BANCORPSOUTH BANK

Financial Information

As of and for the Three Months
Ended September 30, 2019

BancorpSouth®

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 (the “Exchange act”). 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 Icon, Grand Bank, Merchants, Texas Star, Summit and Texas First Mergers (referred to collectively as the “Mergers”) on BancorpSouth Bank (the “Company”), the acceptance by customers of Icon, Grand Bank, Merchants, Texas Star, Summit and Texas First 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 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 impairments, 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, the ability of the Company to access successfully the capital and credit markets when needed or as desired, 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 Mergers, the possibility that any of the anticipated benefits, costs, synergies and financial and operational improvements of the Mergers will not be realized or will not be realized as expected, the ability of the Company and Texas First to complete the Texas First Merger, the ability of the Company and Texas First to satisfy the conditions to the completion of the Texas First Merger, including the receipt of all regulatory approvals required for the Texas First Merger on the terms expected in the Texas First Merger Agreement, the ability of the Company and Texas First to meet expectations regarding the timing, completion and accounting and tax treatments of the Texas First Merger, the possibility that any of the anticipated benefits of the Texas First Merger will not be realized or will not be realized as expected, the failure of the Texas First Merger to close for any other reason, the effect of any announcements regarding the Texas First Merger on the Company’s operating results, the possibility that the Texas First Merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events, 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 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 Federal Deposit Insurance Corporation. 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.

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Q3 Highlights

- Reported quarterly net income of $63.8 million, or $0.63 per diluted share.
- Completed the acquisitions of Van Alstyne Financial Corporation and Summit Financial Enterprises, Inc. effective September 1, 2019; recorded merger-related expenses of $4.1 million for the third quarter.
- Although earnings were impacted by a negative pre-tax mortgage servicing rights (“MSR”) valuation adjustment of $4.0 million, strong mortgage production volume totaling $536.1 million contributed to an increase in mortgage production and servicing revenue to $11.3 million for the third quarter.
- Record net operating income – excluding MSR – of $69.7 million, or $0.69 per diluted share, which represents increases of 13.1 percent on a per share basis compared with the second quarter of 2019 and 23.2 percent compared with the third quarter of 2018.
- Generated organic deposit and customer repo growth for the quarter totaling approximately $160.0 million, or 4.1 percent on an annualized basis.
- Net interest margin – excluding accretable yield – remained relatively stable at 3.76 percent.
- Continued strong credit quality reflected by net recoveries of $0.7 million and a provision for credit losses of $0.5 million for the quarter; non-performing and classified asset levels remained stable excluding the impact of acquired loans.
- Operating efficiency ratio – excluding MSR – improved to 63.0 percent for the quarter.
- Announced the signing of a definitive merger agreement with Texas First Bancshares, Inc., the parent company of Texas First State Bank, which is expected to add approximately $390 million in assets to the Company’s Central Texas presence.
- Repurchased 561,260 shares of outstanding common stock at a weighted average price of $27.04 per share.

As of and for the three months ended September 30, 2019
All non-GAAP measures are defined and/or reconciled in the quarterly news release which accompanies this presentation.

Recent Quarterly Results

	Three Months Ended			% Change	
	9/30/19	6/30/19	9/30/18	vs 6/30/19	vs 9/30/18
Net interest revenue	$ 166.6	$ 160.0	$ 142.1	4.1 %	17.2 %
Provision for credit losses	0.5	0.5	0.0	NM	NM
Noninterest revenue	75.4	66.3	71.6	13.7	5.3
Noninterest expense	159.6	157.7	142.4	1.2	12.1
Income before income taxes	81.9	68.2	71.3	20.2	14.8
Income tax expense	18.2	15.1	4.7	20.1	289.8
Net income	**$ 63.8**	**$ 53.1**	**$ 66.7**	**20.2 %**	**(4.4) %**
Plus: Non-operating items, net of tax	3.0	2.3	(10.6)	NM	NM
Net operating income	**$ 66.7**	**$ 55.4**	**$ 56.1**	**20.5 %**	**19.0 %**
Less: MSR market value adjustment, net of tax	(3.0)	(6.6)	1.1	NM	NM
Net operating income - excluding MSR	**$ 69.7**	**$ 62.0**	**$ 55.0**	**12.5 %**	**26.9 %**
Net income per share: diluted	**$ 0.63**	**$ 0.53**	**$ 0.67**	**18.9 %**	**(6.0) %**
Operating earnings per share - excluding MSR	**$ 0.69**	**$ 0.61**	**$ 0.56**	**13.1 %**	**23.2 %**

Dollars in millions, except per share data
All non-GAAP measures are defined and/or reconciled in the quarterly news release which accompanies this presentation.
NM – Not Meaningful
Figures may not foot due to rounding

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Noninterest Revenue

	Three Months Ended			% Change	
	9/30/19	6/30/19	9/30/18	vs 6/30/19	vs 9/30/18
Mortgage production and servicing revenue	$ 11,283	$ 9,167	$ 5,045	23.1 %	123.6 %
Credit card, debit card and merchant fees	9,778	10,168	9,857	(3.8)	(0.8)
Deposit service charges	11,939	11,117	11,278	7.4	5.9
Insurance commissions	31,512	33,951	31,705	(7.2)	(0.6)
Wealth management	6,651	5,906	6,016	12.6	10.6
Other	8,263	4,839	6,243	70.8	32.4
Total noninterest revenue-excluding MSR	**79,426**	**75,148**	**70,144**	**5.7 %**	**13.2 %**
MSR valuation adjustment	(3,994)	(8,816)	1,472	NM	NM
Total noninterest revenue	**$ 75,432**	**$ 66,332**	**$ 71,616**	**13.7 %**	**5.3 %**
% of total revenue	31.2%	29.3%	33.5%		

Dollars in thousands
NM – Not Meaningful

Noninterest Expense

	Three Months Ended			% Change	
	9/30/19	6/30/19	9/30/18	vs 6/30/19	vs 9/30/18
Salaries and employee benefits	$ 101,154	$ 100,981	$ 89,646	0.2 %	12.8 %
Occupancy, net of rental income	12,323	11,988	11,690	2.8	5.4
Equipment	4,676	4,423	3,994	5.7	17.1
Deposit insurance assessments	2,038	2,165	2,954	(5.9)	(31.0)
Advertising and public relations	2,451	2,361	2,317	3.8	5.8
Foreclosed property expense	870	519	920	67.6	(5.4)
Data processing, telecom and computer software	14,291	13,222	13,083	8.1	9.2
Amortization of intangibles	2,117	2,508	1,438	(15.6)	47.2
Legal	786	1,310	657	(40.0)	19.6
Merger expense	4,062	3,136	942	NM	NM
Postage and shipping	1,281	1,217	1,238	5.3	3.5
Other miscellaneous expense	13,565	13,844	13,530	(2.0)	0.3
Total noninterest expense	**159,614**	**157,674**	**142,409**	**1.2 %**	**12.1 %**
Non-operating items:					
Merger expense	4,062	3,136	942	NM	NM
Total noninterest expense - operating	**$ 155,552**	**$ 154,538**	**$ 141,467**	**0.7 %**	**10.0 %**

Dollars in thousands
NM – Not Meaningful

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Deposits and Customer Repos

- Total deposits and customer repos have increased $979 million, or 24.9 percent annualized compared to June 30, 2019. Acquired deposits and customer repos totaled just over $800 million during the quarter, while deposits and customer repos increased approximately $160 million on an organic basis.

- Total deposits and customer repos have increased $2.8 billion, or 20.4 percent, since September 30, 2018. Of this increase, approximately $2.0 billion represents acquired balances while organic funding growth totaled approximately $780 million, or 5.7 percent.

	As of 9/30/19		As of 6/30/19		As of 9/30/18	
	Balance	**% of Total**	**Balance**	**% of Total**	**Balance**	**% of Total**
Noninterest bearing demand	$ 4,771	28.8%	$ 4,329	27.8%	$ 4,007	29.1%
Interest bearing demand	6,745	40.7%	6,511	41.8%	5,536	40.3%
Savings	1,899	11.5%	1,861	11.9%	1,784	13.0%
Other time	2,611	15.8%	2,435	15.6%	2,021	14.7%
Customer Repos	530	3.2%	440	2.8%	404	2.9%
Total Deposits and Customer Repos	**$16,556**	**100.0%**	**$15,576**	**100.0%**	**$13,751**	**100.0%**

Dollars in millions

Loan Portfolio

- Total loans have increased $462 million, or 13.4 percent annualized compared to June 30, 2019. Acquired loans, net of the loan mark, totaled approximately $570 million during the quarter, while loans decreased approximately $105 million organically during the quarter.

- Total loans have increased $1.7 billion, or 13.4 percent, since September 30, 2018 primarily as a result of acquired loans. Organic loan growth has been essentially flat over this period.

	As of 9/30/19		As of 6/30/19		As of 9/30/18	
	Balance	**% of Total**	**Balance**	**% of Total**	**Balance**	**% of Total**
Commercial and industrial						
Commercial and industrial-non real estate	$ 1,888	13.4%	$ 1,832	13.4%	$ 1,617	13.0%
Commercial and industrial-owner occupied	2,276	16.1%	2,157	15.8%	2,157	17.3%
Total commercial and industrial	4,164	29.5%	3,989	29.2%	3,774	30.3%
Commercial real estate						
Agricultural	348	2.5%	333	2.4%	316	2.5%
Construction, acquisition and development	1,538	10.9%	1,441	10.6%	1,104	8.9%
Commercial real estate	3,345	23.7%	3,287	24.1%	2,924	23.5%
Total commercial real estate	5,231	37.0%	5,062	37.1%	4,343	34.9%
Consumer						
Consumer mortgages	3,519	24.9%	3,423	25.1%	3,185	25.6%
Home equity	678	4.8%	670	4.9%	655	5.3%
Credit cards	101	0.7%	101	0.7%	102	0.8%
Total consumer	4,299	30.4%	4,194	30.7%	3,942	31.7%
All other	427	3.0%	414	3.0%	390	3.1%
Total	**$14,121**	**100.0%**	**$13,659**	**100.0%**	**$12,450**	**100.0%**

Dollars in millions
Net loans and leases

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Credit Quality Highlights

- Recorded provision for credit losses of $0.5 million for the quarter.
- Reported net recoveries of $0.7 million for the quarter, which represents 0.02 percent of average loans on an annualized basis.
- Continued low levels of non-performing loans (“NPLs”) and non-performing assets (“NPAs”).
    - NPLs of 0.77 percent of net loans and leases compared with 0.66 percent at June 30, 2019.
    - NPAs of 0.82 percent of net loans and leases compared with 0.70 percent at June 30, 2019.
- Other real estate owned of $7.9 million.

As of September 30, 2019

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Mortgage and Insurance Revenue

Mortgage Lending Revenue

	Three Months Ended				
	9/30/19	6/30/19	3/31/19	12/31/18	9/30/18
Origination revenue	$ 8,922	$ 7,016	$ 4,068	$ 2,207	$ 3,161
Servicing revenue	4,903	4,890	4,893	5,047	4,868
MSR payoffs/paydowns	(2,542)	(2,739)	(2,052)	(2,465)	(2,984)
Mortgage production and servicing revenue	11,283	9,167	6,909	4,789	5,045
MSR valuation adjustment	(3,994)	(8,816)	(4,869)	(8,064)	1,472
Total mortgage banking revenue	$ 7,289	$ 351	$ 2,040	$ (3,275)	$ 6,517
Production volume	$ 536,089	$ 495,535	$ 291,746	$ 304,969	$ 384,823
Purchase money production	$ 353,900	$ 397,900	$ 227,500	$ 239,000	$ 304,100
Mortgage loans sold	$ 374,156	$ 304,352	$ 239,239	$ 251,121	$ 308,619
Margin on loans sold	2.38%	2.31%	1.70%	0.88%	1.02%
Current pipeline	$ 370,172	$ 304,778	$ 234,748	$ 197,730	$ 218,712
Mortgage originators	159	161	159	156	149

Insurance Commission Revenue

Property and casualty commissions	$ 22,643	$ 23,429	$ 21,238	$ 19,242	$ 21,907
Life and health commissions	6,116	7,355	5,982	5,892	6,162
Risk management income	564	622	587	558	635
Other	2,189	2,545	2,373	2,289	3,001
Total insurance commissions	$ 31,512	$ 33,951	$ 30,180	$ 27,981	$ 31,705

Dollars in thousands

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Summary

Highlights

- Organic deposit growth of approximately $160 million
- Strong credit quality and relatively stable net interest margin
- Improvement in operating efficiency - excluding MSR - to 63 percent
- Completed the acquisitions of Van Alstyne Financial Corporation and Summit Financial Enterprises, Inc., effective September 1, 2019
- Repurchased 561,260 shares during the third 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
- Enhance customer experience, including improved technology offerings
- Continue investing in producing relationship managers and supporting communities we serve

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