



# BANCORPSOUTH, INC.

Dodd-Frank Act Stress Test Results

October 27, 2016



# Forward Looking Information

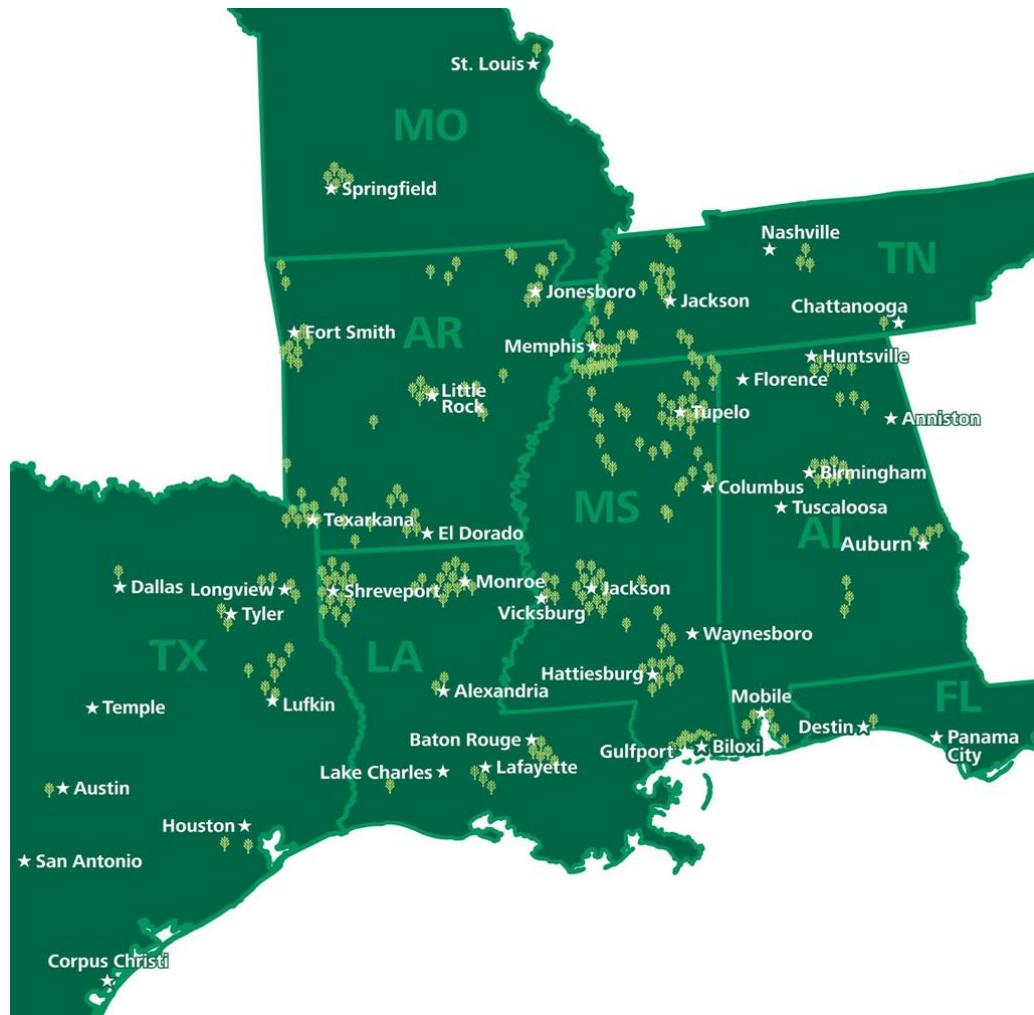
Certain statements contained in this this presentation and the accompanying slides may not be based upon historical facts and are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may be identified by their reference to a future period or periods or by the use of forward-looking terminology such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “foresee,” “hope,” “intend,” “may,” “might,” “plan,” “will,” or “would” or future or conditional verb tenses and variations or negatives of such terms. These forward-looking statements include, without limitation, those relating to the terms, timing and closings of the proposed mergers with Ouachita Bancshares Corp. and Central Community Corporation, 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 compliance with the consent order it entered into with the Consumer Financial Protection Bureau (the “CFPB”) and the United States Department of Justice (“DOJ”) related to the Company’s fair lending practices (the “Consent Order”), the acceptance by customers of Ouachita Bancshares Corp. and Central Community Corporation of the Company’s products and services if the proposed mergers close, the outcome of any instituted, pending or threatened material litigation, amortization expense for intangible assets, goodwill impairments, loan impairment, utilization of appraisals and inspections for real estate loans, maturity, renewal or extension of construction, acquisition and development loans, net interest revenue, fair value determinations, the amount of the Company’s non-performing loans and leases, additions to Other Real Estate Owned (“OREO”), credit quality, credit losses, liquidity, off-balance sheet commitments and arrangements, valuation of mortgage servicing rights, allowance and provision for credit losses, continued weakness in the economic environment, 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, calculation of economic value of equity, impaired loan charge-offs, troubled debt restructurings, diversification of the Company’s revenue stream, liquidity needs and strategies, sources of funding, net interest margin, declaration and payment of dividends, cost saving initiatives, improvement in the Company’s efficiencies, operating expense trends, future acquisitions and consideration to be used therefore and the impact of certain claims and ongoing, pending or threatened litigation, administrative and investigatory matters.

The Company cautions readers not to place undue reliance on the forward-looking statements contained in this this presentation and the accompanying slides, in that actual results could differ materially from those indicated in such forward-looking statements as a result of a variety of factors. These factors may include, but are not limited to, 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 Company’s ability to successfully implement and comply with the Consent Order, the ability of the Company, Ouachita Bancshares Corp. and Central Community Corporation to obtain regulatory approval of and close the proposed mergers, the willingness of Ouachita Bancshares Corp. and Central Community Corporation to proceed with the proposed mergers, which they are no longer contractually obligated to complete, the potential impact upon the Company of the delay in the closings of these proposed mergers, 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, losses resulting from the significant amount of the Company’s OREO, 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 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 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, 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 common stock to raise capital or acquire other banks, bank holding companies, financial holding companies and insurance agencies, 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 this presentation and the accompanying slides, reports and other filings with the SEC. Forward-looking statements speak only as of the date that they were made, and, except as required by law, the Company does not undertake any obligation to update or revise forward-looking statements to reflect events or circumstances that occur after the date of this this presentation and the accompanying slides.

# About BancorpSouth, Inc. (NYSE:BXS)

- Total assets of \$14.1 billion
- Headquartered in Tupelo, MS
- 238 full service banking locations reaching throughout an 8-state footprint
- Customer-focused business model with comprehensive line of financial products and banking services for individuals and small to mid-size businesses
- Strong core capital base consisting of 100% common equity
- Market capitalization of \$2.3 billion

# Community Bank Structure - 8 State Footprint



- 238 Full Service Branches
- 6 Loan Production Offices
- 32 Insurance Locations  
(27 Stand Alone)
- 87 Mortgage Locations  
(17 Stand Alone)
- 23 Wealth Management Locations



# BancorpSouth Stress Test Requirements

*The regulatory agencies expect the annual company-run stress tests required by the Dodd-Frank Act and the agencies' stress test rules to be one component of the broader stress testing activities conducted by companies with \$10 billion to \$50 billion in total assets. Notably, the Dodd-Frank Act Stress Tests ("DFAST") produce projections of hypothetical results and are not intended to be forecasts of expected or most likely outcomes. Rather, the supervisory stress tests are designed to assist the agencies in measuring the strength of financial institutions under baseline, adverse, and severely adverse economic environments. Pro forma financial results for these economic environments are conditioned upon the supervisory scenarios. Public disclosure of stress test results for the severely adverse supervisory scenario is required for institutions with total assets greater than \$10 billion. The following items are required for inclusion in the public disclosure.*

- *Description of the types of risks included in the stress test*
- *Description of the methodologies used in the stress test*
- *Estimates of aggregate losses, pre-provision net revenue ("PPNR"), provision for loan and lease losses ("PLLL"), net income, and pro forma regulatory capital ratios*
- *Explanation of the most significant causes for changes in regulatory capital*

# Description of Risks Included in DFAST

## **Credit Risk**

- *Risk of loss resulting from the failure of an obligor to honor their financial obligations to the Company*

## **Interest Rate Risk**

- *Risk of loss resulting from the effect of adverse interest rate changes upon rate-sensitive assets and liabilities*

## **Market Risk**

- *Risk of loss resulting from a decline in market value for instruments recorded at fair value*

## **Operational Risk**

- *Risk of loss resulting from adverse external events, fraudulent activity, or deficiencies in internal staff, processes, or systems*

# Summary of Key DFAST Components

## DFAST Component

## Scope

**PRE-PROVISION NET REVENUE  
("PPNR")**



- Net interest income from rate-sensitive instruments
- Noninterest income from fee-based revenues and other items
- Noninterest expense from operations

**OTHER INCOME NOT INCLUDED IN  
PPNR**



- Realized gains and losses on sales of securities
- Other-than-temporary impairment ("OTTI")

**CREDIT LOSSES**



- Provision expense resulting from the migration of credit risk in the Company's loan portfolio

**REGULATORY CAPITAL RATIOS**



- Based upon forecasted earnings, capital actions, and projections for risk-weighted assets

# PPNR Forecasting Methodologies

## NET INTEREST INCOME

- Net interest income forecasts are based upon product-level balances and rates for interest-earning assets and interest-bearing liabilities
  - Statistical models are utilized to project target balances for major lending segments and deposit categories
  - Prepayments for loans and investments are derived from historical experience and market indicators
  - Projections for balance sheet yields and costs are based upon contractual obligation, market rate projections, historical spreads, and rate sensitivities

## NONINTEREST INCOME

- Fee-based revenues are based upon the supervisory economic scenario and input from various product lines
- MSR valuation adjustments are based upon third-party modeling analytics designed to measure valuation changes in response to changes in market rates
  - Valuation adjustments include assumptions for default rates for the mortgage servicing portfolio

## NONINTEREST EXPENSE

- Projections for noninterest expense are based upon the supervisory economic scenario and management's expectations
  - Operational losses are derived from historical experience and scenario analysis



# Other Income Forecasting Methodologies

## REALIZED GAINS (LOSSES) ON SECURITIES

- Realized gains and losses are based upon expectations for liquidity and the projected value of unencumbered marketable securities in the supervisory economic scenario

## OTHER-THAN- TEMPORARY IMPAIRMENT

- Projections for OTTI are based upon expected losses within the Company's investment portfolio for the supervisory economic scenario
- Projections for OTTI are minimal as most declines in market value are attributed by factors other than credit, such as changes in market rates
  - Expected losses contributing to OTTI are modeled by way of credit rating transition matrices

# Credit Loss Forecasting Methodologies

## EXPECTED LOSSES

- Expected losses for the Company's loan portfolio are based upon the migration of credit risk in relation to changes in economic indicators
- Statistical econometric models are utilized to measure the migration of risk
- Internal credit risk rating models are utilized to estimate the probability of default (PD) and loss given default (LGD) for loans in each forecasted period as a result of the risk migration in the Company's various lending segments
  - In regard to the LGD for loans secured by real estate, the underlying collateral is stressed on the basis of changes in various property value indices
- The models noted above consider the idiosyncratic makeup of the Company's product mix and market footprint

## PROVISION FOR LOAN & LEASE LOSSES ("PLLL")

- Provision expense is modeled on the basis of changes in the ALLL for the loan portfolio in each forecasted period
  - Changes in the ALLL are reflective of forecasted charge-offs, the reserve requirement for loan production volumes (i.e., new and renewed loans), and any migration of risk for existing loans
  - The ALLL is estimated in accordance with accounting standards and internal policies

# Capital Ratio Forecasting Methodologies

## CAPITAL PROJECTIONS

- Capital projections are based upon net income forecasts, capital actions, and any changes to the definition of regulatory capital
  - Net income forecasts are derived from the aforementioned modeling processes and other estimation methods for revenue and expense items
  - Regulatory capital projections consider the impact of the Basel III Revised Capital Framework

## RISK-WEIGHTED ASSETS

- Projections for risk-weighted assets are segmented by risk-weighting classification and are based upon balance sheet growth (runoff) as well as changes in the mix of assets
- Projections for risk-weighted assets consider the impact of the Basel III Revised Capital Framework

# Severely Adverse Supervisory Scenario Results

## BancorpSouth, Inc. Regulatory Capital Ratios

	Actual Q4-2015	Severely Adverse Q1-2018	Lowest <sup>1</sup>	>	Well-Capitalized Thresholds <sup>2</sup>
Common equity tier 1	12.07%	11.54%	11.54%	>	6.50%
Tier 1 risk-based capital	12.27%	11.75%	11.75%	>	8.00%
Tier 1 leverage	10.61%	9.25%	9.25%	>	5.00%
Total risk-based capital	13.37%	13.01%	13.01%	>	10.00%

## BancorpSouth Bank Regulatory Capital Ratios

	Actual Q4-2015	Severely Adverse Q1-2018	Lowest <sup>1</sup>	>	Well-Capitalized Thresholds <sup>2</sup>
Common equity tier 1	11.80%	9.63%	9.63%	>	6.50%
Tier 1 risk-based capital	11.80%	9.63%	9.63%	>	8.00%
Tier 1 leverage	10.23%	7.57%	7.57%	>	5.00%
Total risk-based capital	12.90%	10.89%	10.89%	>	10.00%

## BancorpSouth, Inc. and Bank Cumulative Profit and Loss Forecasts

Q1-2016 through Q1-2018	(in millions)
Pre-provision net revenue	\$275.4
Provision for loan and lease losses	(349.0)
Other-than-temporary impairment	(2.6)
<b>Pretax net loss</b>	<b>(\$76.2)</b>

## BancorpSouth, Inc. and Bank Cumulative Loan and Lease Losses

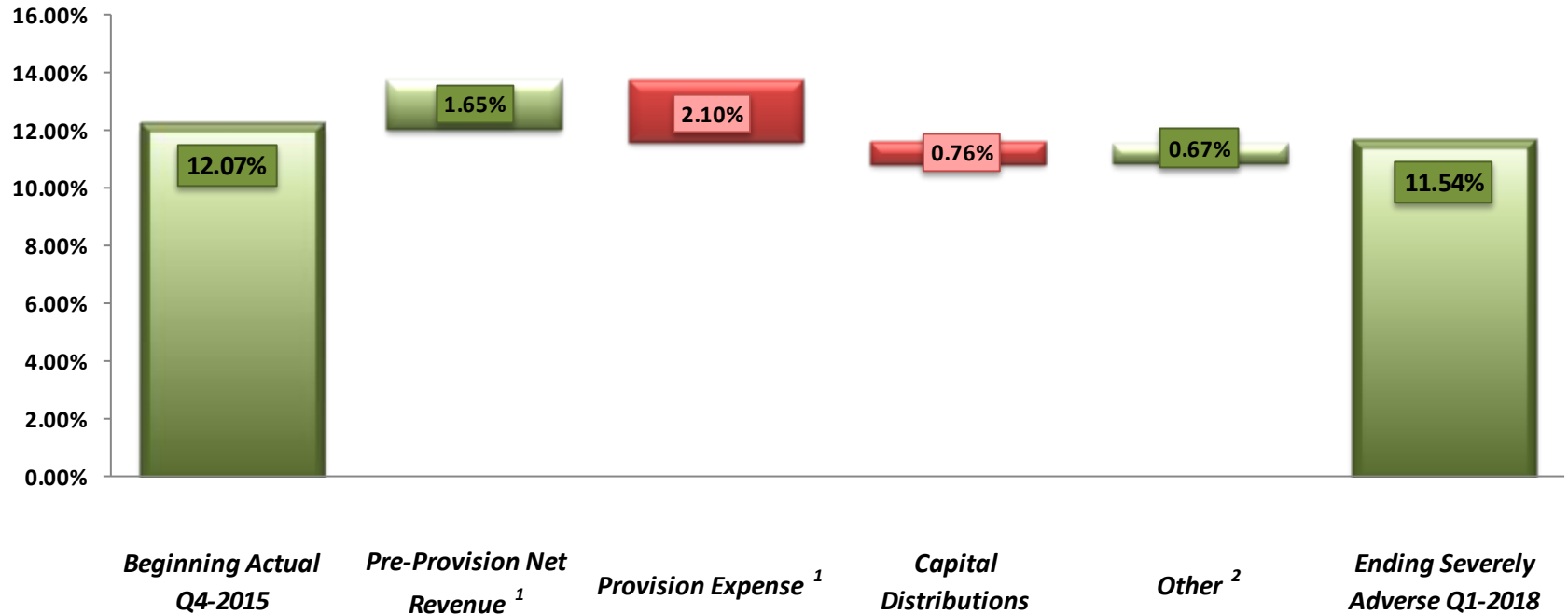
Q1-2016 through Q1-2018	Total Losses (in millions)	Cumulative Loss Rates
Real estate secured	\$215.4	2.8%
Non-real estate secured	74.9	2.7%
<b>Total Loans and Leases</b>	<b>\$290.3</b>	<b>2.8%</b>

<sup>1</sup> Lowest ratio over the nine-quarter time horizon

<sup>2</sup> Regulatory requirements to be considered well-capitalized

# Most Significant Causes for Changes in BancorpSouth, Inc. Capital

## Common Equity Tier 1 Ratio Q4-2015 Actual to Q1-2018 Severely Adverse Supervisory Scenario



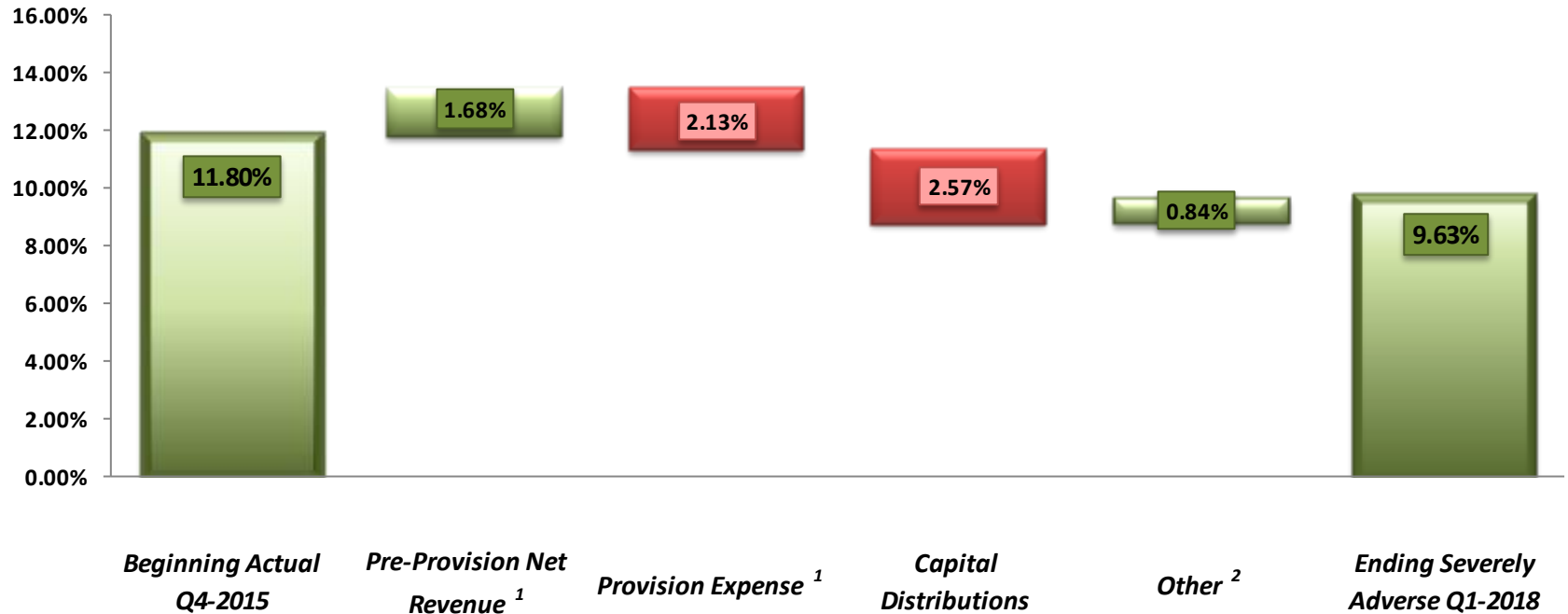
<sup>1</sup> Income statement items shown net of taxes

<sup>2</sup> "Other" includes the effect of changes to the composition of risk-weighted assets



# Most Significant Causes for Changes in BancorpSouth Bank Capital

## Common Equity Tier 1 Ratio Q4-2015 Actual to Q1-2018 Severely Adverse Supervisory Scenario



<sup>1</sup> Income statement items shown net of taxes

<sup>2</sup> "Other" includes the effect of changes to the composition of risk-weighted assets