

## **BancorpSouth, Inc. Reports First Quarter Earnings**

PRNewswire  
TUPELO, Miss.

BancorpSouth, Inc. today announced that income for the first quarter ended March 31, 2001, excluding the impact of impairment on its mortgage servicing asset, was 30 cents per common share. Declining interest rates, both mortgage and short term, resulted in a \$4.3 million pretax, non-cash charge to earnings to record mortgage servicing impairment which reduced net income to \$22.3 million, or 27 cents per share (basic and diluted), compared to net income of \$26.6 million, or 31 cents per share (basic and diluted) for the first quarter of 2000.

Aubrey Patterson, Chairman and Chief Executive Officer of BancorpSouth, commented, "The integration with First United Bancshares, Inc. is proceeding as planned. Longer term, we expect BancorpSouth to benefit from the opportunity to leverage our technology and strong product line into those markets. We will continue to look for opportunities to expand the number of products we offer to all our customers, such as insurance, and look to expand our relationships with small businesses."

"The rapid decline in interest rates in the first quarter created a challenging environment for banks. BancorpSouth does have some variable-rate loans and other loans with repricing options over a reasonably short time horizon and thus is subject to margin pressure as interest rates fall. However, we have been able to reduce the interest rates on our deposits in order to offset some of the impact of the interest rate decline."

### **Net Interest Income**

Total interest revenue was \$174.1 million in the first quarter of 2001, up 9.7 percent from the corresponding period in 2000 but down 2.4 percent from \$178.3 million reported in the fourth quarter of 2000. Total interest expense for the 2001 first quarter was \$92.5 million, a 19.6 percent increase from total interest expense of \$77.4 million in the same period of the prior year but a decline of 3.2% from total interest expense of \$95.6 million reported in the fourth quarter of 2000. In the first quarter of 2001, net interest margin was 4.01 percent, compared to 4.28 percent for the first quarter of 2000 and 4.03 percent in the fourth quarter of 2000. The cost of interest-bearing liabilities was 5.15 percent in the first quarter of 2001, compared to 4.66 percent in the first quarter of 2000 and 5.30 percent in the fourth quarter of 2000, while the taxable equivalent yield on earning assets was 8.41 percent in the first quarter of 2001 versus 8.21 percent in the same period a year earlier and 8.52 percent in the immediately preceding quarter.

"The drop in interest rates during the quarter caused the reduction in interest income," commented Patterson, "although it also led to a significant rate reduction for new deposits. When the Federal

Reserve cuts short-term rates, the rates on some of our loans usually drop immediately or within a short time. Because we are not able to adjust the rate we pay on deposits as rapidly, net interest margins are compressed in a period of rapidly falling interest rates."

#### Deposit and Loan Activity

BancorpSouth continued to experience growth in total assets and total deposits compared to both the first quarter of 2000 and the fourth quarter of 2000. As of March 31, 2001, total assets were \$9.4 billion, up 9.6 percent since March 31, 2000, and up 3.8 percent since the end of 2000; while total deposits were \$7.8 billion, up 7.5 percent from March 31, 2000, and up 4.1 percent since year end 2000. Total loans as of March 31, 2001 were \$6.0 billion, 5.7 percent higher than the level as of March 31, 2000, but down 2.3 percent from December 31, 2000.

Continuing a practice begun in the first quarter of 2000, the company sold its accumulated inventory of insured student loans in the first quarter of 2001. The sale of the \$61.1 million loan portfolio created a pretax gain of \$1.7 million. In addition, management decided to reduce the company's exposure to indirect automobile sales financing and is allowing BancorpSouth's portfolio of such loans to decline. The portfolio has decreased \$123.0 million since the first quarter of 2000 and \$30.5 million in the first quarter of 2001, reaching \$234.4 million. Excluding the impact of these two items, total loan volume would have declined only 0.8 percent from the fourth quarter of 2000 to the first quarter of 2001.

"The economy in our markets generally is holding up, with unemployment at historically low rates," said Patterson, "but we are seeing some slowness in home construction in the Memphis area. Our liquidity position is strong because of good deposit growth coupled with slowing loan demand. Given the opportunities presented by the merger with First United, we anticipate a modest increase in loan volume for the year, and we expect to be able to continue to expand our loan portfolio without the need for outside funding because of our solid deposit base."

#### Loan Losses

The provision for loan losses in the first quarter of 2001 was \$4.1 million, versus \$4.6 million in the same quarter of the previous year and \$5.5 million in the fourth quarter of 2000. Annualized net charge-offs for the first quarter of 2001 were .36 percent of average loans, while they were .18 percent of average loans in the year-ago quarter and .19 percent of average loans in the fourth quarter of 2000.

Non-performing assets totaled \$43.6 million (.73 percent of loans) as of March 31, 2001, compared to \$48.4 million (.86 percent of loans) as of March 31, 2000, and \$50.1 million (.82 percent of net loans) at December 31, 2000. The allowance for credit losses amounted to 1.35 percent of total net loans at March 31, 2001.

"Loan quality has always been a hallmark of BancorpSouth," continued Patterson. "We maintain our

high standards by applying conservative criteria at the time of origination and closely monitoring our credits throughout the life of the loan. While net charge-offs as a percent of loans was higher than usual in the first quarter of 2001, we anticipate that loans losses will be closer to historical levels for the remainder of the year."

#### Non-interest Income

Non-interest income totaled \$27.9 million in the first quarter of 2001, up 4.8 percent from the \$26.7 million reported in the first quarter of 2000 and up 9.0 percent from \$25.6 million reported in the fourth quarter of 2000.

"Non-traditional businesses such as insurance and investment services are providing a growing revenue stream," Patterson stated. "In the recent quarter, insurance-related revenue was \$5.7 million, compared to \$4.5 million a year earlier. We anticipate that these services will continue to show strong growth as we implement improved cross-selling techniques and as we introduce BancorpSouth's products into former First United markets."

Two unusual items impacted non-interest income in the first quarter of 2001. Revenue from mortgage lending swung from a \$3.4 million positive in the first quarter of 2000 to a \$1.3 million negative in the first quarter of 2001 as a result of a \$4.3 million impairment in the value of BancorpSouth's mortgage servicing asset, which represents the present value of the future stream of servicing revenue. As interest rates decline, refinancing of home mortgages accelerates and the present value of the future stream of servicing fees declines as the expected life of those mortgages shortens. The company must recognize the decline in future revenue with a non-cash charge against income. To some extent, this charge is offset by higher loan origination fees as lower interest rates stimulate loan growth. As the company expects to retain the mortgage servicing rights, the charge should reverse itself as interest rates rise, refinancing slows and the expected life of the mortgages lengthens.

In the first quarter of 2001, the impact of the write-down in the servicing asset was partially offset by a pre-tax gain of \$2.2 million resulting from the sale of certain investment securities out of the available-for-sale portfolio.

#### Non-interest Expense

Non-interest expenses for the first quarter of 2001 were \$72.9 million, compared to \$64.1 million for the first quarter of 2000 and \$68.7 million in the fourth quarter of 2000 (before non-recurring charges).

"We continue to see the impact of the First United merger on non-interest expense," explained Jim Kelley, President and Chief Operating Officer of BancorpSouth. "At the time of the merger, we made customer retention our first priority in the transition process, even though that means higher non-interest expenses over the first year of the combined company as we gradually transition former First

United offices to BancorpSouth systems. We achieved product standardization among all the offices in December without a detrimental effect on our customer base. In the first quarter, we transitioned the first two former First United banks to BancorpSouth systems with equal success. We anticipate completing the conversion by the end of the third quarter and expect to see the resulting cost savings begin to have a positive impact on our results in the fourth quarter."

#### Capital Management

During the first quarter of 2001, the company repurchased a total of 276,550 shares of its outstanding common stock, 21,850 shares under a repurchase program which terminated in January and 254,700 shares under a repurchase program announced on March 5, 2001, which will allow the company to acquire up to 4.2 million shares or approximately 5% of the shares outstanding at the time of the announcement.

BancorpSouth, Inc. is a financial services company with \$9.4 billion in assets, headquartered in Tupelo, Mississippi. The company operates approximately 250 commercial banking, insurance, trust, broker/dealer and consumer finance locations in Alabama, Arkansas, Louisiana, Mississippi, Tennessee and Texas.

Certain statements contained in this news release may not be based on 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," "estimate," "expect," "may," "might," "will," "would," or "intend." These forward-looking statements include, without limitation, those relating to interest rates on deposits, expansion and prospects of products and services, integration and impact of recent acquisitions, effects of technology, interest rate sensitivity, expansion of loan portfolio, loan losses, prospects for 2001, mortgage servicing, the Company's future growth, and profitability.

We caution you not to place undue reliance on the forward-looking statements contained in this news release in that actual results could differ materially from those indicated in such forward-looking statements, due to a variety of factors. Those factors include, but are not limited to, changes in economic conditions and government fiscal and monetary policies, fluctuations in prevailing interest rates, ability to reduce interest on deposits as interest rates decline, laws and regulations affecting financial institutions, the ability of BancorpSouth to compete with other financial services companies, the ability of BancorpSouth to integrate acquisitions, the ability of BancorpSouth to operate and integrate new technology, the ability of BancorpSouth to manage its growth and effectively serve an expanding customer and market base, the ability of BancorpSouth to provide competitive services and products, changes in BancorpSouth's operating or expansion strategy, geographic concentration of BancorpSouth's assets, availability of and costs associated with obtaining adequate and timely sources

of liquidity, the ability of BancorpSouth to attract, train and retain qualified personnel, the ability of BancorpSouth to effectively market its services and products, changes in consumer preferences, other factors generally understood to affect the financial results of financial services companies, and other factors described from time to time in BancorpSouth's filings with the Securities and Exchange Commission. We undertake no obligation to update these forward- looking statements to reflect events or circumstances that occur after the date on which such statements were made.

BancorpSouth, Inc.  
Selected Financial Data

	Three Months Ended March 31,	
	2001	2000
(Dollars in thousands, except per share amounts)		
Earnings Summary:		
Net interest revenue	\$81,599	\$81,328
Provision for credit losses	4,097	4,615
Noninterest revenue	27,949	26,674
Noninterest expense	72,832	64,120
Income before income taxes	32,619	39,267
Income tax provision	10,300	12,622
Net income	22,319	26,645
Earning per share: Basic	\$0.27	\$0.31
Diluted:	\$0.27	\$0.31

Balance sheet data at March 31:

Total assets	\$9,384,078	\$8,560,573
Total earning assets	8,738,930	7,985,297
Loans and lease receivables, net of unearned discount	5,960,862	5,620,581
Allowance for credit losses	80,461	76,362
Total deposits	7,785,627	7,245,458
Common shareholders' equity	804,085	758,183
Book value per share	9.59	8.92

Average balance sheet data:

Total assets	\$9,160,057	\$8,479,566
Total earning assets	8,539,226	7,919,175
Loans and lease receivables, net of unearned discount	6,025,742	5,559,943
Total deposits	7,612,436	7,125,843
Common shareholders' equity	789,892	755,015

Non-performing assets at March 31:

Non-accrual loans	\$12,116	\$18,011
Loans 90+ days past due	22,338	18,120
Restructured loans	1,542	979
Other real estate owned	7,643	11,280

Net charge-offs as a percentage of average loans (annualized)	0.36%	0.18%
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Performance ratios (annualized)

Return on average assets	0.99%	1.26%
Return on common equity	11.46%	14.16%

Net interest margin	4.01%	4.28%
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Average shares outstanding - diluted	84,200,255	85,704,216
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(dollars in thousands)  
(Unaudited)

	March 31, 2001	March 31, 2000
<b>Assets</b>		
Cash & due from banks	\$298,663	\$273,427
Interest bearing deposits with other banks	7,871	48,469
Held-to-maturity securities	1,224,997	1,077,997
Federal funds sold and securities purchased under agreement to resell	520,399	129,219
Loans & leases	5,960,862	5,620,581
Allowance for credit losses	(80,461)	(76,362)
Net loans & leases	5,880,401	5,544,219
Available-for-sale securities	973,847	1,077,151
Mortgages held for sale	50,953	31,882
Bank premises & equipment	202,539	173,195
Accrued interest receivable	90,827	74,426
Other real estate owned	7,568	10,714
Other assets	126,013	119,874
Total assets	\$9,384,078	\$8,560,573
<b>Liabilities</b>		
Demand deposits:		
Non-interest bearing	\$1,032,551	\$1,002,662
Interest bearing	1,828,324	1,727,489
Total demand deposits	2,860,875	2,730,151
Savings & time deposits:		
Savings	468,679	280,803
Premium access	427,092	579,860
Certificates of deposit	4,028,981	3,654,644
Total savings & time deposits	4,924,752	4,515,307
Total deposits	7,785,627	7,245,458
Federal funds purchased and securities sold under agreement to repurchase		
	502,749	277,088
Short-term borrowings	0	9,000
Accrued interest payable	52,466	39,563
Long-term debt	151,778	161,087
Other liabilities	87,373	70,194
Total liabilities	8,579,993	7,802,390
<b>Shareholders' Equity</b>		
Common stock	214,484	214,410
Capital surplus	70,581	69,978
Unrealized gain(loss) on securities	22,933	(16,904)
Retained earnings	525,383	502,587
Less: Cost of treasury stock	(29,296)	(11,888)
Total shareholders' equity	804,085	758,183
Total liabilities & shareholders' equity	\$9,384,078	\$8,560,573

BancorpSouth, Inc.  
Consolidated Statements of Income  
(amounts in thousands, except per share data)  
(Unaudited)

	Quarter Ended				
	Mar-01	Dec-00	Sep-00	Jun-00	Mar-00
<b>Interest Revenue:</b>					
Loans, including fees	\$136,737	\$140,892	\$134,910	\$129,030	\$124,360
Held-to-maturity securities:	16,051	18,141	15,899	15,307	15,408
Available-for-sale securities	15,586	16,177	21,554	17,696	17,155
Short term investments	5,766	3,185	962	1,553	1,806
Total interest revenue	174,140	178,395	173,325	163,586	158,729
<b>Interest Expense:</b>					
Deposits	83,944	84,709	81,031	74,088	70,536

Short term borrowings	3,557	7,007	9,058	4,416	4,274
Long term borrowings	2,265	2,378	2,559	2,442	2,397
Other interest expense	2,775	1,503	110	182	194
Total interest expense	92,541	95,597	92,758	81,128	77,401
Net interest revenue	81,599	82,798	80,567	82,458	81,328
Provision for credit losses	4,097	5,497	10,656	5,398	4,615
Net interest revenue, after credit loss provision	77,502	77,301	69,911	77,060	76,713
Other Revenue:					
Mortgage lending	(1,333)	1,900	2,493	3,059	3,422
Service charges	10,342	10,927	10,213	10,234	9,098
Life insurance premiums	1,094	1,116	1,107	1,058	1,020
Trust income	1,684	1,625	1,794	1,637	1,644
Securities gains, net	2,884	(15,549)	(254)	(7)	177
Insurance commissions	4,608	4,845	3,717	3,972	3,499
Other	8,670	5,188	4,496	5,333	7,814
Total other revenue	27,949	10,052	23,566	25,286	26,674
Other Expense:					
Salaries and employee benefits	38,721	33,845	34,070	32,008	33,933
Occupancy	5,129	4,838	4,647	4,409	4,449
Equipment	7,032	6,960	6,124	5,506	5,544
Telecommunications	2,182	2,041	1,868	1,751	1,574
Other	19,768	21,981	29,898	20,161	18,620
Total other expense	72,832	69,665	76,607	63,835	64,120
Income before income taxes	32,619	17,688	16,870	38,511	39,267
Income tax expense	10,300	5,413	7,379	12,527	12,622
Net Income	\$22,319	\$12,275	\$9,491	\$25,984	\$26,645
Net Income Per Share:					
Basic	\$0.27	\$0.15	\$0.11	\$0.31	\$0.31
Diluted	\$0.27	\$0.15	\$0.11	\$0.31	\$0.31

BancorpSouth, Inc.

Average Balances, Interest Income and Expense,  
and Average Yields and Rates

(dollars in thousands) Quarter Ended  
Unaudited March 31, 2001

	Average	Yield/	
(Taxable equivalent basis)	Balance	Interest	Rate
ASSETS			
Loans net of Unearned Income	\$6,063,946	\$137,055	9.17%
Held-to-maturity securities:			
Taxable	842,693	13,212	6.36%
Non Taxable	232,636	4,366	7.61%
Available-for-sale securities			
Taxable	838,410	13,616	6.59%
Non Taxable	155,988	3,031	7.88%
Short term investments	405,553	5,767	5.77%
Total interest earning assets and revenue	8,539,226	177,047	8.41%
Other assets	701,784		
Less: allowance for credit losses	(80,953)		
Total	\$9,160,057		

#### LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:

Demand - interest bearing	\$1,770,537	\$14,340	3.28%
Savings	896,888	10,685	4.83%
Time	3,975,219	58,918	6.01%
Short-term borrowings	490,736	6,333	5.23%
Long-term debt	151,870	2,265	6.05%
Total interest bearing liabilities and expense	7,285,250	92,541	5.15%
Demand deposits - non-interest bearing	969,793		
Other liabilities	115,122		

Total liabilities	8,370,165
Shareholders' equity	789,892
Total	\$9,160,057
Net interest revenue	\$84,506
Net interest margin	4.01%
Net interest rate spread	3.26%
Interest bearing liabilities to interest earning assets	85.32%
Net interest tax equivalent adjustment	\$2,907

BancorpSouth, Inc.

Average Balances, Interest Income and Expense,  
and Average Yields and Rates

(dollars in thousands) Quarter Ended

Unaudited December 31, 2000

	Average (Taxable equivalent basis)	Balance	Yield/ Interest	Rate
ASSETS				
Loans net of Unearned Income	\$6,073,609	\$141,295	9.25%	
Held-to-maturity securities:				
Taxable	889,349	14,114	6.31%	
Non Taxable	327,673	6,195	7.52%	
Available-for-sale securities				
Taxable	913,866	15,271	6.65%	
Non Taxable	69,280	1,394	8.00%	
Short term investments	198,310	3,185	6.39%	
Total interest earning assets and revenue	8,472,087	181,454	8.52%	
Other assets	670,163			
Less: allowance for credit losses	(79,633)			
Total	\$9,062,617			

#### LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:

Demand - interest bearing	\$1,668,090	\$13,960	3.33%
Savings	904,717	11,888	5.23%
Time	3,883,979	58,861	6.03%
Short-term borrowings	567,066	8,509	5.97%
Long-term debt	157,786	2,378	6.00%
Total interest bearing liabilities and expense	7,181,638	95,596	5.30%
Demand deposits - non-interest bearing	987,644		
Other liabilities	120,012		
Total liabilities	8,289,294		
Shareholders' equity	773,323		
Total	\$9,062,617		
Net interest revenue	\$85,858		
Net interest margin	4.03%		
Net interest rate spread	3.23%		
Interest bearing liabilities to interest earning assets	84.77%		

Net interest tax equivalent adjustment	\$3,060
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BancorpSouth, Inc.

Average Balances, Interest Income and Expense,  
and Average Yields and Rates

(dollars in thousands) Quarter Ended

September 30, 2000

	Average	Yield/ Rate
Unaudited	Balance	Interest
(Taxable equivalent basis)		



# ASSETS

Loans net of Unearned Income	\$5,888,736	\$135,311	9.14%
Held-to-maturity securities:			
Taxable	760,409	11,951	6.25%
Non Taxable	325,687	6,074	7.42%
Available-for-sale securities			
Taxable	1,242,043	20,519	6.57%
Non Taxable	75,530	1,591	8.38%
Short term investments	58,408	962	6.55%
Total interest earning assets and revenue	8,350,813	176,408	8.40%
Other assets	645,252		
Less: allowance for credit losses	(76,879)		
Total	\$8,919,186		

# LIABILITIES AND

## SHAREHOLDERS' EQUITY

### Deposits:

Demand - interest bearing	\$1,659,533	\$13,842	3.32%
Savings	877,041	9,956	4.52%
Time	3,801,938	57,233	5.99%
Short-term borrowings	579,725	9,168	6.29%
Long-term debt	169,573	2,559	6.00%
Total interest bearing liabilities and expense	7,087,810	92,758	5.21%
Demand deposits - non-interest bearing	972,647		
Other liabilities	96,615		
Total liabilities	8,157,072		
Shareholders' equity	762,114		
Total	\$8,919,186		
Net interest revenue	\$83,650		
Net interest margin		3.99%	
Net interest rate spread		3.20%	
Interest bearing liabilities to interest earning assets		84.88%	

### Net interest tax equivalent

adjustment	\$3,083
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BancorpSouth, Inc.

Average Balances, Interest Income and Expense,  
and Average Yields and Rates

(dollars in thousands) Quarter Ended

Unaudited June 30, 2000

	Average Balance	Interest	Yield/ Rate
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(Taxable equivalent basis)

# ASSETS

Loans net of Unearned Income	\$5,750,197	\$129,411	9.05%
Held-to-maturity securities:			
Taxable	753,072	11,446	6.11%
Non Taxable	324,755	5,941	7.36%
Available-for-sale securities			
Taxable	996,124	16,685	6.74%
Non Taxable	76,029	1,555	8.23%
Short term investments	99,355	1,553	6.29%
Total interest earning assets and revenue	7,999,532	166,591	8.38%
Other assets	636,386		
Less: allowance for credit losses	(76,545)		
Total	\$8,559,373		

# LIABILITIES AND

## SHAREHOLDERS' EQUITY

### Deposits:

Demand - interest bearing	\$1,707,641	\$13,758	3.24%
Savings	826,070	8,206	4.00%

Time	3,708,808	52,124	5.65%
Short-term borrowings	328,870	4,598	5.62%
Long-term debt	165,584	2,442	5.93%
Total interest bearing liabilities and expense	6,736,973	81,128	4.84%
Demand deposits - non-interest bearing	965,742		
Other liabilities	99,701		
Total liabilities	7,802,416		
Shareholders' equity	756,957		
Total	\$8,559,373		
Net interest revenue		\$85,463	
Net interest margin			4.30%
Net interest rate spread			3.53%
Interest bearing liabilities to interest earning assets			84.22%
Net interest tax equivalent adjustment		\$3,005	

BancorpSouth, Inc.

Average Balances, Interest Income and Expense,  
and Average Yields and Rates

(dollars in thousands) Quarter Ended

Unaudited March 31, 2000

	Average Balance	Interest	Yield/ Rate	
(Taxable equivalent basis)				
ASSETS				
Loans net of Unearned Income	\$5,608,277	\$124,713	8.94%	
Held-to-maturity securities:				
Taxable	781,038	11,575	5.96%	
Non Taxable	321,956	5,898	7.37%	
Available-for-sale securities				
Taxable	1,007,238	16,106	6.43%	
Non Taxable	74,507	1,614	8.71%	
Short term investments	126,159	1,805	5.75%	
Total interest earning assets and revenue	7,919,175	161,711	8.21%	
Other assets	635,476			
Less: allowance for credit losses	(75,085)			
Total	\$8,479,566			

#### LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:

Demand - interest bearing	\$1,654,789	\$12,666	3.08%
Savings	890,646	8,897	4.02%
Time	3,635,417	48,973	5.42%
Short-term borrowings	338,072	4,467	5.31%
Long-term debt	165,802	2,397	5.81%
Total interest bearing liabilities and expense	6,684,726	77,400	4.66%
Demand deposits - non-interest bearing	944,990		
Other liabilities	94,835		
Total liabilities	7,724,551		
Shareholders' equity	755,015		
Total	\$8,479,566		
Net interest revenue		\$84,311	
Net interest margin			4.28%
Net interest rate spread			3.56%
Interest bearing liabilities to interest earning assets			84.41%
Net interest tax equivalent adjustment		\$2,983	

SOURCE: BancorpSouth, Inc.

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## ***BancorpSouth Bank***

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