FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, DC 20429

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2020

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

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 ☒

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

As of October 30, 2020, the registrant had outstanding 102,577,163 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

	September 30, 2020	December 31, 2019
	(Unaudited)	(1)
	(Dollars in thousands, except share amounts)	
ASSETS		
Cash and due from banks	$ 306,164	$ 261,773
Interest bearing deposits with other banks	39,782	71,233
Available-for-sale securities, at fair value	5,659,785	4,481,974
Loans and leases	15,344,006	14,107,743
Less: Unearned income	16,271	18,060
Allowance for credit losses	250,624	119,066
Net loans and leases	15,077,111	13,970,617
Loans held for sale, at fair value	304,215	210,361
Premises and equipment, net	508,149	480,901
Accrued interest receivable	110,185	65,173
Goodwill	847,531	825,679
Other identifiable intangibles	54,757	60,008
Bank-owned life insurance	331,799	326,417
Other real estate owned	6,397	6,746
Other assets	309,547	291,694
TOTAL ASSETS	$ 23,555,422	$ 21,052,576
LIABILITIES		
Deposits:		
Demand: Noninterest bearing	$ 6,336,792	$ 4,661,821
Interest bearing	8,170,402	7,176,934
Savings	2,325,980	1,937,985
Other time	2,579,805	2,633,959
Total deposits	19,412,979	16,410,699
Securities sold under agreement to repurchase	611,455	513,422
Federal funds purchased and other short-term borrowings	95,217	725,000
Accrued interest payable	15,286	15,124
Junior subordinated debt securities	297,074	296,547
Long-term debt	4,508	5,053
Other liabilities	336,364	401,714
TOTAL LIABILITIES	20,772,883	18,367,559
SHAREHOLDERS' EQUITY		
Preferred stock, $0.01 par value per share Authorized - 6,900,000 shares; Issued - 6,900,000 shares	166,993	167,021
Common stock, $2.50 par value per share Authorized - 500,000,000 shares; Issued - 102,558,459 and 104,522,804 shares, respectively	256,396	261,307
Capital surplus	565,635	605,976
Accumulated other comprehensive income (loss)	18,490	(62,663)
Retained earnings	1,775,025	1,713,376
TOTAL SHAREHOLDERS' EQUITY	2,782,539	2,685,017
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 23,555,422	$ 21,052,576

(1) Derived from audited consolidated financial statements.

See accompanying notes to unaudited consolidated financial statements.

BANCORPSOUTH BANK AND SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

	Three months ended September 30,				Nine months ended September 30,			
	2020		2019		2020		2019	
	(In thousands, except per share amounts)							
INTEREST REVENUE:								
Loans and leases	$	175,810	$	178,729	$	525,993	$	515,156
Deposits with other banks		74		2,456		1,020		5,264
Federal funds sold, securities purchased under agreement to resell, FHLB and other equity investments		52		735		545		1,651
Available-for-sale securities:								
Taxable		21,280		13,759		63,571		39,419
Tax-exempt		986		1,883		3,224		5,894
Loans held for sale		2,468		1,442		5,853		3,816
Total interest revenue		200,670		199,004		600,206		571,200
INTEREST EXPENSE:								
Deposits:								
Interest bearing demand		10,773		15,689		37,926		43,569
Savings		1,012		1,341		3,245		4,027
Other time		9,287		10,546		30,751		28,246
Federal funds purchased and securities sold under agreement to repurchase		279		1,857		2,006		5,604
Short-term and long-term debt		49		2,971		2,383		10,582
Junior subordinated debt		3,338		—		9,862		—
Other		1		1		2		2
Total interest expense		24,739		32,405		86,175		92,030
Net interest revenue		175,931		166,599		514,031		479,170
Provision for credit losses		15,000		500		81,000		1,500
Net interest revenue, after provision for credit losses		160,931		166,099		433,031		477,670
NONINTEREST REVENUE:								
Mortgage banking		27,097		7,289		66,124		9,680
Credit card, debit card and merchant fees		9,938		9,778		28,194		28,820
Deposit service charges		8,892		11,939		28,221		33,822
Security gains (losses), net		18		117		(5)		215
Insurance commissions		32,750		31,512		95,471		95,643
Wealth management		6,471		6,651		19,462		18,192
Other		4,758		8,146		20,211		19,612
Total noninterest revenue		89,924		75,432		257,678		205,984
NONINTEREST EXPENSE:								
Salaries and employee benefits		104,219		101,154		320,594		299,363
Occupancy, net of rental income		13,053		12,323		38,651		35,862
Equipment		4,519		4,676		13,930		12,987
Deposit insurance assessments		1,522		2,038		5,030		6,943
Other		32,192		39,423		107,810		112,101
Total noninterest expense		155,505		159,614		486,015		467,256
Income before income taxes		95,350		81,917		204,694		216,398
Income tax expense		21,525		18,160		45,448		47,986
Net income	$	73,825	$	63,757	$	159,246	$	168,412
Less: Preferred dividends		2,372		—		7,116		—
Net income available to common shareholders		71,453		63,757		152,130		168,412
Earnings per common share: Basic	$	0.70	$	0.63	$	1.47	$	1.68
Diluted	$	0.69	$	0.63	$	1.47	$	1.67
Dividends declared per common share	$	0.19	$	0.19	$	0.56	$	0.53

See accompanying notes to unaudited consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Net income	$ 73,825	$ 63,757	$ 159,246	$ 168,412
Other comprehensive (loss) income, net of tax				
Net unrealized (losses) gains on securities	(7,717)	1,723	78,105	26,980
Pension and other postretirement benefits	1,016	991	3,048	2,973
Other comprehensive (loss) income, net of tax	(6,701)	2,714	81,153	29,953
Comprehensive income	$ 67,124	$ 66,471	$ 240,399	$ 198,365

See accompanying notes to unaudited consolidated financial statements.

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

	Three months ended September 30, 2020							
	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
	(Dollars in thousands, except share amounts)							
Balances at June 30, 2020	6,900,000	$ 166,993	102,566,301	$ 256,416	$ 561,541	$ 25,191	$ 1,722,546	$ 2,732,687
Net income	—	—	—	—	—	—	73,825	73,825
Change in fair value of available-for-sale securities net of tax effect of ($2,565)	—	—	—	—	—	(7,717)	—	(7,717)
Change in pension funding status, net of tax effect of $337	—	—	—	—	—	1,016	—	1,016
Comprehensive income								67,124
Recognition of stock compensation	—	—	(5,816)	(15)	4,133	—	—	4,118
Repurchase of stock	—	—	(2,026)	(5)	(39)	—	—	(44)
Preferred dividends declared	—	—	—	—	—	—	(2,372)	(2,372)
Common dividends declared, $0.19 per share	—	—	—	—	—	—	(18,974)	(18,974)
Balances at September 30, 2020	6,900,000	$ 166,993	102,558,459	$ 256,396	$ 565,635	$ 18,490	$ 1,775,025	$ 2,782,539

	Three months ended September 30, 2019					
	Shares	Common Stock	Capital Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	(Dollars in thousands, except share amounts)					
Balances at June 30, 2019	100,651,798	$ 251,629	$ 506,201	$ (53,252)	$ 1,622,542	$ 2,327,120
Net income	—	—	—	—	63,757	63,757
Change in fair value of available-for-sale securities, net of tax effect of ($573)	—	—	—	1,723	—	1,723
Change in pension funding status, net of tax effect of ($330)	—	—	—	991	—	991
Comprehensive income						66,471
Recognition of stock compensation	87,027	218	3,316	—	—	3,534
Repurchase of stock	(562,624)	(1,406)	(13,809)	—	—	(15,215)
Issuance of stock in conjunction with acquisitions	4,599,675	11,499	115,407	—	—	126,906
Cash dividends declared, $0.19 per share	—	—	—	—	(19,389)	(19,389)
Balances at September 30, 2019	104,775,876	$ 261,940	$ 611,115	$ (50,538)	$ 1,666,910	$ 2,489,427

See accompanying notes to unaudited consolidated financial statements.

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

	Nine months ended September 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)							
Balances 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	—	—	—	—	—	—	159,246	159,246
Change in fair value of available-for-sale securities net of tax effect of $25,967	—	—	—	—	—	78,105	—	78,105
Change in pension funding status, net of tax effect of $1,011	—	—	—	—	—	3,048	—	3,048
Comprehensive income								240,399
Recognition of stock compensation	—	—	452,745	1,132	11,889	—	—	13,021
Repurchase of stock	—	—	(3,456,333)	(8,641)	(82,275)	—	—	(90,916)
Issuance of stock in conjunction with acquisitions	—	—	1,039,243	2,598	30,045	—	—	32,643
Preferred dividends declared	—	—	—	—	—	—	(7,116)	(7,116)
Common dividends declared, $0.56 per share	—	—	—	—	—	—	(56,981)	(56,981)
Issuance of preferred stock	—	(28)	—	—	—	—	—	(28)
Cumulative effect of change in accounting principles	—	—	—	—	—	—	(33,500)	(33,500)
Balances at September 30, 2020	6,900,000	$ 166,993	102,558,459	$ 256,396	$ 565,635	$ 18,490	$ 1,775,025	$ 2,782,539

	Nine Months Ended September 30, 2019					
	Shares	Common Stock	Capital Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	(Dollars in thousands, except share amounts)					
Balances at December 31, 2018	99,797,271	$ 249,493	$ 484,482	$ (80,491)	$ 1,552,253	$ 2,205,737
Net income	—	—	—	—	168,412	168,412
Change in fair value of available-for-sale securities, net of tax effect of ($8,971)	—	—	—	26,980	—	26,980
Change in pension funding status, net of tax effect of ($990)	—	—	—	2,973	—	2,973
Comprehensive income						198,365
Recognition of stock compensation	401,742	1,005	10,551	—	—	11,556
Repurchase of stock	(2,247,713)	(5,619)	(56,549)	—	—	(62,168)
Issuance of stock in conjunction with acquisitions	6,824,576	17,061	172,631	—	—	189,692
Cash dividends declared, $0.53 per share	—	—	—	—	(53,430)	(53,430)
Cumulative effect of change in accounting principles	—	—	—	—	(325)	(325)
Balances at September 30, 2019	104,775,876	$ 261,940	$ 611,115	$ (50,538)	$ 1,666,910	$ 2,489,427

See accompanying notes to unaudited consolidated financial statements.

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

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
	(In thousands)	
Operating Activities:		
Net income	$ 159,246	$ 168,412
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	81,000	1,500
Depreciation and amortization	24,645	22,079
Amortization of intangibles	7,107	6,610
Amortization of debt securities premium and discount, net	11,785	2,648
Share-based compensation expense	13,021	11,556
Security losses (gains), net	5	(215)
Increase (decrease) in net deferred loan origination fees	17,051	(613)
Increase in interest receivable	(43,746)	(1,788)
Increase in interest payable	24	4,046
Realized gain on mortgages sold, net	(53,644)	(17,513)
Proceeds from mortgages sold	2,358,350	1,254,602
Origination of mortgages held for sale	(2,403,733)	(1,323,371)
Loss on other real estate owned, net	40	109
Net increase in bank-owned life insurance	(5,708)	(6,135)
Increase in prepaid pension asset	(5,724)	(3,662)
Change in payments for operating leases	(7,535)	(7,074)
Other, net	31,200	52,267
Net cash provided by operating activities	183,384	163,458
Investing activities:		
Proceeds from calls and maturities of available-for-sale securities	865,744	695,860
Proceeds from sales of available-for-sale securities	147,621	125,394
Purchases of available-for-sale securities	(2,050,170)	(674,683)
Net decrease in short-term investments	20,000	38,646
Net increase in loans and leases	(1,072,509)	(29,531)
Purchases of premises and equipment	(42,043)	(41,795)
Proceeds from sale of premises and equipment	996	2,895
Purchases of bank-owned life insurance, net of proceeds from death benefits	326	2,488
Net cash received in bank acquisitions	6,852	172,612
Proceeds from sale of other real estate owned	7,833	4,285
Net cash (used in) provided by investing activities	(2,115,350)	296,171
Financing activities:		
Net increase in deposits	2,632,208	631,879
Net decrease in short-term and other debt	(531,972)	(507,659)
Repayment of long-term debt	(294)	(984)
Repurchase of common stock	(90,916)	(62,168)
Fees associated with preferred stock issuance	(28)	—
Payment of cash dividends on common stock	(56,976)	(53,375)
Payment of cash dividends on preferred stock	(7,116)	—
Net cash provided by financing activities	1,944,906	7,693
Net increase in cash and cash equivalents	12,940	467,322
Cash and cash equivalents at beginning of period	333,006	332,436
Cash and cash equivalents at end of period	$ 345,946	$ 799,758

See accompanying notes to the unaudited consolidated financial statements

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

	Nine months ended September 30,	
	2020	2019
Supplemental Cash Flow Information	(In thousands)	
Cash paid during the period for:		
Income tax payments, net	$ 65,251	$ 15,353
Interest paid	86,337	96,606
Non-cash Activities:		
Transfers of loans to other real estate owned, at fair value	7,525	4,160
MSR and hedge fair value adjustment	(13,026)	(17,679)
Financed sales of other real estate owned	—	430
Transfers of loans held for sale to loan portfolio, at fair value	3,059	1,615
Stock issued in connection with bank acquisitions	32,643	189,692
Right-of-use assets obtained in exchange for new operating lease liabilities	(248)	64,988
Lease liabilities arising from obtaining ROU assets	(870)	(65,420)

See accompanying notes to the 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, 2019 as filed with the Federal Deposit Insurance Corporation (the "FDIC") on February 27, 2020. 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 nine-month periods ended September 30, 2020 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 Municipal Development Corporation, BancorpSouth Bank Securities Corporation, BXS Investor, Inc., and BXS Community Fund, LLC. During the fourth quarter of 2019, the Company sold Gumtree Wholesale Insurance Brokers ("Gumtree"). The results of operations of Gumtree have been included in the Company's financial statements until December 31, 2019. Neither the sale nor operations of Gumtree had, or will have, a material effect on the Company's operations and financial results.

NOTE 2—BUSINESS COMBINATIONS

On April 1, 2019, the Company completed the merger with Casey Bancorp, Inc. and its wholly owned subsidiary, Grand Bank of Texas, (collectively referred to as "Grand Bank"), pursuant to which Grand Bank merged with and into the Company. Grand Bank operated four full-service banking offices in the cities of Dallas, Grand Prairie, Horseshoe Bay and Marble Falls, all in Texas. Under the terms of the definitive merger agreement, the Company issued approximately 1,275,000 shares of the Company's common stock, plus $14.6 million in cash for all outstanding shares of Grand Bank's capital stock. The terms of the same definitive merger agreement provided for other options to pay the cash consideration, such as a dividend to shareholders, prior to closing in lieu of receiving the cash consideration from the Company. As of September 30, 2020, total goodwill related to the Grand Bank acquisition was $20.1 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 $8.8 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 April 1, 2019 for Grand Bank, showing the fair value (in thousands):

Assets:		
Cash and due from banks	$	59,928
Interest bearing deposits with other banks		1,478
Federal funds sold		6,946
Loans and leases		257,687
Premises and equipment		7,806
Accrued interest receivable		818
Other identifiable intangibles		8,755
Other real estate owned		1,497
Other assets		2,539
Total Assets	$	347,454
Liabilities assumed:		
Deposits	$	323,462
Accrued interest payable		87
Other liabilities		1,896
Total liabilities	$	325,445
Net assets acquired	$	22,009
Consideration Paid:		
Market value of common stock		(35,980)
Total cash paid		(6,128)
Total fair value of consideration paid	$	(42,108)
Goodwill	$	20,099

On April 1, 2019, the Company completed the merger with Merchants Trust, Inc. and its wholly owned subsidiary, Merchants Bank, (collectively referred to as "Merchants"), pursuant to which Merchants merged with and into the Company. Merchants operated six full-service banking offices in Clarke and Mobile counties in Alabama. Under the terms of the definitive merger agreement, the Company issued approximately 950,000 shares of the Company's common stock, plus $9.7 million in cash for all outstanding shares of Merchants' capital stock. The terms of the same definitive merger agreement provided for other options to pay the cash consideration, such as a dividend to shareholders, prior to closing in lieu of receiving the cash consideration from the Company. As of September 30, 2020, total goodwill related to the Merchants acquisition was $17.0 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 $4.4 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 April 1, 2019 for Merchants, showing the fair value (in thousands):

Assets:		
Cash and due from banks	$	13,949
Interest bearing deposits with other banks		2,325
Available for sale securities and other equity investments		40,261
Loans and leases		146,779
Premises and equipment		8,254
Accrued interest receivable		885
Other identifiable intangibles		4,367
Other real estate owned		849
Bank owned life insurance		5,800
Other assets		273
Total Assets	$	223,742
Liabilities assumed:		
Deposits	$	205,508
Accrued interest payable		88
Other liabilities		3,963
Total liabilities	$	209,559
Net assets acquired	$	14,183
Consideration Paid:		
Market value of common stock		(26,807)
Total cash paid		(4,396)
Total fair value of consideration paid	$	(31,203)
Goodwill	$	17,020

On September 1, 2019, the Company completed the merger with Van Alstyne Financial Corporation and its wholly owned subsidiary, Texas Star Bank, (collectively referred to as “Texas Star”), pursuant to which Texas Star merged with and into the Company. Texas Star operated seven full-service banking offices in Collin and Grayson counties in Texas, and one loan production office in Durant, Oklahoma. Under the terms of the definitive merger agreement, the Company issued approximately 2,100,000 shares of the Company’s common stock, plus $21.4 million in cash for all outstanding shares of Texas Star’s capital stock. As of September 30, 2020, total goodwill related to the Texas Star acquisition was $46.3 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 $2.1 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 September 1, 2019 for Texas Star, showing the fair value (in thousands):

Assets:		
Cash and due from banks	$	11,739
Interest bearing deposits with other banks		504
Federal funds sold		31,700
Available for sale securities and other equity investments		15,230
Loans and leases		302,198
Premises and equipment		4,834
Accrued interest receivable		1,210
Other identifiable intangibles		2,112
Bank owned life insurance		3,499
Other assets		5,274
Total Assets	$	378,300
Liabilities assumed:		
Deposits	$	341,362
Accrued interest payable		217
Long-term debt		328
Other liabilities		3,385
Total liabilities	$	345,292
Net assets acquired	$	33,008
Consideration Paid:		
Market value of common stock		(57,937)
Total cash paid		(21,420)
Total fair value of consideration paid	$	(79,357)
Goodwill	$	46,349

On September 1, 2019, the Company completed the merger with Summit Financial Enterprises, Inc. and its wholly owned subsidiary, Summit Bank, (collectively referred to as “Summit”), pursuant to which Summit merged with and into the Company. Summit operated four full-service banking offices in Panama City, Panama City Beach, Fort Walton Beach, and Pensacola, Florida. Under the terms of the definitive merger agreement, the Company issued approximately 2,500,000 shares of the Company’s common stock, plus $26.8 million in cash for all outstanding shares of Summit’s capital stock. The terms of the same definitive merger agreement provided for other options to pay the cash consideration, such as a dividend to shareholders, prior to closing in lieu of receiving the cash consideration from the Company. As of September 30, 2020, total goodwill related to the Summit acquisition was $39.8 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.

The following table presents the amounts recorded on the consolidated balance sheets on the acquisition date of September 1, 2019 for Summit, showing the fair value (in thousands):

Assets:		
Cash and due from banks	$	137,876
Interest bearing deposits with other banks		1,276
Available for sale securities and other equity investments		74,894
Loans and leases		288,631
Premises and equipment		2,145
Accrued interest receivable		1,063
Other identifiable intangibles		2,512
Other real estate owned		488
Bank owned life insurance		7,140
Other assets		3,093
Total Assets	$	519,118
Liabilities assumed:		
Deposits	$	453,579
Federal funds purchased and other short-term borrowings		6,439
Accrued interest payable		139
Other liabilities		5,275
Total liabilities	$	465,432
Net assets acquired	$	53,686
Consideration Paid:		
Market value of common stock		(68,968)
Total cash paid		(24,519)
Total fair value of consideration paid	$	(93,487)
Goodwill	$	39,801

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 September 30, 2020, 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.

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 Texas First’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 January 1, 2020 for Texas First, showing the provisional fair value (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

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:

	September 30, 2020	December 31, 2019
	(In thousands)	
Commercial and industrial		
Commercial and industrial-non real estate	$ 2,938,748	$ 1,980,650
Commercial and industrial-owner occupied	2,297,008	2,268,813
Total commercial and industrial	5,235,756	4,249,463
Commercial real estate		
Agricultural	333,839	337,349
Construction, acquisition and development	1,700,030	1,577,342
Commercial real estate	3,229,959	3,220,914
Total commercial real estate	5,263,828	5,135,605
Consumer		
Consumer mortgages	3,704,490	3,543,075
Home equity	658,708	683,515
Credit cards	85,760	102,559
Total consumer	4,448,958	4,329,149
All other	395,464	393,526
Gross Loans Total (1)	15,344,006	14,107,743
Less: Unearned Income	16,271	18,060
Net Loans	$ 15,327,735	$ 14,089,683

(1) Gross loans and leases are net of deferred fees of $10.8 million and deferred costs of $7.9 million at September 30, 2020 and December 31, 2019, 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 late in the first quarter, 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.

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. As of the expiration of the PPP on August 7, 2020, the Company had closed or approved applications for approximately 15,021 PPP loans representing approximately $1.2 billion in funding. The PPP loans are designed to be fully guaranteed by the U.S. government and as such should not present a credit risk. The PPP loans are 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, 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, 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 farm land. 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, 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 sub-prime 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, 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 September 30, 2020 by segment, class and geographical location:

	Alabama and Florida Panhandle	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Texas	Other	Total
					(In thousands)				
Commercial and industrial									
Commercial and industrial- non real estate	$ 275,711	$ 237,417	$ 352,908	$ 739,580	$ 78,753	$ 189,569	$ 1,058,826	$ 4,844	$ 2,937,608
Commercial and industrial- owner occupied	265,239	185,519	238,839	636,024	62,987	128,232	777,603	2,565	2,297,008
Total commercial and industrial	540,950	422,936	591,747	1,375,604	141,740	317,801	1,836,429	7,409	5,234,616
Commercial real estate									
Agricultural	26,136	70,808	24,489	71,275	7,362	10,925	122,401	443	333,839
Construction, acquisition and development	173,894	49,582	83,313	310,262	22,506	104,294	956,179	—	1,700,030
Commercial real estate	333,696	338,794	304,446	659,031	230,587	222,234	1,141,171	—	3,229,959
Total commercial real estate	533,726	459,184	412,248	1,040,568	260,455	337,453	2,219,751	443	5,263,828
Consumer									
Consumer mortgages	584,926	335,889	344,462	828,965	109,091	340,804	1,093,636	66,717	3,704,490
Home equity	102,779	46,382	79,574	227,479	16,660	145,480	40,354	—	658,708
Credit cards	—	—	—	—	—	—	—	85,760	85,760
Total consumer	687,705	382,271	424,036	1,056,444	125,751	486,284	1,133,990	152,477	4,448,958
All other	61,241	42,561	34,041	121,036	3,818	19,284	88,622	9,730	380,333
Total	$ 1,823,622	$ 1,306,952	$ 1,462,072	$ 3,593,652	$ 531,764	$ 1,160,822	$ 5,278,792	$ 170,059	$15,327,735

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 September 30, 2020 and December 31, 2019:

	September 30, 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	$ 2,394	$ 1,838	$ 14,441	$ 18,673	$ 2,918,935	$ 2,937,608	$ 210
Commercial and industrial- owner occupied	309	1,821	7,970	10,100	2,286,908	2,297,008	—
Total commercial and industrial	2,703	3,659	22,411	28,773	5,205,843	5,234,616	210
Commercial real estate							
Agricultural	188	34	3,150	3,372	330,467	333,839	—
Construction, acquisition and development	1,599	665	9,287	11,551	1,688,479	1,700,030	—
Commercial real estate	716	1,397	18,469	20,582	3,209,377	3,229,959	—
Total commercial real estate	2,503	2,096	30,906	35,505	5,228,323	5,263,828	—
Consumer							
Consumer mortgages	28,891	14,964	34,822	78,677	3,625,813	3,704,490	17,261
Home equity	1,452	545	1,400	3,397	655,311	658,708	5
Credit cards	324	148	182	654	85,106	85,760	156
Total consumer	30,667	15,657	36,404	82,728	4,366,230	4,448,958	17,422
All other	664	111	321	1,096	379,237	380,333	9
Total	$ 36,537	$ 21,523	$ 90,042	$ 148,102	$15,179,633	$15,327,735	$ 17,641

	December 31, 2019						
	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	$ 8,024	$ 1,558	$ 9,231	$ 18,813	$ 1,960,694	$ 1,979,507	$ 1,038
Commercial and industrial- owner occupied	1,314	2,920	10,581	14,815	2,253,998	2,268,813	3,877
Total commercial and industrial	9,338	4,478	19,812	33,628	4,214,692	4,248,320	4,915
Commercial real estate							
Agricultural	1,699	683	2,567	4,949	332,400	337,349	714
Construction, acquisition and development	1,795	1,367	11,870	15,032	1,562,310	1,577,342	5,775
Commercial real estate	6,357	17,225	4,749	28,331	3,192,583	3,220,914	—
Total commercial real estate	9,851	19,275	19,186	48,312	5,087,293	5,135,605	6,489
Consumer							
Consumer mortgages	28,184	8,749	21,229	58,162	3,484,913	3,543,075	5,678
Home equity	2,220	606	1,314	4,140	679,375	683,515	—
Credit cards	389	275	460	1,124	101,435	102,559	445
Total consumer	30,793	9,630	23,003	63,426	4,265,723	4,329,149	6,123
All other	1,308	393	323	2,024	374,585	376,609	4
Total	$ 51,290	$ 33,776	$ 62,324	$ 147,390	$13,942,293	$14,089,683	$ 17,531

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.

Purchased Credit-Impaired ("PCI"): 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. This loan classification was no longer used subsequent to December 31, 2019.

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 September 30, 2020 and December 31, 2019:

	September 30, 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	$ 2,875,468	$ —	$ 47,526	$ 178	$ —	$ 3,664	$ 10,772	2,937,608
Commercial and industrial-owner occupied	2,224,302	—	56,919	—	—	12,116	3,671	2,297,008
Total commercial and industrial	5,099,770	—	104,445	178	—	15,780	14,443	5,234,616
Commercial real estate								
Agricultural	324,010	—	7,109	—	—	725	1,995	333,839
Construction, acquisition and development	1,656,961	—	34,197	—	—	2,961	5,911	1,700,030
Commercial real estate	3,070,472	—	127,835	—	—	27,493	4,159	3,229,959
Total commercial real estate	5,051,443	—	169,141	—	—	31,179	12,065	5,263,828
Consumer								
Consumer mortgages	3,615,071	—	85,827	—	—	2,859	733	3,704,490
Home equity	651,525	—	7,183	—	—	—	—	658,708
Credit cards	85,760	—	—	—	—	—	—	85,760
Total consumer	4,352,356	—	93,010	—	—	2,859	733	4,448,958
All other	374,374	—	5,887	—	—	—	72	380,333
Total	$14,877,943	$ —	$ 372,483	$ 178	$ —	$ 49,818	$ 27,313	15,327,735

(1) Impaired loans are shown exclusive of $11.2 million of accruing troubled debt restructurings ("TDRs"), $1.5 million of non-accruing TDRs and approximately $8,000 of 90+ days past due, still accruing TDRs.

	December 31, 2019							
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Purchased Credit Impaired	Total
	(In thousands)							
Commercial and industrial								
Commercial and industrial-non real estate	$ 1,914,055	$ —	$ 56,035	$ 194	$ —	$ 1,054	$ 8,169	$ 1,979,507
Commercial and industrial-owner occupied	2,214,870	—	44,077	—	—	4,296	5,570	2,268,813
Total commercial and industrial	4,128,925	—	100,112	194	—	5,350	13,739	4,248,320
Commercial real estate								
Agricultural	326,983	—	8,200	—	—	757	1,409	337,349
Construction, acquisition and development	1,554,291	—	11,759	—	—	5,457	5,835	1,577,342
Commercial real estate	3,130,489	—	74,606	—	—	11,934	3,885	3,220,914
Total commercial real estate	5,011,763	—	94,565	—	—	18,148	11,129	5,135,605
Consumer								
Consumer mortgages	3,455,307	—	86,373	—	—	596	799	3,543,075
Home equity	675,642	—	7,873	—	—	—	—	683,515
Credit cards	102,559	—	—	—	—	—	—	102,559
Total consumer	4,233,508	—	94,246	—	—	596	799	4,329,149
All other	364,783	2,240	9,568	—	—	—	18	376,609
Total	$13,738,979	$ 2,240	$ 298,491	$ 194	$ —	$ 24,094	$ 25,685	$14,089,683

(1) Impaired loans are shown exclusive of $15.2 million of accruing TDRs, $2.0 million of non-accruing TDRs and approximately $57,000 of 90+ days past due, still accruing TDRs.

The following tables provide credit quality indicators by class and period of origination as of September 30, 2020:

	Commercial and industrial - non real estate								
	Period Originated:								
	Nine Months Ended September 30, 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	$1,487,374	$ 314,445	$ 196,259	$ 161,076	$ 48,938	$ 68,290	$ 581,733	$ 17,353	$2,875,468
Substandard	3,431	14,222	6,749	7,202	715	1,058	11,872	2,277	47,526
Doubtful	—	—	—	—	—	178	—	—	178
Impaired	581	602	678	—	895	—	908	—	3,664
Purchased Credit Deteriorated (Loss)	—	3,103	679	2,504	—	3,915	571	—	10,772
Total	$1,491,386	$ 332,372	$ 204,365	$ 170,782	$ 50,548	$ 73,441	$ 595,084	$ 19,630	$2,937,608
% Criticized	0.3 %	5.4 %	4.0 %	5.7 %	3.2 %	7.0 %	2.2 %	11.6 %	2.1 %

	Commercial and industrial - Owner Occupied								
	Period Originated:								
	Nine Months Ended September 30, 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	$ 329,131	$ 380,002	$ 367,903	$ 281,804	$ 222,995	$ 423,284	$ 205,734	$ 13,449	$2,224,302
Substandard	436	12,037	7,007	7,189	8,462	17,622	4,166	—	56,919
Impaired	—	6,608	1,234	2,117	226	588	545	798	12,116
Purchased Credit Deteriorated (Loss)	—	—	1,486	—	—	2,185	—	—	3,671
Total	$ 329,567	$ 398,647	$ 377,630	$ 291,110	$ 231,683	$ 443,679	$ 210,445	$ 14,247	$2,297,008
% Criticized	0.1 %	4.7 %	2.6 %	3.2 %	3.7 %	4.6 %	2.2 %	5.6 %	3.2 %

	Agricultural								
	Period Originated:								
	Nine Months Ended September 30, 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	$ 62,376	$ 53,900	$ 59,123	$ 55,143	$ 21,175	$ 42,999	$ 28,307	$ 987	$ 324,010
Substandard	80	857	306	1,574	4,101	191	—	—	7,109
Impaired	—	—	647	78	—	—	—	—	725
Purchased Credit Deteriorated (Loss)	—	218	—	596	1,181	—	—	—	1,995
Total	$ 62,456	$ 54,975	$ 60,076	$ 57,391	$ 26,457	$ 43,190	$ 28,307	$ 987	$ 333,839
% Criticized	0.1 %	2.0 %	1.6 %	3.9 %	20.0 %	0.4 %	— %	— %	2.9 %

	Construction, Acquisition, & Development								
	Period Originated:								
	Nine Months Ended September 30, 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	$ 148,687	$ 160,507	$ 114,940	$ 53,067	$ 28,666	$ 32,342	$1,098,751	$ 20,001	$1,656,961
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	756	1,755	10,906	1,143	1,171	315	15,955	2,196	34,197
Impaired	—	2,961	—	—	—	—	—	—	2,961
Purchased Credit Deteriorated (Loss)	—	—	5,911	—	—	—	—	—	5,911
Total	$ 149,443	$ 165,223	$ 131,757	$ 54,210	$ 29,837	$ 32,657	$1,114,706	$ 22,197	$1,700,030
% Criticized	0.5 %	2.9 %	12.8 %	2.1 %	3.9 %	1.0 %	1.4 %	9.9 %	2.5 %

	Commercial Real Estate								
	Period Originated:								
	Nine Months Ended September 30, 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	$ 274,228	$ 443,201	$ 506,689	$ 390,726	$ 506,172	$ 591,747	$ 326,208	$ 31,501	$3,070,472
Substandard	5,309	8,041	12,242	57,710	16,354	16,735	11,444	—	127,835
Impaired	—	—	16,127	5,737	5,439	—	190	—	27,493
Purchased Credit Deteriorated (Loss)	—	3,383	776	—	—	—	—	—	4,159
Total	$ 279,537	$ 454,625	$ 535,834	$ 454,173	$ 527,965	$ 608,482	$ 337,842	$ 31,501	$3,229,959
% Criticized	1.9 %	2.5 %	5.4 %	14.0 %	4.1 %	2.8 %	3.4 %	— %	4.9 %

	Consumer Mortgages								
	Period Originated:								
	Nine Months Ended September 30, 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	$ 888,335	$ 673,827	$ 592,931	$ 466,341	$ 358,304	$ 541,458	$ 90,211	$ 3,664	$3,615,071
Substandard	6,352	12,132	18,052	15,842	9,122	21,080	3,044	203	85,827
Impaired	—	2,266	—	—	—	593	—	—	2,859
Purchased Credit Deteriorated (Loss)	—	—	—	138	—	595	—	—	733
Total	$ 894,687	$ 688,225	$ 610,983	$ 482,321	$ 367,426	$ 563,726	$ 93,255	$ 3,867	$3,704,490
% Criticized	0.7 %	2.1 %	3.0 %	3.3 %	2.5 %	4.0 %	3.3 %	5.2 %	2.4 %

	All Other								
	Period Originated:								
	Nine Months Ended September 30, 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	$ 137,343	$ 52,362	$ 42,879	$ 25,392	$ 12,217	$ 25,442	$ 78,156	$ 583	$ 374,374
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	417	1,285	1,306	467	209	1,585	569	49	5,887
Purchased Credit Deteriorated (Loss)	—	72	—	—	—	—	—	—	72
Total	$ 137,760	$ 53,719	$ 44,185	$ 25,859	$ 12,426	$ 27,027	$ 78,725	$ 632	$ 380,333
% Criticized	0.3 %	2.5 %	3.0 %	1.8 %	1.7 %	5.9 %	0.7 %	7.8 %	1.6 %

The following table provides the credit quality indicators for line-of-credit arrangements at September 30, 2020:

	Home equity	Credit card
Non-performing(1)	$ 3,864	$ 817
Performing	654,844	84,943
Total	$ 658,708	$ 85,760

(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 tables present the amortized cost basis of collateral-dependent loans by segment and class and type of collateral as of September 30, 2020:

	Company Originated				
	Real Estate Commercial	Real Estate Consumer	Equipment	Other	Total
	(In thousands)				
Commercial and industrial					
Commercial and industrial-non real estate	$ —	$ —	$ 1,542	$ 1,624	$ 3,166
Commercial and industrial-owner occupied	7,998	—	—	—	7,998
Total commercial and industrial	7,998	—	1,542	1,624	11,164
Commercial real estate					
Agricultural	—	—	—	—	—
Construction, acquisition and development	2,321	640	—	—	2,961
Commercial real estate	13,925	—	—	—	13,925
Total commercial real estate	16,246	640	—	—	16,886
Consumer					
Consumer mortgages	2,266	593	—	—	2,859
Home equity	—	—	—	—	—
Credit cards	—	—	—	—	—
Total consumer	2,266	593	—	—	2,859
All other	—	—	—	—	—
Total	$ 26,510	$ 1,233	$ 1,542	$ 1,624	$ 30,909

	Acquired				
	Real Estate Commercial	Real Estate Consumer	Equipment	Other	Total
	(In thousands)				
Commercial and industrial					
Commercial and industrial-non real estate	$ —	$ —	$ 5,867	$ 5,403	$ 11,270
Commercial and industrial-owner occupied	7,789	—	—	—	7,789
Total commercial and industrial	7,789	—	5,867	5,403	19,059
Commercial real estate					
Agricultural	2,720	—	—	—	2,720
Construction, acquisition and development	5,463	448	—	—	5,911
Commercial real estate	17,727	—	—	—	17,727
Total commercial real estate	25,910	448	—	—	26,358
Consumer					
Consumer mortgages	138	595	—	—	733
Home equity	—	—	—	—	—
Credit cards	—	—	—	—	—
Total consumer	138	595	—	—	733
All other	—	—	72	—	72
Total	$ 33,837	$ 1,043	$ 5,939	$ 5,403	$ 46,222

	Total				
	Real Estate Commercial	Real Estate Consumer	Equipment	Other	Total
	(In thousands)				
Commercial and industrial					
Commercial and industrial-non real estate	$ —	$ —	$ 7,409	$ 7,027	$ 14,436
Commercial and industrial-owner occupied	15,787	—	—	—	15,787
Total commercial and industrial	15,787	—	7,409	7,027	30,223
Commercial real estate					
Agricultural	2,720	—	—	—	2,720
Construction, acquisition and development	7,784	1,088	—	—	8,872
Commercial real estate	31,652	—	—	—	31,652
Total commercial real estate	42,156	1,088	—	—	43,244
Consumer					
Consumer mortgages	2,404	1,188	—	—	3,592
Home equity	—	—	—	—	—
Credit cards	—	—	—	—	—
Total consumer	2,404	1,188	—	—	3,592
All other	—	—	72	—	72
Total	$ 60,347	$ 2,276	$ 7,481	$ 7,027	$ 77,131

The following tables provide details regarding impaired loans and leases, net of unearned income, which exclude accruing TDRs, by segment and class as of and for the year ended December 31, 2019. For the purpose of this disclosure, PCI loans have been excluded.

	December 31, 2019				
	Recorded Investment in Impaired Loans (1)	Unpaid Principal Balance of Impaired Loans	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized
			(In thousands)		
With no related allowance:					
Commercial and industrial					
Commercial and industrial - non real estate	$ —	$ —	$ —	$ 1,703	$ —
Commercial and industria l- owner occupied	669	1,246	—	2,597	29
Total commercial and industrial	669	1,246	—	4,300	29
Commercial real estate					
Agricultural	757	1,003	—	736	—
Construction, acquisition and development	5,457	5,457	—	913	—
Commercial real estate	11,274	11,298	—	2,705	7
Total commercial real estate	17,488	17,758	—	4,354	7
Consumer					
Consumer mortgages	—	—	—	274	—
Home equity	—	—	—	86	1
Total consumer	—	—	—	360	1
Total	$ 18,157	$ 19,004	$ —	$ 9,014	$ 37
With an allowance:					
Commercial and industrial					
Commercial and industrial - non real estate	$ 1,054	$ 1,054	$ 354	$ 1,814	$ 35
Commercial and industrial - owner occupied	3,627	3,627	489	1,356	—
Total commercial and industrial	4,681	4,681	843	3,170	35
Commercial real estate	660	664	185	8,937	5
Consumer mortgages	596	596	46	3,378	15
Total	$ 5,937	$ 5,941	$ 1,074	$ 15,485	$ 55
Total:					
Commercial and industrial					
Commercial and industrial - non real estate	$ 1,054	$ 1,054	$ 354	$ 3,517	$ 35
Commercial and industrial - owner occupied	4,296	4,873	489	3,953	29
Total commercial and industrial	5,350	5,927	843	7,470	64
Commercial real estate					
Agricultural	757	1,003	—	736	—
Construction, acquisition and development	5,457	5,457	—	913	—
Commercial real estate	11,934	11,962	185	11,642	12
Total commercial real estate	18,148	18,422	185	13,291	12
Consumer					
Consumer mortgages	596	596	46	3,652	15
Home equity	—	—	—	86	1
Total consumer	596	596	46	3,738	16
Total	$ 24,094	$ 24,945	$ 1,074	$ 24,499	$ 92

(1) Excludes $15.2 million of accruing TDRs, $2.0 million of non-accruing TDRs and approximately $57,000 of 90+ days past due, still accruing TDRs.

The following tables provide details regarding impaired loans and leases, net of unearned income, which include all accruing TDRs, by segment and class as of and for the year ended December 31, 2019. For the purposes of this disclosure, PCI loans have been excluded:

	December 31, 2019				
	Recorded Investment in Impaired Loans, including TDRs	Unpaid Principal Balance of Impaired Loans including TDRs	Related Allowance for Credit Losses	Average Recorded Investment	Interest Income Recognized
With no related allowance:					
Commercial and industrial					
Commercial and industrial- non real estate	$ —	$ 11	$ —	$ 1,703	$ —
Commercial and industrial- owner occupied	1,296	2,523	—	3,916	111
Total commercial and industrial	1,296	2,534	—	5,619	111
Commercial real estate					
Agricultural	757	1,003	—	736	—
Construction, acquisition and development	5,457	5,457	—	913	—
Commercial real estate	11,274	11,635	—	4,067	99
Total commercial real estate	17,488	18,095	—	5,716	99
Consumer					
Consumer mortgages	17	48	—	292	—
Home equity	—	10	—	86	1
Total consumer	17	58	—	378	1
All other	17	32	—	14	—
Total	$ 18,818	$ 20,719	$ —	$ 11,727	$ 211
With an allowance:					
Commercial and industrial					
Commercial and industrial- non real estate	$ 3,713	$ 3,713	$ 660	$ 3,498	$ 119
Commercial and industrial- owner occupied	8,865	9,339	751	4,905	155
Total commercial and industrial	12,578	13,052	1,411	8,403	274
Commercial real estate					
Agricultural	15	15	1	53	1
Construction, acquisition and development	778	778	105	331	10
Commercial real estate	5,380	5,384	212	11,312	119
Total commercial real estate	6,173	6,177	318	11,696	130
Consumer					
Consumer mortgages	2,385	2,561	202	5,525	85
Home equity	588	588	33	427	23
Credit cards	777	777	50	755	301
Total consumer	3,750	3,926	285	6,707	409
All other	64	75	10	183	5
Total	$ 22,565	$ 23,230	$ 2,024	$ 26,989	$ 818
Total:					
Commercial and industrial					
Commercial and industrial- non real estate	$ 3,713	$ 3,724	$ 660	$ 5,201	$ 119
Commercial and industrial- owner occupied	10,161	11,862	751	8,821	266
Total commercial and industrial	13,874	15,586	1,411	14,022	385
Commercial real estate					
Agricultural	772	1,018	1	789	1
Construction, acquisition and development	6,235	6,235	105	1,244	10
Commercial real estate	16,654	17,019	212	15,379	218
Total commercial real estate	23,661	24,272	318	17,412	229
Consumer					
Consumer mortgages	2,402	2,609	202	5,817	85
Home equity	588	598	33	513	24
Credit cards	777	777	50	755	301
Total consumer	3,767	3,984	285	7,085	410
All other	81	107	10	197	5
Total	$ 41,383	$ 43,949	$ 2,024	$ 38,716	$ 1,029

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 September 30, 2020 and December 31, 2019 was $77.1 million and $24.1 million, respectively. At September 30, 2020 and December 31, 2019, $49.1 million and $5.9 million, respectively, of those loans had a valuation allowance of $14.7 million and $1.1 million, respectively. The remaining balance of collateral-dependent loans of $28.0 million and $18.2 million at September 30, 2020 and December 31, 2019, 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:

	September 30, 2020	December 31, 2019
	(In thousands)	
Non-accrual loans and leases	$ 122,108	$ 78,796
Loans and leases 90 days or more past due, still accruing	17,641	17,531
Restructured loans and leases still accruing	11,154	15,184
Total non-performing loans and leases	$ 150,903	$ 111,511

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 September 30, 2020, 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 September 30, 2020:

			September 30, 2020			
	Amortized Cost of Non-accrual Loans September 30, 2020	Amortized Cost of Non-accrual Loans December 31, 2019	Income Recognized on Non-accrual Loans Three months ended September 30, 2020	Income Recognized on Non-accrual Loans Nine months ended September 30, 2020	Amortized Cost of Non-accrual Loans with No Related Allowance	Amortized Cost of Loans 90+ Days Past Due, still Accruing
			(In thousands)			
Commercial and industrial						
Commercial and industrial-non real estate	$ 17,936	$ 11,105	$ 46	$ 106	$ 6,005	$ 210
Commercial and industrial- owner occupied	18,343	7,838	232	394	13,114	—
Total commercial and industrial	36,279	18,943	278	500	19,119	210
Commercial real estate						
Agricultural	5,907	4,772	10	157	725	—
Construction, acquisition and development	10,434	6,225	3	43	8,423	—
Commercial real estate	32,554	16,199	133	254	29,653	—
Total commercial real estate	48,895	27,196	146	454	38,801	—
Consumer						
Consumer mortgages	32,872	28,879	259	726	2,997	17,261
Home equity	3,325	2,993	11	61	—	5
Credit cards	144	63	—	—	—	156
Total consumer	36,341	31,935	270	787	2,997	17,422
All other	593	722	16	37	—	9
Total	$ 122,108	$ 78,796	$ 710	$ 1,778	$ 60,917	$ 17,641

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 there has been at least a six-month period of sustained repayment performance by the borrower 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 0.3% of the loan portfolio by outstanding balance was in deferral and 0.7% had been converted to interest only as of September 30, 2020. In accordance with interagency guidance issued in March 2020 and the CARES Act, these short term deferrals and modifications are not considered troubled debt restructurings.

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

	Three Months Ended September 30, 2020		
	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	2	$ 31	$ 30
Commercial and industrial-owner occupied	1	46	45
Total commercial and industrial	3	77	75
Consumer			
Consumer mortgages	2	69	68
Home equity	1	33	33
Total Consumer	3	102	101
All other	3	11	11
Total	9	$ 190	$ 187

	Nine Months Ended September 30, 2020		
	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	8	$ 377	$ 359
Commercial and industrial-owner occupied	4	2,844	2,843
Total commercial and industrial	12	3,221	3,202
Construction, acquisition and development	1	125	125
Consumer			
Consumer mortgages	6	154	153
Home equity	4	228	116
Total Consumer	10	382	269
All other	8	52	51
Total	31	$ 3,780	$ 3,647

	Year Ended December 31, 2019		
	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	36	$ 3,648	$ 3,420
Commercial and industrial-owner occupied	4	1,944	1,943
Total commercial and industrial	40	5,592	5,363
Commercial real estate			
Agricultural	1	9	9
Construction, acquisition and development	4	601	597
Commercial real estate	4	3,615	3,613
Total commercial real estate	9	4,225	4,219
Consumer			
Consumer mortgages	20	1,052	869
Home equity	11	659	651
Total Consumer	31	1,711	1,520
All other	14	96	75
Total	94	$ 11,624	$ 11,177

The tables below summarize TDRs for which there was a payment default during the three months and nine months ended September 30, 2020 and 2019 (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 September 30, 2020	
	Number of Contracts	Amortized Cost
	(Dollars in thousands)	
Consumer		
Consumer mortgages	1	70
Home equity	1	51
Total	2	$ 121

	Nine months ended September 30, 2020	
	Number of Contracts	Recorded Investment
	(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		
Consumer mortgages	3	151
Home equity	1	51
Total Consumer	4	202
All other	1	3
Total	9	$ 2,848

	Three months ended September 30, 2019	
	Number of Contracts	Recorded Investment
	(Dollars in thousands)	
Commercial and industrial-non real estate	1	$ 182
Consumer		
Consumer mortgages	6	252
Home equity	2	66
Total consumer	8	318
All other	6	17
Total	15	$ 517

	Nine months ended September 30, 2019	
	Number of Contracts	Recorded Investment
	(Dollars in thousands)	
Commercial and industrial-non real estate	7	$ 447
Commercial real estate		
Construction, acquisition and development	1	19
Commercial real estate	1	87
Total commercial real estate	2	106
Consumer		
Consumer mortgages	7	280
Home equity	6	305
Total consumer	13	585
All other	6	17
Total	28	$ 1,155

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 September 30, 2020				
	Balance, Beginning of Period	Charge- offs	Recoveries	Provision	Balance, End of Period
	(In thousands)				
Commercial and industrial					
Commercial and industrial non real estate	$ 26,113	$ (560)	$ 294	$ 9,746	$ 35,593
Commercial and industrial owner occupied	22,085	(441)	163	5,030	26,837
Total commercial and industrial	48,198	(1,001)	457	14,776	62,430
Commercial real estate					
Agricultural	5,203	—	3	261	5,467
Construction, acquisition and development	35,124	—	55	(3,940)	31,239
Commercial real estate	56,650	(738)	209	4,530	60,651
Total commercial real estate	96,977	(738)	267	851	97,357
Consumer					
Consumer mortgages	72,284	(81)	352	(940)	71,615
Home equity	5,750	(41)	132	(464)	5,377
Credit cards	9,687	(682)	270	310	9,585
Total Consumer	87,721	(804)	754	(1,094)	86,577
All other	4,129	(599)	263	467	4,260
Total	$ 237,025	$ (3,142)	$ 1,741	$ 15,000	$ 250,624

	Nine months ended September 30, 2020						
	Balance, Beginning of Period	Impact of Adopting ASC 326	Initial Allowance on Loans Purchased with Credit Deterioration	Charge- offs	Recoveries	Provision	Balance, End of Period
	(In thousands)						
Commercial and industrial							
Commercial and industrial non real estate	$ 19,509	$ 13,372	$ 1,043	$ (12,858)	$ 926	$ 13,601	$ 35,593
Commercial and industrial owner occupied	13,365	8,509	49	(638)	1,478	4,074	26,837
Total commercial and industrial	32,874	21,881	1,092	(13,496)	2,404	17,675	62,430
Commercial real estate							
Agricultural	2,198	2,099	1,142	(86)	15	99	5,467
Construction, acquisition and development	12,912	1,091	—	(3,182)	472	19,946	31,239
Commercial real estate	22,297	12,891	1,920	(805)	394	23,954	60,651
Total commercial real estate	37,407	16,081	3,062	(4,073)	881	43,999	97,357
Consumer							
Consumer mortgages	32,977	27,443	69	(729)	1,094	10,761	71,615
Home equity	5,785	(506)	—	(439)	471	66	5,377
Credit cards	6,615	(3,284)	—	(2,183)	750	7,687	9,585
Total Consumer	45,377	23,653	69	(3,351)	2,315	18,514	86,577
All other	3,408	1,019	3	(1,909)	927	812	4,260
Total	$ 119,066	$ 62,634	$ 4,226	$ (22,829)	$ 6,527	$ 81,000	$ 250,624

	Year ended December 31, 2019				
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
			(In thousands)		
Commercial and industrial					
Commercial and industrial-non real estate	$ 17,382	$ (3,176)	$ 2,295	$ 3,008	$ 19,509
Commercial and industrial-owner occupied	15,240	(257)	250	(1,868)	13,365
Total commercial and industrial	32,622	(3,433)	2,545	1,140	32,874
Commercial real estate					
Agricultural	2,251	(11)	21	(63)	2,198
Construction, acquisition and development	11,745	(71)	1,841	(603)	12,912
Commercial real estate	25,485	(4,114)	4,537	(3,611)	22,297
Total commercial real estate	39,481	(4,196)	6,399	(4,277)	37,407
Consumer					
Consumer mortgages	29,970	(1,364)	2,010	2,361	32,977
Home equity	5,831	(689)	1,201	(558)	5,785
Credit cards	6,684	(3,305)	883	2,353	6,615
Total Consumer	42,485	(5,358)	4,094	4,156	45,377
All other	5,482	(3,603)	1,048	481	3,408
Total	$ 120,070	$ (16,590)	$ 14,086	$ 1,500	$ 119,066

	Three months ended September 30, 2019				
	Balance, Beginning of Period	Charge- offs	Recoveries	Provision	Balance, End of Period
			(In thousands)		
Commercial and industrial					
Commercial and industrial-non real estate	$ 17,935	$ (218)	$ 835	$ (271)	$ 18,281
Commercial and industrial-owner occupied	12,809	(65)	49	186	12,979
Total commercial and industrial	30,744	(283)	884	(85)	31,260
Commercial real estate					
Agricultural	2,042	—	3	109	2,154
Construction, acquisition and development	12,331	—	480	(959)	11,852
Commercial real estate	23,110	(49)	29	(541)	22,549
Total commercial real estate	37,483	(49)	512	(1,391)	36,555
Consumer					
Consumer mortgages	30,984	(255)	278	2,045	33,052
Home equity	5,887	(39)	731	(1,127)	5,452
Credit cards	6,142	(631)	224	412	6,147
Total Consumer	43,013	(925)	1,233	1,330	44,651
All other	4,451	(895)	240	646	4,442
Total	$ 115,691	$ (2,152)	$ 2,869	$ 500	$ 116,908

	Nine months ended September 30, 2019				
	Balance, Beginning of Period	Charge-offs	Recoveries	Provision	Balance, End of Period
	(In thousands)				
Commercial and industrial					
Commercial and industrial-non real estate	$ 17,382	$ (1,903)	$ 1,942	$ 860	$ 18,281
Commercial and industrial-owner occupied	15,240	(65)	220	(2,416)	12,979
Total commercial and industrial	32,622	(1,968)	2,162	(1,556)	31,260
Commercial real estate					
Agricultural	2,251	—	17	(114)	2,154
Construction, acquisition and development	11,745	(45)	1,257	(1,105)	11,852
Commercial real estate	25,485	(4,114)	325	853	22,549
Total commercial real estate	39,481	(4,159)	1,599	(366)	36,555
Consumer					
Consumer mortgages	29,970	(677)	1,603	2,156	33,052
Home equity	5,831	(516)	985	(848)	5,452
Credit cards	6,684	(2,508)	665	1,306	6,147
Total Consumer	42,485	(3,701)	3,253	2,614	44,651
All other	5,482	(2,638)	790	808	4,442
Total	$ 120,070	$ (12,466)	$ 7,804	$ 1,500	$ 116,908

The following tables provide the allowance for credit losses by segment, class and impairment status as of the dates indicated:

	December 31, 2019					
	Recorded Balance of Impaired Loans (1)	Allowance for Impaired Loans and Leases (A)	Recorded Balance of PCI loans	Allowance for PCI loans (B)	Allowance for All Other Loans and Leases (C)	Total Allowance (A+B+C)
	(In thousands)					
Commercial and industrial						
Commercial and industrial- non real estate	$ 1,054	$ 354	$ 8,169	$ —	$ 19,155	$ 19,509
Commercial and industrial- owner occupied	4,296	489	5,570	—	12,876	13,365
Total commercial and industrial	5,350	843	13,739	—	32,031	32,874
Commercial real estate						
Agricultural	757	—	1,409	—	2,198	2,198
Construction, acquisition and development	5,457	—	5,835	—	12,912	12,912
Commercial real estate	11,934	185	3,885	—	22,112	22,297
Total commercial real estate	18,148	185	11,129	—	37,222	37,407
Consumer						
Consumer mortgages	596	46	799	—	32,931	32,977
Home equity	—	—	—	—	5,785	5,785
Credit cards	—	—	—	—	6,615	6,615
Total consumer	596	46	799	—	45,331	45,377
All other	—	—	18	—	3,408	3,408
Total	$ 24,094	$ 1,074	$ 25,685	$ —	$ 117,992	$ 119,066

(1) Impaired loans are shown exclusive of $15.2 million accruing TDRs, $2.0 million of non-accruing TDRs and approximately $57,000 of 90+ days past due, still accruing TDRs.

The allowance for TDRs excluded from the previous table was approximately $950,000 at December 31, 2019.

In the normal course of business, the Company assumes risks in extending credit. The Company manages these risks through underwriting in accordance with its lending policies, loan review procedures and the diversification of its loan and lease portfolio. Although it is not possible to predict credit losses with certainty, management regularly reviews the characteristics of the loan and lease portfolio to determine its overall risk profile and quality.

The provision for credit losses is the periodic cost (or credit) of providing an allowance or reserve for expected losses on loans and leases. The Board of Directors has appointed a Credit Committee, composed of senior management and lending administration staff which meets on a quarterly basis or more frequently if required to review the recommendations of several internal working groups developed for specific purposes including the allowance for credit losses, specific provision amounts, and charge-offs. The allowance for credit losses group ("ACL group") bases its estimates of credit losses on three primary components: (1) estimates of expected losses that exist in various segments of performing loans and leases over the remaining life of the loan portfolio using a reasonable and supportable economic forecast; (2) specifically identified losses in individually analyzed credits which are collateral dependent; and (3) qualitative factors related to economic conditions, portfolio concentrations, regulatory policy updates, and other relevant factors that address estimates of expected losses not fully addressed based upon management's judgment of portfolio conditions. The Company utilizes credit risk models to estimate the probability of default and loss given default of loans over their remaining life. Credit factors such as financial condition of the borrower and guarantor, recent credit performance, delinquency, liquidity, cash flows, collateral type and value are used by the models to assess credit risk. Estimates of expected losses are influenced by the historical net losses experienced by the Company for loans and leases of comparable creditworthiness and structure. Specific loss assessments are performed for loans and leases based upon the collateral protection. The Company's reasonable and supportable economic forecast is utilized to estimate credit losses over a two-year time horizon before reverting back to longer term historical loss experience. The Company subscribes to various economic services and publications to assist with the development of inputs used in the modeling and qualitative framework for the ACL calculation. The economic forecast considers changes in real gross domestic product, nominal disposable income, unemployment rate, equity valuations and related volatility, valuations for residential and commercial real estate, and other indicators that may be correlated with the Company's expected credit losses. With the exception of estimating losses for TDRs, the Company does not incorporate discounted cash flow into loss estimates for loans. The Company excludes accrued interest from interest income when it is determined that it is probable that all contractual principal and interest will not be collected for loans.

The COVID-19 pandemic became economically problematic in the United States in early March, prompting governmental action to restrict travel, business activity, and sporting events. In addition, "Social Distancing" advisories and state and local "Stay at Home" orders resulted in business suspensions and employee furloughs and layoffs. As a result, the U.S. economy experienced significant deterioration which was evident during the second and third quarters 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 beginning of a recovery during this period. During the third quarter, there were early signs of a rapid recovery, however, the rate of improvement showed signs of slowing as the quarter ended. The ACL estimate includes both portfolio changes and changes in economic conditions experienced during the quarter and a forecast of gradual recovery over the next eight quarters. The unemployment rate has the highest weighting within the Company's credit modeling framework. The Company's forecast for unemployment includes a range between 9.1 percent and 6.1 percent through the fourth quarter of 2022. The forecasts recognize the potential for a longer recovery period during the forecast period. The Company recognizes that a recurrence in COVID-19 infections may occur 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.

Attention is paid to the quality of the loan and lease portfolio through a formal loan review process. An independent loan review department of the Company is responsible for reviewing the credit rating and classification of individual credits and assessing trends in the portfolio, adherence to internal credit policies and procedures and other factors that may affect the overall adequacy of the allowance for credit losses. The ACL group is responsible for ensuring that the allowance for credit losses provides adequate coverage of expected losses. The ACL group meets at least quarterly to determine the amount of adjustments to the allowance for credit losses. The ACL group is composed of senior management from the Company's lending administration, risk, and finance departments. The Impairment Group is responsible for evaluating individual loans that have been specifically identified through various channels, including examination of the Company's watch list, past due listings, and loan officer assessments. For all loans identified, the responsible loan officer in conjunction with a credit administrator is required to prepare an analysis to be reviewed by the Impairment Group. The Impairment Group reviews all loans restructured in a TDR if the loan is $500,000 or greater to determine if it is probable that the Company will be unable to collect the contractual principal and interest on the loan. An evaluation of the circumstances surrounding the loan is performed in order to determine whether the loan was collateral-dependent. The fair value of the underlying collateral is considered if the loan is collateral-dependent. The Impairment Group meets at least quarterly. The Impairment Group is made up of senior management from the Company's lending administration, risk, and finance departments.

If financial concessions are granted to a borrower as a result of financial difficulties, the loan is classified as a TDR, with the amount of provision determined by estimating the net present value of future cash flows for TDRs that are not deemed to be collateral-dependent. TDRs are reserved in accordance with FASB ASC 326. Should the borrower's financial condition, collateral protection or performance deteriorate, warranting reassessment of the loan rating or specific provision, additional reserves and/or charge-offs may be required.

Loans of $500,000 or more that are identified as collateral-dependent are reviewed by the Impairment Group which approves the amount of specific reserve, if any, and/or charge-off amounts. The evaluation of real estate loans generally focuses on the fair value of underlying collateral less estimated costs to sell obtained from appraisals, as the repayment of these loans may be dependent on the liquidation of the collateral. In certain circumstances, other information such as comparable sales data is deemed to be a more reliable indicator of fair value of the underlying collateral than the most recent appraisal. In these instances, such information is used in determining the specific provision recorded for the loan. For commercial and industrial loans, the evaluation generally focuses on these considerations, as well as the projected liquidation of any pledged collateral. The Impairment Group reviews the results of each evaluation and approves the final specific provision amounts, which are then included in the analysis of the adequacy of the allowance for credit losses in accordance with FASB ASC 326.

A new appraisal is generally ordered for loans $500,000 or greater that have characteristics of potential specific provision, such as delinquency or other loan-specific factors identified by management, when a current appraisal (dated within the prior 12 months) is not available or when a current appraisal uses assumptions that are not consistent with the expected disposition of the loan collateral. In order to measure specific provision properly at the time that a loan is reviewed, a bank officer may estimate the collateral fair value based upon earlier appraisals received from outside appraisers, sales contracts, approved foreclosure bids, comparable sales, officer estimates or current market conditions until a new appraisal is received. This estimate can be used to determine the extent of the specific provision on the loan. After a loan is determined to be collateral-dependent, it is management's policy to obtain an updated appraisal on at least an annual basis. Management performs a review of the pertinent facts and circumstances of each collateral-dependent loan, such as changes in outstanding balances, information received from loan officers and receipt of re-appraisals, at least quarterly. As of each review date, management considers whether additional provision and/or charge-offs should be recorded based on recent activity related to the loan-specific collateral as well as other relevant comparable assets. Any adjustment to reflect further exposure, either as a result of management's periodic review or as a result of an updated appraisal, are made through recording additional ACL provisions and/or charge-offs.

When a guarantor is relied upon as a source of repayment, it is the Company's policy to analyze the strength of the guaranty. This analysis varies based on circumstances, but may include a review of the guarantor's personal and business financial statements and credit history, a review of the guarantor's tax returns and the preparation of a cash flow analysis of the guarantor.

Any loan or portion thereof which is classified as "loss" or which is determined by management to be uncollectible, because of factors such as the borrower's failure to pay interest or principal, the borrower's financial condition, economic conditions in the borrower's industry or the inadequacy of underlying collateral, is charged off.

For all loans determined to be collateral-dependent and all loans restructured in a TDR, an evaluation of the circumstances surrounding the loan is performed in order to determine if and in what amount the bank expects to encounter a loss. For loans which are collateral-dependent, a reserve will be established to cover the difference between the loan balance and the fair value of the collateral less costs to sell or that difference may be charged off.

Large groups of smaller balance homogenous loans that are collectively evaluated for specific provision are excluded from review by the Impairment Group.

NOTE 5 – OTHER REAL ESTATE OWNED

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

	Nine months ended September 30, 2020	Year ended December 31, 2019
	(In thousands)	
Balance at beginning of period	$ 6,746	$ 9,276
Additions to foreclosed properties		
New foreclosed properties	7,524	8,489
Reductions in foreclosed properties		
Sales including realized gains and losses, net	(7,338)	(6,457)
Writedowns for unrealized losses	(535)	(4,562)
Balance at end of period	$ 6,397	$ 6,746

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

	September 30, 2020	December 31, 2019
	(In thousands)	
Commercial and industrial		
Commercial and industrial	$ 439	$ 56
Commercial and industrial-owner occupied	3,363	973
Total commercial and industrial	3,802	1,029
Commercial real estate		
Agricultural	434	407
Construction, acquisition and development	534	4,010
Commercial real estate	882	77
Total commercial real estate	1,850	4,494
Consumer		
Consumer mortgages	682	1,207
Home equity	47	—
Total consumer	729	1,207
All other	16	16
Total	$ 6,397	$ 6,746

The Company incurred total foreclosed property income of approximately $278,000 and foreclosed property expenses of approximately $870,000 for the third quarter of 2020 and 2019, 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 $1.0 million and losses of approximately $72,000 for the third quarter of 2020 and 2019, respectively. The Company incurred total foreclosed property expenses of $2.0 million for both the first nine months of 2020 and 2019, 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 losses of approximately $40,000 and $109,000 for the first nine months of 2020 and 2019, respectively.

NOTE 6 – SECURITIES

Securities are classified as either held-to-maturity, trading or available-for-sale. Held-to-maturity securities are debt securities for which the Company has the ability and management has the intent to hold to maturity. They are reported at amortized cost. Trading securities are debt and equity securities that are bought and held principally for the purpose of selling them in the near term. They are reported at fair value, with unrealized gains and losses included in earnings. Available-for-sale securities are debt and equity securities not classified as either held-to-maturity securities or trading securities. They are reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of tax, as a separate component of shareholders' equity until realized. Gains and losses on securities are determined on the identified certificate basis. Amortization of premium and accretion of discount are computed using the interest method. Equity securities are carried at fair value and are not classified as available-for-sale, held-to-maturity, or trading. At September 30, 2020, the Company did not have any held-to-maturity or trading securities.

The Company evaluates available-for-sale securities in an unrealized loss position to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or noncredit-related factors. Any impairment that is not credit related is recognized in other comprehensive income, net of applicable taxes. Credit-related impairment is recognized as an ACL on the balance sheet, limited to the amount by which the amortized cost basis exceeds the fair value with a charge to earnings. Both the ACL and the charge to earnings may be reversed if conditions change. However, if the Company intends to sell an impaired available for sale security or will be more likely than not required to sell the security before recovering its amortized cost basis, the entire impairment amount must be recognized as a charge to earnings with a corresponding adjustment to the security's amortized cost basis. Because the security's amortized cost basis is adjusted to fair value, there is no ACL recorded for this security. In evaluating available for sale securities in unrealized loss positions for impairment, management considers the magnitude and duration of the decline, as well as the reasons for the decline, whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, whether the Company would be required to sell the securities before a full recovery of costs and the results of reviews of the issuers' financial condition, among other facts.

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 September 30, 2020 and December 31, 2019 follows:

	September 30, 2020				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Allowance for Credit Losses
			(In thousands)		
U.S. Government agencies	$ 3,039,099	$ 77,359	$ —	$ 3,116,458	$ —
U.S. Government agency issued residential mortgage-backed securities	1,625,431	4,462	4,568	1,625,325	—
U.S. Government agency issued commercial mortgage-backed securities	722,005	36,153	42	758,116	—
Obligations of states and political subdivisions	138,291	3,611	6	141,896	—
Corporate bonds	18,000	10	20	17,990	—
Total	$ 5,542,826	$ 121,595	$ 4,636	$ 5,659,785	$ —

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
U.S. Government agencies	$ 3,585,226	$ 15,919	$ 1,828	$ 3,599,317
U.S. Government agency issued residential mortgage-backed securities	132,535	1,297	457	133,375
U.S. Government agency issued commercial mortgage-backed securities	613,080	1,599	5,670	609,009
Obligations of states and political subdivisions	138,246	2,031	4	140,273
Total	$ 4,469,087	$ 20,846	$ 7,959	$ 4,481,974

Gross gains of approximately $58,000 and no gross losses were recognized on sales of available-for-sale securities during the first nine months of 2020. Gross gains of approximately $143,000 and no gross losses were recognized on sales of available-for-sale securities during the first nine months of 2019.

The amortized cost and estimated fair value of available-for-sale securities at September 30, 2020 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.

	September 30, 2020		
	Amortized Cost	Estimated Fair Value	Weighted Average Yield
	(In thousands)		
Maturing in one year or less	$ 897,531	$ 908,231	2.49 %
Maturing after one year through five years	2,181,858	2,249,189	1.86
Maturing after five years through ten years	45,344	46,275	4.50
Maturing after ten years	70,657	72,649	3.61
Mortgage-backed securities	2,347,436	2,383,441	1.44
Total	$5,542,826	$5,659,785	

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 September 30, 2020 and December 31, 2019:

	September 30, 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	1,072,779	4,568	—	—	1,072,779	4,568
U.S. Government agency issued commercial mortgage-backed securities	4,949	41	892	1	5,841	42
Obligations of states and political subdivisions	921	6	—	—	921	6
Corporate bonds	10,480	20	—	—	10,480	20
Total	$1,089,129	$ 4,635	$ 892	$ 1	$1,090,021	$ 4,636

	December 31, 2019					
	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	$1,242,018	$ 1,774	$ 211,021	$ 54	$1,453,039	$ 1,828
U.S. Government agency issued residential mortgage-backed securities	21,017	98	24,250	359	45,267	457
U.S. Government agency issued commercial mortgage-backed securities	417,906	5,618	24,915	52	442,821	5,670
Obligations of states and political subdivisions	608	1	1,992	3	2,600	4
Total	$1,681,549	$ 7,491	$ 262,178	$ 468	$1,943,727	$ 7,959

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 September 30, 2020 and impairments at December 31, 2019 were determined to be temporary. No unrealized losses were recorded into income during the first nine months of 2020 and no other-than-temporary impairment was recorded during the first nine months of 2019.

As of September 30, 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. At December 31, 2019, the Company had FHLB stock with both a carrying value and required investment of $36.8 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 no weighted-average antidilutive stock options to purchase Company common stock to be excluded from diluted shares for the three months and nine months ended September 30, 2020 and 2019. Antidilutive other equity awards of approximately 37,856 and 95,278 shares of Company common stock for the three months and nine months ended September 30, 2020 were excluded from dilutive shares. There were no antidilutive other equity awards for the three months and nine months ended September 30, 2019.

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 September 30,					
	2020			2019		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS						
Net income	$ 73,825			$ 63,757		
Preferred stock dividends	2,372			—		
Income available to common shareholders	71,453	102,564	$ 0.70	$ 63,757	101,169	$ 0.63
Effect of dilutive share- based awards		276			324	
Diluted EPS						
Income available to common shareholders plus assumed exercise of all outstanding share-based awards	$ 71,453	102,840	$ 0.69	$ 63,757	101,493	$ 0.63

	Nine months ended September 30,					
	2020			2019		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS						
Net income	$ 159,246			$ 168,412		
Preferred stock dividends	7,116			—		
Income available to common shareholders	$ 152,130	103,174	$ 1.47	$ 168,412	100,429	$ 1.68
Effect of dilutive share- based awards		293			271	
Diluted EPS						
Income available to common shareholders plus assumed exercise of all outstanding share-based awards	$ 152,130	103,467	$ 1.47	$ 168,412	100,700	$ 1.67

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 September 30,					
	2020			2019		
	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	$(10,261)	$ 2,560	$ (7,701)	$ 2,375	$ (592)	$ 1,783
Reclassification adjustment for net gains realized in net income (1)	(21)	5	(16)	(79)	19	(60)
Recognized employee benefit plan net periodic benefit cost (2)	1,353	(337)	1,016	1,321	(330)	991
Change in Accumulated Other Comprehensive Income ("AOCI")	$ (8,929)	$ 2,228	$ (6,701)	$ 3,617	$ (903)	$ 2,714
Net income			73,825			63,757
Comprehensive income			$ 67,124			$ 66,471

(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.

	Nine months ended September 30,					
	2020			2019		
	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	$104,130	$(25,981)	$ 78,149	$ 36,093	$ (9,006)	$ 27,087
Reclassification adjustment for net gains realized in net income (1)	(58)	14	(44)	(142)	35	(107)
Recognized employee benefit plan net periodic benefit cost (2)	4,059	(1,011)	3,048	3,963	(990)	2,973
Change in AOCI	$108,131	$(26,978)	$ 81,153	$ 39,914	$ (9,961)	$ 29,953
Net income			159,246			168,412
Comprehensive income			$240,399			$198,365

(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 nine months ended September 30, 2020 were as follows:

	Community Banking	Insurance Agencies	Total
		(In thousands)	
Balance as of December 31, 2019	$ 742,499	$ 83,180	$ 825,679
Goodwill recorded during the period	21,852	—	21,852
Balance as of September 30, 2020	$ 764,351	$ 83,180	$ 847,531

The goodwill recorded in the Company's Community Banking reporting segment during 2020 was related to provisional adjustments to goodwill for two banks acquired during the second quarter of 2019, two banks acquired in the third quarter of 2019, and one bank acquired in the first quarter of 2020. 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. Because of the volatile market conditions during which the Company's market value fell below book value, the Company assessed goodwill for impairment at the reporting segment level during the first, second and third quarters of 2020. Based on this analysis, the estimated fair value of all of the Company's reporting segments exceeded the respective carrying values. Therefore, no goodwill impairment was recorded.

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 September 30, 2020		As of December 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:		(In thousands)		
Core deposit intangibles	$ 84,689	$ 38,321	$ 82,244	$ 33,291
Customer relationship intangibles	44,199	38,177	45,758	37,726
Non-solicitation intangibles	3,440	1,761	3,790	1,455
Total	$ 132,328	$ 78,259	$ 131,792	$ 72,472
Unamortized intangible assets:				
Trade names	$ 688	$ —	$ 688	$ —
Total	$ 688	$ —	$ 688	$ —

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Aggregate amortization expense for:	(In thousands)			
Core deposit intangibles	$ 1,675	$ 1,297	$ 5,030	$ 4,121
Customer relationship intangibles	464	570	1,421	1,742
Non-solicitation intangibles	218	250	656	747
Total	$ 2,357	$ 2,117	$ 7,107	$ 6,610

The following table presents information regarding estimated amortization expense on the Company's amortizable identifiable intangible assets for the year ending December 31, 2020 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, 2020	$ 6,545	$ 1,833	$ 860	$ 9,238
For the year ending December 31, 2021	6,381	1,454	860	8,695
For the year ending December 31, 2022	5,999	1,231	615	7,845
For the year ending December 31, 2023	5,757	978	—	6,735
For the year ending December 31, 2024	5,530	771	—	6,301

NOTE 10 – PENSION BENEFITS

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Service cost	$ 1,853	$ 1,479	$ 5,559	$ 4,437
Interest cost	1,748	2,609	5,244	7,827
Expected return on assets	(5,102)	(4,777)	(15,306)	(14,331)
Recognized prior service cost	(180)	(179)	(540)	(537)
Recognized net loss	1,533	1,500	4,599	4,500
Net periodic benefit costs (1)	$ (148)	$ 632	$ (444)	$ 1,896

(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 September 30, 2020 and 2019.

NOTE 11—RECENT PRONOUNCEMENTS

Accounting Standards Currently Effective for 2020:

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments—Credit Losses, an ASU regarding credit losses on financial instruments. This ASU provides financial statement users with more information regarding the expected credit losses on financial instruments and other commitments to extend credit at each reporting date than the incurred loss impairment method. In November 2018, the FASB issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses which provides additional guidance to the previous ASU. This ASU and its update became effective for interim and annual periods beginning on or after December 15, 2019. ASU No. 2016-13 calls for the ACL to be based upon a reasonably supportable economic forecast of credit losses over the life of the loans in the portfolio. A cross-functional working group was designated and comprised of individuals from areas including credit, finance, and risk to implement the changes resulting from this ASU. The Company has evaluated the impact of ASU No. 2016-13 upon our financial statements, resulting in an increase of $62.6 million, to the ACL upon adoption, effective January 1, 2020. The increase in the Allowance for Credit Losses at adoption was based upon the composition of the loan portfolio and an economic forecast covering a two-year time horizon. Subsequent to the two-year forecast period, the Company reverts to longer term historical loss experience, adjusted for prepayments, to estimate losses over the remaining life of the loan portfolio. The increase in ACL upon adoption included $22.6 million, from a reduction in non-accretable difference for previously purchased credit impaired loans, known as the gross-up for loans meeting this criterion at adoption. This adjustment for purchased credit impaired loans had a neutral impact upon the Company's Tier 1 Capital. The remaining increase in Allowance for Credit Losses of $40.0 million, of the total increase, was attributed to: (1) the requirement of estimating credit losses over the life of the loan portfolio, which is longer than the Company's loss emergence period previously used in the incurred loss impairment method; and (2) the establishment of an allowance for acquired assets that had not experienced credit deterioration since acquisition. No allowance was recorded as a result of this ASU as applied to the Company's investment portfolio, given that our investments are Available-for-Sale and primarily consist of agency-backed securities that are assumed to have an immaterial risk of loss. For loans with available commitments that are not unconditionally cancellable, expected losses were calculated by applying comparable loss rates on funded loans to the unfunded commitment balances. In addition, the weighted average maturity and relatively stable line utilization were considered when estimating losses on unfunded commitments.

The Company adopted ASU No. 2016-13 using the prospective transition approach for PCD financial assets, which were previously classified as PCI and accounted for under ASC 310-30. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2020, the amortized cost basis of the PCD assets were adjusted to reflect the addition of $22.6 million in the allowance of credit losses. The yield component of the remaining fair value adjustment will be accreted into interest income over the remaining life of the asset as of January 1, 2020. Please see Note 3 – Loans and Leases and Note 4 – Allowance for Credit Losses for additional required disclosures under ASU No. 2016-13.

The following table illustrates the impact of ASC 326.

Cumulative Adjustments to Account Balances as of January 1:	Dollar Value Adjustment
	(in thousands)
Loans and leases	22,634
Allowance for credit losses	62,634
Other assets	10,500
Other liabilities	4,000
Retained earnings	(33,500)

In January 2017, the FASB issued No. ASU 2017-04, *Intangibles—Goodwill and Other*, regarding how goodwill is tested annually. This ASU simplifies the measurement of goodwill which will reduce cost and complexity of the evaluation process. This ASU became effective beginning after December 15, 2019. The adoption of this ASU did not have a significant impact on the financial position and results of operations of the Company.

In August 2018, the FASB issued No. ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes in the Disclosure Requirements for Fair Value Measurement*, to amend changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used in Level 3 fair value measurements and the narrative description of measurement uncertainty. This ASU became effective for interim and annual periods after December 15, 2019. 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 2018-15, *Intangibles—Goodwill and Other-Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. This ASU became effective for interim and annual periods after December

15, 2019. The adoption of this ASU did not have a significant impact on our financial position or results of operations of the Company.

Accounting Changes Issued but Not Currently Effective:

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 is effective for interim and annual periods after December 15, 2020. The adoption of this ASU is not expected to 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 is 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 is not expected to 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 is effective for interim and annual periods beginning after December 15, 2020. The adoption of this ASU is not expected to 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 is effective for interim and annual periods beginning after December 15, 2020. The adoption of this ASU is not expected to 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*. This ASU is effective as of March 12, 2020 through December 31, 2022. The adoption of this ASU is not expected to have a significant impact on the financial position or results of operations of the Company.

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 periods ended September 30, 2020 and 2019 were as follows:

	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
			(In thousands)			
Three months ended September 30, 2020						
Results of Operations						
Net interest revenue	$ 168,571	$ 10,554	$ 4	$ 1	$ (3,199)	$ 175,931
Provision for credit losses	—	—	—	—	15,000	15,000
Net interest revenue after provision for credit losses	168,571	10,554	4	1	(18,199)	160,931
Noninterest revenue	20,691	27,097	32,739	7,020	2,377	89,924
Noninterest expense	100,546	6,958	27,822	3,911	16,268	155,505
Income before income taxes	88,716	30,693	4,921	3,110	(32,090)	95,350
Income tax expense (benefit)	20,202	7,097	1,297	720	(7,791)	21,525
Net income	$ 68,514	$ 23,596	$ 3,624	$ 2,390	$ (24,299)	$ 73,825
Selected Financial Information						
Total assets at end of period	$20,126,276	$1,441,170	$ 289,686	$ 49,132	$1,649,158	$23,555,422
Depreciation and amortization	7,052	136	740	27	2,546	10,501

	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
			(In thousands)			
Three months ended September 30, 2019						
Results of Operations						
Net interest revenue	$ 158,949	$ 8,029	$ 25	$ 28	$ (432)	$ 166,599
Provision for credit losses	—	—	—	—	500	500
Net interest revenue after provision for credit losses	158,949	8,029	25	28	(932)	166,099
Noninterest revenue	26,129	7,289	31,458	7,294	3,262	75,432
Noninterest expense	95,040	7,862	27,679	4,561	24,472	159,614
Income before income taxes	90,038	7,456	3,804	2,761	(22,142)	81,917
Income tax expense (benefit)	20,375	1,733	1,048	646	(5,642)	18,160
Net income	$ 69,663	$ 5,723	$ 2,756	$ 2,115	$ (16,500)	$ 63,757
Selected Financial Information						
Total assets at end of period	$16,653,746	$1,059,621	$ 282,348	$ 40,261	$ 1,814,249	$19,850,225
Depreciation and amortization	6,294	190	868	29	2,250	9,631

	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
			(In thousands)			
Nine months ended September 30, 2020						
Results of Operations						
Net interest revenue	$ 495,872	$ 28,264	$ 34	$ 22	$ (10,161)	$ 514,031
Provision for credit losses	—	—	—	—	81,000	81,000
Net interest revenue after provision for credit losses	495,872	28,264	34	22	(91,161)	433,031
Noninterest revenue	63,954	66,141	99,864	21,181	6,538	257,678
Noninterest expense	303,965	20,735	82,500	13,556	65,259	486,015
Income before income taxes	255,861	73,670	17,398	7,647	(149,882)	204,694
Income tax expense (benefit)	57,347	16,864	4,629	1,751	(35,143)	45,448
Net income	$ 198,514	$ 56,806	$ 12,769	$ 5,896	$ (114,739)	$ 159,246
Selected Financial Information						
Total assets at end of period	$20,126,276	$1,441,170	$ 289,686	$ 49,132	$1,649,158	$23,555,422
Depreciation and amortization	21,000	512	2,247	80	7,913	31,752

	Banking Services Group	Mortgage	Insurance Agencies	Wealth Management	General Corporate and Other	Total
			(In thousands)			
Nine months ended September 30, 2019						
Results of Operations						
Net interest revenue	$ 457,891	$ 22,098	$ 75	$ 89	$ (983)	$ 479,170
Provision for credit losses	—	—	—	—	1,500	1,500
Net interest revenue after provision for credit losses	457,891	22,098	75	89	(2,483)	477,670
Noninterest revenue	72,611	9,680	96,163	20,103	7,427	205,984
Noninterest expense	279,404	23,385	82,878	13,142	68,447	467,256
Income before income taxes	251,098	8,393	13,360	7,050	(63,503)	216,398
Income tax expense (benefit)	56,510	1,951	3,607	1,639	(15,721)	47,986
Net income	$ 194,588	$ 6,442	$ 9,753	$ 5,411	$ (47,782)	$ 168,412
Selected Financial Information						
Total assets at end of period	$16,653,746	$1,059,621	$ 282,348	$ 40,261	$ 1,814,249	$19,850,225
Depreciation and amortization	18,436	570	2,628	77	6,979	28,690

The change in income for the Banking Services Group for the three months and nine months ended September 30, 2020 compared to the same period in 2019 is mainly due to an increase in interest revenue for loans and leases due to the balance increase of net loans and leases as a result of the acquisitions in the third quarters of 2019 and the first quarter of 2020 offset by increases in noninterest expense. The change in income for the Mortgage segment for the three months and nine months ended September 30, 2020 compared to the same period in 2019 is primarily a result of an increase in production revenue to $26.7 million recorded during the third quarter of 2020 compared to $11.3 million recorded during the third quarter of 2019 and $79.2 million recorded during the first nine months of 2020 compared to $27.4 million recorded during the first nine months of 2019. There was also a positive adjustment in the Mortgage Servicing Rights (“MSR”) valuation of $0.4 million in the third quarter of 2020. The increase in income for the Mortgage segment was offset somewhat by a negative MSR valuation adjustment of $13.0 million in the first nine months of 2020 compared to a negative MSR valuation adjustment of $17.7 million in the first nine months of 2019. The increase in the loss in the General, Corporate and Other segment when comparing the three-month and nine-month periods is primarily a result of a provision for credit losses of $15.0 million and $0.5 million recorded during the third quarter of 2020 and 2019, respectively and $81.0 million and $1.5 million for the first nine months of 2020 and 2019, respectively.

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

Three months ended September 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	$ 9,938	$ —	$ —	$ —	$ —	$ 9,938
Deposit service charges	8,892	—	—	—	—	8,892
Insurance commissions	—	—	32,750	—	—	32,750
Trust income	—	—	—	3,902	—	3,902
Brokerage commissions and fees	—	—	—	2,516	—	2,516
Total noninterest income (in-scope of Topic 606)	18,830	—	32,750	6,418	—	57,998
Total noninterest income (out-of-scope of Topic 606)	1,861	27,097	(11)	602	2,377	31,926
Total noninterest income	$ 20,691	$ 27,097	$ 32,739	$ 7,020	$ 2,377	$ 89,924

Three months ended September 30, 2019	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	$ 9,778	$ —	$ —	$ —	$ —	$ 9,778
Deposit service charges	11,939	—	—	—	—	11,939
Insurance commissions	—	—	31,512	—	—	31,512
Trust income	—	—	—	4,488	—	4,488
Brokerage commissions and fees	—	—	—	1,979	—	1,979
Total noninterest income (in-scope of Topic 606)	21,717	—	31,512	6,467	—	59,696
Total noninterest income (out-of-scope of Topic 606)	4,412	7,289	(54)	827	3,262	15,736
Total noninterest income	$ 26,129	$ 7,289	$ 31,458	$ 7,294	$ 3,262	$ 75,432

Nine months ended September 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	$ 28,194	$ —	$ —	$ —	$ —	$ 28,194
Deposit service charges	28,221	—	—	—	—	28,221
Insurance commissions	—	—	95,471	—	—	95,471
Trust income	—	—	—	11,979	—	11,979
Brokerage commissions and fees	—	—	—	7,321	—	7,321
Total noninterest income (in-scope of Topic 606)	56,415	—	95,471	19,300	—	171,186
Total noninterest income (out-of-scope of Topic 606)	7,539	66,141	4,393	1,881	6,538	86,492
Total noninterest income	$ 63,954	$ 66,141	$ 99,864	$ 21,181	$ 6,538	$ 257,678

Nine months ended September 30, 2019	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	$ 28,820	$ —	$ —	$ —	$ —	$ 28,820
Deposit service charges	33,822	—	—	—	—	33,822
Insurance commissions	—	—	95,643	—	—	95,643
Trust income	—	—	—	12,091	—	12,091
Brokerage commissions and fees	—	—	—	5,407	—	5,407
Total noninterest income (in-scope of Topic 606)	62,642	—	95,643	17,498	—	175,783
Total noninterest income (out-of-scope of Topic 606)	9,969	9,680	520	2,605	7,427	30,201
Total noninterest income	$ 72,611	$ 9,680	$ 96,163	$ 20,103	$ 7,427	$ 205,984

NOTE 13 – 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:

	September 30, 2020	December 31, 2019
	(In thousands)	
Unpaid principal balance	$ 7,218,090	$ 6,898,195
Weighted-average prepayment speed (CPR)	16.4	13.9
Discount rate (annual percentage)	9.5	9.5
Weighted-average coupon interest rate (percentage)	3.9	4.1
Weighted-average remaining maturity (months)	333.0	335.0
Weighted-average servicing fee (basis points)	27.6	27.4

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 September 30, 2020 and 2019, the Company had a hedge in place designed to cover approximately 10.0% and 27.0% 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:

	2020	2019
	(In thousands)	
Fair value as of January 1	$ 57,109	$ 69,822
Additions:		
Origination of servicing assets	14,417	8,176
Changes in fair value:		
Due to payoffs/paydowns	(8,848)	(7,333)
Due to change in valuation inputs or assumptions used in the valuation model	(17,733)	(19,171)
Other changes in fair value	(1)	(2)
Fair value as of September 30	$ 44,944	$ 51,492

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 $4.8 million for both the three months ended September 30, 2020 and 2019 and late and other ancillary fees of approximately $1.5 million and $766,000 for the three months ended September 30, 2020 and 2019, respectively. The Company recorded contractual servicing fees of $14.2 million and $13.9 million for the nine months ended September 30, 2020 and 2019 and late and other ancillary fees of $6.4 million and $2.2 million for the nine months ended September 30, 2020 and 2019, 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 September 30, 2020, the notional amount of forward commitments to sell individual fixed-rate mortgage loans was $662.5 million with a carrying value and fair value reflecting a gain of $1.1 million. At December 31, 2019, the notional amount of forward commitments to sell individual fixed-rate mortgage loans was $359.8 million with a carrying value and fair value reflecting a loss of $0.2 million. At September 30, 2020, the notional amount of commitments to fund individual fixed-rate mortgage loans was $519.1 million with a carrying value and fair value reflecting a gain of $22.2 million. At December 31, 2019, the notional amount of commitments to fund individual fixed-rate mortgage loans was $133.4 million with a carrying value and fair value reflecting a gain of $3.0 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 September 30, 2020, the notional amount of customer related derivative financial instruments was $368.1 million with an average maturity of 30.9 months, an average interest receive rate of 2.5% and an average interest pay rate of 5.2%. As of December 31, 2019, the notional amount of customer related derivative financial instruments was $286.6 million with an average maturity of 39.7 months, an average interest receive rate of 4.3% and an average interest pay rate of 5.2%.

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 $611.5 million million and $513.4 million at September 30, 2020 and December 31, 2019, 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:

	September 30, 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	$ 24,487	$ —	$ 24,487	$ —	$ —	$ 24,487
Loan/lease interest rate swaps	3,133	—	3,133	—	—	3,133
Total financial assets	$ 27,620	$ —	$ 27,620	$ —	$ —	$ 27,620
Financial liabilities:						
Derivatives:						
Forward commitments	$ 1,145	$ —	$ 1,145	$ —	$ —	$ 1,145
Loan/lease interest rate swaps	3,133	—	3,133	—	(3,133)	—
Repurchase arrangements	611,455	—	611,455	(611,455)	—	—
Total financial liabilities	$ 615,733	$ —	$ 615,733	$ (611,455)	$ (3,133)	$ 1,145

	December 31, 2019					
				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	$ 3,898	$ —	$ 3,898	$ —	$ —	$ 3,898
Loan/lease interest rate swaps	1,543	—	1,543	—	—	1,543
Total financial assets	$ 5,441	$ —	$ 5,441	$ —	$ —	$ 5,441
Financial liabilities:						
Derivatives:						
Forward commitments	$ 1,083	$ —	$ 1,083	$ —	$ —	$ 1,083
Loan/lease interest rate swaps	1,543	—	1,543	—	(1,543)	—
Repurchase arrangements	513,422	—	513,422	(513,422)	—	—
Total financial liabilities	$ 516,048	$ —	$ 516,048	$ (513,422)	$ (1,543)	$ 1,083

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 1.7% to 3.2%. 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 September 30, 2020 and December 31, 2019:

	September 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Available-for-sale securities:				
U.S. Government agencies	$ —	$ 3,116,458	$ —	$ 3,116,458
U.S. Government agency issued residential mortgage-backed securities	—	1,625,325	—	1,625,325
U.S. Government agency issued commercial mortgage-backed securities	—	758,116	—	758,116
Obligations of states and political subdivisions	—	141,896	—	141,896
Corporate bonds	—	17,990	—	17,990
Other equity investments	197	670	—	867
Mortgage servicing rights	—	—	44,944	44,944
Derivative instruments	—	—	27,386	27,386
Loans held for sale	—	304,215	—	304,215
Total	$ 197	$ 5,964,670	$ 72,330	$ 6,037,197
Liabilities:				
Derivative instruments	$ —	$ —	$ 4,278	$ 4,278

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Available-for-sale securities:				
U.S. Government agencies	$ —	$ 3,599,317	$ —	$ 3,599,317
U.S. Government agency issued residential mortgage-back securities	—	133,375	—	133,375
U.S. Government agency issued commercial mortgage-back securities	—	609,009	—	609,009
Obligations of states and political subdivisions	—	140,273	—	140,273
Other equity investments	259	671	—	930
Mortgage servicing rights	—	—	57,109	57,109
Derivative instruments	—	—	5,421	5,421
Loans held for sale	—	210,361	—	210,361
Total	$ 259	$ 4,693,006	$ 62,530	$ 4,755,795
Liabilities:				
Derivative instruments	$ —	$ —	$ 2,626	$ 2,626

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the nine-month period ended September 30, 2020 and 2019:

	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	(26,582)	20,313
Additions	14,417	—
Balance at September 30, 2020	$ 44,944	$ 23,108
Net unrealized (losses) gains included in net income for the quarter relating to assets and liabilities held at September 30, 2020	$ (2,918)	$ 1,404

	Mortgage Servicing Rights	Derivative Instruments, net
	(In thousands)	
Balance at December 31, 2018	$ 69,822	$ 2,176
Year to date net (losses) gains included in: Net (loss) gain	(26,506)	2,622
Additions	8,176	—
Balance at September 30, 2019	$ 51,492	$ 4,798
Net unrealized (losses) gains included in net income for the quarter relating to assets and liabilities held at September 30, 2019	$ (4,669)	$ 1,514

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 September 30, 2020 and 2019:

	September 30, 2020				Nine months ended September 30, 2020
	Level 1	Level 2	Level 3	Total	Net Losses
Assets:			(In thousands)		
Impaired loans	$ —	$ —	$ 49,818	$ 49,818	$ —
Purchased Credit Deteriorated (Loss)	—	—	27,313	27,313	(3,052)
Other real estate owned	—	—	6,397	6,397	(234)

	September 30, 2019				Nine months ended September 30, 2019
	Level 1	Level 2	Level 3	Total	Net Losses
Assets:			(In thousands)		
Impaired loans	$ —	$ —	$ 24,948	$ 24,948	$ (3,755)
Other real estate owned	—	—	7,929	7,929	(40)

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 $70.0 million at September 30, 2020, 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 September 30, 2020 and December 31, 2019:

	September 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:	(In thousands)			
Cash and due from banks	$ 306,164	$ 306,164	$ 261,773	$ 261,773
Interest bearing deposits with other banks	39,782	39,782	71,233	71,233
Available-for-sale securities, FHLB and other equity investments	5,668,639	5,668,639	4,519,744	4,519,744
Net loans and leases	15,077,111	15,614,428	13,970,617	14,231,252
Loans held for sale	304,215	304,215	210,361	210,361
Mortgage servicing rights	44,944	44,944	57,109	57,109
Liabilities:				
Noninterest bearing deposits	6,336,792	6,336,792	4,661,821	4,661,821
Savings and interest bearing deposits	10,496,382	10,496,382	9,114,919	9,114,919
Other time deposits	2,579,805	2,611,815	2,633,959	2,634,750
Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings	706,672	693,759	1,238,422	1,227,753
Long-term debt and other borrowings	301,582	302,599	301,600	301,600
Derivative instruments:				
Forward commitments to sell fixed rate mortgage loans	1,126	1,126	(184)	(184)
Commitments to fund fixed rate mortgage loans	22,216	22,216	2,999	2,999
Interest rate swap position to receive	2,900	2,900	1,524	1,524
Interest rate swap position to pay	(3,133)	(3,133)	(1,543)	(1,543)

NOTE 16 – OTHER NONINTEREST REVENUE AND EXPENSE

The following table details other noninterest revenue for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Bank-owned life insurance	$ 1,902	$ 2,529	$ 5,756	$ 6,205
Other miscellaneous income	2,856	5,617	14,455	13,407
Total other noninterest income	$ 4,758	$ 8,146	$ 20,211	$ 19,612

The following table details other noninterest expense for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Advertising	$ 826	$ 1,382	$ 2,843	$ 3,756
Foreclosed property expense	(278)	870	1,952	2,013
Telecommunications	1,462	1,400	4,435	4,159
Public relations	1,130	1,069	2,269	2,768
Data processing	9,477	9,066	28,816	25,476
Computer software	4,779	3,825	14,073	11,359
Amortization of intangibles	2,357	2,117	7,106	6,610
Legal fees	(316)	786	1,957	2,701
Merger expense	129	4,062	5,133	8,089
Postage and shipping	1,199	1,281	3,838	3,910
Other miscellaneous expense	11,427	13,565	35,388	41,260
Total other noninterest expense	$ 32,192	$ 39,423	$107,810	$112,101

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 September 30, 2020 and 2019, the weighted average remaining lease term for operating leases was 13.8 years and 13.4 years respectively, and the weighted average discount rate used in the measurement of operating lease liabilities was 3.1% and 3.3% respectively. For the nine months ended September 30, 2020 and 2019, the weighted average remaining lease term for operating leases was 13.8 years and 13.4 years respectively, and the weighted average discount rate used in the measurement of operating lease liabilities was 3.1% and 3.3% respectively.

The following table details lease costs for the three months and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(in thousands)			
Operating lease costs	$ 2,286	$ 2,146	$ 6,664	$ 6,316
Short-term lease costs	—	12	—	42
Variable lease costs	314	260	916	768
Sublease income	(7)	(11)	(29)	(17)
Total operating lease costs	$ 2,593	$ 2,407	$ 7,551	$ 7,109

There were no leveraged leases or lease transactions with related parties during the first nine months ended September 30, 2020 and 2019. At September 30, 2020 and 2019, 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 September 30, 2020:

	Amount
	(In thousands)
Remainder of 2020	$ 2,112
2021	8,425
2022	8,341
2023	7,526
2024	7,322
Thereafter	57,412
Total future minimum lease payments	91,138
Discount effect of cash flows	17,869
Present value of net future minimum lease payments	$ 73,269

As of September 30, 2020, the Company's operating lease ROU assets and liabilities were $71.5 million and $73.3 million, respectively. At December 31, 2019, the Company's operating lease ROU assets and liabilities were $71.8 million and $72.4 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 $1.5 million accrued as of September 30, 2020 is adequate and that any incremental 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.

NOTE 18 – LONG-TERM DEBT

The Company had long-term FHLB and other borrowings of $4.5 million and $5.1 million at September 30, 2020 and December 31, 2019, 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 20, 2020 to shareholders of record at the close of business on February 5, 2020, paid on May 20, 2020 to shareholders of record at the close of business on May 5, 2020, and paid on August 20, 2020 to shareholders of record at the close of business on August 5, 2020.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent to the end of the third quarter, the Company acquired the assets of Alexander and Sanders Insurance Agency, Inc. This agency specializes in construction and professional practice liability coverage and is expected to contribute approximately $2.0 million in annual commission revenue to the Company. The acquisition is not considered material to the Company's financial statements.

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 Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created 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 "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "aspire," "roadmap," "achieve," "estimate," "intend," "plan," "project," "projection," "forecast," "goal," "target," "would," and "outlook," or the negative version of those words or other comparable words of a future or forward-looking nature. These forward-looking statements include, without limitation, those relating to the impact of the COVID-19 pandemic on the Company's assets, business, cash flows, financial condition, liquidity, prospects and results of operations, the benefits, costs, synergies and financial and operational impact of the Company's recently completed mergers, the acceptance by customers of the recently completed mergers of the Company's products and services after the closing of the mergers, the opportunities to enhance market share in certain markets and market acceptance of the Company generally in new markets, the integration processes after closing the recently completed mergers, the opportunities for the Company to enhance market share in certain markets, market acceptance of the Company generally in new markets and the benefits and synergies expected from the recently completed mergers, the Company's ability to operate its regulatory compliance programs consistent with federal, state and local laws, including its Bank Secrecy Act ("BSA") and anti-money laundering ("AML") compliance program and its fair lending compliance program, the Company's disclosure controls and procedures and internal control over financial reporting, cybersecurity incidents and data protection, the Company's ability to pay dividends or coupons on the Series A Preferred Stock or the Notes or its ability to ultimately repay the Notes or otherwise comply with the terms of such instruments, amortization expense for intangible assets, goodwill impairments, loan impairments, utilization of appraisals and inspections for real estate loans, maturity, renewal or extension of construction, acquisition and development loans, net interest revenue and net interest margin, reductions in sources of noninterest revenue and increases in sources of noninterest expenses, fair value determinations, the amount of the Company's non-performing loans and leases, credit quality, credit losses, liquidity, off-balance sheet commitments and arrangements, valuation of mortgage servicing rights, increase in the provision and allowance for credit losses, early identification and resolution of credit issues, utilization of non-GAAP financial measures, the ability of the Company to collect all amounts due according to the contractual terms of loan agreements, the Company's reserve for losses from representation and warranty obligations, the Company's foreclosure process related to mortgage loans, the resolution of non-performing loans that are collaterally dependent, real estate values, fully-indexed interest rates, interest rate risk, interest rate sensitivity, the impact of interest rates on loan yields, calculation of economic value of equity, impaired loan charge-offs, diversification of the Company's revenue stream, the growth of the Company's insurance business and commission revenue, the growth of the Company's customer base and loan, deposit and fee revenue sources, liquidity needs and strategies, the ability of the Company to access successfully the capital and credit markets when needed or as desired, sources of funding, declaration and payment of dividends, the utilization of the Company's share repurchase program, the implementation and execution of cost saving initiatives, improvement in the Company's efficiencies, operating expense trends, future acquisitions, dispositions and other strategic growth opportunities and initiatives, and the impact of certain claims and ongoing, pending or threatened litigation, administrative and investigatory matters.

These forward-looking statements are not historical facts, and are based upon current expectations, estimates and projections about the Company's industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain, involve risk and are beyond the Company's control. The inclusion of these forward-looking statements should not be regarded as a representation by the Company or any other person that such expectations, estimates and projections will be achieved. Accordingly, the Company cautions that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict and that are beyond the Company's control. These risks, assumptions and uncertainties may include, but are not limited to, the impact of the COVID-19 pandemic on the Company's assets, business, cash flows, financial condition, liquidity, prospects and results of operations, increases in the provision and allowance for credit losses, reductions in sources of noninterest revenue and increases in sources of noninterest expenses, and interest rate pressure on net interest revenue and net interest margin, the Company's disclosure controls and procedures and internal control over financial reporting, cybersecurity incidents and data protection, the Company's ability to operate its regulatory compliance programs consistent with federal, state and local laws, including its BSA/AML compliance program and its fair lending compliance program, the ability of the Company to meet expectations regarding the benefits, costs, synergies, and financial and operational impact of the Company's recent mergers, the possibility that any of the anticipated benefits, costs, synergies and financial and operational improvements of the Company's recently completed mergers will not be realized or will not be realized as expected, the ability of the Company and the recently acquired companies to meet expectations regarding the accounting and tax treatments of the recently completed mergers, the possibility that any of the anticipated benefits of the recently completed mergers will not be realized or will not be realized as expected, the lack of availability of the Company's filings mandated by the Exchange Act from the Securities and Exchange Commission's publicly available website after November 1, 2017, the impact of any ongoing pending or threatened litigation, administrative and investigatory matters involving the Company, conditions in the financial markets and economic conditions generally, the adequacy of the Company's provision and allowance for credit losses to cover actual credit losses, the credit risk associated with real estate construction, acquisition and development loans, limitations on the Company's ability to declare and pay dividends, the availability of capital on favorable terms if and when needed, liquidity risk, governmental regulation, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and supervision of the Company's operations, the short-term and long-term impact of changes to banking capital standards on the Company's regulatory capital and liquidity, the impact of regulations on service charges on the Company's core deposit accounts, the susceptibility of the Company's business to local economic and environmental conditions, the soundness of other financial institutions, changes in interest rates, the impact of monetary policies and economic factors on the Company's ability to attract deposits or make loans, volatility in capital and credit markets, reputational risk, the impact of the loss of any key Company personnel, the impact of hurricanes or other adverse weather events, any requirement that the Company write down goodwill or other intangible assets, diversification in the types of financial services the Company offers, the growth of the Company's insurance business and commission revenue, the growth of the Company's loan, deposit and fee revenue sources, the Company's ability to adapt its products and services to evolving industry standards and consumer preferences, competition with other financial services companies, risks in connection with completed or potential acquisitions, dispositions and other strategic growth opportunities and initiatives, the Company's growth strategy, interruptions or breaches in the Company's information system security, the failure of certain third-party vendors to perform, unfavorable ratings by rating agencies, dilution caused by the Company's issuance of any additional shares of its capital stock to raise capital or acquire other banks, bank holding companies, financial holding companies and insurance agencies, the utilization of the Company's share repurchase program, the implementation and execution of cost saving initiatives, other factors generally understood to affect the assets, business, cash flows, financial condition, liquidity, prospects and/or results of operations of financial services companies, and other factors detailed from time to time in the Company's press and news releases, reports and other filings with the FDIC.

The foregoing factors should not be construed as exhaustive and should be read in conjunction with those factors that are set forth from time to time in our periodic and current reports filed with the FDIC, including those factors included in our 2019 Annual Report and this Report under the heading "Item 1A. Risk Factors."

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable as of the date of this Report, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. 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 differ materially from the Company's forward-looking statements. Accordingly, undue reliance should not be placed on any such forward-looking statements. Any forward-looking statement speaks 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 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.

OVERVIEW

The Company is a regional bank headquartered in Tupelo, Mississippi with $23.6 billion in assets at September 30, 2020. The Company has commercial banking operations in Alabama, Arkansas, Florida, 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 nine-month periods ended September 30, 2020 and 2019 and the consolidated financial statements as of December 31, 2019 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 thus far in 2020 were largely focused on navigating the health, logistical and economic impacts of the COVID-19 pandemic. While the Company has not yet seen increases in charge-offs or significant deterioration in other credit quality metrics, the Company did record a provision for credit losses of $15.0 million as a result of the lengthening of the anticipated recovery time for certain economic factors within the Company's reserve methodology compared to June 30, 2020. Outside of the additional provisioning, the Company continues to perform at a very high level. The Company has worked diligently to create an environment that protects the health and wellbeing 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.

SELECTED FINANCIAL INFORMATION

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
	(Dollars in thousands, except per share amounts)			
Earnings Summary:				
Total interest revenue	$ 200,670	$ 199,004	$ 600,206	$ 571,200
Total interest expense	24,739	32,405	86,175	92,030
Net interest revenue	175,931	166,599	514,031	479,170
Provision for credit losses	15,000	500	81,000	1,500
Noninterest revenue	89,924	75,432	257,678	205,984
Noninterest expense	155,505	159,614	486,015	467,256
Income before income taxes	95,350	81,917	204,694	216,398
Income tax expense	21,525	18,160	45,448	47,986
Net income	73,825	63,757	159,246	168,412
Less: Preferred Dividends	2,372	—	7,116	—
Net income available to common shareholders	$ 71,453	$ 63,757	$ 152,130	$ 168,412
Balance Sheet - Period-end balances:				
Total assets	$ 23,555,422	$ 19,850,225	$ 23,555,422	$ 19,850,225
Total securities	5,659,785	2,766,446	5,659,785	2,766,446
Loans and leases, net of unearned income	15,327,735	14,120,783	15,327,735	14,120,783
Total deposits	19,412,979	16,025,756	19,412,979	16,025,756
Long-term debt	4,508	5,161	4,508	5,161
Junior subordinated debt	297,074	—	297,074	—
Total shareholders' equity	2,782,539	2,489,427	2,782,539	2,489,427
Balance Sheet-Average Balances:				
Total assets	$ 23,318,877	$ 19,170,926	$ 22,408,734	$ 18,618,066
Total securities	5,309,982	2,738,691	4,738,392	2,725,595
Loans and leases, net of unearned income	15,369,684	13,726,755	14,905,435	13,453,898
Total deposits	19,258,930	15,509,511	18,210,053	15,015,973
Long-term debt	4,592	5,303	4,697	5,509
Junior subordinated debt	296,969	—	296,794	—
Total shareholders' equity	2,729,870	2,378,882	2,709,077	2,297,322
Common Share Data:				
Basic earnings per share	$ 0.70	$ 0.63	$ 1.47	$ 1.68
Diluted earnings per share	0.69	0.63	1.47	1.67
Cash dividends per share	0.19	0.19	0.56	0.53
Book value per share	25.50	23.76	25.50	23.76
Tangible book value per share (1)	16.71	15.33	16.71	15.33
Dividend payout ratio	26.56 %	29.36 %	37.64 %	31.31 %
Financial Ratios (Annualized):				
Return on average assets	1.26 %	1.32 %	0.95 %	1.21 %
Return on average shareholders' equity	10.76	10.63	7.85	9.80
Total shareholders' equity to total assets	11.81	12.54	11.81	12.54
Total common shareholders' equity to total assets	11.10	12.54	11.10	12.54
Tangible shareholders' equity to tangible assets (1)	8.30	8.47	8.30	8.47
Tangible common shareholders' equity to tangible assets (1)	7.56	8.47	7.56	8.47
Net interest margin-fully taxable equivalent	3.31	3.88	3.39	3.87
Credit Quality Ratios (Annualized):				
Net charge-offs (recoveries) to average loans and leases	0.04 %	(0.02)%	0.15 %	0.05 %
Provision for credit losses to average loans and leases	0.39	0.01	0.73	0.01
Allowance for credit losses to net loans and leases	1.64	0.83	1.64	0.83
Allowance for credit losses to NPLs	166.08	108.17	166.08	108.17
Allowance for credit losses to NPAs	159.33	100.78	159.33	100.78
NPLs to net loans and leases	0.98	0.77	0.98	0.77
NPAs to net loans and leases	1.03	0.82	1.03	0.82
Capital Adequacy:				
Common equity Tier 1 capital	10.64 %	10.54 %	10.64 %	10.54 %
Tier 1 capital	11.65	10.54	11.65	10.54
Total capital	14.20	11.28	14.20	11.28
Tier 1 leverage capital	8.59	9.14	8.59	9.14
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 shareholders' common 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:

	September 30, 2020	September 30, 2019
	(Dollars in thousands, except per share amounts)	
Tangible Assets:		
Total assets	$ 23,555,422	$ 19,850,225
Less: Goodwill	847,531	822,093
Other identifiable intangible assets	54,757	61,100
Total tangible assets	$ 22,653,134	$ 18,967,032
Tangible Shareholders' Equity:		
Total shareholders' equity	$ 2,782,539	$ 2,489,427
Less: Goodwill	847,531	822,093
Other identifiable intangible assets	54,757	61,100
Total tangible shareholders' equity	$ 1,880,251	$ 1,606,234
Less: Preferred Stock	166,993	—
Total tangible common shareholders' equity	$ 1,713,258	$ 1,606,234
Total common shares outstanding	102,558,459	104,775,876
Tangible shareholders' equity to tangible assets	8.30%	8.47%
Tangible common shareholders' equity to tangible assets	7.56	8.47
Tangible book value per share	$ 16.71	$ 15.33

FINANCIAL HIGHLIGHTS

The Company reported net income available to common shareholders of $71.5 million for the third quarter of 2020, compared to net income available to common shareholders of $63.8 million for the third quarter of 2019 and $152.1 million for the first nine months of 2020 compared to $168.4 million for the first nine months of 2019. The Company reported net income of $73.8 million for the third quarter of 2020, compared to net income of $63.8 million for the third quarter of 2019 and $159.2 million for the first nine months of 2020 compared to $168.4 million for the same period of 2019. A primary factor contributing to the increase in net income for the third quarter was the increase in mortgage banking revenue of $19.8 million which was offset somewhat by the increase in provision for credit losses of $14.5 million for the comparable period. A primary factor contributing to the decrease in net income for the first nine months of 2020 compared to the same periods in 2019 was the increase in provision for credit losses which was $81.0 million for the first nine months of 2020 compared to $1.5 million for the first nine months of 2019 offset by an increase in mortgage banking revenue which was $66.1 million for the first nine months of 2020 compared to $9.7 million for the first nine months of 2019. The Company recorded a provision for credit losses of $81.0 million for the first nine months of 2020 primarily as a result of the deterioration of economic factors included in the Company's allowance for credit losses methodology resulting from the COVID-19 pandemic. Another factor contributing to the change in net income for the third quarter of 2020 and nine months ended September 30, 2020 compared to the same periods in 2019 was the decrease in noninterest expense for the third quarter of 2020 which was $155.5 million for the three months ended September 30, 2020 compared to $159.6 million for the three months ended September 30, 2019 and the increase in noninterest expense for the nine months ended September 30, 2020 which was $486.0 million for the nine months ended September 30, 2020 compared with $467.3 million for the nine months ended September 30, 2019. The increase in noninterest expense for the third quarter and first nine months of 2020 compared to the same period in 2019 was primarily a result of the increase in salaries and employee benefits. Salaries and employee benefits increased to $104.2 million for the third quarter of 2020 from $101.2 million for the third quarter of 2019. Salaries and employee benefits increased to $320.6 million for the first nine months of 2020 from $299.4 million for the first nine months of 2019. The increase in salary and benefits for the comparable three-month and nine-month periods is associated with the two acquisitions that were effective September 1, 2019 and an acquisition that was effective January 1, 2020.

The increase in salaries and employee benefits for the comparable periods was somewhat offset by the increase in net interest revenue for the same comparable periods. The increase in net interest revenue for the comparable three-month periods is primarily a result of the increase in interest income resulting from the increase in the average loan and lease portfolio and available-for-sale securities coupled with the decrease in interest expense associated with interest bearing demand deposits and other short term borrowings more than offsetting the decrease in yields on those interest earnings assets. The increase in net interest revenue for the comparable nine-month periods is primarily a result of the increase in interest revenue resulting from the increase in the average loan and lease portfolio and available-for-sale securities more than offsetting the decrease in yields on interest earning assets coupled with the decrease in interest expense associated with interest bearing demand and other time deposits. The Company completed two acquisitions in the third quarter of 2019 and an acquisition in the first quarter of 2020 which also contributed to the increase in net interest revenue.

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 $175.9 million for the third quarter of 2020, an increase of $9.3 million, or 5.6%, from $166.6 million for the third quarter of 2019. Net interest revenue was $514.0 million for the first nine months of 2020, an increase of $34.9 million, or 7.3%, from $479.2 million for the first nine months of 2019. 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 third quarter of 2020 compared to the third quarter of 2019 and increased $29.0 million, or 5.1%, in the first nine months of 2020 compared to the first nine months of 2019. The Company has increased loan and leases as a result of an acquisition in the first quarter of 2020 as well as through the origination and funding of approximately $1.2 billion in PPP loans in the first nine months of 2020. Interest expense decreased $7.7 million, or 23.7%, for the third quarter of 2020 compared to the third quarter of 2019 and decreased $5.9 million, or 6.4%, in the first nine months of 2020 compared to the first nine months of 2019. The decrease for the comparable three-month and nine-month periods was primarily due to a decrease in yields on demand deposits and other short term borrowings offset somewhat by an increase in average balances and interest on junior subordinated debt that was issued in the fourth quarter of 2019.

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 $14.5 million, or 19.2%, for the third quarter of 2020 compared to the third quarter of 2019 and increased $51.7 million, or 25.1%, for the first nine months of 2020 compared with the first nine months of 2019. One of the primary contributors to the increase in noninterest revenue for the comparable three-month and nine-month periods was mortgage banking. Mortgage banking increased $19.8 million for the third quarter of 2020 compared to the same quarter in 2019 and increased $56.4 million for the first nine months of 2020 compared to the first nine months of 2019. The increase in mortgage banking for the comparable three-month and nine-month periods was primarily a result of increased mortgage production volume.

Credit card, debit card and merchant fees remained stable, increasing approximately $160,000, or 1.6% and decreasing approximately $626,000, or 2.2%, for the comparable three-month and nine-month periods. Deposit service charges decreased $3.0 million, or 25.5%, for the third quarter of 2020 and $5.6 million, or 16.6% for the first nine months of 2020, compared to the same periods of 2019 as a result of waived charges and fees to assist the Company's customers during the pandemic coupled with reduced activity. Insurance commissions remained relatively stable increasing $1.2 million, or 3.9%, and decreasing approximately $172,000, or 0.2%, for the comparable three-month and nine-month periods. The decrease in other miscellaneous revenue for the comparable three-month period is primarily a result of decreased credit trading fee income and loan placement fees while the increase in other miscellaneous fees for the nine-month period is primarily a result of a $4.2 million gain associated with the sale of a book of business within the Company's insurance agency occurring in the first quarter of 2020. The overall reduction in future insurance commission revenue related to the sold book of business in not considered material.

Total noninterest expense decreased $4.1 million, or 2.6%, to $155.5 million for the third quarter of 2020 compared to $159.6 million for the third quarter of 2019 and increased $18.8 million, or 4.0%, for the first nine months of 2020 compared with the first nine months of 2019. The decrease in noninterest expense during the third quarter of 2020 compared to the same period of 2019 was primarily a result of the decrease in merger expense. Merger expense decreased $3.9 million, or 96.8%, for the third quarter of 2020 compared to the third quarter of 2019 as a result of the two acquisitions completed in the third quarter of 2019 with no acquisitions completed in the third quarter of 2020. The increase in noninterest expense during the first nine months of 2020 compared to the first nine months of 2019 was primarily a result of the increase in salaries and employee benefits of $21.2 million, or 7.1%, as a result of increases in the cost of employee healthcare benefits and compensation costs associated with the two acquisitions that were effective September 1, 2019 and an acquisition that was effective January 1, 2020 offset somewhat by a decrease in merger expense of $3.0 million, or 36.5%, for the first nine months of 2020 compared to the the same period in 2019 primarily as a result of the four acquisitions completed during the first nine months of 2020 with one acquisition completed during the first nine months of 2020. The Company continues to focus attention on controlling noninterest expense.

Income tax expense increased $3.4 million, or 18.5%, and decreased $2.5 million, or 5.3%, for the comparable three-month and nine-month periods ended September 30, 2020. The change in income tax expense for the comparable three-month and nine-month periods is primarily a result of the change 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 nine months ended September 30, 2020 and 2019:

	Three months ended September 30,					
	2020			2019		
	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)	$ 15,369.7	$ 176.2	4.56 %	13,726.8	$ 179.2	5.18 %
Loans held for sale	296.4	2.5	3.31 %	157.7	1.4	3.63 %
Available-for-sale securities:						
Taxable	5,174.7	21.3	1.64 %	2,568.6	13.8	2.13 %
Non-taxable (3)	135.3	1.2	3.67 %	170.1	2.4	5.56 %
Short-term, FHLB & other equity						
investments	265.8	0.1	0.19 %	525.4	3.2	2.41 %
Total interest earning assets and revenue	21,241.9	201.3	3.77 %	17,148.6	200.0	4.63 %
Other assets	2,313.5			2,138.5		
Less: Allowance for credit losses	(236.5)			(116.2)		
Total	$ 23,318.9			$ 19,170.9		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits:						
Demand - interest bearing	$ 8,022.8	$ 10.8	0.53 %	$ 6,656.0	$ 15.7	0.94 %
Savings	2,280.9	1.0	0.18 %	1,869.0	1.3	0.28 %
Other time	2,614.4	9.3	1.41 %	2,504.8	10.5	1.67 %
Federal funds purchased, securities sold under agreement to repurchase, and other short term borrowings	718.1	0.3	0.25 %	995.0	4.8	1.90 %
Junior subordinated debt	297.0	3.3	4.24 %	—	—	— %
Long-term debt	4.6	—	4.85 %	5.3	0.1	4.93 %
Total interest bearing liabilities and expense	13,937.8	24.7	0.71 %	12,030.1	32.4	1.07 %
Demand deposits - noninterest bearing	6,340.9			4,479.7		
Other liabilities	310.3			282.2		
Total liabilities	20,589.0			16,792.0		
Shareholders' equity	2,729.9			2,378.9		
Total	23,318.9			19,170.9		
Net interest revenue-FTE		176.6			167.6	
Net interest margin-FTE			3.31 %			3.88 %
Net interest rate spread			3.06 %			3.56 %
Interest bearing liabilities to interest earning assets			65.61 %			70.15 %

(1) Includes taxable equivalent adjustment to interest of $0.4 million and $0.5 million for the three months ended September 30, 2020 and 2019, respectively, using an effective tax rate of 21%.
(2) Includes non-accrual loans.
(3) Includes taxable equivalent adjustment to interest of $0.2 million and $0.5 million for the three months ended September 30, 2020 and 2019, respectively, using an effective tax rate of 21%.

	Nine months ended September 30,					
	2020			2019		
	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)	$ 14,905.4	$ 527.2	4.72 %	$ 13,453.9	$ 516.6	5.13 %
Loans held for sale	235.4	5.9	3.32 %	120.9	3.8	4.22 %
Available-for-sale securities:						
Taxable	4,601.0	63.6	1.85 %	2,520.1	39.5	2.09 %
Non-taxable (3)	137.4	4.1	3.97 %	205.5	7.5	4.85 %
Short-term, FHLB & other equity investments	440.9	1.5	0.47 %	369.2	6.8	2.50 %
Total interest earning assets and revenue	20,320.1	602.3	3.96 %	16,669.6	574.2	4.61 %
Other assets	2,304.6			2,065.5		
Less: allowance for credit losses	(216.0)			(117.0)		
Total	$ 22,408.7			$ 18,618.1		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits:						
Demand - interest bearing	$ 7,722.4	$ 37.9	0.66 %	$ 6,476.2	$ 43.6	0.90 %
Savings	2,136.7	3.2	0.20 %	1,859.7	4.0	0.29 %
Other time	2,681.5	30.8	1.53 %	2,390.2	28.2	1.58 %
Federal funds purchased, securities sold under agreement to repurchase, and other short term borrowings	891.1	4.2	0.63 %	1,033.3	16.1	2.07 %
Junior subordinated debt securities	296.8	9.9	4.44 %	—	—	— %
Long-term debt	4.7	0.2	4.87 %	5.5	0.1	4.89 %
Total interest bearing liabilities and expense	13,733.2	86.2	0.84 %	11,764.9	92.0	1.05 %
Demand deposits - noninterest bearing	5,669.4			4,289.9		
Other liabilities	297.0			266.0		
Total liabilities	19,699.6			16,320.8		
Shareholders' equity	2,709.1			2,297.3		
Total	$ 22,408.7			$ 18,618.1		
Net interest revenue-FTE		$ 516.1			$ 482.2	
Net interest margin-FTE			3.39 %			3.87 %
Net interest rate spread			3.12 %			3.56 %
Interest bearing liabilities to interest earning assets			67.58 %			70.58 %

(1) Includes taxable equivalent adjustment to interest of $1.2 million and $1.4 million for the nine months ended September 30, 2020 and 2019, respectively, using an effective tax rate of 21%.
(2) Includes non-accrual loans.
(3) Includes taxable equivalent adjustment to interest of $0.9 million and $1.6 million for the nine months ended September 30, 2020 and 2019, respectively, using an effective tax rate of 21%.

Net interest revenue-FTE for the three-month period ended September 30, 2020 increased $9.0 million, or 5.4%, compared to the same period in 2019 and increased $33.9 million, or 7.0%, for the nine-month period ended September 30, 2020 compared with the same period in 2019. The increase in net interest revenue-FTE for the comparable three-month and nine-month periods was primarily a result of the increase in interest revenue-FTE related to the increase in average earning assets. For the comparable three-month period, declining yields on deposits and other short-term borrowings also contributed to the increase in net interest revenue-FTE. For the comparable three-month period, the increase in net interest revenue-FTE was offset somewhat by the increase in average balances of deposits and junior subordinated debt. For the comparable nine-month period, the increase in net interest revenue-FTE was somewhat offset by the increase in the average balance of demand and other time deposits and an increase in junior subordinated debt. The increase in earning assets was primarily a result of loans and leases added in conjunction with the acquisition in the first quarter of 2020, PPP loan originations in the second and third quarters of 2020 and an increase in available-for-sale securities. Rates on interest bearing liabilities decreased as a result of decreases in rates paid on interest-bearing and other time deposits which was offset somewhat by rates paid on junior subordinated debt.

Interest revenue-FTE for the three-month and nine-month periods ended September 30, 2020 increased $1.3 million, or 0.6% and $28.1 million, or 4.9%, respectively, compared to the same periods in 2019. The increase in interest revenue-FTE for the comparable three-month and nine-month periods was a result of loans and leases added in conjunction with the previously mentioned acquisition and PPP loan originations as well as increases in available-for-sale securities. The yield on average interest-earning assets decreased 86 basis points for the third quarter of 2020 compared to the third quarter of 2019 and decreased 65 basis points for the first nine months of 2020 compared to the first nine months of 2019. Average interest-earning assets increased $4.1 billion, or 23.9%, for the three-month period ended September 30, 2020, compared to the same period in 2019 and increased $3.7 billion, or 21.9%, for the nine-month period ended September 30, 2020 compared to the same period in 2019.

Interest expense for the three-month period ended September 30, 2020 decreased $7.7 million, or 23.8%, compared to the same periods in 2019. Interest expense for the nine-month period ended September 30, 2020 decreased $5.8 million, or 6.3%, compared to the same period in 2019. The decrease in interest expense for the comparable three-month and nine-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 with that decrease offset somewhat by the increase in rates paid on junior subordinated debt securities. Average rates paid on interest bearing liabilities decreased 36 basis points for the third quarter of 2020 compared to the third quarter of 2019 and decreased 21 basis points for the first nine months of 2020 compared to the first nine months of 2019. Average interest bearing liabilities increased $1.9 billion, or 15.9%, for the third quarter of 2020 compared to the third quarter of 2019 and increased $2.0 billion, or 16.7% for the first nine months of 2020 compared to the first nine months of 2019. The increase in average interest bearing liabilities for these periods was primarily a result of increases in average interest bearing demand and other time deposits with those increases primarily a result of the acquisition previously mentioned and liquidity resulting from various government stimulus programs coupled with the increase in average junior subordinated debt.

Net interest margin-FTE was 3.31% and 3.88% for the three months ended September 30, 2020 and 2019, respectively, and was 3.39% and 3.87% for the nine months ended September 30, 2020 and September 30, 2019, 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 are expected 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 is currently taking measures to assist in protecting the net interest margin, including the evaluation of deposit product pricing. However, the net interest margin could 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 September 30, 2020:

	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	$ 39,782	$ —	$ —	$ —
Available-for-sale, FHLB and other equity securities	399,004	780,201	2,809,617	1,679,817
Loans and leases, net of unearned income	4,237,724	3,242,428	6,493,474	1,354,109
Loans held for sale	304,215	—	—	—
Total interest earning assets	4,980,725	4,022,629	9,303,091	3,033,926
Interest bearing liabilities:				
Interest bearing demand and savings deposits	10,496,382	—	—	—
Other time deposits	453,708	1,141,400	981,337	3,360
Federal funds purchased , securities sold under agreement to repurchase, short-term FHLB borrowings and other short-term borrowings	706,672	—	—	—
Long-term debt and junior subordinated debt securities	—	—	297,557	4,025
Total interest bearing liabilities	11,656,762	1,141,400	1,278,894	7,385
Interest rate sensitivity gap	$ (6,676,037)	$ 2,881,229	$ 8,024,197	$ 3,026,541
Cumulative interest sensitivity gap	$ (6,676,037)	$ (3,794,808)	$ 4,229,389	$ 7,255,930

It should be noted that the balances shown in the table above are at September 30, 2020 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 September 30, 2020, 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 September 30, 2020 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 September 30, 2020, the Company had $4.3 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 4.64%, an average maturity of 121 months and a fully-indexed interest rate of 3.63% at September 30, 2020. 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

September 30, 2020, the Company had $116.0 million, $7.3 billion and $1.7 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 as noted under "Item 1A. Risk Factors" included in this Report.

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 September 30, 2020 and 2019 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	September 30, 2020	September 30, 2019
+400 basis points	2.7%	7.0%
+300 basis points	1.8%	5.2%
+200 basis points	0.5%	3.5%
+100 basis points	-0.2%	1.7%
-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 September 30, 2020	September 30, 2019
+400 basis points	20.7%	23.5%
+300 basis points	15.5%	18.2%
+200 basis points	9.2%	12.5%
+100 basis points	4.0%	6.3%
-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 September 30, 2020	September 30, 2019
+200 basis points	-0.6%	1.9%
-200 basis points	-1.1%	NM

NM=not meaningful

Provision for Credit Losses and Allowance for Credit Losses

In the normal course of business, the Company assumes risks in extending credit. The Company manages these risks through underwriting in accordance with its lending policies, loan review procedures and the diversification of its loan and lease portfolio. Although it is not possible to predict credit losses with certainty, management regularly reviews the characteristics of the loan and lease portfolio to determine its overall risk profile and quality.

The provision for credit losses is the periodic cost (or credit) of providing an allowance or reserve for expected losses on loans and leases. The Board of Directors has appointed a Credit Committee, composed of senior management and lending administration staff which meets on a quarterly basis or more frequently if required to review the recommendations of several internal working groups developed for specific purposes including the allowance for credit losses, specific provision amounts, and charge-offs. The ACL group bases its estimates of credit losses on three primary components: (1) estimates of expected losses that exist in various segments of performing loans and leases over the remaining life of the loan portfolio using a reasonable and supportable economic forecast; (2) specifically identified losses in individually analyzed credits which are collateral dependent; and (3) qualitative factors related to economic conditions, portfolio concentrations, regulatory policy updates, and other relevant factors that address estimates of expected losses not fully addressed based upon management's judgment of portfolio conditions. The Company utilizes credit risk models to estimate the probability of default and loss given default of loans over their remaining life. Credit factors such as financial condition of the borrower and guarantor, recent credit performance, delinquency, liquidity, cash flows, collateral type and value are used by the models to assess credit risk. Estimates of expected losses are influenced by the historical net losses experienced by the Company for loans and leases of comparable creditworthiness and structure. Specific loss assessments are performed for loans and leases based upon the collateral protection. The Company's reasonable and supportable economic forecast is utilized to estimate credit losses over a two-year time horizon before reverting back to longer term historical loss experience. The Company subscribes to various economic services and publications to assist with the development of inputs used in the modeling and qualitative framework for the ACL calculation. The economic forecast considers changes in real gross domestic product, nominal disposable income, unemployment rate, equity valuations and related volatility, valuations for residential and commercial real estate, and other indicators that may be correlated with the Company's expected credit losses.

With the exception of estimating losses for TDRs, the Company does not incorporate discounted cash flow into loss estimates for loans. The Company excludes accrued interest from interest income when it is determined that it is probable that all contractual principal and interest will not be collected for loans.

The COVID-19 pandemic became economically problematic in the United States in early March, prompting governmental action to restrict travel, business activity, and sporting events. In addition, "Social Distancing" advisories and state and local "Stay at Home" orders resulted in business suspensions and employee furloughs and layoffs. As a result, the U.S. economy experienced significant deterioration which was evident during the second and third quarters in many economic metrics included in the economic forecasts used to support the ACL, compared to the previous quarter. The U.S. economy and the regional economy in the Company's market area experienced both rapid decline and a rapid beginning of a recovery during this period. During the third quarter, there were early signs of a rapid recovery, however, the rate of improvement showed signs of slowing as the quarter ended. The ACL estimate includes both portfolio changes and changes in economic conditions experienced during the quarter and a forecast of gradual recovery over the next eight quarters. The unemployment rate has the highest weighting within the Company's credit modeling framework. The Company's forecast for unemployment includes a range between 9.1 percent and 6.1 percent through the fourth quarter of 2022. The forecasts recognize the potential for a longer recovery period during the forecast period. The Company recognizes that a recurrence in COVID-19 infections may occur 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.

Attention is paid to the quality of the loan and lease portfolio through a formal loan review process. An independent loan review department of the Company is responsible for reviewing the credit rating and classification of individual credits and assessing trends in the portfolio, adherence to internal credit policies and procedures and other factors that may affect the overall adequacy of the allowance for credit losses. The ACL group is responsible for ensuring that the allowance for credit losses provides adequate coverage of expected losses. The ACL group meets at least quarterly to determine the amount of adjustments to the allowance for credit losses. The ACL group is composed of senior management from the Company's lending administration, risk, and finance departments. The Impairment Group is responsible for evaluating individual loans that have been specifically identified through various channels, including examination of the Company's watch list, past due listings, and loan officer assessments. For all loans identified, the responsible loan officer in conjunction with a credit administrator is required to prepare an analysis to be reviewed by the Impairment Group. The Impairment Group reviews all loans restructured in a TDR if the loan is $500,000 or greater to determine if it is probable that the Company will be unable to collect the contractual principal and interest on the loan. An evaluation of the circumstances surrounding the loan is performed in order to determine whether the loan was collateral-dependent. The fair value of the underlying collateral is considered if the loan is collateral dependent. The Impairment Group meets at least quarterly. The Impairment Group is made up of senior management from the Company's lending administration, risk, and finance departments.

If financial concessions are granted to a borrower as a result of financial difficulties, the loan is classified as a TDR, with the amount of provision determined by estimating the net present value of future cash flows for TDRs that are not deemed to be collateral-dependent. TDRs are reserved in accordance with FASB ASC 326. Should the borrower's financial condition, collateral protection or performance deteriorate, warranting reassessment of the loan rating or specific provision, additional reserves and/or charge-offs may be required. 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 0.3% of the loan portfolio by outstanding balance was in deferral and 0.7% was converted to interest only as of September 30, 2020 In accordance with interagency guidance issued in March 2020 and the CARES Act, these short term deferrals and modifications are not considered TDRs.

Loans of $500,000 or more that are identified as collateral-dependent are reviewed by the Impairment Group which approves the amount of specific reserve, if any, and/or charge-off amounts. The evaluation of real estate loans generally focuses on the fair value of underlying collateral less estimated costs to sell obtained from appraisals, as the repayment of these loans may be dependent on the liquidation of the collateral. In certain circumstances, other information such as comparable sales data is deemed to be a more reliable indicator of fair value of the underlying collateral than the most recent appraisal. In these instances, such information is used in determining the specific provision recorded for the loan. For commercial and industrial loans, the evaluation generally focuses on these considerations, as well as the projected liquidation of any pledged collateral. The Impairment Group reviews the results of each evaluation and approves the final specific provision amounts, which are then included in the analysis of the adequacy of the allowance for credit losses in accordance with FASB ASC 326.

A new appraisal is generally ordered for loans $500,000 or greater that have characteristics of potential specific provision, such as delinquency or other loan-specific factors identified by management, when a current appraisal (dated within the prior 12 months) is not available or when a current appraisal uses assumptions that are not consistent with the expected disposition of the loan collateral. In order to measure specific provision properly at the time that a loan is reviewed, a bank officer may estimate the collateral fair value based upon earlier appraisals received from outside appraisers, sales contracts, approved foreclosure bids, comparable sales, officer estimates or current market conditions until a new appraisal is received. This estimate can be used to determine the extent of the specific provision on the loan. After a loan is determined to be collateral-dependent, it is management’s policy to obtain an updated appraisal on at least an annual basis. Management performs a review of the pertinent facts and circumstances of each collateral-dependent loan, such as changes in outstanding balances, information received from loan officers and receipt of re-appraisals, at least quarterly. As of each review date, management considers whether additional provision and/or charge-offs should be recorded based on recent activity related to the loan-specific collateral as well as other relevant comparable assets. Any adjustment to reflect further exposure, either as a result of management’s periodic review or as a result of an updated appraisal, are made through recording additional ACL provisions and/or charge-offs.

At September 30, 2020, loans with an internally assigned grade of impaired totaled $49.8 million, which was net of cumulative charge-offs of $1.4 million. Additionally, the Company had specific reserves related to impaired loans of $6.7 million included in the allowance for credit losses. Impaired loans at September 30, 2020 were primarily from the Company’s commercial real estate and commercial and industrial-owner occupied portfolios.

When a guarantor is relied upon as a source of repayment, it is the Company’s policy to analyze the strength of the guaranty. This analysis varies based on circumstances, but may include a review of the guarantor’s personal and business financial statements and credit history, a review of the guarantor’s tax returns and the preparation of a cash flow analysis of the guarantor.

Any loan or portion thereof which is classified as “loss” or which is determined by management to be uncollectible, because of factors such as the borrower’s failure to pay interest or principal, the borrower’s financial condition, economic conditions in the borrower’s industry or the inadequacy of underlying collateral, is charged off.

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	(In thousands)			
Balance, beginning of period	$ 237,025	$ 115,691	$ 119,066	$ 120,070
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	(560)	(218)	(12,858)	(1,903)
Commercial and industrial- owner occupied	(441)	(65)	(638)	(65)
Total commercial and industrial	(1,001)	(283)	(13,496)	(1,968)
Commercial real estate				
Agricultural	—	—	(86)	—
Construction, acquisition and development	—	—	(3,182)	(45)
Commercial real estate	(738)	(49)	(805)	(4,114)
Total commercial real estate	(738)	(49)	(4,073)	(4,159)
Consumer				
Consumer mortgages	(81)	(255)	(729)	(677)
Home equity	(41)	(39)	(439)	(516)
Credit cards	(682)	(631)	(2,183)	(2,508)
Total consumer	(804)	(925)	(3,351)	(3,701)
All other	(599)	(895)	(1,909)	(2,638)
Total loans charged off	(3,142)	(2,152)	(22,829)	(12,466)
Recoveries:				
Commercial and industrial				
Commercial and industrial- non real estate	294	835	926	1,942
Commercial and industrial- owner occupied	163	49	1,478	220
Total commercial and industrial	457	884	2,404	2,162
Commercial real estate				
Agricultural	3	3	15	17
Construction, acquisition and development	55	480	472	1,257
Commercial real estate	209	29	394	325
Total commercial real estate	267	512	881	1,599
Consumer				
Consumer mortgages	352	278	1,094	1,603
Home equity	132	731	471	985
Credit cards	270	224	750	665
Total consumer	754	1,233	2,315	3,253
All other	263	240	927	790
Total recoveries	1,741	2,869	6,527	7,804
Net (chargeoffs) recoveries	(1,401)	717	(16,302)	(4,662)
Initial allowance on loans purchased with credit deterioration	—	—	4,226	—
Provision:				
Initial provision for acquired loans	—	—	1,000	—
Provision for credit losses related to loans and leases	15,000	500	80,000	1,500
Total provision	15,000	500	81,000	1,500
Balance, end of period	$ 250,624	$ 116,908	$ 250,624	$ 116,908
Average loans for period	$ 15,369,684	$ 13,726,755	$ 14,905,435	$ 13,453,898
Ratios:				
Net chargeoffs (recoveries) to average loans (annualized)	0.04 %	(0.02)%	0.15 %	0.05 %
Provision for credit losses to average loans and leases, net of unearned income (annualized)	0.39 %	0.01 %	0.73 %	0.01 %
Allowance for credit losses to loans and leases, net of unearned income	1.64 %	0.83 %	1.64 %	0.83 %

Net charge-offs were $1.4 million in the third quarter of 2020 compared to net recoveries of approximately $717,000 in the third quarter of 2019. Net charge-offs were $16.3 million in the first nine months of 2020 compared to net charge-offs of $4.7 million in the first nine months of 2019. Annualized net charge-offs as a percentage of average loans and leases for the third quarter of 2020 were 0.04%, compared to annualized net recoveries as a percentage of net loans and leases of 0.02% for the third quarter of 2019. Total charge-offs were $3.1 million for the three-month period ended September 30, 2020 compared to $2.2 million for the three-month period ended September 30, 2019 with 45.2% of charge-offs being noticed in the commercial real estate and credit card portfolios in the three month period ended September 30, 2020, and 70.9% of charge-offs being noticed in the credit card and all other loan portfolios in the three month period ended September 30, 2019. Of the $22.8 million in gross charge-offs for the nine months ended September 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 $1.7 million for the three-month period ended September 30, 2020, compared to $2.9 million for the three-month period ended September 30, 2019 with 37.1% of recoveries being noticed in the consumer mortgages and commercial and industrial-non real estate portfolios in the third quarter of 2020 and 29.1% of recoveries being noticed in the commercial and industrial portfolio in the third quarter of 2019.

A provision for credit losses of $15.0 million was recorded for the third quarter of 2020 and a provision of $0.5 million was recorded for the third quarter of 2019. A provision for credit losses of $81.0 million and $1.5 million was recorded for the first nine months of 2020 and 2019, respectively. The increase in the provision 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 September 30, 2020 and 2019, 41% and 33%, 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 97% and 85% of their contractual principal balance at September 30, 2020 and 2019, respectively.

The allowance for credit losses increased $133.7 million to $250.6 million at September 30, 2020 compared to $116.9 million at September 30, 2019. The increase was primarily a result of the adoption of ASU No. 2016-13 Financial Instruments – Credit Losses as the allowance for credit losses increased $62.6 million upon adoption and the effects of the COVID-19 pandemic on the economic factors included in the Company's ACL methodology.

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:

	September 30, 2020		December 31, 2019	
	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	$ 35,593	19.2 %	$ 19,509	14.0 %
Commercial and industrial-owner occupied	26,837	15.0	13,365	16.1
Total commercial and industrial	62,430	34.2	32,874	30.1
Commercial real estate				
Agricultural	5,467	2.2	2,198	2.4
Construction, acquisition and development	31,239	11.1	12,912	11.2
Commercial real estate	60,651	21.1	22,297	22.8
Total commercial real estate	97,357	34.4	37,407	36.4
Consumer				
Consumer mortgages	71,615	24.1	32,977	25.1
Home equity	5,377	4.3	5,785	4.8
Credit cards	9,585	0.5	6,615	0.7
Total consumer	86,577	28.9	45,377	30.6
All other	4,260	2.5	3,408	2.9
Total	$ 250,624	100.0 %	$ 119,066	100.0 %

Noninterest Revenue

The components of noninterest revenue for the three and nine months ended September 30, 2020 and 2019 and the corresponding percentage changes are shown in the following tables:

	Three months ended September 30,		
	2020	2019	% Change
	(In thousands)		
Mortgage banking excl. MSR and MSR hedge market value adjustment	$ 26,667	$ 11,283	136.3 %
MSR and MSR Hedge market value adjustment	430	(3,994)	NM
Credit card, debit card and merchant fees	9,938	9,778	1.6
Deposit service charges	8,892	11,939	(25.5)
Securities gains, net	18	117	(84.6)
Insurance commissions	32,750	31,512	3.9
Trust income*	3,902	4,488	(13.1)
Annuity fees *	53	184	(71.2)
Brokerage commissions and fees*	2,516	1,979	27.1
Bank-owned life insurance	1,902	2,529	(24.8)
Other miscellaneous income	2,856	5,617	(49.2)
Total noninterest revenue	$ 89,924	$ 75,432	19.2 %

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

	Nine months ended September 30,		
	2020	2019	% Change
	(In thousands)		
Mortgage banking excl. MSR and MSR hedge market value adjustment	$ 79,150	$ 27,359	189.3 %
MSR and MSR Hedge Market value adjustment	(13,026)	(17,679)	(26.3)
Credit card, debit card and merchant fees	28,194	28,820	(2.2)
Deposit service charges	28,221	33,822	(16.6)
Securities (losses) gains, net	(5)	215	NM
Insurance commissions	95,471	95,643	(0.2)
Trust income*	11,979	12,091	(0.9)
Annuity fees*	162	694	(76.7)
Brokerage commissions and fees*	7,321	5,407	35.4
Bank-owned life insurance	5,756	6,205	(7.2)
Other miscellaneous income	14,455	13,407	7.8
Total noninterest revenue	$ 257,678	$ 205,984	25.1 %

* 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 nine months of 2020, twelve mortgage loans were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. A gain of approximately $31,000 was recognized related to repurchases or make whole loans. During the first nine months of 2019, twenty-one mortgage loans were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. A loss of approximately $526,000 was recognized related to repurchases or make whole loans.

At September 30, 2020, the Company had accrued $1.3 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 $937.7 million and $536.1 million produced origination revenue of $23.6 million and $8.9 million for the quarters ended September 30, 2020 and 2019, respectively. Mortgage loan origination volumes of $2.4 billion and $1.3 billion produced origination revenue of $71.7 million and $20.0 million for the first nine months ended September 30, 2020 and 2019, respectively. Mortgage loan origination volume increased $401.6 million or 74.9%, and increased $1.1 billion or 81.6%, when comparing the third quarter and first nine months of 2020 to the same periods in 2019 as a result of the current rate environment. Mortgage loan origination revenue increased $14.7 million, or 164.9%, and increased $51.7 million or 258.6%, respectively, for the third quarter and first nine months of 2020 compared to the same periods in 2019 as a result of the increased originations and higher 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 $6.2 million and $4.9 million for the quarters ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020 and 2019, revenue from the servicing of loans was $16.3 million and $14.7 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 $3.2 million and $2.5 million for the quarters ended September 30, 2020 and 2019, respectively. Decreases in value from principal payments, prepayments, chargeoffs and payoffs were $8.8 million and $7.3 million for the nine months ended September 30, 2020 and 2019, respectively. The Company hedges the change in fair value of its MSRs. At September 30, 2020, the Company had a hedge in place designed to cover approximately 10.0% 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 increased $0.4 million and decreased $4.0 million for the third quarter ended September 30, 2020 and 2019, respectively, and decreased $13.0 million and $17.7 million for the first nine months of 2020 and 2019, respectively.

	Three months ended September 30,		
	2020	2019	% Change
	(In thousands)		
Mortgage banking:			
Origination	$ 23,632	$ 8,922	164.9 %
Servicing	6,233	4,903	27.1
Payoffs/Paydowns	(3,198)	(2,542)	25.8
	26,667	11,283	
Market value adjustment on MSR	280	(4,669)	NM
Market value adjustment on MSR Hedge	150	675	(77.8)
Mortgage banking	$ 27,097	$ 7,289	271.8 %
	(Dollars in millions)		
Origination volume	$ 938	$ 536	75.0 %
NM=Not meaningful			

	Nine months ended September 30,		
	2020	2019	% Change
	(In thousands)		
Mortgage banking:			
Origination	$ 71,732	$ 20,006	258.6 %
Servicing	16,266	14,686	10.8
Payoffs/Paydowns	(8,848)	(7,333)	20.7
	79,150	27,359	
MSR market value adjustment	(17,733)	(19,171)	(7.5)
Market value adjustment on MSR Hedge	4,707	1,492	215.5
Mortgage banking	$ 66,124	$ 9,680	583.1 %
	(Dollars in millions)		
Origination volume	$ 2,404	$ 1,323	81.7 %
Outstanding principal balance of mortgage loans serviced at period-end	$ 7,218	$ 6,799	6.2 %
NM=Not meaningful			

Credit card, debit card and merchant fees remained relatively stable increasing 1.6% and decreasing 2.2% when comparing the three-month and nine-month periods ended September 30, 2020 and 2019 while deposit service charges decreased 25.5% and 16.6% when comparing the three-month and nine-month periods ended September 30, 2020 and 2019 primarily as a result of waived charges and fees in an effort to assist our customers during the pandemic.

Net security gains of approximately $18,000 and losses of approximately $5,000 for the three-month and nine-month periods ended September 30, 2020, respectively, and gains of approximately $117,000 and $215,000 for the three-month and nine-month periods ended September 30, 2019 were a result of calls of available-for-sale securities and unrecognized gains and losses on equity investments. Insurance commissions increased 3.9% due to higher property and casualty commissions for the third quarter and remained relatively stable for the first nine months of 2020, compared to the same periods of 2019.

Trust income remained relatively stable during the third quarter and first nine months of 2020 compared to the same periods of 2019. Annuity fees decreased 71.2% and 76.7% for the third quarter and first nine months of 2020 compared to the third quarter and first nine months of 2019 as a result of less annuity sales. Brokerage commissions and fees increased 27.1% and 35.4% for the comparable three month and nine month periods primarily due to an increase in assets under management resulting in more fee revenue for the comparable three month and nine month periods. Bank-owned life insurance remained relatively stable for the comparable three-month and nine-month periods.

Other miscellaneous income, which includes safe deposit box rental income, gain or loss on disposal of assets, and other revenue items decreased 49.2% and increased 7.8% for the comparable three-month and nine-month periods ended September 30, 2020 and 2019. The decrease in other miscellaneous revenue for the comparable three-month period is primarily a result of a decrease in loan placement fees. The increase in other miscellaneous revenue for the comparable nine-month period is primarily a result of a $4.2 million gain associated with the 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.

Noninterest Expense

The components of noninterest expense for the three months and nine months ended September 30, 2020 and 2019 and the corresponding percentage changes are shown in the following tables:

	Three months ended September 30,		
	2020	2019	% Change
	(In thousands)		
Salaries and employee benefits	$ 104,219	$ 101,154	3.0 %
Occupancy, net	13,053	12,323	5.9
Equipment	4,519	4,676	(3.4)
Deposit insurance assessments	1,522	2,038	(25.3)
Advertising	826	1,382	(40.2)
Foreclosed property expense	(278)	870	(132.0)
Telecommunications	1,462	1,400	4.4
Public relations	1,130	1,069	5.7
Data processing	9,477	9,066	4.5
Computer software	4,779	3,825	24.9
Amortization of intangibles	2,357	2,117	11.3
Legal fees	(316)	786	(140.2)
Merger expense	129	4,062	(96.8)
Postage and shipping	1,199	1,281	(6.4)
Other miscellaneous expense	11,427	13,565	(15.8)
Total noninterest expense	$ 155,505	$ 159,614	(2.6)%

	Nine months ended September 30,		
	2020	2019	% Change
	(In thousands)		
Salaries and employee benefits	$ 320,594	$ 299,363	7.1 %
Occupancy, net of rental income	38,651	35,862	7.8
Equipment	13,930	12,987	7.3
Deposit insurance assessments	5,030	6,943	(27.6)
Advertising	2,843	3,756	(24.3)
Foreclosed property expense	1,952	2,013	(3.0)
Telecommunications	4,435	4,159	6.6
Public relations	2,269	2,768	(18.0)
Data processing	28,816	25,476	13.1
Computer software	14,073	11,359	23.9
Amortization of intangibles	7,106	6,610	7.5
Legal fees	1,957	2,701	(27.5)
Merger expense	5,133	8,089	(36.5)
Postage and shipping	3,838	3,910	(1.8)
Other miscellaneous expense	35,388	41,260	(14.2)
Total noninterest expense	$ 486,015	$ 467,256	4.0 %

Salaries and employee benefits increased 3.0% and 7.1% for the three and nine month periods ended September 30, 2020 compared to the same periods in 2019 as a result of increased commissions and compensation costs associated with the two acquisitions completed in the third quarter of 2019 and one acquisition completed in the first quarter of 2020. Occupancy and equipment expenses increased 5.9% and 7.8% for the three and nine month periods ended September 30, 2020 compared to the same periods in 2019 as a result of increased rent, ad valorem taxes and depreciation recorded on the branches related to the two acquisitions completed in the third quarter of 2019 and the acquisition completed in the first quarter of 2020 previously mentioned. Deposit insurance assessments decreased 25.3% and 27.6% for the comparable three and nine month periods as a result of movement evidenced in several variables utilized by the FDIC in calculating the deposit insurance assessment with that movement offset somewhat from the increased assessments resulting from the acquisitions previously mentioned.

Foreclosed property expense decreased 132.0% and 3.0% for the comparable three and nine months ended September 30, 2020 and 2019, respectively. The decrease for the comparable three month and nine month periods was primarily a result of gains on the sale of foreclosed properties. During the first nine months of 2020, the Company added $7.5 million to OREO through foreclosures of legacy loans. Sales of OREO in the first nine months of 2020 were $7.3 million, resulting in a net gain of approximately $495,000. The components of foreclosed property expense for the three months and nine months ended September 30, 2020 and 2019 and the percentage change between periods are shown in the following tables:

	Three months ended September 30,		
	2020	2019	% Change
	(In thousands)		
(Gain) loss on sale of other real estate owned	$ (1,204)	$ 10	NM %
Writedown of other real estate owned	155	62	150.0
Other foreclosed property expense	771	798	(3.4)
Total foreclosed property expense	$ (278)	$ 870	(132.0)%
NM=Not meaningful			

	Nine months ended September 30,		
	2020	2019	% Change
	(In thousands)		
Gain on sale of other real estate owned	$ (495)	$ (196)	152.6 %
Writedown of other real estate owned	535	305	75.4
Other foreclosed property expense	1,912	1,904	0.4
Total foreclosed property expense	$ 1,952	$ 2,013	(3.0)%
NM=Not meaningful			

The Company experienced some fluctuations in various components of other noninterest expense, including increased computer software expense and data processing, as a result of the two acquisitions completed in the third quarter of 2019 and the acquisition completed in the first quarter of 2020. The decrease in legal fees for the third quarter and first nine months of 2020 compared to the same periods in 2019 is a result of an accrual reversal on a litigation matter that had a positive outcome. The decrease in merger expense for the third quarter and first nine months of 2020 compared to the same periods in 2019 was a result of the two acquisitions completed in the second quarter of 2019, the two acquisitions completed in the third quarter of 2019, with one acquisition completed in the first quarter of 2020. The decrease in other miscellaneous expense for the second quarter and first six months of 2020 as compared to the same periods in 2019 is primarily due to the decrease in travel-related expenses coupled with meals and entertainment expenses due to the restrictions around the pandemic.

Income Tax

The company recorded income tax expense of $21.5 million and $45.4 million for the third quarter and first nine months of 2020, respectively, compared to income tax expense of $18.2 million and $48.0 million for the third quarter and first nine months of 2019, respectively. The effective tax rates were 22.6% and 22.2% for the three-month period ended September 30, 2020 and September 30, 2019, respectively. The effective tax rates were 22.2% and 22.2% for the nine-month period ended September 30, 2020 and 2019, respectively. The primary differences between the Company's recorded expense for the third quarter and first nine months of 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. In addition, the effective tax rate for the first nine months of 2020 was favorably impacted by a net $0.8 million discrete income tax benefit driven by the Company's decision to carry back certain net operating losses as allowed by the CARES Act, as enacted on March 27, 2020.

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 September 30, 2020 were $21.3 billion, or 90.6% of total assets, compared with $18.9 billion, or 89.7% of total assets, at December 31, 2019.

Loans and Leases

The Company's loan and lease portfolio represents the largest single component of the Company's earning asset base, comprising 72.2% of average earning assets during the third quarter of 2020. 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 $15.3 billion and $14.1 billion at September 30, 2020 and December 31, 2019, respectively.

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. As of the end of the program on August 7, 2020, the Company had closed or approved applications for approximately 15,000 PPP loans representing approximately $1.2 billion in funding. The PPP loans are designed to be fully guaranteed by the U.S. government and as such should not present a credit risk. PPP loans are 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:

	September 30, 2020	December 31, 2019
	(In thousands)	
Commercial and industrial		
Commercial and industrial-non real estate	$ 2,938,748	$ 1,980,650
Commercial and industrial-owner occupied	2,297,008	2,268,813
Total commercial and industrial	5,235,756	4,249,463
Commercial real estate		
Agricultural	333,839	337,349
Construction, acquisition and development	1,700,030	1,577,342
Commercial real estate	3,229,959	3,220,914
Total commercial real estate	5,263,828	5,135,605
Consumer		
Consumer mortgages	3,704,490	3,543,075
Home equity	658,708	683,515
Credit cards	85,760	102,559
Total consumer	4,448,958	4,329,149
All other	395,464	393,526
Gross Loans Total (1)	15,344,006	14,107,743
Less: Unearned Income	16,271	18,060
Net Loans	$ 15,327,735	$ 14,089,683

(1) Gross loans and leases are net of deferred fees of $10.8 million and deferred costs of $7.9 million at September 30, 2020 and December 31, 2019, respectively.

The following table shows the Company's loans and leases, net of unearned income by segment, class and geographical location as of September 30, 2020:

	Alabama and Florida Panhandle	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Texas	Other	Total
					(In thousands)				
Commercial and industrial									
Commercial and industrial- non real estate	$ 275,711	$ 237,417	$ 352,908	$ 739,580	$ 78,753	$ 189,569	$ 1,058,826	$ 4,844	$ 2,937,608
Commercial and industrial- owner occupied	265,239	185,519	238,839	636,024	62,987	128,232	777,603	2,565	2,297,008
Total commercial and industrial	540,950	422,936	591,747	1,375,604	141,740	317,801	1,836,429	7,409	5,234,616
Commercial real estate									
Agricultural	26,136	70,808	24,489	71,275	7,362	10,925	122,401	443	333,839
Construction, acquisition and development	173,894	49,582	83,313	310,262	22,506	104,294	956,179	—	1,700,030
Commercial real estate	333,696	338,794	304,446	659,031	230,587	222,234	1,141,171	—	3,229,959
Total commercial real estate	533,726	459,184	412,248	1,040,568	260,455	337,453	2,219,751	443	5,263,828
Consumer									
Consumer mortgages	584,926	335,889	344,462	828,965	109,091	340,804	1,093,636	66,717	3,704,490
Home equity	102,779	46,382	79,574	227,479	16,660	145,480	40,354	—	658,708
Credit cards	—	—	—	—	—	—	—	85,760	85,760
Total consumer	687,705	382,271	424,036	1,056,444	125,751	486,284	1,133,990	152,477	4,448,958
All other	61,241	42,561	34,041	121,036	3,818	19,284	88,622	9,730	380,333
Total	$ 1,823,622	$ 1,306,952	$ 1,462,072	$ 3,593,652	$ 531,764	$ 1,160,822	$ 5,278,792	$ 170,059	$15,327,735

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 September 30, 2020:

	Past Due	One Year or Less	One to Five Years	After Five Years	Total
			(In thousands)		
Commercial and industrial					
Commercial and industrial	$ 7,501	$ 638,713	$ 2,003,815	$ 287,579	$ 2,937,608
Commercial and industrial-owner occupied	5,367	181,870	387,730	1,722,041	2,297,008
Total commercial and industrial	12,868	820,583	2,391,545	2,009,620	5,234,616
Commercial real estate					
Agricultural	973	42,448	50,606	239,812	333,839
Construction, acquisition and development	9,639	897,593	407,425	385,373	1,700,030
Commercial real estate	6,958	453,026	595,453	2,174,522	3,229,959
Total commercial real estate	17,570	1,393,067	1,053,484	2,799,707	5,263,828
Consumer					
Consumer mortgages	2,382	346,820	796,788	2,558,500	3,704,490
Home equity	1,461	101,435	543,279	12,533	658,708
Credit cards	—	85,760	—	—	85,760
Total consumer	3,843	534,015	1,340,067	2,571,033	4,448,958
All other	181	119,568	218,056	42,528	380,333
Total	$ 34,462	$ 2,867,233	$ 5,003,152	$ 7,422,888	$ 15,327,735

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. Commercial and industrial loans outstanding increased 48.4% from December 31, 2019 to September 30, 2020.

Real Estate – 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. Consumer mortgages increased 4.6% at September 30, 2020 compared to December 31, 2019. 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 sub-prime mortgages is minimal.

Real Estate – 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 3.6% at September 30, 2020 compared to December 31, 2019.

Real Estate – Agricultural - Agricultural loans include loans to purchase agricultural land and production lines secured by farm land. Agricultural loans outstanding decreased by 1.0% from December 31, 2019 to September 30, 2020.

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. Commercial and industrial-owner occupied loans increased 1.2% from December 31, 2019 to September 30, 2020.

Real Estate – 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. Construction, acquisition and development loans increased 7.8% from December 31, 2019 to September 30, 2020.

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 September 30, 2020, the Company had $157.9 million in construction, acquisition and development loans that provided for the use of interest reserves with $1.7 million and $4.4 million recognized as interest income during the third quarter and first nine months of 2020. There were no construction, acquisition and development loans with interest reserves that were on non-accrual status at September 30, 2020. 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.

Real Estate – 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 trade 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. Commercial real estate loans increased 0.3% from December 31, 2019 to September 30, 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 16.4% from December 31, 2019 to September 30, 2020.

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. All other loan and lease balances, net of unearned income increased 1.0% from December 31, 2019 to September 30, 2020.

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:

	September 30, 2020	December 31, 2019
	(In thousands)	
Non-accrual loans and leases	$ 122,108	$ 78,796
Loans 90 days or more past due, still accruing	17,641	17,531
Restructured loans and leases, still accruing	11,154	15,184
Total NPLs	150,903	111,511
Other real estate owned	6,397	6,746
Total NPAs	$ 157,300	$ 118,257
NPLs to net loans and leases	0.98 %	0.79 %
NPAs to net loans and leases	1.03 %	0.84 %

NPLs increased 35.3% to $150.9 million at September 30, 2020 compared to $111.5 million at December 31, 2019 and increased 39.6% compared to $108.1 million at September 30, 2019. Included in NPLs at September 30, 2020 were $49.8 million of loans that were impaired. These impaired loans had a specific reserve of $6.7 million included in the allowance for credit losses of $250.6 million at September 30, 2020, and were net of $1.4 million in partial charge-downs previously taken on these impaired loans. NPLs at December 31, 2019 included $24.1 million of loans that were impaired. These impaired loans had a specific reserve of $1.1 million included in the allowance for credit losses of $119.1 million at December 31, 2019.

Non-accrual loans at September 30, 2020 increased $43.3 million, or 55.0% compared to December 31, 2019 and reflect an increase of $45.7 million, or 59.9%, compared to September 30, 2019. While non-accrual loans increased in several loan categories when comparing September 30, 2020 to December 31, 2019, the primary increase in non-accrual loans is recognized in the commercial real estate and commercial and industrial-owner occupied portfolios. The commercial real estate portfolio increased $16.4 million, or 101.0%, to $32.6 million at September 30, 2020 compared to $16.2 million at December 31, 2019. Non-accrual loans related to the commercial and industrial-owner occupied portfolio increased $10.5 million, or 134.0%, to $18.3 million at September 30, 2020 compared to $7.8 million at December 31, 2019. The increase in the commercial real estate and commercial and industrial-owner occupied portfolios is a result of additions to nonaccrual loans exceeding paydowns and charge-offs.

The Company's NPLs are primarily located in the Alabama and Florida panhandle, Mississippi and Texas markets as these represent $111.6 million, or 74.0% of total NPLs of $150.9 million at September 30, 2020. The following table presents the NPLs by geographical location at September 30, 2020:

	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	$ 1,823,622	$ 4,109	$ 12,883	$ 97	$ 17,089	0.9 %
Arkansas	1,306,952	1,117	5,122	2,643	8,882	0.7
Louisiana	1,462,072	2,002	12,780	730	15,512	1.1
Mississippi	3,593,652	2,149	16,874	3,109	22,132	0.6
Missouri	531,764	335	2,540	359	3,234	0.6
Tennessee	1,160,822	3,483	4,842	380	8,705	0.7
Texas	5,278,792	3,406	65,830	3,155	72,391	1.4
Other	170,059	1,040	1,237	681	2,958	1.7
Total	$ 15,327,735	$ 17,641	$ 122,108	$ 11,154	$ 150,903	1.0 %

OREO decreased approximately $349,000 to $6.4 million at September 30, 2020 compared to $6.7 million at December 31, 2019. OREO decreased primarily as a result of sales of properties exceeding foreclosures.

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 there has been at least a six-month sustained period of repayment performance 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 $13.2 million and $17.9 million at September 30, 2020 and December 31, 2019, respectively. Restructured loans of $2.1 million and $2.7 million were included in the non-accrual and 90+ days past due, still accruing loan category at September 30, 2020 and December 31, 2019, 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. In accordance with interagency guidance issued in March 2020 and the CARES Act, these short term deferrals and modification are not considered TDRs.

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 September 30, 2020, 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 September 30, 2020:

	September 30, 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	$ 2,875,468	$ —	$ 47,526	$ 178	$ —	$ 3,664	$ 10,772	$ 2,937,608
Commercial and industrial- owner occupied	2,224,302	—	56,919	—	—	12,116	3,671	2,297,008
Total commercial and industrial	5,099,770	—	104,445	178	—	15,780	14,443	5,234,616
Commercial real estate								
Agricultural	324,010	—	7,109	—	—	725	1,995	333,839
Construction, acquisition and development	1,656,961	—	34,197	—	—	2,961	5,911	1,700,030
Commercial real estate	3,070,472	—	127,835	—	—	27,493	4,159	3,229,959
Total commercial real estate	5,051,443	—	169,141	—	—	31,179	12,065	5,263,828
Consumer								
Consumer mortgages	3,615,071	—	85,827	—	—	2,859	733	3,704,490
Home equity	651,525	—	7,183	—	—	—	—	658,708
Credit cards	85,760	—	—	—	—	—	—	85,760
Total consumer	4,352,356	—	93,010	—	—	2,859	733	4,448,958
All other	374,374	—	5,887	—	—	—	72	380,333
Total	$14,877,943	$ —	$ 372,483	$ 178	$ —	$ 49,818	$ 27,313	$15,327,735

(1) Impaired loans are shown exclusive of $11.2 million of accruing TDRs, $1.5 million of non-accruing TDRs and approximately $8,000 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

September 30, 2020, the Company had $13.7 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 September 30, 2020:

	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
			(In thousands)		
Pass	$ 14,847,888	$ 20,077	$ 998	$ 8,980	$ 14,877,943
Special Mention	—	—	—	—	—
Substandard	294,585	16,460	16,320	45,118	372,483
Doubtful	178	—	—	—	178
Loss	—	—	—	—	—
Impaired	21,516	—	3,320	24,982	49,818
Purchased Credit Deteriorated (Loss)	15,466	—	885	10,962	27,313
Total	$ 15,179,633	$ 36,537	$ 21,523	$ 90,042	$ 15,327,735

The primary fluctuation in loan grade categories at September 30, 2020 compared to December 31, 2019 was the increase in the Substandard loan grade category, which increased $74.0 million at September 30, 2020 compared to December 31, 2019. Of the $372.5 million of Substandard loans and leases, 79.1% remained current as to scheduled repayment of principal and interest, with only 12.1% having outstanding balances that were 90 days or more past due at September 30, 2020. Of the $49.8 million of Impaired loans and leases, 43.2% remained current as to scheduled repayment of principal and/or interest, with 50.1% having outstanding balances that were 90 days or more past due at September 30, 2020. Of the $27.3 million of Purchased Credit Deteriorated (Loss) loans and leases, 56.6% remained current as to scheduled repayment of principal and/or interest, with 40.1% having outstanding balances that were 90 days or more past due at September 30, 2020.

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 September 30, 2020:

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	$ 2,937,608	$ 210	$ 17,936	$ 931	$ 19,077	0.6 %
Commercial and industrial- owner occupied	2,297,008	—	18,343	5,639	23,982	1.0
Total commercial and industrial	5,234,616	210	36,279	6,570	43,059	0.8
Commercial real estate						
Agricultural	333,839	—	5,907	5	5,912	1.8
Construction, acquisition and development	1,700,030	—	10,434	259	10,693	0.6
Commercial real estate	3,229,959	—	32,554	1,155	33,709	1.0
Total commercial real estate	5,263,828	—	48,895	1,419	50,314	1.0
Consumer						
Consumer mortgages	3,704,490	17,261	32,872	2,071	52,204	1.4
Home equity	658,708	5	3,325	534	3,864	0.6
Credit cards	85,760	156	144	517	817	1.0
Total consumer	4,448,958	17,422	36,341	3,122	56,885	1.3
All other	380,333	9	593	43	645	0.2
Total	$15,327,735	$ 17,641	$ 122,108	$ 11,154	$ 150,903	1.0 %

Securities

The Company uses the Company's securities portfolios 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 $5.7 billion at September 30, 2020 compared to $4.5 billion at December 31, 2019. Available-for-sale securities, which are subject to possible sale, are recorded at fair value. At September 30, 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 September 30, 2020:

	Amortized Cost		Estimated Fair Value	
	Amount	%	Amount	%
Available-for-sale Securities:		(In thousands)		
Aaa	$ 5,393,632	97.3 %	$ 5,507,133	97.3 %
Aa1 to Aa3	48,767	0.9	50,330	0.9
A1 to A3	17,400	0.3	17,798	0.3
Not rated (1)	83,027	1.5	84,524	1.5
Total	$ 5,542,826	100.0 %	$ 5,659,785	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 $25.4 million and a market value of $25.9 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. Because of the volatile market conditions during which the Company's market value fell below book value, the Company assessed goodwill for impairment at the reporting segment level during the first, second and third quarter of 2020. Based on this analysis, the estimated fair value of all of the Company's reporting segments exceeded the respective carrying values. Therefore, no goodwill impairment was recorded.

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 $847.5 million and $825.7 million at September 30, 2020 and December 31, 2019, respectively. As a result of one bank acquired during the first nine months of 2020 and measurement period adjustments for four banks acquired during 2019, goodwill increased $21.8 million compared to December 31, 2019.

Other Real Estate Owned

OREO was $6.4 million and $6.7 million at September 30, 2020 and December 31, 2019, respectively. OREO at September 30, 2020 had aggregate loan balances at the time of foreclosure of $9.5 million. OREO at December 31, 2019 had aggregate loan balances at the time of foreclosure of $9.8 million.

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

	September 30, 2020	December 31, 2019
	(In thousands)	
Commercial and industrial		
Commercial and industrial	$ 439	$ 56
Commercial and industrial-owner occupied	3,363	973
Total commercial and industrial	3,802	1,029
Commercial real estate		
Agricultural	434	407
Construction, acquisition and development	534	4,010
Commercial real estate	882	77
Total commercial real estate	1,850	4,494
Consumer		
Consumer mortgages	682	1,207
Home equity	47	—
Total consumer	729	1,207
All other	16	16
Total	$ 6,397	$ 6,746

While management expects future foreclosure activity in virtually all loan categories, the magnitude of NPLs in the commercial and industrial portfolio, consumer mortgages, commercial and industrial-owner occupied, and commercial real estate portfolios at September 30, 2020 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 construction, acquisition and development 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, savings and other time deposits as of the dates indicated and the percentage change between dates:

	September 30, 2020	December 31, 2019	% Change
	(Dollars in millions)		
Noninterest bearing demand	$ 6,337	$ 4,662	35.9 %
Interest bearing demand	8,170	7,177	13.8
Savings	2,326	1,938	20.0
Other time	2,580	2,634	(2.1)
Total deposits	$ 19,413	$ 16,411	18.3 %

The 18.3% increase in deposits at September 30, 2020 compared to December 31, 2019 was primarily a result of the impact of additional customer liquidity associated with the PPP loans and government stimulus payments, organic growth, and the acquisition that was effective January 1, 2020. The average maturity of time deposits at September 30, 2020 was 14.3 months, compared to 15.8 months at December 31, 2019.

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 $611.5 million and $513.4 million at September 30, 2020 and December 31, 2019, respectively. The Company had short-term borrowings from the FHLB of approximately $217,000 and $725.0 million at September 30, 2020 and December 31, 2019, respectively. The Company had federal funds purchased of $95.0 million at September 30, 2020 and had no federal fund purchased at December 31, 2019.

The Company had long-term FHLB and other borrowings of $4.5 million and $5.1 million at September 30, 2020 and December 31, 2019, respectively. The Company has pledged eligible mortgage loans to secure the FHLB borrowings and had $7.1 billion in additional borrowing capacity under the existing FHLB borrowing agreement at September 30, 2020.

The Company had non-binding federal funds borrowing arrangements with other banks aggregating $920.0 million at September 30, 2020. 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 September 30, 2020, the Company maintained a reserve for unfunded commitments of $6.3 million included in other liabilities.

Regulatory Requirements for Capital

Regulatory capital ratios at September 30, 2020 were calculated in accordance with the Basel III capital framework as well as the interagency interim final rule published on March 31, 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 September 30, 2020 and December 31, 2019 as follows:

	September 30, 2020		December 31, 2019	
	Amount	Ratio	Amount	Ratio
	(In thousand)			
BancorpSouth Bank				
Common equity Tier 1 capital (to risk-weighted assets)	$1,753,480	10.64 %	$ 1,708,990	10.57 %
Tier 1 capital (to risk-weighted assets)	1,920,473	11.65	1,876,011	11.60
Total capital (to risk-weighted assets)	2,341,294	14.20	2,291,643	14.17
Tier 1 leverage capital (to average assets)	1,920,473	8.59	1,876,011	9.69

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 December 5, 2018, the Company announced a new share repurchase program whereby the Company may acquire up to an aggregate of 3,000,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period between December 5, 2018 through December 31, 2019. Repurchased shares are held as authorized but unissued shares and 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 its expiration on December 31, 2019, 2,466,438 shares had been repurchased under this program.

On December 12, 2019, the Company announced a new 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. As of September 30, 2020, the Company had repurchased 3,300,000 shares under this repurchase program.

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.

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 $1.5 million accrued as of September 30, 2020 is adequate and that any incremental 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 actively 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 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 “Item 1A. Risk Factors” in this Report.

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 nine months ended September 30, 2020, there was no material change in the Company’s critical accounting policies as presented in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, except for the application of critical accounting policy related to the allowance for credit losses which changed with the adoption of ASU No. 2016-13, *Financial Instruments—Credit Losses*. See “Item 1. Financial Statements – Note 11 – Recent Pronouncements” included herein for more information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

During the nine months ended September 30, 2020, 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, 2019.

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 with the exception of controls related to the adoption of ASU 2016-13, Financial Instruments – Credit Losses. The Company adopted this ASU on January 1, 2020 and implemented changes to policies, procedures and controls over the estimation of the allowance for credit losses in response to this adoption. The Company established new controls to supplement existing controls over the estimation of the allowance for credit losses.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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 $1.5 million accrued as of September 30, 2020 is adequate and that any incremental 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.

ITEM 1A. RISK FACTORS.

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the FDIC on February 27, 2020 except as follows.

The COVID-19 global pandemic ("COVID-19") has adversely affected, and could eventually have a materially adverse effect on, the Company's business, financial condition, results of operations and the market prices of the Company's capital stock, especially if domestic and global economies deteriorate and financial markets remain volatile for a significant period of time.

The success of the Company's business is dependent upon the willingness and ability of its customers to engage in banking and other financial transactions. COVID-19 has caused severe disruptions in domestic and global economies and financial markets which, in turn, has significantly disrupted the Company's business and the businesses of its customers. As a result, some of the Company's customers have had to suspend or materially limit, and in some circumstances cease, their operations. Beyond these operational disruptions, as of the date of this Report, COVID-19 has also led to emergency actions by the Federal Reserve and other federal and state governmental authorities, significant declines in interest rates and equity market valuations, emergency state and local governmental orders shutting down non-essential travel and businesses providing non-essential products and services as well as restricting residents within the Company's market area to shelter in place unless engaging in essential activities, and widespread illness and death.

Because of the aforementioned consequences of this pandemic, and its ongoing and evolving impact on economies and financial markets in which the Company participates, the Company cannot predict the ultimate impact of COVID-19 on its business, financial condition, results of operations or, ultimately, the market prices of the Company's capital stock. COVID-19 has, however, resulted, and may continue to result, in the following, the occurrence of any or all of which could have a materially adverse effect on the Company's business, financial condition, results of operations and stock prices:

- **Reductions in the Company's Net Interest Revenue and Net Interest Margin.** In an effort to try and offset the impact of COVID-19 on the U.S. economy and financial markets, in March 2020 the Federal Reserve took emergency action to reduce its benchmark interest rate to nearly 0%. The current interest rate environment has negatively impacted the Company's net interest margin. The Company's fully taxable equivalent net interest margin was 3.39% for the first nine months of 2020 compared to 3.87% for the first nine months of 2019. The Company expects that, as long as interest rates remain at or near these low levels, the Company's net interest revenue and net interest margin could continue to experience downward pressure. For more information regarding the impact that changes in interest rates could have on the Company's business, see "Changes in interest rates could have an adverse impact on the Company's results of operations and financial condition" in the section captioned "Item 1A. - Risk Factors" of the Company's Form 10-K for the year ended December 31, 2019.

- **Increases in the Company's Provision and Allowance for Credit Losses.** COVID-19 has already reduced the ability of some of the Company's customers to meet their payment and other obligations under existing loans, and many more of the Company's customers could defer or default on loan repayments if the health and economic impacts of COVID-19 persist or worsen within the Company's market area. The Company has received a substantial number of requests for loan modifications from certain of the Company's customers, including requests for payment deferrals (of both principal and interest) and, as appropriate and consistent with recent statutory developments, regulatory guidance and sound banking practices, the Company has granted certain of these modifications. In particular, the Company is actively working with mortgage customers to take advantage of forbearance opportunities afforded by the CARES Act. In addition to these inbound customer requests, the Company is closely monitoring outstanding loans made to those of the Company's customers operating in the hotel, retail, and food services industries. As of September 30, 2020, these loan portfolios, in the aggregate, had total committed balances of approximately $2.2 billion and accounted for approximately 11.6% of total commitments in the Company's loan portfolio.

  The continued deterioration in health and economic conditions that affect the Company's customers, updated information regarding the performance of the Company's existing loans, the identification of additional nonperforming loans and the impact of other rapidly changing metrics effected by this pandemic, both within and outside of the Company's control, are elements that the Company includes in the methodology for developing the Company's allowance for credit losses. For the first nine months ended

September 30, 2020, the Company recorded a provision for credit losses of $81.0 million, primarily as a result of the impact of COVID-19 on the economy, and the Company's allowance for credit losses was $250.6 million, or 1.64% of net loans and leases, at September 30, 2020. Any further increase in the provision or allowance for credit losses will result in a further decrease in the Company's net income and, potentially, the Company's regulatory capital ratios. For more information regarding the impact of a continued increase in the Company's provision and allowance for credit losses, see "Our provision and allowance for credit losses may not be adequate to cover actual credit losses" in the section captioned "Item 1A. - Risk Factors" of the Company's Form 10-K for the year ended December 31, 2019.

- **Reductions in Sources of Noninterest Revenue and Increases in Sources of Noninterest Expense.** As mentioned above, the COVID-19 outbreak in the U.S. during the first nine months of 2020 has led to a wide variety of federal, state and government actions and widespread illness and death, which, in turn, have increased the economic, logistical and health pressures on the Company's customers. These pressures directly affect the Company's customers' willingness and ability to spend or save their financial resources.

  The decisions of the Company's customers on how to deploy their financial resources directly impacts the demand for certain of the Company's products and services that drive the Company's noninterest revenue and impact the amount of noninterest expense that the Company incurs. Services and offerings that generate noninterest revenue include mortgage originations and servicing, credit and debit card fees, deposit account offerings, insurance products and wealth management services. Factors that drive noninterest expense include employee salaries and benefits, occupancy expense, equipment expenditures, deposit insurance assessments, foreclosed property expense and data processing, telecom and software costs. To the extent that, as a result of COVID-19, the Company's customers do not apply for mortgages, refinance existing mortgages, request and use credit and debit cards, open new deposit accounts or withdraw funds from existing deposit accounts, or they are forced to reduce or drop their insurance coverage or liquidate their investment accounts, or they experience losses in the value of the assets within their investment portfolios, or the Company elects to waive fees and charges, the Company's noninterest revenue will be adversely impacted.

  Further, if as a result of COVID-19 the Company must spend more capital on equipment and technological infrastructure as the Company's employees work from remote locations and as the demand for web-based and mobile banking grows, incur more expense for salaries and benefits of personnel, mobile technologies and cybersecurity, consume more advertising and public relations offerings in an effort to communicate more effectively with the Company's customers and pay for additional expenses related to foreclosed and repossessed properties, the Company anticipates that its noninterest expense will grow. For the nine months ended September 30, 2020, the Company's noninterest expense in the aggregate increased $18.8 million, or 4.0%, over the same period in 2019, driven primarily by employee salaries and benefits.

- **Increased Risk of Systems-Failure and Cybersecurity Risks.** In response to the COVID-19 pandemic and state and local mandates to close all non-essential businesses, many financial institutions have instituted work-from-home policies for much of their staff. The implementation of the Company's continuity of operations plan has led to a significant number of the Company's employees working remotely. The continuation of these work-from-home measures introduces additional operational risks, including increased cybersecurity risks. These cybersecurity risks include the potential for greater phishing, malware, and other cybersecurity attacks, vulnerability to disruptions of the Company's information technology infrastructure and telecommunications systems for remote operations, increased risk of unauthorized dissemination of confidential information, limited ability to restore the systems in the event of a systems failure or interruption, greater risk of a security breach resulting in destruction or misuse of valuable information, and potential impairment of the Company's ability to perform critical functions, including wiring funds, all of which could expose us to risks of data or financial loss, litigation and liability and could seriously disrupt the Company's operations and the operations of any impacted customers.

- **Potential Impact on Goodwill Impairment.** In the current COVID-19 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 forecasts and analyses as circumstances evolve; however, 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.

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

From time to time, the Company issues securities in certain transactions that are described in its periodic and current reports. The securities issued in these transactions are issued in reliance on the exemption provided by Section 3(a)(2) of the Securities Act of 1933, as amended, because the sales involve securities issued by a bank.

For more information regarding the Texas First merger, see the Company's Current Report on Forms 8-K that was filed with the FDIC on January 2, 2020.

Issuer Purchase 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)
July 1 - July 31	—	$ —	—	4,700,000
August 1 - August 31	2,026	21.79	—	4,700,000
September 1 - September 30	—	—	—	4,700,000
Total	2,026			

(1) This column represents 2,026 shares redeemed in August 2020 from employees for tax withholding purposes for stock compensation and no shares repurchased under the current stock repurchase program.

(2) On December 12, 2019 the Company announced a new 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. As of September 30, 2020, 3,300,000 shares had been repurchased under this program.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

INDEX TO EXHIBITS

(2)

a) Agreement and Plan of Reorganization, dated as of January 22, 2014, by and between BancorpSouth, Inc. and Central Community Corporation. (Filed as Annex A to the Company's registration statement on Form S-4 filed with the SEC on February 28, 2014 (file number 333-194233) and incorporated herein by reference thereto.)

b) Amendment No. 1 to Agreement and Plan of Reorganization, dated July 21, 2014, by and between BancorpSouth, Inc. and Central Community Corporation. (Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on July 24, 2014 (file number 1-12991) and incorporated herein by reference thereto.)

c) Amendment No. 2 to Agreement and Plan of Reorganization, dated June 30, 2015, by and between BancorpSouth, Inc. and Central Community Corporation. (Filed as Exhibit to the Company's Current Report on Form 8-K filed with the SEC on July 1, 2015 (file number 1-12991) and incorporated herein by reference thereto.)

d) Amendment No. 3 to Agreement and Plan of Reorganization, dated October 13, 2016, by and between BancorpSouth, Inc. and Central Community Corporation. (Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on October 14, 2016 (file number 1-12991) and incorporated herein by reference thereto.)

e) Amendment No. 4 Agreement and Plan of Reorganization, dated August 15, 2017, by and between BancorpSouth, Inc. and Central Community Corporation. (Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on August 16, 2017 (file number 1-12991) 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.)

(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).

(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.*

(32.1) 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.*

(33.1) 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.**

(34.1) 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.**

(99.1)

a) Agreement and Plan of Reorganization, dated January 8, 2014, by and between BancorpSouth, Inc. and Ouachita Bancshares Corp. (Filed as Annex A to the Company's registration statement on Form S-4 filed with the SEC on February 12, 2014 (file number 333- 193912) and incorporated herein by reference thereto.)

b) Amendment No. 1 to Agreement and Plan of Reorganization, dated July 21, 2014, by and between BancorpSouth, Inc. and Ouachita Bancshares Corp. (Filed as Exhibit 99.1 to the Company’s Current Report on Form 8-K filed with the SEC on July 24, 2014 (file number 1-12991) and incorporated herein by reference thereto.)
c) Amendment No. 2 to Agreement and Plan of Reorganization, dated June 30, 2015 by and between BancorpSouth, Inc. and Ouachita Bancshares Corp. (Filed as Exhibit 99.1 to the Company’s Current Report on Form 8-K filed with the SEC on July 1, 2015 (file number 1-12991) and incorporated herein by reference thereto.)
d) Amendment No. 3 to Agreement and Plan of Reorganization, dated October 13, 2016 by and between BancorpSouth, Inc. and Ouachita Bancshares Corp. (Filed as Exhibit 99.1 to the Company’s Current Report on Form 8-K filed with the SEC on October 14, 2016 (file number 1-12991) and incorporated herein by reference thereto.)
e) Amendment No. 4 to Agreement and Plan of Reorganization, dated August 15, 2017 by and between BancorpSouth, Inc. and Ouachita Bancshares Corp. (Filed as Exhibit 99.1 to the Company’s Current Report on Form 8-K filed with the SEC on August 16, 2017 (file number 1-12991) and incorporated herein by reference thereto.)
f) Agreement and Plan of Reorganization, dated April 18, 2018, by and between BancorpSouth Bank and Icon Capital Corporation. (Filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the FDIC on April 18, 2018 and incorporated herein by reference thereto.)

* Filed herewith

** Furnished herewith

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: November 5, 2020

/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: November 5, 2020

/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: November 5, 2020

/s/ John G. Copeland

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

EXHIBIT 32.1

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 September 30, 2020, as filed with the Federal Deposit Insurance Corporation on the date hereof (the “Report”), I, James D. Rollins III, Chief Executive Officer of the Company, certify in my capacity as an executive officer of the Company, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

November 5, 2020

/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 September 30, 2020, 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.

November 5, 2020	/s/ John G. Copeland
	John G. Copeland
	Senior Executive Vice President and Chief Financial Officer