



BANCORPSOUTH BANK

Financial Information

As of and for the Three Months
Ended June 30, 2018



Forward Looking Statements

Certain statements contained in this presentation 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 benefits, costs, synergies and financial and operational impact of the Reorganization on the Company, the benefits, costs, synergies, and financial and operational impact of the CCC and OIB mergers, the acceptance by customers of OIB and CCC of the Company’s products and services after the closing of the mergers, the terms, timing and closing of the proposed Icon Merger, acceptance by customers of Icon of the Company’s products and services, the opportunities to enhance market share in certain markets and market acceptance of the Company generally in new markets, 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 and the United States Department of Justice related to the Company’s fair lending practices (the “Consent Order”), the impact of the Tax Cuts and Jobs Act of 2017 on the Company and its operations and financial performance, 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, credit quality, credit losses, liquidity, off-balance sheet commitments and arrangements, valuation of mortgage servicing rights, allowance and provision 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, sources of funding, net interest margin, 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.

The Company cautions readers not to place undue reliance on the forward-looking statements contained in this presentation, 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 to meet expectations regarding the benefits, costs, synergies, and financial and operational impact of the Reorganization and the CCC and OIB mergers, the possibility that any of the anticipated benefits, costs, synergies and financial and operational improvements of the Reorganization and the OIB and CCC mergers will not be realized or will not be realized as expected, the ability of the Company and Icon to complete the Icon Merger, the ability of the Company and Icon to satisfy the conditions to the completion of the Icon Merger, including the approval of the merger transaction by Icon’s shareholders and the receipt of all regulatory approvals required for the Icon Merger on the terms expected in the Icon Merger Agreement, the ability of the Company and Icon to meet expectations regarding the timing, completion and accounting and tax treatments of the Icon Merger, the possibility that any of the anticipated benefits of the Icon Merger will not be realized or will not be realized as expected, the failure of the Icon Merger to close for any other reason, the effect of the announcement of the Icon Merger on the Company’s operating results, the possibility that the Icon Merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events, the lack of availability of the Bank’s filings mandated by the Exchange Act from the SEC’s publicly available website after the closing of the Reorganization, 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 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 Tax Cuts and Jobs Act of 2017 on the Company and its operations and financial performance, 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 common 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. 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 presentation.

Q2 Highlights

- Net income of \$54.0 million, or \$0.55 per diluted share.
- Completed operational integration of Central Community Corporation merger and recorded corresponding merger-related expenses of \$1.9 million for the second quarter.
- Net operating income – excluding MSR – of \$55.6 million, or \$0.56 per diluted share.
- Generated net loan growth of \$121.3 million, or 4.0 percent on an annualized basis.
- Net interest margin increased to 3.71 percent from 3.67 percent for the first quarter of 2018.
- Announced the signing of a definitive merger agreement with Icon Capital Corporation, parent company of Icon Bank of Texas, National Association, headquartered in Houston, Texas.
- Repurchased 785,877 shares of outstanding common stock at a weighted average price of \$31.39 per share.

Recent Quarterly Results

	Three Months Ended			% Change	
	6/30/18	3/31/18	6/30/17	vs 3/31/18	vs 6/30/17
Net interest revenue	\$ 142.1	\$ 138.1	\$ 117.5	2.9 %	21.0 %
Provision for credit losses	2.5	1.0	1.0	NM	NM
Noninterest revenue	72.5	78.9	68.1	(8.2)	6.3
Noninterest expense	145.2	147.7	127.6	(1.7)	13.8
Income before income taxes	66.9	68.3	57.1	(2.1)	17.3
Income tax expense	12.9	14.8	19.2	(13.3)	(32.9)
Net income	\$ 54.0	\$ 53.5	\$ 37.9	1.0 %	42.6 %
Plus: Non-operating items, net of tax	1.4	4.3	(0.0)	NM	NM
Net operating income	\$ 55.5	\$ 57.8	\$ 37.9	(4.0) %	46.5 %
Less: MSR market value adjustment, net of tax	(0.2)	4.2	(0.9)	NM	NM
Net operating income - excluding MSR	\$ 55.6	\$ 53.6	\$ 38.8	3.8 %	43.3 %
Net income per share: diluted	\$ 0.55	\$ 0.54	\$ 0.41	1.9 %	34.1 %
Operating earnings per share - excluding MSR	\$ 0.56	\$ 0.54	\$ 0.42	3.7 %	33.3 %

Dollars in millions, except per share data

All non-GAAP measures defined and/or reconciled in quarterly earnings releases

NM – Not Meaningful

Figures may not foot due to rounding



Noninterest Revenue

	Three Months Ended			% Change	
	6/30/18	3/31/18	6/30/17	vs 3/31/18	vs 6/30/17
Mortgage production & servicing revenue	\$ 7,105	\$ 7,732	\$ 7,643	(8.1) %	(7.0) %
MSR valuation adjustment	(201)	5,533	(1,509)	NM	NM
Credit card, debit card and merchant fees	10,530	9,564	9,565	10.1	10.1
Deposit service charges	10,767	10,901	9,706	(1.2)	10.9
Insurance commissions	32,965	29,130	31,126	13.2	5.9
Wealth management	5,745	5,697	5,275	0.8	8.9
Other	5,545	10,377	6,324	(46.6)	(12.3)
Total noninterest revenue	\$ 72,456	\$ 78,934	\$ 68,130	(8.2) %	6.3 %
% of total revenue	33.8%	36.4%	36.7%		

Noninterest Expense

	Three Months Ended			% Change	
	6/30/18	3/31/18	6/30/17	vs 3/31/18	vs 6/30/17
Salaries and employee benefits	\$ 91,451	\$ 91,197	\$ 80,723	0.3 %	13.3 %
Occupancy, net of rental income	11,103	10,804	10,455	2.8	6.2
Equipment	3,804	3,754	3,438	1.3	10.6
Deposit insurance assessments	3,129	2,360	2,261	32.6	38.4
Advertising & public relations	2,055	1,649	1,691	24.6	21.5
Foreclosed property expense	997	366	960	172.4	3.9
Data processing, telecom & computer software	12,921	11,913	11,376	8.5	13.6
Amortization of intangibles	1,559	1,602	1,010	(2.7)	54.4
Legal	1,568	691	1,330	126.9	17.9
Merger expense	1,911	5,727	-	NM	NM
Postage and shipping	1,151	1,237	1,080	(7.0)	6.6
Other miscellaneous expense	13,533	16,401	13,229	(17.5)	2.3
Total noninterest expense	145,182	147,701	127,553	(1.7) %	13.8 %
Non-operating items:					
Merger expense	1,911	5,727	-	NM	NM
Total noninterest expense - operating	\$ 143,271	\$ 141,974	\$ 127,553	0.9 %	12.3 %

Deposits and Customer Repos

	As of		
	6/30/18	3/31/18	6/30/17
Noninterest bearing demand	\$ 4,135	\$ 4,036	\$ 3,390
Interest bearing demand	5,510	5,945	5,096
Savings	1,810	1,843	1,630
Other time	2,021	2,070	1,822
Customer Repos	408	469	400
Total Deposits & Customer Repos	\$13,884	\$14,363	\$12,338

Loan Portfolio

	<u>As of</u>		
	<u>6/30/18</u>	<u>3/31/18</u>	<u>6/30/17</u>
Commercial and industrial	\$ 1,668	\$ 1,696	\$ 1,566
Real estate:			
Consumer mortgages	3,143	3,000	2,776
Home equity	653	656	625
Agricultural	316	313	246
Commercial and industrial-owner occupied	2,147	2,102	1,795
Construction, acquisition and development	1,346	1,377	1,157
Commercial	2,637	2,641	2,342
Credit Cards	103	102	104
Other	405	409	407
Total	\$12,418	\$12,297	\$11,019

Credit Quality Highlights

- Recorded provision for credit losses of \$2.5 million for the quarter.
- Reported net charge-offs of \$2.0 million for the quarter, which represents 0.07 percent of average loans on an annualized basis.
- Continued low levels of non-performing loans (“NPLs”) and non-performing assets (“NPAs”).
 - NPLs declined to 0.59 percent of net loans and leases from 0.65 percent one year ago.
 - NPAs declined to 0.65 percent of net loans and leases from 0.72 percent one year ago.

Mortgage and Insurance Revenue

Mortgage Lending Revenue

	Three Months Ended				
	6/30/18	3/31/18	12/31/17	9/30/17	6/30/17
Origination revenue	\$ 5,295	\$ 5,239	\$ 2,824	\$ 4,809	\$ 5,771
Servicing revenue	4,726	4,875	4,703	4,648	4,697
MSR payoffs/paydowns	(2,916)	(2,382)	(2,659)	(2,502)	(2,825)
MSR valuation adjustment	(201)	5,533	2,378	(46)	(1,509)
Total mortgage banking revenue	\$ 6,904	\$ 13,265	\$ 7,246	\$ 6,909	\$ 6,134
Production volume	\$ 523,701	\$ 291,878	\$ 308,372	\$ 342,404	\$ 385,896
Purchase money production	\$ 420,100	\$ 204,700	\$ 219,300	\$ 263,000	\$ 307,000
Mortgage loans sold	\$ 302,590	\$ 214,596	\$ 266,529	\$ 313,641	\$ 264,116
Margin on loans sold	1.75%	2.44%	1.06%	1.53%	2.19%
Current pipeline	\$ 259,675	\$ 259,770	\$ 193,704	\$ 232,737	\$ 270,989
Mortgage originators	159	152	150	148	148

Insurance Commission Revenue

Property and casualty commissions	\$ 23,041	\$ 20,100	\$ 18,667	\$ 21,086	\$ 22,363
Life and health commissions	6,753	5,943	5,900	6,134	6,623
Risk management income	605	750	608	703	600
Other	2,566	2,337	583	693	1,540
Total insurance commissions	\$ 32,965	\$ 29,130	\$ 25,758	\$ 28,616	\$ 31,126

Summary



Highlights

- Record quarterly earnings
- Announced merger with Icon Capital Corporation
- Reported net loan growth
- Continued improvement in net interest margin
- Repurchased approximately 0.8 million shares in the second quarter

Current Focus

- Continue to grow both organically and through strategic opportunities
 - Loans, deposits, and fee revenue sources
- Challenge expenses and continue to improve efficiency
- Efficiently manage capital

Q & A