texas. The Chief Executive Officer and the Executive Vice Chairman of the combined company will maintain their respective principal offices in Tupelo, Mississippi and Houston, Texas. The name of the surviving entity will be Cadence Bank.

Upon the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of common stock, par value, $0.01 per share, of Cadence ("Cadence Common Stock") issued and outstanding immediately prior to the Effective Time, other than certain shares held by Cadence or BancorpSouth, will be converted into the right to receive 0.70 shares of common stock (the "Exchange Ratio"), par value $2.50 per share, of BancorpSouth (the "BancorpSouth Common Stock"). Prior to the Effective Time, Cadence will declare and pay a special cash dividend of $1.25 per share of Cadence Common Stock.

On June 4, 2021, the Mississippi Department of Banking and Consumer Finance provided a preliminary non-objection to the merger. The Merger is expected to close in the fourth quarter of 2021, subject to satisfaction of customary closing conditions, including receipt of remaining regulatory approvals. For more information regarding the Merger, the Merger Agreement, the Bank Merger and the Bank Merger Agreement, please refer to the Current Report on Form 8-K that the Company filed with the FDIC on April 16, 2021.

SELECTED FINANCIAL INFORMATION

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
	(Dollars in thousands, except per share amounts)			
Earnings Summary:				
Total interest revenue	$ 199,129	$ 197,472	$ 391,912	$ 399,536
Total interest expense	18,947	26,902	38,941	61,436
Net interest revenue	180,182	170,570	352,971	338,100
Provision for credit losses	11,500	20,000	11,500	67,250
Noninterest revenue	101,943	91,258	189,879	167,754
Noninterest expense	173,984	162,504	329,807	329,260
Income before income taxes	96,641	79,324	201,543	109,344
Income tax expense	21,102	18,164	44,449	23,923
Net income	75,539	61,160	157,094	85,421
Less: Preferred Dividends	2,372	2,372	4,744	4,744
Net income available to common shareholders	$ 73,167	$ 58,788	$ 152,350	$ 80,677
Balance Sheet - Period-end balances:				
Total assets	$ 27,612,365	$ 23,236,176	$ 27,612,365	$ 23,236,176
Total securities	9,084,111	4,973,171	9,084,111	4,973,171
Loans and leases, net of unearned income	15,004,039	15,427,421	15,004,039	15,427,421
Total deposits	22,838,486	19,179,486	22,838,486	19,179,486
Long-term debt	4,189	4,615	4,189	4,615
Junior subordinated debt	307,601	296,898	307,601	296,898
Total shareholders' equity	3,069,574	2,732,687	3,069,574	2,732,687
Balance Sheet-Average Balances:				
Total assets	$ 26,666,296	$ 22,707,686	$ 25,611,786	$ 21,948,661
Total securities	8,067,109	4,437,614	7,340,604	4,449,456
Loans and leases, net of unearned income	15,470,539	15,114,732	15,251,027	14,670,759
Total deposits	22,385,883	18,454,472	21,434,268	17,679,851
Long-term debt	4,714	4,699	4,547	4,750
Junior subordinated debt	304,056	296,793	300,706	296,705
Total shareholders' equity	2,954,834	2,738,434	2,884,309	2,698,567
Common Share Data:				
Basic earnings per share	$ 0.69	$ 0.57	$ 1.46	$ 0.78
Diluted earnings per share	0.69	0.57	1.46	0.78
Cash dividends per share	0.19	0.19	0.38	0.37
Book value per share	26.72	25.01	26.72	25.01
Tangible book value per share (1)	17.41	16.19	17.41	16.19
Dividend payout ratio	27.43 %	32.29 %	25.97 %	47.46 %
Financial Ratios (Annualized):				
Return on average assets	1.14 %	1.08 %	1.24 %	0.78 %
Return on average shareholders' equity	10.25	8.98	10.98	6.37
Total shareholders' equity to total assets	11.12	11.76	11.12	11.76
Total common shareholders' equity to total assets	10.51	11.04	10.51	11.04
Tangible shareholders' equity to tangible assets (1)	7.73	8.18	7.73	8.18
Tangible common shareholders' equity to tangible assets (1)	7.11	7.44	7.11	7.44
Net interest margin-fully taxable equivalent	2.99	3.35	3.07	3.44
Credit Quality Ratios (Annualized):				
Net (recoveries) charge-offs to average loans and leases	(0.05)%	0.03 %	0.02 %	0.20 %
Provision for credit losses to average loans and leases	0.30	0.53	0.15	0.92
Allowance for credit losses to net loans and leases	1.77	1.54	1.77	1.54
Allowance for credit losses to NPLs	314.77	159.93	314.77	159.93
Allowance for credit losses to NPAs	261.15	152.56	261.15	152.56
NPLs to net loans and leases	0.56	0.96	0.56	0.96
NPAs to total assets	0.37	0.67	0.37	0.67
Capital Adequacy:				
Common equity Tier 1 capital	10.94 %	10.21 %	10.94 %	10.21 %
Tier 1 capital	11.85	11.22	11.85	11.22
Total capital	14.57	13.79	14.57	13.79
Tier 1 leverage capital	8.43	8.54	8.43	8.54
NM=Not meaningful				

(1) Non-GAAP financial measures. See "—Non-GAAP Measures and Reconciliations."

Non-GAAP Financial Measures and Reconciliations

In addition to financial ratios based on measures defined by U.S. GAAP, the Company utilizes tangible shareholders' equity, tangible common shareholders' equity, tangible assets, tangible shareholders' equity to tangible assets, tangible common shareholders' equity to tangible assets, and tangible book value per share measures when evaluating the performance of the Company. Tangible shareholders' equity is defined by the Company as total shareholders' equity less goodwill and identifiable intangible assets. Tangible common shareholders' equity to tangible assets is defined by the Company as total shareholders' equity less preferred stock, goodwill and identifiable intangible assets, divided by total assets less goodwill and identifiable intangible assets. Tangible assets are defined by the Company as total assets less goodwill and identifiable intangible assets. Management believes the ratio of tangible shareholders' equity to tangible assets and tangible common shareholders' equity to tangible assets to be important to investors who are interested in evaluating the adequacy of the Company's capital levels. Tangible book value per share is defined by the Company as tangible shareholders' equity divided by total common shares outstanding. Management believes that tangible book value per share is important to investors who are interested in changes from period to period in book value per share exclusive of changes in intangible assets. The following table reconciles tangible shareholders' equity, tangible assets and tangible book value per share as presented above to U.S. GAAP financial measures as reflected in the Company's unaudited consolidated financial statements:

	June 30,	
	2021	2020
	(Dollars in thousands, except per share amounts)	
Tangible assets:		
Total assets	$ 27,612,365	$ 23,236,176
Less: Goodwill	957,474	847,984
Other identifiable intangible assets	54,659	56,989
Total tangible assets	$ 26,600,232	$ 22,331,203
Tangible shareholders' equity:		
Total shareholders' equity	$ 3,069,574	$ 2,732,687
Less: Goodwill	957,474	847,984
Other identifiable intangible assets	54,659	56,989
Total tangible shareholders' equity	$ 2,057,441	$ 1,827,714
Less: Preferred stock	166,993	166,993
Total tangible common shareholders' equity	$ 1,890,448	$ 1,660,721
Total common shares outstanding	108,614,595	102,566,301
Tangible shareholders' equity to tangible assets	7.73%	8.18%
Tangible common shareholders' equity to tangible assets	7.11	7.44
Tangible book value per share	$ 17.41	$ 16.19

FINANCIAL HIGHLIGHTS

The Company reported net income available to common shareholders of \$73.2 million for the second quarter of 2021, compared to net income available to common shareholders of \$58.8 million for the second quarter of 2020 and \$152.4 million for the first six months of 2021 compared to \$80.7 million for the first six months of 2020. The Company reported net income of \$75.5 million for the second quarter of 2021, compared to net income of \$61.2 million for the second quarter of 2020 and \$157.1 million for the first six months of 2021 compared to \$85.4 million for the same period of 2020. A primary factor contributing to the increase in net income for the second quarter and first six months of 2021 compared to the same periods in 2020 was the decrease in provision for credit losses which was \$11.5 million and \$20.0 million for the second quarter of 2021 and 2020, respectively, and \$11.5 million and \$67.3 million for the first six months of 2021 and 2020, respectively. Another factor contributing to the increase in net income for the second quarter and first six months of 2021 compared to the same periods in

2020 was a gain on sale of PPP loans of $21.6 million in the second quarter of 2021 with no such gain recorded in the second quarter and first six months of 2020. Net interest revenue also contributed to the increase in net income for the comparable periods, increasing $9.6 million, or 5.6%, and $14.9 million or 4.4%, for the three-month and six-month periods, respectively. The increase in net income was offset somewhat by a decrease in mortgage banking revenue for the comparable periods and an increase in noninterest expense for the comparable three-month period. Mortgage banking revenue decreased $20.5 million and $4.6 million for the three-month and six-month periods, respectively, while noninterest expense increased $11.5 million for the three-month comparable period.

The decrease in mortgage banking revenue for the second quarter and first six months of 2021 compared to the second quarter and first six months of 2020 was primarily a result of the decrease in mortgage production and servicing revenue. The increase in noninterest expense for the second quarter and first six months of 2021 compared to the same periods in 2020 was primarily a result of the increase in merger expenses. The increase in merger expense for the comparable three-month period was offset somewhat by a decrease in salaries and employee benefits expense.

The primary source of revenue for the Company is net interest revenue. Net interest revenue is the difference between interest earned on loans, investments and other earning assets and interest paid on deposits and other obligations. Net interest revenue was $180.2 million for the second quarter of 2021, an increase of $9.6 million, or 5.6%, from $170.6 million for the second quarter of 2020. Net interest revenue was $353.0 million for the first six months of 2021, an increase of $14.9 million, or 4.4%, from $338.1 million for the first six months of 2020. The increase in net interest revenue for the comparable three-month and six-month periods is primarily a result of the decrease in interest expense resulting from the decrease in rates paid on interest bearing and other time deposits offset somewhat by the decrease in interest revenue for the comparable three-month period associated with the decrease in yields on interest earning assets more than offsetting the increase in loans and leases and available-for-sale securities. Net interest revenue is affected by the general level of interest rates, changes in interest rates and changes in the amount and composition of interest earning assets and interest bearing liabilities. One of the Company's objectives is to manage those assets and liabilities to maximize net interest revenue, while balancing interest rate, credit, liquidity and capital risks, especially in light of the COVID-19 pandemic.

Interest revenue increased $1.7 million, or 0.8%, in the second quarter of 2021 compared to the second quarter of 2020 and decreased $7.6 million, or 1.9%, in the first six months of 2021 compared to the first six months of 2020. The decrease in interest revenue for the first six months of 2021 compared to the first six months of 2020 is a result of a decrease in yields on loans and leases and available-for-sale securities more than offsetting the increase in average balances of interest earning assets. Interest expense decreased $8.0 million, or 29.6%, for the second quarter of 2021 compared to the second quarter of 2020 and decreased $22.5 million, or 36.6%, in the first six months of 2021 compared to the first six months of 2020. The decrease for the comparable three-month and six-month periods was primarily due to a decrease in rates paid on interest bearing and other time deposits and short term borrowings offset somewhat by an increase in the average balances of interest bearing deposits.

The Company attempts to diversify its revenue stream by increasing the amount of revenue received from mortgage banking operations, insurance agency activities, brokerage and securities activities and other activities that generate fee income. Management believes this diversification is important to reduce the impact of fluctuations in net interest revenue on the overall operating results of the Company. Noninterest revenue increased $10.7 million, or 11.7%, for the second quarter of 2021 compared to the second quarter of 2020 and increased $22.1 million, or 13.2%, for the first six months of 2021 compared with the first six months of 2020. The primary factor contributing to the increase in noninterest revenue for the comparable three-month and six-month periods was the gain on sale of PPP loans. A gain on sale of PPP loans of $21.6 million was recorded in the second quarter of 2021. This gain was offset somewhat by the decrease in mortgage banking for the comparable three-month and six-month periods. Mortgage banking revenue decreased $20.5 million and $4.6 million for the second quarter and first six months of 2021, respectively, compared to the same periods in 2020. The decrease in mortgage banking revenue for the comparable three-month and six-month periods was primarily a result of the decrease in mortgage production and servicing revenue. For the comparable six-month period, the decrease in mortgage production revenue was offset somewhat by an increase in the fair value of MSRs, including the MSR hedge, of $18.9 million.

Credit card, debit card and merchant fees increased $2.5 million, or 27.6% and $3.0 million, or 16.4%, for the comparable three-month and six-month periods due to an increased number of transactions. Deposit service charges increased $1.2 million, or 15.7%, for the second quarter of 2021 due to the acquisitions of two banks and increased economic activity in the second quarter of 2021, and decreased $2.0 million, or 10.4% for the first six months of 2021, compared to the same periods of 2020 as a result of waived charges and fees to assist the

Company's customers during the pandemic. Insurance commissions increased $3.0 million, or 9.0%, and $4.1 million, or 6.5%, for the comparable three-month and six-month periods due to higher insurance premiums related to the firming premium market. The decrease in other miscellaneous revenue for the comparable six-month period is primarily a result of a $4.2 million gain associated with the first quarter 2020 sale of a book of business within the Company's insurance agency. The overall reduction in future insurance commission revenue related to the sold book of business is not considered material.

Total noninterest expense increased $11.5 million, or 7.1%, to $174.0 million for the second quarter of 2021 compared to $162.5 million for the second quarter of 2020 and remained relatively stable, increasing approximately $547,000, or 0.2%, for the first six months of 2021 compared to the first six months of 2020. The increase in noninterest expense during the second quarter of 2021 compared to the same period of 2020 was primarily a result of the increase in merger expense due to the acquisition of two banks in the second quarter of 2021 with no such acquisitions in the second quarter of 2020. The Company continues to focus attention on controlling noninterest expense.

Income tax expense increased $2.9 million, or 16.2%, and increased $20.5 million, or 85.8%, for the comparable three-month and six-month periods ended June 30, 2021 and June 30, 2020. The increase in income tax expense for the comparable three-month and six-month periods is primarily a result of the increase in net income. The major components of net income are discussed in more detail below.

RESULTS OF OPERATIONS

Net Interest Revenue

Net interest revenue is the difference between interest revenue earned on assets, such as loans, leases and securities, and interest expense incurred on liabilities, such as deposits and borrowings, and continues to provide the Company with its principal source of revenue. Net interest revenue is affected by the general level of interest rates, changes in interest rates and changes in the amount and composition of interest earning assets and interest bearing liabilities. One of the Company's long-term objectives is to manage interest earning assets and interest bearing liabilities to maximize net interest revenue, while balancing interest rate, credit and liquidity risk. Net interest margin is determined by dividing fully taxable equivalent net interest revenue by average earning assets. For purposes of the following discussion, revenue from tax-exempt loans and investment securities has been adjusted to a fully taxable equivalent ("FTE") basis, using an effective tax rate of 21%.

The following tables present average interest earning assets, average interest bearing liabilities, net interest revenue-FTE, net interest margin-FTE and net interest rate spread for the three months and six months ended June 30, 2021 and 2020:

	Three months ended June 30,					
	2021			2020		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
ASSETS	(Dollars in millions, yields on taxable equivalent basis)					
Loans and leases (net of unearned income) (1)(2)	$ 15,470.5	$ 171.7	4.45 %	15,114.7	$ 173.6	4.62 %
Loans held for sale	362.0	3.0	3.37 %	261.4	2.0	3.02 %
Available-for-sale securities:						
Taxable	7,943.1	24.0	1.21 %	4,282.3	20.8	1.95 %
Non-taxable (3)	124.0	0.9	2.77 %	155.3	1.5	3.86 %
Short-term, FHLB & other equity investments	312.2	0.1	0.16 %	781.2	0.3	0.20 %
Total interest earning assets and revenue	24,211.8	199.7	3.31 %	20,594.9	198.2	3.87 %
Other assets	2,699.6			2,330.3		
Less: Allowance for credit losses	(245.1)			(217.5)		
Total	$ 26,666.3			$ 22,707.7		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits:						
Demand - interest bearing	$ 9,598.6	$ 8.2	0.34 %	$ 7,674.5	$ 11.6	0.61 %
Savings	2,851.1	0.6	0.09 %	2,152.1	0.9	0.18 %
Other time	2,568.4	6.4	1.00 %	2,685.3	10.3	1.54 %
Federal funds purchased, securities sold under agreement to repurchase, and other short term borrowings	711.0	0.2	0.12 %	913.2	0.7	0.39 %
Junior subordinated debt	304.1	3.4	4.47 %	296.8	3.3	4.18 %
Long-term debt	4.7	0.1	4.46 %	4.7	0.1	4.81 %
Total interest bearing liabilities and expense	16,037.9	18.9	0.47 %	13,726.6	26.9	0.79 %
Demand deposits - noninterest bearing	7,367.8			5,942.6		
Other liabilities	305.8			300.1		
Total liabilities	23,711.5			19,969.3		
Shareholders' equity	2,954.8			2,738.4		
Total	26,666.3			22,707.7		
Net interest revenue-FTE		180.8			171.3	
Net interest margin-FTE			2.99 %			3.35 %
Net interest rate spread			2.83 %			3.08 %
Interest bearing liabilities to interest earning assets			66.24 %			66.65 %

(1) Includes taxable equivalent adjustment to interest of $0.4 million for the three months ended June 30, 2021 and 2020 using an effective tax rate of 21%.

(2) Includes non-accrual loans.

(3) Includes taxable equivalent adjustment to interest of $0.2 million and $0.3 million for the three months ended June 30, 2021 and 2020, respectively, using an effective tax rate of 21%.

	Six months ended June 30,					
	2021			2020		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
ASSETS	(Dollars in millions, yields on taxable equivalent basis)					
Loans and leases (net of unearned income) (1)(2)	$ 15,251.0	$ 341.3	4.51 %	$ 14,670.8	$ 351.0	4.81 %
Loans held for sale	326.1	4.6	2.87 %	204.6	3.4	3.33 %
Available-for-sale securities:						
Taxable	7,228.5	45.2	1.26 %	4,311.1	42.3	1.97 %
Non-taxable (3)	112.1	1.7	3.10 %	138.4	2.8	4.12 %
Short-term, FHLB & other equity investments	366.4	0.2	0.13 %	529.3	1.5	0.55 %
Total interest earning assets and revenue	23,284.1	393.0	3.40 %	19,854.2	401.0	4.06 %
Other assets	2,571.7			2,300.1		
Less: allowance for credit losses	(244.0)			(205.6)		
Total	$ 25,611.8			$ 21,948.7		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits:						
Demand - interest bearing	$ 9,279.3	$ 17.0	0.37 %	$ 7,570.6	$ 27.2	0.72 %
Savings	2,701.4	1.3	0.10 %	2,063.9	2.2	0.22 %
Other time	2,524.9	13.4	1.07 %	2,715.5	21.5	1.59 %
Federal funds purchased, securities sold under agreement to repurchase, and other short term borrowings	682.3	0.4	0.12 %	978.5	3.9	0.81 %
Junior subordinated debt securities	300.7	6.7	4.46 %	296.7	6.5	4.42 %
Long-term debt	4.5	0.1	4.66 %	4.8	0.1	4.89 %
Total interest bearing liabilities and expense	15,493.1	38.9	0.51 %	13,630.0	61.4	0.91 %
Demand deposits - noninterest bearing	6,928.7			5,329.9		
Other liabilities	305.7			290.2		
Total liabilities	22,727.5			19,250.1		
Shareholders' equity	2,884.3			2,698.6		
Total	$ 25,611.8			$ 21,948.7		
Net interest revenue-FTE		$ 354.1			$ 339.6	
Net interest margin-FTE			3.07 %			3.44 %
Net interest rate spread			2.90 %			3.15 %
Interest bearing liabilities to interest earning assets			66.54 %			68.65 %

(1) Includes taxable equivalent adjustment to interest of $0.8 million for the six months ended June 30, 2021 and 2020 using an effective tax rate of 21%.
(2) Includes non-accrual loans.
(3) Includes taxable equivalent adjustment to interest of $0.3 million and $0.6 million for the six months ended June 30, 2021 and 2020, respectively, using an effective tax rate of 21%.

Net interest revenue-FTE for the three-month period ended June 30, 2021 increased $9.5 million, or 5.5%, compared to the same period in 2020 and increased $14.5 million, or 4.3%, for the six-month period ended June 30, 2021 compared with the same period in 2020. The increase in net interest revenue-FTE for the comparable three-month and six-month periods was primarily a result of the decrease in interest expense related to the decrease in rates paid on interest bearing and other time deposits as well as other short term borrowings. The decrease in interest expense for the comparable six-month period was offset somewhat by the decrease in interest revenue-FTE due to a decrease in rates paid on average interest earnings assets.

Interest revenue-FTE for the three-month and six-month periods ended June 30, 2021 increased $1.5 million, or 0.8% and decreased $8.0 million, or 2.0%, compared to the same periods in 2020. The increase in interest-revenue-FTE for the comparable three-month period was primarily a result of an increase in average balances of available-for-sale securities, offset somewhat by a decrease in rates paid on loans and leases. The decrease in interest revenue-FTE for the comparable six-month period was primarily a result of a decrease in rates paid on loans and leases. This decrease was offset somewhat by an increase in average balances on loans and leases added primarily due to PPP loan originations as well as increases in available-for-sale securities. The yield on average interest-earning assets decreased 56 basis points for the second quarter of 2021 compared to the second quarter of 2020 and decreased 66 basis points for the first six months of 2021 compared to the first six months of 2020. Average interest-earning assets increased $3.6 billion, or 17.6%, for the three-month period ended June 30, 2021, compared to the same period in 2020 and increased $3.4 billion, or 17.3%, for the six-month period ended June 30, 2021 compared to the same period in 2020, primarily as a result of an increase in available-for-sale securities in the first six months of 2021.

Interest expense for the three-month period ended June 30, 2021 decreased $8.0 million, or 29.7%, compared to the same period in 2020. Interest expense for the six-month period ended June 30, 2021 decreased $22.5 million, or 36.6%, compared to the same period in 2020. The decrease in interest expense for the comparable three-month and six-month periods was primarily a result of the decrease in rates paid on interest bearing and other time deposits as well as other short term borrowings. Average rates paid on interest bearing liabilities decreased 32 basis points for the second quarter of 2021 compared to the second quarter of 2020 and decreased 40 basis points for the first six months of 2021 compared to the first six months of 2020. Average interest bearing liabilities increased $2.3 billion, or 16.8%, for the second quarter of 2021 compared to the second quarter of 2020 and increased $1.9 billion, or 13.7%, for the first six months of 2021 compared to the first six months of 2020. The increase in average interest bearing liabilities for the comparable periods was primarily a result of increases in average interest bearing deposits with those increases primarily a result of the liquidity generated from various government stimulus programs. These increases were offset somewhat by decreases to other time deposits and short term borrowings.

Net interest margin-FTE was 2.99% and 3.35% for the three months ended June 30, 2021 and 2020, respectively, and was 3.07% and 3.44% for the six months ended June 30, 2021 and June 30, 2020, respectively. The Federal Reserve enacted two fed funds rate cuts totaling 150 basis points during March 2020 in response to the economic impact of the COVID-19 pandemic. These rate cuts continue to impact yields on portions of the Company's variable and floating rate loan portfolios as they reprice in future periods. In addition, yields on the Company's securities portfolio could be under pressure in the current rate environment. The Company continues to take measures to assist in protecting the net interest margin, including the evaluation of deposit product pricing. However, the net interest margin could continue to experience deterioration in future periods if the interest rate environment remains at historically low levels.

Interest Rate Sensitivity

The interest rate sensitivity gap is the difference between the maturity or repricing opportunities of interest sensitive assets and interest sensitive liabilities for a given period of time. A prime objective of the Company's asset/liability management is to maximize net interest margin while maintaining a reasonable mix of interest sensitive assets and liabilities.

The following table presents the Company's interest rate sensitivity at June 30, 2021:

	Interest Rate Sensitivity - Maturing or Repricing Opportunities (includes estimated prepayments)			
	0 to 90 Days	91 Days to One Year	Over One Year to Five Years	Over Five Years
	(In thousands)			
Interest earning assets:				
Interest bearing deposits with banks	$ 629,390	$ —	$ —	$ —
Available-for-sale, FHLB and other equity securities	814,036	1,478,792	4,268,484	2,532,087
Loans and leases, net of unearned income	4,268,757	2,888,736	6,244,098	1,602,448
Loans held for sale	403,046	—	—	—
Total interest earning assets	6,115,229	4,367,528	10,512,582	4,134,535
Interest bearing liabilities:				
Interest bearing demand and savings deposits	12,611,620	—	—	—
Other time deposits	522,810	1,281,995	802,705	48
Federal funds purchased , securities sold under agreement to repurchase, short-term FHLB borrowings and other short-term borrowings	683,135	—	—	—
Long-term debt and junior subordinated debt securities	—	—	308,072	3,718
Total interest bearing liabilities	13,817,565	1,281,995	1,110,777	3,766
Interest rate sensitivity gap	$ (7,702,336)	$ 3,085,533	$ 9,401,805	$ 4,130,769
Cumulative interest sensitivity gap	$ (7,702,336)	$ (4,616,803)	$ 4,785,002	$ 8,915,771

It should be noted that the balances shown in the table above are at June 30, 2021 and may not be reflective of positions at other times during the year or in subsequent periods. Allocations to specific interest rate sensitivity periods are based on the earlier of maturity or repricing dates. The elevated liability sensitivity in the 0 to 90 day category as compared to other categories is primarily a result of the Company's utilization of shorter term, lower cost deposits to fund earning assets.

While the table shown above indicates a liability sensitive position through the next 12 months, the Company's historical repricing sensitivity on interest bearing demand deposits and savings suggests that these deposits exhibit less repricing sensitivity when compared to a change in market rates. Depending upon the timing and magnitude of a change in interest rates, the Company is generally well-positioned in the event that interest rates increase after June 30, 2021, assuming that the cost of funds would increase at a slower rate than interest revenue on interest earning assets. In contrast, any benefit to reducing the cost of funds in the event that interest rates decline after June 30, 2021 would be limited by the impact of implied rate floors on interest bearing demand deposits and savings resulting from the historically low interest rate environment. As such, the Company is less favorably positioned for declining market rates, assuming that the cost of funds would decrease at a slower rate than interest revenue on interest earning assets.

As of June 30, 2021, the Company had $5.1 billion in variable rate loans with interest rates determined by a floor, or minimum rate. This portion of the loan portfolio had an average interest rate earned of 4.38%, an average maturity of 128 months and a fully-indexed interest rate of 3.72% at June 30, 2021. The fully-indexed interest rate is the interest rate that these loans would be earning without the effect of interest rate floors. The fully-indexed interest rate also considers the impact of loans that will earn an interest rate above their floor at their next repricing date, which can vary depending upon each loan's repricing term structure. Loans currently earning their floored interest rate may not experience an immediate impact on the interest rate earned should key indices rise in the future. Key indices include, but are not limited to, the Company's prime rate, the Wall Street Journal prime rate and the LIBOR. The Company has developed an internal working group that is actively working to evaluate the impact of and develop transition plans to address the potential discontinuance of LIBOR. At June 30, 2021, the Company had

$97.0 million, $7.4 billion and $1.6 billion in variable rate loans with interest rates tied to the Company's prime rate, the Wall Street Journal prime rate and the LIBOR, respectively. The Company's net interest margin may be negatively impacted by the timing and magnitude of risks in key indices, and has already been negatively impacted by changing interest rates as a result of the COVID-19 pandemic.

Interest Rate Risk Management

Interest rate risk refers to the potential changes in net interest income and Economic Value of Equity ("EVE") resulting from adverse movements in interest rates. EVE is defined as the net present value of the balance sheet's cash flows. EVE is calculated by discounting projected principal and interest cash flows under the current interest rate environment. The present value of asset cash flows less the present value of liability cash flows derives the net present value of the Company's balance sheet. The Company's Asset/Liability Committee utilizes financial simulation models to measure interest rate exposure. These models are designed to simulate the cash flow and accrual characteristics of the Company's balance sheet. In addition, the models incorporate assumptions about the direction and volatility of interest rates, the slope of the yield curve, and the changing composition of the Company's balance sheet arising from both strategic plans and customer behavior. Finally, management makes assumptions regarding loan and deposit growth, pricing, and prepayment speeds.

The sensitivity analysis included in the tables below delineates the percentage change in net interest income and EVE derived from instantaneous parallel rate shifts of plus and minus 400, 300, 200 and 100 basis points. The impact of minus 400, 300, 200 and 100 basis point rate shocks as of June 30, 2021 and 2020 was not considered meaningful because of the historically low interest rate environment. Variances were calculated from the base case scenario, which reflected prevailing market rates, and the net interest income forecasts used in the calculations spanned 12 months for each scenario.

For the tables below, average life assumptions and beta values for non-maturity deposits were estimated based on the historical behavior. Historical behavior suggests that non-maturity deposits have longer average lives for which to discount expected cash flows and less repricing sensitivity when compared to a change in market interest rates. The former results in a higher premium derived from the present value calculation, while the latter results in a slower rate of change and lower change in interest rate paid given a change in market rates. Both have a positive impact on the EVE calculation for rising rate shocks. Calculations using these assumptions are designed to delineate more precise risk exposure under the various shock scenarios. While the falling rate shocks are not considered meaningful in the historically low interest rate environment, the risk profile would be negatively impacted by downward rate shifts under these assumptions.

	Net Interest Income % Variance from Base Case Scenario	
Rate Shock	June 30, 2021	June 30, 2020
+400 basis points	5.1%	3.4%
+300 basis points	4.0%	2.4%
+200 basis points	3.1%	1.3%
+100 basis points	1.7%	0.7%
-100 basis points	NM	NM
-200 basis points	NM	NM
-300 basis points	NM	NM
-400 basis points	NM	NM

NM=not meaningful

Rate Shock	Economic Value of Equity % Variance from Base Case Scenario	
	June 30, 2021	June 30, 2020
+400 basis points	12.9%	21.0%
+300 basis points	9.1%	15.8%
+200 basis points	6.9%	9.8%
+100 basis points	3.1%	4.4%
-100 basis points	NM	NM
-200 basis points	NM	NM
-300 basis points	NM	NM
-400 basis points	NM	NM

NM=not meaningful

In addition to instantaneous rate shocks, the Company monitors interest rate exposure through simulations of gradual interest rate changes over a 12-month time horizon. The results of these analyses are included in the following table:

Rate Ramp	Net Interest Income % Variance from Base Case Scenario	
	June 30, 2021	June 30, 2020
+200 basis points	1.1%	0.3%
-200 basis points	NM	NM

NM=not meaningful

Provision for Credit Losses and Allowance for Credit Losses

The economic disruption resulting from the COVID-19 pandemic and government restrictions and economic intervention resulted in significant deterioration which was evident during the second and third quarters of 2020 and early 2021 in many economic metrics included in the economic forecasts used to support the ACL, compared to previous quarters. During the second quarter of 2021 while business activity began to return to pre-pandemic levels in most areas of the bank's market area, businesses faced labor shortages, supply chain interruptions and higher labor and materials costs which contributed to a slower pace of recovery as the quarter ended. The ACL estimate includes both portfolio changes and changes in economic conditions experienced during the quarter and a forecast of slowing recovery over the next two quarters followed by a slow pick-up late in 2022. The unemployment rate has the highest weighting within the Company's credit modeling framework. The Company's forecast for unemployment includes a range between 5.8 percent and 5.0 percent through the second quarter of 2023. The forecasts recognize the potential for a longer recovery period and recession during the forecast period. The Company recognizes that despite vaccines and treatments, a recurrence in COVID-19 infections may occur and pandemic restrictions may be reinstated and have short-term, long-term and regional impacts to the economic recovery. In addition, qualitative factors such as changes in economic conditions, concentrations of risk, and changes in portfolio risk resulting from regulatory changes are considered in determining the adequacy of the level of the allowance for credit losses. The changes in the reserve in the commercial and industrial-non real estate, commercial and industrial-owner occupied, commercial real estate and consumer mortgages classes in recent quarters are mostly related to the impact of COVID-19 and the accompanying economic volatility. Additional reserves have been allocated to the lodging, hospitality, energy and retail commercial real estate areas since they have been most vulnerable to the economic disruption.

The Federal Reserve and other regulatory agencies have taken several actions designed to cushion the economic fallout of COVID-19. The CARES Act was signed into law at the end of March 2020, the goal of which is to prevent a severe economic downturn through various measures, including direct financial aid to American families and economic stimulus to significantly impacted industry sectors. The package also includes extensive emergency funding for hospitals and providers. In keeping with regulatory guidance to work with borrowers during this unprecedented situation and as outlined in the CARES Act, the Company implemented a payment deferral program for its customers that are affected by the pandemic. The Company offered 90 day payment deferrals on loans that are less than 30 days past due and in compliance with all borrowing covenants. Approximately 0.2% of the loan portfolio by outstanding balance, excluding PPP loans, was in deferral and 1.1% was converted to interest only as of June 30, 2021. In accordance with interagency guidance issued in March 2020 and the CARES Act, which was extended through 2021 by the Consolidated Appropriations Act signed December 21, 2020, these short term deferrals and modifications are not considered TDRs.

At June 30, 2021, loans with an internally assigned grade of impaired, irrespective of TDR status, totaled $20.6 million, which was net of cumulative charge-offs of $2.7 million. Additionally, the Company had specific reserves related to impaired loans of approximately $324,000 included in the allowance for credit losses. Impaired loans at June 30, 2021 were primarily from the Company's commercial real estate and commercial and industrial-owner occupied portfolios.

The following table provides an analysis of the allowance for credit losses for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Balance, beginning of period	$ 241,117	$ 218,199	$ 244,422	$ 119,066
Impact of adopting ASC 326 - cumulative effect adjustment	—	—	—	40,000
Impact of adopting ASC 326 - purchased loans with credit deterioration	—	—	—	22,634
Loans and leases charged off:				
Commercial and industrial				
Commercial and industrial- non real estate	(1,411)	(1,506)	(3,680)	(12,298)
Commercial and industrial- owner occupied	(471)	(13)	(1,148)	(197)
Total commercial and industrial	(1,882)	(1,519)	(4,828)	(12,495)
Commercial real estate				
Agricultural	—	(21)	(98)	(86)
Construction, acquisition and development	(125)	(9)	(932)	(3,182)
Commercial real estate	(498)	—	(976)	(67)
Total commercial real estate	(623)	(30)	(2,006)	(3,335)
Consumer				
Consumer mortgages	(421)	(124)	(714)	(648)
Home equity	(64)	(162)	(114)	(398)
Credit cards	(476)	(703)	(1,209)	(1,501)
Total consumer	(961)	(989)	(2,037)	(2,547)
All other	(396)	(396)	(897)	(1,310)
Total loans charged off	(3,862)	(2,934)	(9,768)	(19,687)
Recoveries:				
Commercial and industrial				
Commercial and industrial- non real estate	2,318	277	3,349	632
Commercial and industrial- owner occupied	735	136	797	1,315
Total commercial and industrial	3,053	413	4,146	1,947
Commercial real estate				
Agricultural	8	6	94	12
Construction, acquisition and development	1,265	172	1,318	417
Commercial real estate	26	50	82	185
Total commercial real estate	1,299	228	1,494	614
Consumer				
Consumer mortgages	510	345	913	742
Home equity	201	259	421	339
Credit cards	254	195	551	480
Total consumer	965	799	1,885	1,561
All other	345	320	738	664
Total recoveries	5,662	1,760	8,263	4,786
Net recoveries (chargeoffs)	1,800	(1,174)	(1,505)	(14,901)
Initial allowance on loans purchased with credit deterioration	12,803	—	12,803	4,226
Provision:				
Initial provision for acquired loans	11,500	—	11,500	1,000
Provision for credit losses related to loans and leases	(1,500)	20,000	(1,500)	65,000
Total provision for loans and leases	10,000	20,000	10,000	66,000
Balance, end of period	$ 265,720	$ 237,025	$ 265,720	$ 237,025
Average loans for period	$ 15,470,539	$ 15,114,732	$ 15,251,027	$ 14,670,759
Ratios:				
Net (recoveries) chargeoffs to average loans (annualized)	(0.05)%	0.03 %	0.02 %	0.20 %
Provision for credit losses to average loans and leases, net of unearned income (annualized)	0.30 %	0.53 %	0.15 %	0.92 %
Allowance for credit losses to loans and leases, net of unearned income	1.77 %	1.54 %	1.77 %	1.54 %

The following is a summary of the provision for credit losses for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In thousands)			
Provision:				
Initial provision for acquired loans	$11,500	$ —	$11,500	$ 1,000
Provision for credit losses related to loans and leases	(1,500)	20,000	(1,500)	65,000
Provision for credit losses for unfunded commitments	1,500	—	1,500	1,250
Total provision for credit losses	$11,500	$20,000	$11,500	$67,250

Net recoveries were $1.8 million in the second quarter of 2021 compared to net charge-offs of approximately $1.2 million in the second quarter of 2020. Net charge-offs were $1.5 million in the first six months of 2021 compared to net charge-offs of $14.9 million in the first six months of 2020. Annualized net recoveries as a percentage of average loans and leases for the second quarter of 2021 were 0.05%, compared to annualized net charge-offs as a percentage of net loans and leases of 0.03% for the second quarter of 2020. Total charge-offs were $3.9 million for the three-month period ended June 30, 2021 compared to $2.9 million for the three-month period ended June 30, 2020 with 49.4% of charge-offs being noticed in the commercial and industrial-non real estate and commercial real estate portfolios in the three month period ended June 30, 2021, and 75.3.% of charge-offs being noticed in the commercial and industrial-non real estate and credit card portfolios in the three month period ended June 30, 2020. Of the $19.7 in gross charge-offs for the six months ended June 30, 2020, $12.7 million were acquired loans that were previously recorded as purchased credit impaired prior to the adoption of ASU No. 2016-13 Financial Instruments – Credit Losses and were subsequently classified as purchased credit deteriorated loans. Total recoveries were $5.7 million for the three-month period ended June 30, 2021, compared to $1.8 million for the three-month period ended June 30, 2020 with 63.3% of recoveries being noticed in the commercial and industrial-non real estate and construction, acquisition and development portfolios in the second quarter of 2021 and 37.8% of recoveries being noticed in the consumer mortgages and all other portfolios in the second quarter of 2020.

A provision for credit losses of $11.5 million was recorded for the second quarter of 2021 and a provision of $20.0 million was recorded for the second quarter of 2020. A provision for credit losses of $11.5 million and $67.3 million was recorded for the first six months of 2021 and 2020, respectively. The provision for credit losses in the second quarter and first six months of 2021 was primarily related to the initial provision for acquired loans of $11.5 million due to the acquisitions of two banks in the second quarter of 2021. The provision for credit losses recorded for the second quarter and first six months of 2020 was primarily a result of the impact of the COVID-19 pandemic on the economic factors included in the Company's allowance for credit losses methodology. As of June 30, 2021 and 2020, 33% and 45%, respectively, of nonaccrual loans had been charged down to net realizable value or had specific reserves to reflect recent appraised values. As a result, the internally assigned grade of impaired loans had an aggregate net book value of 89% and 98% of their contractual principal balance at June 30, 2021 and 2020, respectively.

The allowance for credit losses increased $28.7 million to $265.7 million at June 30, 2021 compared to $237.0 million at June 30, 2020. The increase was primarily a result of the acquisition of two banks in the second quarter of 2021.

The breakdown of the allowance by loan and lease category is based, in part, on evaluations of specific loan and lease histories and on economic conditions within specific industries or geographical areas. Accordingly, because all of these conditions are subject to change, the allocation is not necessarily indicative of the breakdown of any future allowance or losses. The following table presents (i) the breakdown of the allowance for credit losses by loan and lease segment and class and (ii) the percentage of each segment and class in the loan and lease portfolio to total loans and leases at the dates indicated:

	June 30, 2021		December 31, 2020	
	Allowance for Credit Losses	% of Total Loans and Leases	Allowance for Credit Losses	% of Total Loans and Leases
	(In thousands)			
Commercial and industrial				
Commercial and industrial-non real estate	$ 28,815	13.7 %	$ 31,906	17.8 %
Commercial and industrial-owner occupied	43,385	15.1	30,578	15.2
Total commercial and industrial	72,200	28.8	62,484	33.0
Commercial real estate				
Agricultural	6,617	2.3	4,910	2.1
Construction, acquisition and development	44,864	12.8	28,891	11.5
Commercial real estate	66,433	22.1	64,291	21.4
Total commercial real estate	117,914	37.2	98,092	35.0
Consumer				
Consumer mortgages	56,294	26.6	66,072	24.8
Home equity	5,050	4.2	4,421	4.2
Credit cards	9,132	0.6	9,620	0.6
Total consumer	70,476	31.4	80,113	29.6
All other	5,130	2.6	3,733	2.4
Total	$ 265,720	100.0 %	$ 244,422	100.0 %

Noninterest Revenue

The components of noninterest revenue for the three and six months ended June 30, 2021 and 2020 and the corresponding percentage changes are shown in the following tables:

	Three months ended June 30, 2021	Three months ended June 30, 2020	% Change
	(In thousands)		
Mortgage banking excl. MSR and MSR hedge market value adjustment	$ 11,013	$ 31,930	(65.5)%
MSR and MSR Hedge market value adjustment	(1,908)	(2,373)	(19.6)
Credit card, debit card and merchant fees	11,589	9,080	27.6
Deposit service charges	8,849	7,647	15.7
Securities gains, net	96	62	54.8
Insurance commissions	36,106	33,118	9.0
Trust income*	4,434	4,064	9.1
Annuity fees *	50	54	(7.4)
Brokerage commissions and fees*	3,059	2,303	32.8
Gain on sale of PPP loans	21,572	—	NM
Bank-owned life insurance	1,845	1,855	(0.5)
Other miscellaneous income	5,238	3,518	48.9
Total noninterest revenue	$ 101,943	$ 91,258	11.7 %

* Included in Wealth Management revenue on the Consolidated Statements of Income
NM=Not meaningful

	Six months ended June 30, 2021	Six months ended June 30, 2020	% Change
	(In thousands)		
Mortgage banking excl. MSR and MSR hedge market value adjustment	$ 28,942	$ 52,483	(44.9)%
MSR and MSR Hedge market value adjustment	5,473	(13,456)	NM
Credit card, debit card and merchant fees	21,248	18,256	16.4
Deposit service charges	17,326	19,329	(10.4)
Securities gains (losses), net	178	(23)	NM
Insurance commissions	66,773	62,721	6.5
Trust income*	9,563	8,077	18.4
Annuity fees *	101	109	(7.3)
Brokerage commissions and fees*	6,344	4,805	32.0
Gain on sale of PPP loans	21,572	—	NM
Bank-owned life insurance	3,865	3,854	0.3
Other miscellaneous income	8,494	11,599	(26.8)
Total noninterest revenue	$ 189,879	$ 167,754	13.2 %

* Included in Wealth Management revenue on the Consolidated Statements of Income
NM=Not meaningful

The Company's revenue from mortgage banking typically fluctuates as mortgage interest rates change and is primarily attributable to two activities - origination and sale of new mortgage loans and servicing mortgage loans.

Since mortgage revenue can be significantly affected by changes in the valuation of MSRs in changing interest rate environments, the Company hedges the change in fair value of its MSRs. The Company's normal practice is to originate mortgage loans for sale in the secondary market and to either retain or release the associated MSRs with the loan sold. The Company records MSRs at fair value for all loans sold on a servicing retained basis with subsequent adjustments to fair value of MSRs in accordance with FASB ASC 860.

In the course of conducting the Company's mortgage banking activities of originating mortgage loans and selling those loans in the secondary market, various representations and warranties are made to the purchasers of the mortgage loans. These representations and warranties also apply to underwriting the real estate appraisal opinion of value for the collateral securing these loans. Under the representations and warranties, failure by the Company to comply with the underwriting and/or appraisal standards could result in the Company being required to repurchase the mortgage loan or to reimburse the investor for losses incurred (i.e. make whole requests) if such failure cannot be cured by the Company within the specified period following discovery. During the first six months of 2021, three mortgage loans were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests resulting in a loss of approximately $23,000 recognized during the first six months of 2021. During the first six months of 2020, three mortgage loans were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. A gain of approximately $49,000 was recognized related to repurchases or make whole loans.

At June 30, 2021, the Company had accrued $1.5 million for its estimate of losses from representation and warranty obligations. The reserve was based on the Company's repurchase and loss trends, and quantitative and qualitative factors that may result in anticipated losses different than historical loss trends, including loan vintage, underwriting characteristics and macroeconomic trends.

Management believes that the Company's foreclosure process related to mortgage loans continues to operate effectively. Before beginning the foreclosure process, the Company reviews the identified delinquent loan. All documents and activities related to the foreclosure process are executed in-house by mortgage department personnel. During March 2020, the Company temporarily suspended all foreclosure activity in an effort to assist customers and comply with all governmental relief programs associated with the COVID-19 pandemic. The Company is also actively working with customers to comply with mortgage forbearance provisions provided by the CARES Acts with respect to both portfolio and serviced mortgage loans. Finally, the Company continues to consider other loan modifications and deferments on a case by case basis for qualifying customers.

Origination revenue, a component of mortgage banking, is comprised of gains or losses from the sale of the mortgage loans originated, origination fees, underwriting fees and other fees associated with the origination of loans. Mortgage loan origination volumes of $906.4 million and $989.0 million produced origination revenue of $8.6 million and $30.2 million for the quarters ended June 30, 2021 and 2020, respectively. Mortgage loan origination volumes of $1.7 billion and $1.5 billion produced origination revenue of $24.6 million and $48.1 million for the six months ended June 30, 2021 and 2020, respectively. Mortgage loan origination volume decreased $82.6 million or 8.4%, and increased $230.1 million or 15.7%, when comparing the second quarter and first six months of 2021 to the same periods in 2020 as a result of the current rate environment. Mortgage loan origination revenue decreased $21.5 million, or 71.4%, and decreased $23.5 million or 48.9%, respectively, for the second quarter and first six months of 2021 compared to the same periods in 2020 primarily as a result of lower margins on those delivery volumes.

Revenue from the servicing process, another component of mortgage banking, includes fees from the actual servicing of loans. Revenue from the servicing of loans was $5.3 million and $4.9 million for the quarter ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, revenue from the servicing of loans was $10.6 million and $10.0 million, respectively.

Changes in the fair value of the Company's MSRs are generally a result of changes in mortgage interest rates from the previous reporting date. An increase in mortgage interest rates typically results in an increase in the fair value of the MSRs while a decrease in mortgage interest rates typically results in a decrease in the fair value of MSRs. The fair value of MSRs is also impacted by principal payments, prepayments, chargeoffs and payoffs on loans in the servicing portfolio. Decreases in value from principal payments, prepayments, chargeoffs and payoffs were $2.9 million and $3.1 million for the quarters ended June 30, 2021 and 2020, respectively. Decreases in value from principal payments, prepayments, chargeoffs and payoffs were $6.2 million and $5.7 million for the six months ended June 30, 2021 and 2020, respectively. The Company hedges the change in fair value of its MSRs. At June 30, 2021, the Company had a hedge in place designed to cover approximately 34.0% of the MSR value. The Company is susceptible to fluctuations in their value in changing interest rate environments. Reflecting this sensitivity to interest rates, the fair value of MSRs, including the MSR hedges decreased $1.9 million and $2.4 million for the second quarter ended June 30, 2021 and 2020, respectively, while increasing $5.5 million and decreasing $13.5 million for the first six months of 2021 and 2020, respectively.

	Three months ended June 30, 2021	Three months ended June 30, 2020	% Change
	(In thousands)		
Mortgage banking:			
Origination	$ 8,646	$ 30,194	(71.4)%
Servicing	5,313	4,880	8.9
Payoffs/Paydowns	(2,946)	(3,144)	(6.3)
	11,013	31,930	
Market value adjustment on MSR	(3,604)	(2,575)	40.0
Market value adjustment on MSR Hedge	1,696	202	739.6
Mortgage banking	$ 9,105	$ 29,557	(69.2)%
	(Dollars in millions)		
Origination volume	$ 906	$ 989	(8.4)%
NM=Not meaningful			

	Six months ended June 30, 2021	Six months ended June 30, 2020	% Change
	(In thousands)		
Mortgage banking:			
Origination	$ 24,601	$ 48,100	(48.9)%
Servicing	10,560	10,033	5.3
Payoffs/Paydowns	(6,219)	(5,650)	10.1
	28,942	52,483	
Market value adjustment on MSR	6,842	(18,013)	NM
Market value adjustment on MSR Hedge	(1,369)	4,557	NM
Mortgage banking	$ 34,415	$ 39,027	(11.8)%
	(Dollars in millions)		
Origination volume	$ 1,696	$ 1,466	15.7 %
Outstanding principal balance of mortgage loans serviced at period-end	$ 7,408	$ 7,000	5.8 %
NM=Not meaningful			

Credit card, debit card and merchant fees increased 27.6% and 16.4% when comparing the three-month and six-month periods ended June 30, 2021 and 2020 due to an increased number of transactions. Deposit service charges increased 15.7% for the comparable three month periods ended June 30, 2021 and 2020 due to the acquisitions of two banks and increased economic activity in the second quarter of 2021 and decreased 10.4% for the comparable six month periods primarily as a result of waived charges and fees in an effort to assist our customers during the pandemic.

Net security gains of approximately $96,000 and $178,000 for the three-month and six-month periods ended June 30, 2021, respectively, and gains of approximately $62,000 and losses of approximately $23,000 for the three-month and six-month periods ended June 30, 2020 were a result of calls of available-for-sale securities and unrecognized gains and losses on equity investments. Insurance commissions increased 9.0% and 6.5% for the second quarter and first six months of 2021, compared to the same periods of 2020 due to higher insurance premiums related to the firming premium market.

Trust income remained relatively stable during the second quarter of 2021 compared to the same period of 2020 and increased $1.5 million for the first six months of 2021 compared to the same period in 2020 due to a large estate fee recognized in the first quarter of 2021. Annuity fees decreased 7.4% and 7.3% for the second quarter and first six months of 2021 compared to the second quarter and first six months of 2020 as a result of lower annuity sales. Brokerage commissions and fees increased 32.8% and 32.0% for the comparable three-month and six-month periods primarily due to an increase in assets under management resulting in more fee revenue. The company recorded a gain on sale of PPP loans of $21.6 million in the second quarter of 2021. No such gain was recorded in the second quarter and first six months of 2020. Bank-owned life insurance remained relatively stable for the comparable three-month and six-month periods.

Other miscellaneous income, which includes safe deposit box rental income, gain or loss on disposal of assets, and other revenue items increased 48.9% and decreased 26.8% for the comparable three-month and six-month periods ended June 30, 2021 and 2020. The increase in other miscellaneous revenue for the second quarter of 2021 compared to the second quarter of 2020 is primarily a result of the successful termination of a previously accrued agreement. The decrease in other miscellaneous revenue for the first six months of 2021 compared to the first six months of 2020 is primarily a result of a $4.2 million gain recognized during the first quarter of 2020 associated with the sale of a book of business within the Company's insurance agency.

Noninterest Expense

The components of noninterest expense for the three months and six months ended June 30, 2021 and 2020 and the corresponding percentage changes are shown in the following tables:

	Three months ended June 30,		
	2021	2020	% Change
	(In thousands)		
Salaries and employee benefits	$ 108,188	$ 108,103	0.1 %
Occupancy, net	13,187	12,890	2.3
Equipment	4,967	4,762	4.3
Deposit insurance assessments	1,638	1,962	(16.5)
Advertising	783	918	(14.7)
Foreclosed property expense	649	1,306	(50.3)
Telecommunications	1,517	1,512	0.3
Public relations	1,012	459	120.5
Data processing	11,024	9,693	13.7
Computer software	4,887	4,979	(1.8)
Amortization of intangibles	2,401	2,355	2.0
Legal fees	774	1,375	(43.7)
Merger expense	9,962	510	1853.3
Postage and shipping	1,317	1,198	9.9
Other miscellaneous expense	11,678	10,482	11.4
Total noninterest expense	$ 173,984	$ 162,504	7.1 %

	Six months ended June 30,		
	2021	2020	% Change
	(In thousands)		
Salaries and employee benefits	$ 209,248	$ 216,375	(3.3)%
Occupancy, net of rental income	26,001	25,598	1.6
Equipment	9,531	9,411	1.3
Deposit insurance assessments	3,093	3,508	(11.8)
Advertising	1,787	2,017	(11.4)
Foreclosed property expense	1,670	2,230	(25.1)
Telecommunications	2,915	2,973	(2.0)
Public relations	1,753	1,139	53.9
Data processing	21,448	19,339	10.9
Computer software	10,000	9,294	7.6
Amortization of intangibles	4,719	4,749	(0.6)
Legal fees	1,940	2,273	(14.7)
Merger expense	11,611	5,004	132.0
Postage and shipping	2,864	2,639	8.5
Other miscellaneous expense	21,227	22,711	(6.5)
Total noninterest expense	$ 329,807	$ 329,260	0.2 %

Salaries and employee benefits remained stable for the three months ended, increasing 0.1%, and decreased 3.3% for the six months ended June 30, 2021 compared to the same periods in 2020 The decrease for the comparable six month period was primarily a result of decreased commissions and equity incentive plan expense. Occupancy and equipment expenses remained relatively stable as occupancy expenses increased only 2.3% and 1.6% for the three and six month periods ended June 30, 2021 compared to the same periods in 2020. Equipment expenses increased only 4.3% and 1.3% for the three and six month periods ended June 30, 2021 compared to the same periods in 2020. Deposit insurance assessments decreased 16.5% and 11.8% for the comparable three and six month periods as a result of movement evidenced in several variables utilized by the FDIC in calculating the deposit insurance assessment.

Foreclosed property expense decreased 50.3% and 25.1% for the comparable three and six month periods ended June 30, 2021 and 2020, respectively. The decrease for the comparable three and six month periods was primarily a result of gains on sale of foreclosed properties. During the first six months of 2021, the Company added $8.8 million to OREO through acquisitions and foreclosures of legacy loans. Sales of OREO in the first six months of 2021 were approximately $786,000, resulting in a net gain of approximately $86,000. The components of foreclosed property expense for the three and six months ended June 30, 2021 and 2020 and the percentage change between periods are shown in the following tables:

	Three months ended June 30,		
	2021	2020	% Change
	(In thousands)		
(Gain) loss on sale of other real estate owned	$ (86)	$ 739	NM
Writedown of other real estate owned	76	27	181.5
Other foreclosed property expense	659	540	22.0
Total foreclosed property expense	$ 649	$ 1,306	(50.3)%
NM=Not meaningful			

	Six months ended June 30,		
	2021	2020	% Change
	(In thousands)		
(Gain) loss on sale of other real estate owned	$ (246)	$ 709	NM
Writedown of other real estate owned	876	380	130.5
Other foreclosed property expense	1,040	1,141	(8.9)
Total foreclosed property expense	$ 1,670	$ 2,230	(25.1)%
NM=Not meaningful			

The Company experienced some fluctuations in various components of other noninterest expense, including increases in data processing and merger expense. The increase in data processing and merger expense for the second quarter and first six months of 2021 compared to the same periods in 2020 was a result of the two acquisitions completed in the first six months of 2021 compared to one acquisition completed in the first six months of 2020.

Income Tax

The company recorded income tax expense of $21.1 million and $44.4 million for the second quarter and first six months of 2021, compared to income tax expense of $18.2 million and $23.9 million for the second quarter and first six months of 2020. The effective tax rates were 21.8% and 22.9% for the three-month period ended June 30, 2021 and June 30, 2020, respectively. The effective tax rates were 22.1% and 21.9% for the six-month periods ended June 30, 2021 and June 30, 2020, respectively. The primary differences between the Company's recorded expense for the second quarter and first six months of 2021 and 2020, and the expense that would have resulted from applying the U.S. statutory tax rate of 21% to the Company's pre-tax income were the effects of tax-exempt income and other tax preference items.

FINANCIAL CONDITION

The percentage of earning assets to total assets measures the effectiveness of management's efforts to invest available funds into the most efficient and profitable uses. Earning assets at June 30, 2021 were $25.1 billion, or 91.0% of total assets, compared with $21.8 billion, or 90.5% of total assets, at December 31, 2020.

Loans and Leases

The Company's loan and lease portfolio represents the largest single component of the Company's earning asset base, comprising 64.4% of average earning assets during the second quarter of 2021. The Company's lending activities include both commercial and consumer loans and leases. Loan and lease originations are derived from a number of sources, including direct solicitation by the Company's loan officers, existing depositors and borrowers, builders, attorneys, walk-in customers and, in some instances, other lenders, real estate broker referrals and mortgage loan companies. The Company has established systematic procedures for approving and monitoring loans and leases that vary depending on the size and nature of the loan or lease, and applies these procedures in a disciplined manner. The Company's loans and leases are widely diversified by borrower and industry. Loans and leases, net of unearned income, totaled $15.0 billion at both June 30, 2021 and December 31, 2020.

The Company has actively participated in assisting its customers with applications for resources through the PPP, which is administered by the SBA with the intent to help businesses keep their workforce employed during the COVID-19 pandemic. PPP loans have a two-year or five-year term and earn interest at 1%. The Company believes that a significant portion of these loans will ultimately be forgiven by the SBA in accordance with the terms of the program. The PPP loans are designed to be fully guaranteed by the U.S. government and as such should not present a credit risk. During the second quarter of 2021, the Company sold PPP loans totaling $725.4 million which generated a gain on sale of $21.6 million. The remaining balance of PPP loans of $167.1 million is included in the commercial and industrial-non real estate loan class and all other loan segment.

The following table shows the composition of the Company's gross loans and leases by segment and class at the dates indicated:

	June 30, 2021	December 31, 2020
	(In thousands)	
Commercial and industrial		
Commercial and industrial-non real estate	$ 2,058,792	$ 2,674,208
Commercial and industrial-owner occupied	2,273,433	2,281,127
Total commercial and industrial	4,332,225	4,955,335
Commercial real estate		
Agricultural	350,067	317,994
Construction, acquisition and development	1,926,421	1,728,682
Commercial real estate	3,323,883	3,211,434
Total commercial real estate	5,600,371	5,258,110
Consumer		
Consumer mortgages	3,991,790	3,726,241
Home equity	625,365	630,097
Credit cards	84,699	89,077
Total consumer	4,701,854	4,445,415
All other	388,778	380,379
Gross Loans Total (1)	15,023,228	15,039,239
Less: Unearned Income	19,189	16,760
Net Loans	$ 15,004,039	$ 15,022,479

(1) Gross loans and leases are net of deferred costs of $5.1 million and fees of $5.4 million at June 30, 2021 and December 31, 2020, respectively.

The following table shows the Company's loans and leases, net of unearned income by segment, class and geographical location as of June 30, 2021:

	Alabama and Florida Panhandle	Arkansas	Louisiana	Mississippi	Missouri	Tennessee and Georgia	Texas	Other	Total
					(In thousands)				
Commercial and industrial									
Commercial and industrial- non real estate	$ 200,136	$ 140,703	$ 189,328	$ 438,063	$ 70,107	$ 124,418	$ 886,927	$ 6,352	$ 2,056,034
Commercial and industrial- owner occupied	304,416	160,747	217,698	579,772	63,502	119,129	827,525	644	2,273,433
Total commercial and industrial	504,552	301,450	407,026	1,017,835	133,609	243,547	1,714,452	6,996	4,329,467
Commercial real estate									
Agricultural	32,020	68,507	22,108	66,530	6,920	12,187	140,762	1,033	350,067
Construction, acquisition and development	241,404	56,528	70,949	359,989	20,030	92,610	1,084,692	219	1,926,421
Commercial real estate	476,140	313,530	236,752	632,114	202,824	230,910	1,229,165	2,448	3,323,883
Total commercial real estate	749,564	438,565	329,809	1,058,633	229,774	335,707	2,454,619	3,700	5,600,371
Consumer									
Consumer mortgages	703,186	322,580	343,656	815,369	109,712	356,234	1,305,445	35,608	3,991,790
Home equity	128,529	43,435	70,696	201,327	16,118	126,052	39,208	—	625,365
Credit cards	—	—	—	—	—	—	—	84,699	84,699
Total consumer	831,715	366,015	414,352	1,016,696	125,830	482,286	1,344,653	120,307	4,701,854
All other	64,976	31,056	32,756	122,687	1,750	20,578	98,232	312	372,347
Total	$ 2,150,807	$ 1,137,086	$ 1,183,943	$ 3,215,851	$ 490,963	$ 1,082,118	$ 5,611,956	$ 131,315	$15,004,039

The maturity distribution of the Company's loan portfolio is one factor in management's evaluation by collateral type of the risk characteristics of the loan and lease portfolio. The following table shows the maturity distribution of the Company's loans and leases, net of unearned income, as of June 30, 2021:

	Past Due	One Year or Less	One to Five Years	After Five Years	Total
			(In thousands)		
Commercial and industrial					
Commercial and industrial	$ 8,894	$ 686,838	$ 1,058,202	$ 302,100	$ 2,056,034
Commercial and industrial-owner occupied	1,783	142,411	308,621	1,820,618	2,273,433
Total commercial and industrial	10,677	829,249	1,366,823	2,122,718	4,329,467
Commercial real estate					
Agricultural	1,077	27,878	45,239	275,873	350,067
Construction, acquisition and development	2,360	914,497	553,907	455,657	1,926,421
Commercial real estate	5,353	412,978	532,451	2,373,101	3,323,883
Total commercial real estate	8,790	1,355,353	1,131,597	3,104,631	5,600,371
Consumer					
Consumer mortgages	619	362,726	904,038	2,724,407	3,991,790
Home equity	1,233	116,732	400,823	106,577	625,365
Credit cards	—	84,699	—	—	84,699
Total consumer	1,852	564,157	1,304,861	2,830,984	4,701,854
All other	640	164,715	134,916	72,076	372,347
Total	$ 21,959	$ 2,913,474	$ 3,938,197	$ 8,130,409	$ 15,004,039

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

Commercial and Industrial:

Commercial and Industrial - Commercial and industrial loans are loans and leases to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal guarantees are generally required for these loans. Also included in this category are loans to finance agricultural production. The Company recognizes that risk from economic cycles, pandemics, including COVID-19, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans. Commercial and industrial loans outstanding decreased 23.1% from December 31, 2020 to June 30, 2021.

Commercial and Industrial-Owner Occupied - Commercial and industrial-owner occupied loans include loans secured by business facilities to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal guarantees are generally required for these loans. The Company recognizes that risk from economic cycles, pandemics, including COVID-19, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans. Commercial and industrial-owner occupied loans decreased 0.3% from December 31, 2020 to June 30, 2021.

Commercial Real Estate:

Agricultural - Agricultural loans include loans to purchase agricultural land and production lines secured by farmland. The Company recognizes that risks in the agricultural sector including crop failures due to weather, insects and other blights, commodity prices, governmental intervention, lawsuits, labor or logistical disruptions and real estate market conditions may have an adverse impact on the scheduled repayment or performance of agricultural loans. Agricultural loans outstanding increased by 10.1% from December 31, 2020 to June 30, 2021.

Construction, Acquisition and Development - Construction, acquisition and development loans include both loans and credit lines for the purpose of purchasing, carrying and developing land into commercial developments or residential subdivisions. Also included are loans and lines for construction of residential, multi-family and commercial buildings. The Company generally engages in construction and development lending only in local markets served by its branches. The Company recognizes that risks are inherent in the financing of real estate development and construction. These risks include location, market conditions and price volatility, demand for developed land, lots and buildings, desirability of features and styling of completed developments and buildings, competition from other developments and builders, traffic patterns, governmental jurisdiction, tax structure, availability of utilities, roads, public transportation and schools, interest rates, availability of permanent financing for homebuyers, zoning, environmental restrictions, lawsuits, economic and business cycle, labor and reputation of the builder or developer. Construction, acquisition and development loans increased 11.4% from December 31, 2020 to June 30, 2021.

The underwriting process for construction, acquisition and development loans with interest reserves is essentially the same as that for a loan without interest reserves and may include analysis of borrower and guarantor financial strength, market demand for the proposed project, experience and success with similar projects, property values, time horizon for project completion and the availability of permanent financing once the project is completed. The Company's loan policy generally prohibits the use of interest reserves on loans. Construction, acquisition and development loans, with or without interest reserves, are inspected periodically to ensure that the project is on schedule and eligible for requested draws. Inspections may be performed by construction inspectors hired by the Company or by appropriate loan officers and are done periodically to monitor the progress of a particular project. These inspections may also include discussions with project managers and engineers.

At June 30, 2021, the Company had $86.8 million in construction, acquisition and development loans that provided for the use of interest reserves with approximately $937,000 and $1.9 million recognized as interest income during the second quarter and first six months of 2021. There were no construction, acquisition and development loans with interest reserves that were on nonaccrual status at June 30, 2021. Interest income is not recognized on construction, acquisition and development loans with interest reserves that are in non-accrual status. Loans with interest reserves normally have a budget that includes the various cost components involved in the project. Interest is such a cost, along with hard and other soft costs. The Company's policy is to allow interest reserves only during the construction phase.

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

Commercial - Commercial loans include loans to finance income-producing commercial and multi-family properties. Lending in this category is generally limited to properties located in the Company's market area with only limited exposure to properties located elsewhere but owned by in-market borrowers. Loans in this category include loans for neighborhood retail centers, medical and professional offices, single retail stores, warehouses and apartments leased generally to local businesses and residents. The underwriting of these loans takes into consideration the occupancy and rental rates as well as the financial health of the borrower. The Company's exposure to national retail tenants is minimal. The Company has not purchased commercial real estate loans from brokers or third-party originators. The Company recognizes that risk from economic cycles, pandemics, including COVID-19, government restrictions, delayed or missed rent payments, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans. Commercial real estate loans increased 3.5% from December 31, 2020 to June 30, 2021.

Consumer:

Consumer Mortgages - Consumer mortgages are first or second-lien loans to consumers secured by a primary residence or second home. These loans are generally amortized over terms up to 25 years. The loans are generally secured by properties located within the local market area of the community bank which originates and services the loan. These loans are underwritten in accordance with the Company's general loan policies and procedures which require, among other things, proper documentation of each borrower's financial condition, satisfactory credit history and property value. In addition to loans originated through the Company's branches, the Company originates and services consumer mortgages sold in the secondary market which are underwritten and closed pursuant to investor and agency guidelines. The Company's exposure to subprime mortgages is minimal. Consumer mortgages increased 7.1% at June 30, 2021 compared to December 31, 2020.

Home Equity - Home equity loans include revolving credit lines which are secured by a first or second lien on a borrower's residence. Each loan is underwritten individually by lenders who specialize in home equity lending and must conform to Company lending policies and procedures for consumer loans as to borrower's financial condition, ability to repay, satisfactory credit history and the condition and value of collateral. Properties securing home equity loans are generally located in the local market area of the Company branch or office originating and servicing the loan. The Company has not purchased home equity loans from brokers or other lending institutions. Home equity loans outstanding decreased by 0.8% at June 30, 2021 compared to December 31, 2020.

Credit Cards - Credit cards include consumer and business MasterCard and Visa accounts. The Company offers credit cards primarily to its deposit and loan customers. Credit card balances decreased 4.9% from December 31, 2020 to June 30, 2021.

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

All Other:

All Other - All other loans and leases include consumer installment loans and loans and leases to state, county and municipal governments and non-profit agencies. Consumer installment loans and leases include term loans of up to five years secured by automobiles, boats and recreational vehicles. The Company offers lease financing for vehicles and heavy equipment to state, county and municipal governments and medical equipment to healthcare providers across the southern states. The Company recognizes that risk from economic cycles, pandemics, including COVID-19, government regulation, supply-chain disruptions, product innovations or obsolescence, operational errors, lawsuits, natural disasters, losses due to theft or embezzlement, health or loss of key personnel or competitive situations may adversely affect the scheduled repayment of business loans. All other loan and lease balances, net of unearned income increased 2.2% from December 31, 2020 to June 30, 2021.

NPLs consist of non-accrual loans and leases, loans and leases 90 days or more past due, still accruing, and accruing loans and leases that have been restructured (primarily in the form of reduced interest rates and modified payment terms) because of the borrower's or guarantor's weakened financial condition or bankruptcy proceedings. The Company's policy provides that loans and leases are generally placed in non-accrual status if, in management's opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due, unless the loan or lease is both well-secured and in the process of collection. Non-performing assets ("NPAs") consist of NPLs and OREO, which consists of foreclosed properties. NPAs, which are carried either in the loan account or OREO on the Company's consolidated balance sheets, depending on foreclosure status, were as follows as of the dates presented:

	June 30, 2021	December 31, 2020
	(In thousands)	
Non-accrual loans and leases	$ 61,664	$ 96,378
Loans 90 days or more past due, still accruing	15,386	14,320
Restructured loans and leases, still accruing	7,368	10,475
Total NPLs	84,418	121,173
Other real estate owned	17,333	11,395
Total NPAs	$ 101,751	$ 132,568
NPLs to net loans and leases	0.56 %	0.81 %
NPAs to total assets	0.37 %	0.55 %

NPLs decreased 30.3% to $84.4 million at June 30, 2021 compared to $121.2 million at December 31, 2020 and decreased 43.0% compared to $148.2 million at June 30, 2020. Non-accrual loans at June 30, 2021 decreased $34.7 million, or 36.0% compared to December 31, 2020 and reflect a decrease of $65.1 million, or 51.4%, compared to June 30, 2020. While non-accrual loans decreased in several loan categories when comparing June 30, 2021 to December 31, 2020, the primary decrease in non-accrual loans is recognized in the consumer mortgages and construction, acquisition and development portfolios. The consumer mortgages portfolio decreased $12.4 million, or 37.7%, to $20.5 million at June 30, 2021 compared to $33.0 million at December 31, 2020. Non-accrual loans related to the construction, acquisition and development portfolio decreased $7.2 million, or 73.5%, to $2.6 million at June 30, 2021 compared to $9.7 million at December 31, 2020. The decrease in the consumer mortgages and construction, acquisition and development portfolios is a result of paydowns and charge-offs to nonaccrual loans exceeding additions.

The Company's NPLs are primarily located in the Alabama and Florida panhandle, Mississippi and Texas markets as these represent $61.5 million, or 72.8% of total NPLs of $84.4 million at June 30, 2021. The following table presents the NPLs by geographical location at June 30, 2021:

	Outstanding	90+ Days Past Due still Accruing	Non-accruing Loans	Restructured Loans, still accruing	NPLs	NPLs as a % of Outstanding
			(In thousands)			
Alabama and Florida Panhandle	$ 2,150,807	$ 3,365	$ 9,805	$ 241	$ 13,411	0.6 %
Arkansas	1,137,086	1,018	2,984	2,024	6,026	0.5
Louisiana	1,183,943	2,509	5,468	379	8,356	0.7
Mississippi	3,215,851	3,404	6,894	3,122	13,420	0.4
Missouri	490,963	525	2,087	28	2,640	0.5
Tennessee and Georgia	1,082,118	1,122	2,548	283	3,953	0.4
Texas	5,611,956	2,884	31,023	750	34,657	0.6
Other	131,315	559	855	541	1,955	1.5
Total	$ 15,004,039	$ 15,386	$ 61,664	$ 7,368	$ 84,418	0.6 %

OREO increased $5.9 million to $17.3 million at June 30, 2021 compared to $11.4 million at December 31, 2020. OREO increased primarily as a result of foreclosures and acquired properties exceeding sales of properties.

The Company has processes in place to review credits upon renewal or modification to determine if financial concessions are being granted that meet the requirements set forth in FASB ASC 326. Loans identified as meeting the criteria set out in FASB ASC 326 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and/or interest for a specified time, the rescheduling of payments in accordance with a bankruptcy plan or the charge-off of a portion of the loan. In some cases, the conditions of the credit also warrant non-accrual status, even after the restructure occurs. TDR loans may be returned to accrual status in years after the restructure if the loan is paid current under the restructured loan terms by the borrower and the interest rate at the time of restructure was at or above market for a comparable loan. For reporting purposes, if a restructured loan is 90 days or more past due or has been placed in non-accrual status, the restructured loan is included in the loans 90 days or more past due category or the non-accrual loan category of non-performing assets. Total restructured loans considered TDRs were $10.0 million and $12.0 million at June 30, 2021 and December 31, 2020, respectively. Restructured loans of $2.6 million and $1.5 million were included in the non-accrual and 90+ days past due, still accruing loan category at June 30, 2021 and December 31, 2020, respectively. In keeping with regulatory guidance to work with borrowers during this unprecedented situation and as outlined in the CARES Act, the Company implemented a payment deferral program for its customers that are affected by the pandemic. The Company offered 90 day payment deferrals on loans that are less than 30 days past due and in compliance with all borrowing covenants. Approximately 0.2% of the loan portfolio by outstanding balance, excluding PPP loans, was in deferral and 1.1% had been converted to interest only as of June 30, 2021. In accordance with interagency guidance issued in March 2020 and the CARES Act, which was extended through 2021 by the Consolidated Appropriations Act signed December 21, 2020, these short term deferrals and modifications are not considered TDRs. The following table details the portions of the loan portfolio with the most significant negative impacts related to the COVID-19 pandemic including deferrals and interest only credits at June 30, 2021.

	Outstanding Balance	Total Committed Balance	$ Loans Converted to Interest Only (1)	% Loans Converted to Interest Only (1)	$ Deferred (1)	% Deferred (1)
			(Dollars in thousands)			
Hotels & accommodation[(1)]	$ 691,709	$ 787,583	$ 108,703	15.7%	$ —	—%
Retail CRE[(1)]	1,184,619	1,296,911	—	—	—	—
Food services[(1)]	262,469	285,275	4,004	1.5	—	—
High risk portfolios[(1)]	2,138,797	2,369,769	112,707	5.3	—	—
All other portfolios	12,865,242	16,585,212	46,769	0.4	25,795	0.2
Total	$15,004,039	$ 18,954,981	$ 159,476	1.1%	$ 25,795	0.2%

(1) Excludes PPP loans

During March 2020, the Company temporarily suspended all foreclosure activity in an effort to assist customers and comply with all governmental relief programs associated with the COVID-19 pandemic. Some foreclosure activity has resumed based upon specific state and county regulations The Company is also actively working with customers to comply with mortgage forbearance provisions provided by the CARES Acts with respect to both portfolio and serviced mortgage loans. Finally, the Company is considering other loan modifications and deferments on a case by case basis for qualifying customers.

At June 30, 2021, the Company did not have any concentration of loans or leases in excess of 10% of total loans and leases outstanding which were not otherwise disclosed as a category of loans or leases. Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. The Company conducts business in a geographically concentrated area and has a significant amount of loans secured by real estate to borrowers in varying activities and businesses, but does not consider these factors alone in identifying loan concentrations. The ability of the Company's borrowers to repay loans is somewhat dependent upon the economic conditions prevailing in the Company's market areas.

The Company utilizes an internal loan classification system to grade loans according to certain credit quality indicators. These credit quality indicators include, but are not limited to, recent credit performance, delinquency, liquidity, cash flows, debt coverage ratios, collateral type and loan-to-value ratio.

The following table provides details of the Company's loan and lease portfolio, net of unearned income, by segment, class and internally assigned grade at June 30, 2021:

	June 30, 2021							
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Purchased Credit Deteriorated (Loss)	Total
	(In thousands)							
Commercial and industrial								
Commercial and industrial- non real estate	$ 2,005,765	$ —	$ 40,286	$ 171	$ —	$ 1,885	$ 7,927	$ 2,056,034
Commercial and industrial- owner occupied	2,193,141	4,000	63,638	—	—	7,452	5,202	2,273,433
Total commercial and industrial	4,198,906	4,000	103,924	171	—	9,337	13,129	4,329,467
Commercial real estate								
Agricultural	341,430	—	6,326	—	—	—	2,311	350,067
Construction, acquisition and development	1,879,040	—	40,498	—	—	714	6,169	1,926,421
Commercial real estate	3,150,789	—	159,066	—	—	9,316	4,712	3,323,883
Total commercial real estate	5,371,259	—	205,890	—	—	10,030	13,192	5,600,371
Consumer								
Consumer mortgages	3,926,705	—	63,645	—	—	1,256	184	3,991,790
Home equity	619,269	—	6,096	—	—	—	—	625,365
Credit cards	84,699	—	—	—	—	—	—	84,699
Total consumer	4,630,673	—	69,741	—	—	1,256	184	4,701,854
All other	362,556	—	9,726	—	—	—	65	372,347
Total	$14,563,394	$ 4,000	$ 389,281	$ 171	$ —	$ 20,623	$ 26,570	$15,004,039

(1) Impaired loans are shown exclusive of $7.4 million of accruing TDRs, approximately $2.1 million of non-accruing TDRs and $56,000 of 90+ days past due, still accruing TDRs.

In the normal course of business, management becomes aware of possible credit problems in which borrowers exhibit potential for the inability to comply with the contractual terms of their loans and leases, but which currently do not yet meet the criteria for disclosure as NPLs. However, based upon past experiences, some of these loans and leases with potential weaknesses will ultimately be restructured or placed in non-accrual status. At June 30, 2021, the Company had $8.1 million of potential problem loans or leases or loans and leases with potential weaknesses that were not included in the non-accrual loans and leases or in the loans 90 days or more past due categories. These loans or leases are included in the above rated categories. Loans with identified weaknesses based upon analysis of the credit quality indicators are included in the loans 90 days or more past due category or in the non-accrual loan and lease category which would include impaired loans.

The following table provides details regarding the aging of the Company's loan and lease portfolio, net of unearned income, by internally assigned grade at June 30, 2021:

	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
			(In thousands)		
Pass	$ 14,532,849	$ 17,233	$ 1,902	$ 11,410	$ 14,563,394
Special Mention	4,000	—	—	—	4,000
Substandard	328,007	18,356	10,983	31,935	389,281
Doubtful	—	—	—	171	171
Loss	—	—	—	—	—
Impaired	2,768	3,524	—	14,331	20,623
Purchased Credit Deteriorated (Loss)	21,766	436	2,625	1,743	26,570
Total	$ 14,889,390	$ 39,549	$ 15,510	$ 59,590	$ 15,004,039

The primary fluctuation in loan grade categories at June 30, 2021 compared to December 31, 2020 was the increase in the Substandard loan grade category, which increased $30.3 million at June 30, 2021 compared to December 31, 2020. Of the $389.3 million of Substandard loans and leases, 84.3% remained current as to scheduled repayment of principal and interest, with only 8.2% having outstanding balances that were 90 days or more past due at June 30, 2021. Of the $20.6 million of Impaired loans and leases, 13.4% remained current as to scheduled repayment of principal and/or interest, with 69.5% having outstanding balances that were 90 days or more past due at June 30, 2021. Of the $26.6 million of Purchased Credit Deteriorated (Loss) loans and leases, 81.9% remained current as to scheduled repayment of principal and/or interest, with 6.6% having outstanding balances that were 90 days or more past due at June 30, 2021.

Collateral for some of the Company's loans and leases is subject to fair value evaluations that fluctuate with market conditions and other external factors. In addition, while the Company has certain underwriting obligations related to such evaluations, the evaluations of some real property and other collateral are dependent upon third-party independent appraisers employed either by the Company's customers or as independent contractors of the Company. During the current economic cycle, some subsequent fair value appraisals have reported lower values than were originally reported. These declining collateral values could impact future losses and recoveries.

The following table provides additional details related to the make-up of the Company's loan and lease portfolio, net of unearned income, and the distribution of NPLs at June 30, 2021:

Loans and leases, net of unearned income	Outstanding	90+ Days Past Due still Accruing	Non-accruing Loans	Restructured Loans, still accruing	NPLs	NPLs as a % of Outstanding
			(In thousands)			
Commercial and industrial						
Commercial and industrial- non real estate	$ 2,056,034	$ 40	$ 10,485	$ 459	$ 10,984	0.5 %
Commercial and industrial- owner occupied	2,273,433	883	11,872	1,707	14,462	0.6
Total commercial and industrial	4,329,467	923	22,357	2,166	25,446	0.6
Commercial real estate						
Agricultural	350,067	—	1,284	60	1,344	0.4
Construction, acquisition and development	1,926,421	—	2,582	131	2,713	0.1
Commercial real estate	3,323,883	—	13,483	819	14,302	0.4
Total commercial real estate	5,600,371	—	17,349	1,010	18,359	0.3
Consumer						
Consumer mortgages	3,991,790	14,131	20,532	3,055	37,718	0.9
Home equity	625,365	66	686	562	1,314	0.2
Credit cards	84,699	215	122	434	771	0.9
Total consumer	4,701,854	14,412	21,340	4,051	39,803	0.8
All other	372,347	51	618	141	810	0.2
Total	$15,004,039	$ 15,386	$ 61,664	$ 7,368	$ 84,418	0.6 %

Securities

The Company uses its securities portfolio to make various term investments, to provide a source of liquidity and to serve as collateral to secure certain types of deposits. Available-for-sale securities were $9.1 billion at June 30, 2021 compared to $6.2 billion at December 31, 2020. Available-for-sale securities, which are subject to possible sale, are recorded at fair value. At June 30, 2021 and December 31, 2020, no allowance for credit losses was recorded for available-for-sale securities.

The following table shows the available-for-sale securities portfolio by credit rating as obtained from Moody's rating service as of June 30, 2021:

	Amortized Cost		Estimated Fair Value	
	Amount	%	Amount	%
Available-for-sale Securities:		(In thousands)		
Aaa	$ 8,916,880	98.6 %	$ 8,951,418	98.5 %
Aa1 to Aa3	60,456	0.7	60,922	0.7
A1 to A3	11,489	0.1	11,668	0.1
Not rated (1)	58,471	0.6	60,103	0.7
Total	$ 9,047,296	100.0 %	$ 9,084,111	100.0 %

(1) Not rated securities primarily consist of Mississippi and Arkansas municipal bonds.

Of the securities not rated by Moody's, bonds with a book value of $14.9 million and a market value of $15.1 million were rated A- or better by Standard and Poor's.

Goodwill

The Company's policy is to assess goodwill for impairment at the reporting segment level on an annual basis or sooner if an event occurs or circumstances change which indicate that the fair value of a reporting segment is below its carrying amount. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Accounting standards require management to estimate the fair value of each reporting segment in assessing impairment at least annually. The Company's annual assessment date is during the Company's fourth quarter. No events occurred during the first six months of 2021 that indicated the necessity of an earlier goodwill impairment assessment.

In the current environment, forecasting cash flows, credit losses and growth, in addition to valuing the Company's assets with any degree of assurance is very difficult and subject to significant changes over very short periods of time. Management will continue to update its analysis as circumstances change. If market conditions continue to be volatile and unpredictable, impairment of goodwill related to the Company's reporting segments may be necessary in future periods. Goodwill was $957.5 million and $851.6 million at June 30, 2021 and December 31, 2020, respectively. As a result of two banks acquired during the first six months of 2021, goodwill increased $105.9 million compared to December 31, 2020.

Other Real Estate Owned

OREO was $17.3 million and $11.4 million at June 30, 2021 and December 31, 2020, respectively. OREO at June 30, 2021 had aggregate loan balances at the time of foreclosure of $23.1 million. OREO at December 31, 2020 had aggregate loan balances at the time of foreclosure of $14.4 million.

The following table presents the OREO by segment and class at the dates indicated:

	June 30, 2021	December 31, 2020
	(In thousands)	
Commercial and industrial		
Commercial and industrial	$ —	$ —
Commercial and industrial-owner occupied	760	1,136
Total commercial and industrial	760	1,136
Commercial real estate		
Agricultural	—	256
Construction, acquisition and development	407	384
Commercial real estate	13,220	9,002
Total commercial real estate	13,627	9,642
Consumer		
Consumer mortgages	1,823	478
Home equity	1,123	123
Total consumer	2,946	601
All other	—	16
Total	$ 17,333	$ 11,395

While management expects future foreclosure activity in virtually all loan categories, the magnitude of NPLs in the consumer mortgages, commercial and industrial-owner occupied, commercial real estate, and commercial and industrial-non real estate portfolios at June 30, 2021 indicated that a majority of additions to OREO in the near-term might be from these categories.

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

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

Deposits and Other Interest Bearing Liabilities

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

The following table presents the Company's noninterest bearing, interest bearing demand, savings and other time deposits as of the dates indicated and the percentage change between dates:

	June 30, 2021	December 31, 2020	% Change
	(Dollars in millions)		
Noninterest bearing demand	$ 7,619	$ 6,341	20.2 %
Interest bearing demand	9,672	8,524	13.5
Savings	2,940	2,452	19.9
Other time	2,607	2,529	3.1
Total deposits	$ 22,838	$ 19,846	15.1 %

The 15.1% increase in deposits at June 30, 2021 compared to December 31, 2020 was primarily a result of the acquisition of two banks in the second quarter of 2021, the impact of additional customer liquidity associated with the PPP loans, government stimulus payments and organic growth. The average maturity of time deposits at June 30, 2021 was 12.5 months, compared to 13.7 months at December 31, 2020.

Liquidity and Capital Resources

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

To provide additional liquidity, the Company utilizes short-term financing through the purchase of federal funds and securities sold under agreements to repurchase. All securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. Further, the Company maintains a borrowing relationship with the FHLB which provides access to short-term and long-term borrowings. The Company also has access to the Federal Reserve discount window and other bank lines. The Company had securities sold under agreement to repurchase of $683.1 million and $637.7 million at June 30, 2021 and December 31, 2020, respectively. The Company had no federal funds purchased and short-term borrowings from the FHLB at June 30, 2021 and December 31, 2020.

The Company had long-term FHLB and other borrowings of $4.2 million and $4.4 million at June 30, 2021 and December 31, 2020, respectively. The Company has pledged eligible mortgage loans to secure the FHLB borrowings and had $7.2 billion in additional borrowing capacity under the existing FHLB borrowing agreement at June 30, 2021.

The Company had non-binding federal funds borrowing arrangements with other banks aggregating $1.1 billion at June 30, 2021. The unencumbered fair value of the Company's federal government and government agencies securities portfolio may provide substantial additional liquidity.

During November 2019, the Company completed an underwritten public offering of $300.0 million aggregate principal amount of its 4.125% Fixed-to-Floating Rate Subordinated Notes due November 20, 2029 and an underwritten public offering of $172.5 million of its 5.50% Series A Non-Cumulative Perpetual Preferred Stock, par value $0.01 per share. The Company intends to use the net proceeds from the offerings for general corporate purposes, potentially including repurchases of shares of its common stock, future acquisitions and ongoing working capital needs.

The ability of the Company to obtain funding from these or other sources could be negatively affected should the Company experience a substantial deterioration in its financial condition or its debt rating, or should the availability of short-term funding become restricted as a result of disruption in the financial markets. Management does not anticipate any short- or long-term changes to its liquidity strategies and believes that the Company has ample sources to meet the liquidity challenges caused by current economic conditions. The Company utilizes, among other tools, maturity gap tables, interest rate shock scenarios and an active asset and liability management committee to analyze, manage and plan asset growth and to assist in managing the Company's net interest margin and overall level of liquidity. The Company believes it has sufficient resources to meet its short and long-term capital needs.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Company enters into various off-balance sheet commitments and other arrangements to extend credit that are not reflected in the consolidated balance sheets of the Company. The business purpose of these off-balance sheet commitments is the routine extension of credit. While most of the commitments to extend credit are made at variable rates, included in these commitments are forward commitments to fund individual fixed-rate mortgage loans. Fixed-rate lending commitments expose the Company to risks associated with increases in interest rates. As a method to manage these risks, the Company enters into forward commitments to sell individual fixed-rate mortgage loans. The Company also faces the risk of deteriorating credit quality of borrowers to whom a commitment to extend credit has been made. As of June 30, 2021, the Company maintained a reserve for unfunded commitments of $8.5 million included in other liabilities.

Regulatory Requirements for Capital

Regulatory capital ratios at June 30, 2021 were calculated in accordance with the Basel III capital framework as well as the interagency final rule published on September 30, 2020 entitled "Revised Transition of the Current Expected Credit Losses Methodology for Allowances". The FDIC's capital based supervisory system for insured financial institutions categorizes the capital position for banks into five categories, ranging from "well capitalized" to "critically under capitalized." For a bank to be classified as "well capitalized," the common equity Tier 1 capital, Tier 1 capital, total capital and leverage capital ratios must be at least 6.5%, 8%, 10% and 5%, respectively. The Company met the criteria for the "well capitalized" category at June 30, 2021 and December 31, 2020 as follows:

	June 30, 2021		December 31, 2020	
	Amount	Ratio	Amount	Ratio
	(In thousand)			
BancorpSouth Bank				
Common equity Tier 1 capital (to risk-weighted assets)	$1,997,986	10.94 %	$ 1,803,226	10.74 %
Tier 1 capital (to risk-weighted assets)	2,164,979	11.85	1,970,219	11.74
Total capital (to risk-weighted assets)	2,660,437	14.57	2,430,884	14.48
Tier 1 leverage capital (to average assets)	2,164,979	8.43	1,970,219	8.67

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

Uses of Capital

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

On November 20, 2019, the Company completed its public offering of $300 million aggregate principal amount of its 4.125% Fixed-to-Floating Rate Subordinated Notes due November 20, 2029. Please see Note 19 to the Company's unaudited consolidated financial statements included elsewhere in this Report for further disclosures regarding subordinated debt.

On November 20, 2019, the Company completed its public offering of 6,900,000 shares of 5.50% Series A Non-Cumulative Perpetual Preferred Stock, par value $0.01 per share, with a liquidation preference of $25 per share of Series A Preferred Stock, which represents $172,500,000 in aggregate liquidation preference. Please see Note 20 to the Company's unaudited consolidated financial statements included elsewhere in this Report for further disclosures regarding preferred stock.

On December 12, 2019, the Company announced a share repurchase program whereby the Company may acquire up to an aggregate of 8,000,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period between January 2, 2020 through December 31, 2020. The extent and timing of any repurchases depends on market conditions and other corporate, legal and regulatory considerations. Repurchased shares are held as authorized but unissued shares. These authorized but unissued shares are available for use in connection with the Company's stock option plans, other compensation programs, other transactions or for other corporate purposes as determined by the Company's Board of Directors. At the time of expiration on December 31, 2020, 3,300,000 shares had been repurchased under this program.

On December 9, 2020, the Company announced a new share repurchase program whereby the Company may acquire up to an aggregate of 6,000,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period between January 4, 2021 through December 31, 2021. The extent and timing of any repurchases depends on market conditions and other corporate, legal and regulatory considerations. Repurchased shares are held as authorized but unissued shares. These authorized but unissued shares are available for use in connection with the Company's stock option plans, other compensation programs, other transactions or for other corporate purposes as determined by the Company's Board of Directors. As of June 30, 2021, the Company had not repurchased any shares under this program.

Certain Litigation Contingencies

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

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

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

The Company cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against it, its subsidiaries and its directors, management or employees, including remedies or damage awards. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of the Company's business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, the Company establishes an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings and the potential loss, however, may turn out to be substantially higher than the amount accrued. Further, the Company's insurance policies have deductibles and coverage limits, and such policies will likely not cover all costs and expenses related to the defense or prosecution of such legal proceedings or any losses arising therefrom.

Although the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, if applicable, management believes that the litigation-related liability of $1.2 million accrued as of June 30, 2021 is adequate and that any incremental change in potential liability arising from the Company's legal proceedings and threatened claims, including the matters described herein and those otherwise arising in the ordinary course of business, will not have a material adverse effect on the Company's business or consolidated results of operations or financial condition. It is possible, however, that future developments could result in an unfavorable outcome for or resolution of any one or more of the legal proceedings in which the Company or its subsidiaries are defendants, which may be material to the Company's business or consolidated results of operations or financial condition for a particular fiscal period or periods.

Statement Regarding the Impact of COVID-19 Pandemic

The Company prioritizes the health and safety of its teammates and customers, and it will continue to do so throughout the duration of the pandemic. At the same time, the Company remains focused on improving shareholder value, managing credit exposure, challenging expenses, enhancing the customer experience and supporting the communities it serves. As an SBA Preferred Lender, the Company participated in the SBA's Paycheck Protection Program for the betterment of its customers and the communities that it serves.

In this Report, the Company has sought to describe the historical and future impact of the COVID-19 pandemic on the Company's assets, business, cash flows, financial condition, liquidity, prospects and results of operations, including the discussions regarding the increases in its provision and allowance for credit losses and the discussion regarding negative pressure to its net interest revenue and net interest margin. Although the Company believes that the statements that pertain to future events, results and trends and their impact on the Company's business are reasonable at the present time, those statements are not historical facts and are based upon current assumptions, expectations, estimates and projections, many of which, by their nature, are beyond the Company's control. Accordingly, all discussions regarding future events, results and trends and their impact on the Company's business, even in the near term, are necessarily uncertain given the fluid and evolving nature of the pandemic.

If the health, logistical or economic effects of the pandemic persist or worsen, or if the assumptions, expectations, estimates or projections that underlie the Company's statements regarding future effects or trends prove to be incorrect, then the Company's actual assets, business, cash flows, financial condition, liquidity, prospects and/or results of operations and the market prices of the Company’s capital stock may be materially and adversely impacted in ways that the Company cannot reasonably forecast. See the risk factors set forth in Part II of this Report under the section captioned “Item 1A. Risk Factors” as well as the risk factors set forth under the section captioned “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 that was filed with the FDIC on February 25, 2021.

Accordingly, when reading this Report, undue reliance should not be placed upon any statement pertaining to future events, results and trends and their impact on the Company's business in future periods.

CRITICAL ACCOUNTING POLICIES

During the six months ended June 30, 2021, there was no material change in the Company’s critical accounting policies and no significant change in the application of critical accounting policies as presented in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

During the six months ended June 30, 2021, there was no material change to the quantitative and qualitative disclosures about market risks presented in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES.

The Company, with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report, the Company’s disclosure controls and procedures were effective in ensuring that information required to be disclosed in its reports that the Company files or submits to the FDIC under the Exchange Act is recorded, processed, summarized and reported on a timely basis, and to ensure that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in the Company’s internal control over financial reporting that occurred during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The information in response to this item is incorporated herein by reference to “Note 17 - Commitments and Contingent Liabilities” in the notes to consolidated financial statements included in Part I., Item I. “Financial Statements” of this Report.

ITEM 1A. RISK FACTORS.

The following represents a material change in our risk factors from those previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 which was filed with the FDIC on February 25, 2021.

RISKS RELATED TO THE MERGER

The ongoing social, political, and economic impact of the COVID-19 pandemic poses risks to the Company, Cadence, and the combined company and may adversely affect the value of the Merger consideration.

The economy, companies and individuals generally, including the customers of the Company and Cadence, have experienced and may continue to experience impacts from the COVID-19 pandemic and the range of related private and government actions and reactions to the pandemic. Among other things, the financial results of either company or both or the combined company may be impacted due to an inability of customers to meet their loan commitments in a timely manner because of their losses associated with impacts of the pandemic, including a decrease in revenues for certain businesses in areas that have been more adversely impacted by the pandemic or other changes in consumer behavior. In addition, downturns in the global market related to pandemic fears could result in a further lowering of interest rates as a stimulus to boost consumer spending, which could further negatively impact the Company's or the combined company's results of operations. These factors, together or in combination with other events or occurrences not yet known or anticipated, could adversely affect the value of the Merger consideration or could delay or prevent the consummation of the Merger.

The market price of the Company's common stock after the Merger may be affected by factors different from those affecting the shares of Cadence common stock or the Company's common stock currently.

As a result of the Merger, holders of Cadence common stock will become holders of the Company's common stock. The Company's business differs from that of Cadence. Accordingly, the results of operations and financial condition of the combined company and the market price of the Company's common stock after the completion of the Merger may be affected by factors different from those currently affecting the independent results of operations and financial condition of each of the Company and Cadence.

The Company is expected to incur substantial transaction and integration costs in connection with the Merger.

The Company has incurred and is expected to incur significant, non-recurring costs in connection with negotiating the Merger Agreement and the Bank Merger Agreement and closing the Merger. These costs include legal, financial advisory, accounting, consulting and other advisory fees, severance/employee benefit-related costs, regulatory fees, financial printing and other printing costs and other related costs. Some of these costs are payable by the Company, Cadence or both companies regardless of whether the Merger is completed.

In addition, the combined company is expected to incur substantial costs in connection with the related integration. There are a large number of processes, policies, procedures, operations, technologies and systems that may need to be integrated, including purchasing, accounting and finance, payroll, compliance, treasury management, branch operations, vendor management, risk management, lines of business, pricing and benefits. Although the Company and Cadence have assumed that a certain level of costs will be incurred, there are many factors beyond their control that could affect the total amount or the timing of the integration costs. Moreover, many of the costs that will be incurred are, by their nature, difficult to estimate accurately. Furthermore, there can be no assurances that the expected benefits and efficiencies related to the integration of the businesses will be realized to offset these transaction and integration costs over time. These integration costs may result in the combined company taking charges against earnings following the completion of the Merger, and the amount and timing of such charges are uncertain at present.

Combining the Company and Cadence may be more difficult, costly or time consuming than expected, and the combined company may fail to realize the anticipated benefits of the Merger.

The success of the Merger will depend, in part, upon the ability to realize the anticipated synergies, operating efficiencies and cost savings from combining the business operations of both companies. To realize the anticipated benefits and cost savings from the Merger, both companies must integrate and combine their businesses in a manner that permits those benefits and cost savings to be realized, without adversely affecting current revenues and future growth. If the Company and Cadence are not able to successfully achieve these objectives, the anticipated benefits of the Merger may not be realized fully or at all or may take longer to realize than expected. In addition, the actual cost savings of the Merger could be less than anticipated, the costs associated with effecting the Merger may be more than anticipated and integration may result in additional and unforeseen expenses.

An inability to realize the full extent of the anticipated benefits of the Merger and the other transactions contemplated by the Merger Agreement and the Bank Merger Agreement, as well as any delays encountered in the integration process, could have an adverse effect upon the revenues, levels of expenses and operating results and financial condition of the combined company, which may adversely affect the value of the common stock of the combined company after the completion of the Merger.

The Company and Cadence have operated and, until the completion of the Merger, must continue to operate, independently. It is possible that the integration process could result in the loss of key personnel, the disruption of the combined company's business or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with clients, customers, depositors and associates or to achieve the anticipated benefits and cost savings of the Merger. Integration efforts between the two companies may also divert management attention and resources. These integration matters could also have an adverse effect the Company during this transition period and for an undetermined period after completion of the Merger on the combined company. Other factors such as the strength of the economy and competitive factors in the areas where the Company and Cadence do business may also affect the ability of the Company or the combined company to realize the anticipated benefits of the Merger.

Furthermore, the board of directors and executive leadership of the combined company will consist of former directors and executive officers from the Company and Cadence. Combining the boards of directors and management teams of each company into a single board and a single management team could require the reconciliation of differing priorities and philosophies.

The future results of the combined company following the Merger may suffer if the combined company does not effectively manage its expanded operations.

Following the Merger, the size of the business of the combined company will increase significantly beyond the current size of either the Company's and Cadence's respective businesses. The combined company's future success will depend, in part, upon its ability to manage this expanded business, which may pose challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. The combined company may also face increased scrutiny from governmental authorities as a result of the significant increase in the size of its business. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings, revenue enhancements or other benefits currently anticipated from the Merger.

The combined company may be unable to retain the Company's and/or Cadence's personnel successfully after the Merger is completed.

The success of the Merger will depend in part on the combined company's ability to retain the talents and dedication of key personnel currently employed by the Company and Cadence. It is possible that these personnel may decide not to remain with either the Company or Cadence while the Merger is pending or with the combined company after the Merger is consummated. If the Company, Cadence or the combined company is unable to retain key personnel, including management, who are critical to the successful integration and future operations of the combined company, the combined company could face disruptions in its operations, loss of existing customers, loss of key information, expertise or know-how and unanticipated additional recruitment costs. In addition, if key personnel terminate their employment, the combined company's business activities may be adversely affected and management's attention may be diverted from successfully integrating the companies to hiring suitable replacements, all of which may cause the combined company's business to suffer. In addition, the combined company may not be able to locate or retain suitable replacements for any key personnel who leave.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the Merger.

Before the Merger may be completed, various approvals, consents, waivers and/or non-objections must be obtained from the FDIC and the Federal Reserve Board and the Mississippi Department of Banking and Consumer Finance and various other regulatory authorities in the United States. In determining whether to grant these approvals or waivers, such regulatory authorities consider a variety of factors, including the regulatory standing of each company. These approvals and waivers could be delayed or not obtained at all, including due to: an adverse development in either company's regulatory standing or in any other factors considered by regulators when granting such approvals; governmental, political or community group inquiries, investigations or opposition; or changes in legislation or the political environment generally.

The approvals and waivers that are granted may impose terms and conditions, limitations, obligations or costs, or place restrictions on the conduct of the combined company's business or require changes to the terms of the transactions contemplated by the Merger Agreement and the Bank Merger Agreement. There can be no assurance that regulators will not impose any such conditions, limitations, obligations or restrictions and that such conditions, limitations, obligations or restrictions will not have the effect of delaying the completion of any of the transactions contemplated by the Merger Agreement and the Bank Merger Agreement, imposing additional material costs on or materially limiting the revenues of the combined company following the Merger or otherwise reduce the anticipated benefits of the Merger if the Merger were consummated successfully within the expected timeframe. In addition, there can be no assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the Merger. Additionally, the completion of the Merger is conditioned on the absence of certain orders, injunctions or decrees by any court or regulatory agency of competent jurisdiction that would prohibit or make illegal the completion of any of the transactions contemplated by the Merger Agreement and the Bank Merger Agreement.

In addition, despite the companies' commitments to use their reasonable best efforts to comply with conditions imposed by regulators, under the terms of the Merger Agreement, neither company will be required and neither company will be permitted without the prior written consent of the other company, to take actions or agree to conditions that would reasonably be expected to have a material adverse effect on the combined company and its subsidiaries, taken as a whole, after giving effect to the Merger.

The Merger Agreement may be terminated in accordance with its terms, and the Merger may not be completed.

The Merger Agreement is subject to a number of conditions which must be fulfilled in order to complete the Merger. Those conditions include: (i) the approval of the Merger Agreement by the requisite vote of the Company's shareholders; (ii) the approval of the Merger Agreement by the requisite vote of the Cadence shareholders; (iii) authorization for listing on the NYSE of the shares of the Company's common stock to be issued in the Merger, subject to official notice of issuance; (iv) the receipt of all required regulatory authorizations, consents, waivers, orders or approvals which are necessary to close the Merger and the Bank Merger being in full force and effect and the expiration or termination of all statutory waiting periods without the imposition of any materially burdensome regulatory condition; (v) the absence of any order, injunction, decree or other legal restraint preventing the completion of the Merger or any of the other transactions contemplated by the Merger Agreement or making the completion of the Merger illegal; (vi) subject to certain exceptions, the accuracy of the representations and warranties of each company, generally subject to a material adverse effect qualification; (vii) the prior performance in all material respects by each company of the obligations required to be performed by it at or prior to the closing date; and (viii) receipt by each company of an opinion from its counsel to the effect that the Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code.

These conditions to the closing may not be fulfilled in a timely manner or at all, and, accordingly, the Merger may not be completed. In addition, the companies can mutually decide to terminate the Merger Agreement at any time, before or after shareholder approval, or the Company or Cadence may elect to terminate the Merger Agreement in certain other circumstances.

Failure to complete the Merger could negatively impact the Company and its business operations.

If the Merger Agreement is not completed for any reason, including as a result of the Company's shareholders failing to approve the Merger Agreement or Cadence shareholders failing to approve the Merger Agreement, there may be various adverse consequences and the Company may experience negative reactions from the financial markets and from its customers and personnel. For example, the Company's business may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the Merger, without realizing any of the anticipated benefits of completing the Merger. Additionally, if the Merger Agreement is terminated, the market price of the Company's common stock could decline to the extent that current market prices reflect a market assumption that the Merger will be beneficial and will be completed. The Company also could be subject to litigation related to any failure to complete the Merger or to proceedings commenced against the Company to perform its obligations under the Merger Agreement. If the Merger Agreement is terminated under certain circumstances, the Company may be required to pay a termination fee of $118 million to Cadence.

Additionally, the Company has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the Merger Agreement, as well as the costs and expenses of preparing, filing, printing and mailing a joint proxy statement/offering circular, and all filing and other fees paid in connection with the Merger. If the Merger is not completed, the Company would have to pay these expenses without realizing the expected benefits of the Merger.

The Company will be subject to business uncertainties and contractual restrictions while the Merger is pending.

Uncertainty about the effect of the Merger on the Company's customers and personnel may have an adverse effect on the Company. These uncertainties may impair the Company's ability to attract, retain and motivate key personnel until the Merger is completed and could cause customers and others that deal the Company to seek to change their existing business relationships with the Company. The outcome of legal proceedings that may be instituted against the Company or Cadence in connection with the Merger may also have an adverse effect on the Company or the combined company. In addition, subject to certain exceptions, the Company has agreed to operate its business in the ordinary course prior to the closing, and the Company is restricted from making certain acquisitions and taking other specified actions without the consent of Cadence until the Merger is completed. These restrictions may prevent the Company from pursuing attractive business opportunities or strategic transactions that may arise prior to the completion of the Merger.

The Merger Agreement contains provisions that could discourage a potential competing acquirer that might be willing to pay more to acquire or merge with the Company.

The Merger Agreement contains provisions that restrict the Company's ability to, among other things, initiate, solicit, knowingly encourage or knowingly facilitate, inquiries or proposals with respect to, or, subject to certain exceptions generally related to the exercise of fiduciary duties by the Company's Board of Directors, engage in any negotiations concerning, or provide any confidential or nonpublic information or data relating to, any alternative acquisition proposals. These provisions, which include a $118 million termination fee payable under certain circumstances, might discourage a potential acquirer that might have an interest in acquiring all or a significant part of the Company from considering or proposing that acquisition even if, in the case of a potential acquisition of the Company, it were prepared to pay consideration with a higher per share price to the Company's shareholders than what the Company is paying to shareholders of Cadence in the Merger, or might result in a potential acquirer proposing to pay a lower per share price to acquire the Company than it might otherwise have proposed to pay.

In connection with the Merger, the Company will assume Cadence's outstanding debt obligations, and the combined company's level of indebtedness following the completion of the Merger could adversely affect the combined company's ability to raise additional capital and to meet its obligations under its existing indebtedness.

In connection with the Merger, the Company will assume Cadence's outstanding indebtedness. The Company's existing debt, together with any future incurrence of additional indebtedness, could have important consequences for the combined company's creditors and the combined company's shareholders. For example, it could:

- limit the combined company's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- restrict the combined company from making strategic acquisitions or cause the combined company to make non-strategic divestitures;
- restrict the combined company from paying dividends to its shareholders;
- increase the combined company's vulnerability to general economic and industry conditions; and
- require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on the combined company's indebtedness and dividends on the preferred stock, thereby reducing the combined company's ability to use cash flows to fund its operations, capital expenditures and future business opportunities.

Following completion of the Merger, holders of the combined company's common stock will be subject to the prior dividend and liquidation rights of the holders of outstanding indebtedness of the combined company, including indebtedness of Cadence assumed by the Company in the Merger, and the combined company's preferred stock. Holders of outstanding indebtedness of the combined company and holders of the combined company's preferred stock and any shares of preferred stock that the combined company may issue in the future, would receive, upon the combined company's voluntary or involuntary liquidation, dissolution or winding up, before any payment is made to holders of the combined company's common stock, their liquidation preferences as well as any accrued and unpaid distributions, as applicable. These payments would reduce the remaining amount of the combined company's assets, if any, available for distribution to holders of its common stock.

Holders of the Company's common stock will have a reduced ownership and voting interest in the combined company after the Merger and will exercise less influence over management.

Holders of the Company's common stock currently have the right to vote in the election of the Board of Directors and on other matters affecting the Company's operations. When the Merger is completed, each holder of Cadence common stock who receives shares of the Company's common stock will become a holder of common stock of the combined company, with a percentage ownership of the combined company that is smaller than the holder's percentage ownership of Cadence, and each holder of the Company's common stock will become a holder of common stock of the combined company, with a percentage ownership of the combined company that is smaller than the holder's percentage ownership of the Company. Based upon the number of shares of the Company's and Cadence's common stock outstanding as of the close of business on the respective record dates, and based on the number of shares of the Company's common stock expected to be issued in the Merger, the former holders of Cadence common stock, as a group, are estimated to own approximately forty-five percent (45%) of the outstanding shares of common stock the combined company immediately after the Merger and current holders of the Company's common stock as a group are estimated to own approximately fifty-five percent (55%) of the outstanding shares of common stock of the combined company immediately after the Merger. Because of this, holders of the Company's common stock may have less influence on the management and policies of the combined company than they now have on the Company's current management and policies.

Holders of the Company's common stock will not have dissenters' rights or appraisal rights in the Merger.

Appraisal rights (also known as dissenters' rights) are statutory rights that, if applicable under law, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction.

Under Section 79-4-13.02 of the Mississippi Business Corporation Act, the holders of the Company's common stock will not be entitled to dissenters' rights in connection with the Merger with respect to shares of any class or series that remain outstanding after consummation of the Merger. If the Merger is completed, holders of the Company's common stock will not receive any consideration, and their shares of the Company's common stock will remain outstanding and will constitute shares of the combined company. Accordingly, holders of the Company's common stock are not entitled to any dissenters' rights in connection with the Merger.

Shareholder litigation could prevent or delay the completion of the Merger or otherwise negatively impact the Company's business and operations.

Beginning on May 28, 2021, six civil actions were filed alleging, among other things, that the preliminary proxy statement filed with the FDIC and the SEC by the Company and Cadence, respectively, in connection with the Merger was materially incomplete and misleading in various respects. The Company's shareholders may file additional lawsuits against us and/or the directors and the Company's officers in connection with the Merger. One of the conditions to the closing is that no order, injunction or decree issued by any court or governmental entity of competent jurisdiction or other legal restraint preventing the consummation of the Merger or any of the other transactions contemplated by the Merger Agreement be in effect. If any plaintiff were successful in obtaining an injunction prohibiting defendants from completing the Merger pursuant to the Merger Agreement, then such injunction may delay or prevent the effectiveness of the Merger and could result in significant costs to the Company, including any cost associated with the indemnification of directors and officers of each company. The Company has incurred costs in connection with existing lawsuits related to the Merger and, if additional lawsuits are filed, the Company may incur additional costs in connection with the defense or settlement of any such lawsuits filed in connection with the Merger. Such litigation could have an adverse effect on the Company's financial condition and results of operations and could prevent or delay the completion of the Merger. For additional information regarding previously filed lawsuits related to the Merger, see "Note 17 - Commitments and Contingent Liabilities."

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the period commencing April 1, 2021 and ending June 30, 2021, the Company issued 35,200 restricted stock units ("RSUs") under the Amended and Restated BancorpSouth Bank Long-Term Equity Incentive Plan, as amended, to eligible directors, officers, and employees of the Company for services rendered to the Company. The Company did not receive any cash consideration in connection with these grants, and these securities were exempt from registration under the Securities Act of 1933, as amended, pursuant to Section (3)(a)(2) thereof because the sales involved securities issued by a bank.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)(2)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April 1 - April 30	108	$ 31.94	—	6,000,000
May 1 - May 31	84,060	31.73	—	6,000,000
June 1 - June 30	49	31.73	—	6,000,000
Total	84,217			

(1) This column represents 108 shares redeemed in April 2021, 84,060 shares redeemed in May 2021 and 49 shares redeemed in June 2021 from employees for tax withholding purposes for stock compensation and no shares repurchased under the current stock repurchase program.
(2) On December 9, 2020, the Company announced a new share repurchase program whereby the Company may acquire up to an aggregate of 6,000,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period between January 4, 2021 through December 31, 2021. The extent and timing of any repurchases

depends on market conditions and other corporate, legal and regulatory considerations. Repurchased shares are held as authorized but unissued shares. These authorized but unissued shares are available for use in connection with the Company's stock option plans, other compensation programs, other transactions or for other corporate purposes as determined by the Company's Board of Directors. As of June 30, 2021, no shares had been repurchased under this program.

ITEM 6. EXHIBITS.

INDEX TO EXHIBITS

(2)

a) Agreement and Plan of Merger, dated as of April 12, 2021, by and between BancorpSouth Bank and Cadence Bancorporation (Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the FDIC on April 16, 2021 and incorporated herein by reference thereto).

(3)

a) Amended and Restated Articles of Incorporation of BancorpSouth Bank. (Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the FDIC on November 1, 2017 and incorporated herein by reference thereto.)
b) Articles of Amendment to the Amended and Restated Articles of Incorporation of BancorpSouth Bank (Filed as Exhibit 3.2 to the Company's Form 8-A filed with the FDIC on November 20, 2019 and incorporated herein by reference thereto.)
c) Amended and Restated Bylaws of BancorpSouth Bank. (Filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the FDIC on November 1, 2017 and incorporated herein by reference thereto.)
d) First Amendment to the Amended and Restated Bylaws of BancorpSouth Bank (Filed as Exhibit 3(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the FDIC on February 25, 2021 and incorporated herein by reference thereto).

(4)

a) Specimen Common Stock Certificate. (Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the FDIC on November 1, 2017 and incorporated herein by reference thereto.)
b) Form of Certificate Representing the Series A Preferred Stock (Filed as Exhibit 4.1 to the Company's Form 8-A filed with the FDIC on November 20, 2019 and incorporated herein by reference thereto.)
c) Fiscal and Paying Agency Agreement, dated November 20, 2019, between BancorpSouth Bank and U.S. Bank National Association (Filed as Exhibit 4.2 to the Company's Form 8-A filed with the FDIC on November 20, 2019 and incorporated herein by reference thereto.)
d) Form of Global Subordinated Note, dated November 20, 2019, made by BancorpSouth Bank (Filed as Exhibit 4.3 to the Company's Form 8-A filed with the FDIC on November 20, 2019 and incorporated herein by reference thereto).

(10)

a) Letter Agreement, dated as of April 12, 2021, by and between BancorpSouth Bank and James D. Rollins, III (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the FDIC on April 16, 2021 and incorporated herein by reference thereto). †
b) Letter Agreement, dated as of April 12, 2021, by and between BancorpSouth Bank and Chris A. Bagley (Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the FDIC on April 16, 2021 and incorporated herein by reference thereto). †
c) Letter Agreement, dated as of April 12, 2021, by and between BancorpSouth Bank and Paul B. Murphy, Jr. (Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the FDIC on April 16, 2021 and incorporated herein by reference thereto). †
d) Letter Agreement, dated as of April 12, 2021, by and between BancorpSouth Bank and Rudolph H. Holmes, IV (Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the FDIC on April 16, 2021 and incorporated herein by reference thereto). †

e) Letter Agreement, dated as of April 12, 2021, by and between BancorpSouth Bank and Valerie C. Toalson (Filed as Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the FDIC on April 16, 2021 and incorporated herein by reference thereto). †
f) BancorpSouth 2021 Long-Term Equity Incentive Plan (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the FDIC on April 30, 2021 and incorporated herein by reference thereto).†

(31.1) Certification of the Chief Executive Officer of BancorpSouth Bank pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

(31.2) Certification of the Chief Financial Officer of BancorpSouth Bank pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

(32.1) Certification of the Chief Executive Officer of BancorpSouth Bank pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

(32.2) Certification of the Chief Financial Officer of BancorpSouth Bank pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

* Filed herewith.
** Furnished herewith.
† Management contract or compensatory plan or arrangement.

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.

BANCORPSOUTH BANK

DATE: August 5, 2021

/s/ John G. Copeland

John G. Copeland
Senior Executive Vice President and
Chief Financial Officer

EXHIBIT 31.1

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

I, James D. Rollins III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BancorpSouth Bank;

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

/s/ James D. Rollins III

James D. Rollins III
Chief Executive Officer

EXHIBIT 31.2

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

I, John G. Copeland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of BancorpSouth Bank;

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

/s/ John G. Copeland

John G. Copeland
Senior Executive Vice President and
Chief Financial Officer

<u>EXHIBIT 32.1</u>

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

In connection with the quarterly report on Form 10-Q of BancorpSouth Bank (the "Company"), for the quarter ended June 30, 2021, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), I, James D. Rollins III, Chief Executive Officer of the Company, certify in my capacity as an executive officer of the Company, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

August 5, 2021

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

EXHIBIT 32.2

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

In connection with the quarterly report on Form 10-Q of BancorpSouth Bank (the "Company"), for the quarter ended June 30, 2021, as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), I, John G. Copeland, Chief Financial Officer of the Company, certify in my capacity as an executive officer of the Company, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

August 5, 2021

/s/ John G. Copeland
John G. Copeland
Senior Executive Vice President and
Chief Financial Officer