

BancorpSouth, Inc. Announces First-Quarter Net Income of \$0.50 Per Diluted Share

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TUPELO, Miss.

BancorpSouth, Inc. today announced that net income for the first quarter of 2003 increased 33.2 percent to \$39.1 million from \$29.4 million for the first quarter of 2002. Net income per basic share rose 41.7 percent to \$0.51 for the first quarter of 2003 from \$0.36 for the first quarter of 2002, and net income per diluted share increased 38.9 percent to \$0.50 for the first quarter of 2003 from \$0.36 for the first quarter of 2002.

Aubrey Patterson, BancorpSouth's Chairman and Chief Executive Officer, remarked, "We are pleased to report that BancorpSouth began 2003 on a strong note with substantial profitable growth for the first quarter. This growth is primarily attributable to increased non-interest revenue for the quarter, particularly as a result of net gains from the sale of securities of \$13.6 million, \$8.4 million after tax, or \$0.11 per diluted share. In addition, our ongoing strategies to serve a greater portion of our banking customers' financial needs through the sale of additional products and services that generate non-interest revenue produced substantial growth in non-interest revenues from mortgage lending, deposit account service charges and insurance commissions as compared to the first quarter of 2002. Together, the growth in these non-interest revenue streams more than offset a slight decline in net interest revenue for the quarter, which is reflective of low interest rates and restrained loan demand in a challenging economic environment. Disregarding the securities transactions, net income per diluted share for the first quarter of 2003 increased \$0.04, or 11.1% over net income per diluted share for the first quarter of 2002."

Net Interest Revenue

Interest revenue for the first quarter of 2003 was \$137.7 million, down 7.9 percent from \$149.5 million for the first quarter of 2002 and 4.7 percent from \$144.5 million for the fourth quarter of 2002. Interest expense for the latest quarter declined 16.8 percent to \$47.5 million from \$57.1 million for the first quarter of 2002 and 8.8 percent from \$52.1 million for the fourth quarter of 2002.

The average taxable equivalent yield on earning assets for the first quarter of 2003 decreased to 6.00 percent from 6.90 percent for the first quarter of 2002 and 6.19 percent for the fourth quarter of 2002. The average rate paid on interest-bearing liabilities for the first quarter of 2003 fell to 2.36 percent from 3.03 percent and 2.55 percent for the first and fourth quarters of 2002, respectively.

Net interest revenue for the first quarter of 2003 was \$90.1 million, a 2.5 percent decrease from \$92.4 million for each of the first and fourth quarters of 2002. Net interest margin was 3.97 percent for the

first quarter of 2003 compared with 4.31 percent for the first quarter of 2002 and 4.00 percent for the fourth quarter of 2002.

"We were relatively pleased with our net interest margin for the first quarter," said Patterson, "considering the softness of interest rates during the period. We must constantly manage our assets and liabilities to limit our exposure to changing interest rates. Included in the steps we took to achieve this goal during the first quarter were the securities sales that produced our net securities gains for the quarter. These sales contributed to the pressure on our net interest margin. Our customers continue to pool funds in demand and short-term time deposits. This fact, coupled with the market's demand for longer term fixed-rate loans at current historically low interest rates, led management to alter the Company's earning asset structure to be more sensitive to a changing interest rate environment. The sale of \$720 million of securities with an average life of 3.3 years narrowed the interest sensitivity gap between our maturing assets and liabilities. While this significant event could possibly reduce our net interest revenue and net interest margin in the near-term, the Company will be better positioned to take advantage of rising interest rates if and when the economy, nationally and in our market areas, improves."

Deposit and Loan Activity

Assets at March 31, 2003 totaled \$10.3 billion, up 5.3 percent from \$9.8 billion at March 31, 2002. Deposits increased 6.3 percent to \$8.7 billion at March 31, 2003 from \$8.2 billion at the end of the first quarter last year. Gross loans were \$6.3 billion at March 31, 2003, an increase of 0.8 percent from \$6.2 billion at March 31, 2002.

Patterson commented, "We attribute the limited growth in gross loans during the first quarter of 2003 compared to the same period last year primarily to the weak economic climate in both the regional and national economy, as well as uncertainty about the impact of world events on prospects for near-term improvement in the economy. We believe that our increasing level of total deposits demonstrates that we continue to gain market share successfully. With a 12.0 percent increase in non-interest bearing demand deposits at the end of the first quarter of 2003 from the end of the first quarter of 2002, we are also continuing to support our growth with a relatively low-cost mix of funds."

Consistent with BancorpSouth's practice for the three previous years, the Company sold its accumulated inventory of insured student loans during the first quarter of 2003, producing a \$2.4 million gain compared with a \$2.1 million gain from similar sales in the first quarter of 2002. The Company has also continued to reduce its exposure to indirect automobile sales financing by allowing that portfolio to decline to \$51.4 million at March 31, 2003 from \$123.0 million at March 31, 2002.

Provision for Credit Losses and Allowance for Credit Losses

The provision for credit losses declined 3.5 percent for the first quarter of 2003 to \$6.5 million from

\$6.8 million for the first quarter of 2002 and 9.8 percent from \$7.2 million for the fourth quarter of 2002. Annualized charge-offs were 0.30 percent of average loans for the latest quarter, down from 0.39 percent and 0.43 percent for the first and fourth quarters of 2002, respectively.

Non-performing loans at March 31, 2003 totaled \$40.2 million, or 0.64 percent of net loans, versus \$38.3 million, or 0.62 percent of net loans at March 31, 2002. The allowance for credit losses at the end of the first quarter of 2003 was 1.43 percent of loans, up from 1.37 percent at the same time in the prior year and 1.38 percent at the end of the fourth quarter of 2002.

Patterson added, "In spite of a difficult economic environment, BancorpSouth's credit quality remains strong, with annualized charge-offs for the first quarter of 2003 declining as a percentage of average loans on a comparable-quarter basis and for the second consecutive quarter sequentially. Lower charge-offs have contributed to a strengthened allowance for credit losses at the end of the first quarter of 2003, and a positive impact on our first-quarter provision for credit losses. Weaker loan demand also acts to reduce the provision for credit losses, even as the uncertain economy accounted for a slight increase in non-performing assets at the quarter's end. We remain fully committed to our conservative lending and credit philosophy, which we believe is fundamental to BancorpSouth's strategy of achieving increased long-term shareholder value."

Non-Interest Revenue

Non-interest revenue increased 57.5 percent to \$55.0 million for the first quarter of 2003 from \$34.9 million for the first quarter of 2002 and 56.4 percent from \$35.2 million for the fourth quarter of 2002. Net securities gains of \$13.6 million for the first quarter of 2003 resulted from the sale of \$720 million in intermediate term bonds pursuant to our continuous efforts to manage the interest rate sensitivity of our assets and liabilities. For the first quarter of 2002, there was a net loss of \$25,000 from the sale of securities.

Excluding the impact of the net securities gains of \$13.6 million during the first quarter of 2003, non-interest revenue increased \$6.5 million, or 18.6 percent during the first quarter of 2003 compared to the first quarter of 2002 due to substantial growth in non-interest products and services, such as fees from mortgage lending. Continuing low mortgage loan interest rates during the first quarter of 2003 resulted in significant mortgage activity, with \$302.4 million of mortgage loan originations for the first quarter of 2003, up 57.3 percent from \$192.2 million for the first quarter of 2002. This growth also accounted for the expansion of the Company's mortgage servicing portfolio to \$2.8 billion at March 31, 2003 from \$2.6 billion at March 31, 2002. The relatively stable interest rates for both comparable-quarter periods had little impact on the valuation of the mortgage servicing asset, with a reversal of previously recorded impairment charges for the first quarter of 2003 of \$0.8 million and for the first quarter of 2002 of \$0.5 million, compared with an impairment charge of \$3.2 million in the fourth quarter of 2002.

Non-interest revenue for the first quarter of 2003 also reflected growth in service charges to \$13.7 million, an increase of 33.7 percent from \$10.2 million for the first quarter of 2002, as well as a 12.7 percent increase in insurance commissions to \$6.4 million for the first quarter of 2003 from \$5.7 million for the first quarter of 2002.

"We believe the mortgage lending volume we have experienced with the current unusually low interest rates will create long-term benefits for BancorpSouth," said Patterson. "We expect these low interest rates to reduce the pre-payment risk of our mortgage servicing asset significantly, which we believe will improve the consistency of this important revenue stream in future periods. Our mortgage origination volume also introduces us to new customers and strengthens our relationships with existing customers, enhancing our opportunity to provide our markets with expanded deposit, insurance, cash management and investment brokerage products and services. By leveraging our existing customer relationships to serve more of their financial needs, we expect to improve customer satisfaction with BancorpSouth, while achieving our financial objective of increasing non-interest revenue as a percentage of total revenue."

Non-Interest Expense

Non-interest expense increased 3.2 percent for the first quarter of 2003 to \$79.6 million from \$77.2 million for the first quarter of 2002. In addition to a continuing focus on expense control, the Company benefited from reduced comparable-quarter costs associated with the successful integration of previous acquisitions and the completion of initiatives to improve operating efficiency.

Capital Management

BancorpSouth continued to repurchase shares of its common stock during the first quarter of 2003 under the repurchase plan authorized in February 2002 for the repurchase of up to 4.1 million shares. In the first quarter of 2003, the Company repurchased 396,500 shares, bringing the total number of shares repurchased under the plan to 3,869,108 at the end of the first quarter of 2003. Combined with the shares repurchased under a separate 4.2 million-share plan authorized in March 2001 that was completed during 2002, the Company has now repurchased approximately 8.1 million shares of its common stock as of March 31, 2003, or 9.6 percent of its outstanding shares as of March 31, 2001. BancorpSouth will continue to evaluate additional share repurchases under the February 2002 plan, which authorizes these repurchases during an 18-month period following the authorization of the plan.

Summary

Mr. Patterson concluded, "While the current economic environment has a real impact on our customers and therefore our operating and financial results, we have learned the value of a consistent, conservative approach to our business from our experience in previous economic cycles. As a result of the strong organization we have built through this approach, we continue to have many opportunities for

further growth, in spite of the current economy. Throughout the remainder of 2003, we will continue to focus on four principal growth strategies:

- * continuing our efforts to expand our share of rapidly growing urban markets in our existing franchise, supported by lower cost deposits from slower growth markets;
- * building non-interest revenue through increased cross-selling efforts of fee income products to customers in Mississippi, Alabama and Tennessee, and through our ongoing roll-out of these products in our newer markets in Arkansas, Louisiana and Texas;
- * driving profit margin improvement by leveraging our substantial earlier investments in centralized processing across a broader base of business; and
- * continuing to evaluate strategic and in-market acquisitions.

"We are committed to these strategies to expand our strong franchise within our current six-state market. We occupy a unique position in this market because of our ability to provide traditional community bank customer service, backed by a level of product, service and system sophistication that many other community banks do not have the critical mass to provide. We are confident the consistent implementation of these growth strategies and our strong focus on high credit quality enhance BancorpSouth's prospects for long-term growth."

Conference Call

BancorpSouth will conduct a conference call with analysts at 1:30 p.m. (Central Time) on April 17, 2003. Investors may listen via the Internet by accessing BancorpSouth's website at <http://www.bancorpsouth.com/>. A replay of the conference call will be available at BancorpSouth's website for at least two weeks following the call.

BancorpSouth, Inc. is a bank holding company headquartered in Tupelo, Mississippi with approximately \$10.3 billion in assets. BancorpSouth operates approximately 250 commercial banking, insurance, trust, broker/dealer and consumer finance locations in Alabama, Arkansas, Louisiana, Mississippi, Tennessee and Texas.

Forward-Looking Statements

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," "could" or "intend." These forward-looking statements include, without limitation, those relating to interest rates, loan volume, credit quality, non-interest revenue, net interest revenue, interest rate margin, interest rate sensitivity, loan losses, market share, expansion and prospects of products and services, deposits, common stock repurchase plan, customer satisfaction, mortgage servicing asset,

potential acquisitions and BancorpSouth'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, the ability of BancorpSouth to reduce interest rates paid on deposits as interest rates decline or stabilize, the ability to maintain credit quality, changes in laws and regulations affecting financial institutions in general or relating to taxes, possible adverse rulings, judgments, settlements and other outcomes of pending litigation, the ability of BancorpSouth to compete with other financial services companies, 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, the ability of BancorpSouth to repurchase its common stock on favorable terms, the ability of BancorpSouth to identify potential acquisitions, 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.

Selected Financial Data	Three Months Ended	
	March 31, 2003	2002
(Dollars in thousands, except per share amounts)		
Earnings Summary:		
Net interest revenue	\$90,144	\$92,429
Provision for credit losses	6,522	6,760
Noninterest revenue	55,016	34,930
Noninterest expense	79,623	77,172
Income before income taxes	59,015	43,427
Income tax provision	19,867	14,029
Net income	\$39,148	\$29,398
Net Income per share: Basic	\$0.51	\$0.36
Diluted	\$0.50	\$0.36

Balance sheet data at March 31:

Total assets	\$10,335,009	\$9,816,856
Total earning assets	9,587,753	9,156,724
Loans and lease receivables, net of unearned discount	6,263,585	6,206,910
Allowance for credit losses	89,600	85,140
Total deposits	8,689,351	8,175,131
Common shareholders' equity	820,610	810,667
Book value per share	10.61	9.98

Average balance sheet data:

Total assets	\$10,191,544	\$9,592,825
Total earning assets	9,494,684	8,967,582
Loans and lease receivables, net of unearned discount	6,347,818	6,142,294
Total deposits	8,560,002	8,000,913
Common shareholders' equity	815,907	806,956

Non-performing assets at March 31:

Non-accrual loans	\$13,764	\$7,863
Loans 90+ days past due	26,458	30,389
Restructured loans	17	38
Other real estate owned	16,641	18,576
Net charge-offs as a percentage of average loans (annualized)	0.30%	0.39%

Performance ratios (annualized)

Return on average assets	1.56%	1.24%
Return on common equity	19.46%	14.77%

Net interest margin	3.97%	4.31%
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Average shares outstanding - diluted	77,857,362	81,680,282
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BancorpSouth, Inc.
Consolidated Balance Sheets
(dollars in thousands)
(Unaudited)

	March 31, 2003	March 31, 2002	% Chg
Assets			
Cash & due from banks	\$351,278	\$288,797	21.6%
Interest bearing deposits with other banks	26,305	13,608	93.3%
Held-to-maturity securities	1,864,519	1,180,333	58.0%
Available-for-sale securities	1,069,325	1,420,635	(24.7%)
Federal funds sold and securities purchased under agreement to resell	303,735	278,053	9.2%
Loans & leases	6,263,585	6,206,910	0.9%
Allowance for credit losses	(89,600)	(85,140)	5.2%
Net loans & leases	6,173,985	6,121,770	0.9%
Mortgages held for sale	60,283	57,185	5.4%
Bank premises & equipment	210,789	213,329	(1.2%)
Accrued interest receivable	70,919	85,555	(17.1%)
Other real estate owned	16,641	18,576	(9.3%)
Other assets	187,230	139,015	34.1%
Total assets	\$10,335,009	\$9,816,856	5.3%
Liabilities			
Demand deposits:			
Non-interest bearing	\$1,214,216	\$1,084,148	12.0%
Interest bearing	2,489,120	2,320,449	7.3%
Total demand deposits	3,703,336	3,404,597	8.8%
Savings & time deposits:			
Savings	819,430	893,693	(8.3%)
Certificates of deposit	4,166,585	3,876,841	7.5%
Total savings & time deposits	4,986,015	4,770,534	4.5%
Total deposits	8,689,351	8,175,131	6.3%
Federal funds purchased and securities sold			
under agreement to repurchase	446,932	444,137	0.6%
Short-term borrowings	0	4,000	
Accrued interest payable	25,036	31,956	(21.7%)
Long-term debt	139,450	140,651	(0.9%)
Junior subordinated debt	125,000	125,000	---
Other liabilities	88,630	85,314	3.9%
Total liabilities	9,514,399	9,006,189	5.6%
Shareholders' Equity			
Common stock	193,319	203,078	(4.8%)
Capital surplus	21,115	15,112	39.7%
Unrealized gain (loss) on securities	30,677	15,790	94.3%
Retained earnings	575,499	576,687	(0.2%)
Total shareholders' equity	820,610	810,667	1.2%
Total liabilities & shareholders'			

equity	\$10,335,009	\$9,816,856	5.3%
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BancorpSouth, Inc.
Consolidated Statements of Income
(amounts in thousands, except per share data)
(Unaudited)

	Quarter Ended				
	Mar-03	Dec-02	Sep-02	Jun-02	Mar-02
Interest Revenue:					
Loans, including fees	\$105,252	\$110,129	\$113,922	\$113,735	\$113,342
Held-to-maturity securities:	15,818	15,681	16,577	16,093	16,429
Available-for-sale securities	14,221	16,277	14,440	15,571	16,413
Short term investments	2,391	2,451	2,569	3,427	3,363
Total interest revenue	137,682	144,538	147,508	148,825	149,547
Interest Expense:					
Deposits	40,544	44,695	47,099	46,834	49,901
Short term borrowings	904	1,132	1,268	1,186	1,034
Long term borrowings	2,082	2,090	2,095	2,069	2,112
Junior subordinated debt	2,547	2,547	2,547	2,547	1,783
Other interest expense	1,461	1,680	1,877	2,107	2,288
Total interest expense	47,538	52,144	54,886	54,743	57,118
Net interest revenue	90,144	92,394	92,622	94,083	92,429
Provision for credit losses	6,522	7,228	8,208	7,215	6,760
Net interest revenue, after credit loss provision	83,622	85,166	84,414	86,868	85,669
Other Revenue:					
Mortgage lending	7,561	6,069	(2,595)	900	5,554
Service charges	13,654	13,557	12,888	12,595	10,210
Life insurance premiums	961	1,031	1,091	1,091	1,127
Trust income	1,486	1,767	1,693	1,644	1,917
Securities gains, net	13,556	170	2,453	2,888	(25)
Insurance commissions	6,387	5,927	6,123	5,887	5,668
Other	11,411	6,661	7,654	7,814	10,479
Total other revenue	55,016	35,182	29,307	32,819	34,930
Other Expense:					
Salaries and employee benefits	45,461	45,985	42,301	40,226	42,591
Occupancy	5,580	5,497	5,485	5,422	5,254
Equipment	6,003	6,093	6,070	6,264	6,535
Telecommunications	1,860	1,948	1,922	2,032	1,925
Other	20,719	25,356	19,995	20,630	20,867
Total other expense	79,623	84,879	75,773	74,574	77,172
Income before income taxes	59,015	35,469	37,948	45,112	43,427
Income tax expense	19,867	9,848	11,876	14,185	14,029
Net Income	\$39,148	\$25,621	\$26,072	\$30,927	\$29,398
Net Income Per Share:					
Basic	\$0.51	\$0.33	\$0.33	\$0.38	\$0.36
Diluted	\$0.50	\$0.33	\$0.33	\$0.38	\$0.36

BancorpSouth, Inc.
Average Balances, Interest Income and Expense,
and Average Yields and Rates
(dollars in thousands)
(Unaudited)

Quarter Ended
March 31, 2003

(Taxable equivalent basis)	Average Balance	Yield/ Interest	Rate
ASSETS			
Loans net of Unearned Income	\$6,398,632	\$105,660	6.70%
Held-to-maturity securities:			
Taxable	1,274,105	13,602	4.33%
Non Taxable	178,998	3,409	7.72%
Available-for-sale securities			
Taxable	1,056,317	12,127	4.66%
Non Taxable	201,746	3,222	6.48%
Short term investments	384,886	2,390	2.52%
Total interest earning assets and revenue	9,494,684	140,410	6.00%
Other assets	785,579		
Less: allowance for credit losses	(88,719)		
Total	\$10,191,544		

LIABILITIES AND
SHAREHOLDERS' EQUITY

Deposits:			
Demand - interest bearing	\$2,500,301	\$7,134	1.16%
Savings	820,832	2,159	1.07%
Time	4,132,837	31,252	3.07%
Short-term borrowings	445,811	2,364	2.15%
Junior subordinated debt	125,000	2,547	8.15%
Long-term debt	139,559	2,082	6.05%
Total interest bearing liabilities and expense	8,164,340	47,538	2.36%
Demand deposits - non-interest bearing	1,106,032		
Other liabilities	105,265		
Total liabilities	9,375,637		
Shareholders' equity	815,907		
Total	\$10,191,544		
Net interest revenue		\$92,872	
Net interest margin			3.97%
Net interest rate spread			3.64%
Interest bearing liabilities to interest earning assets			85.99%
Net interest tax equivalent adjustment	\$2,728		

BancorpSouth, Inc.
Average Balances, Interest Income and Expense,
and Average Yields and Rates
(dollars in thousands)
(Unaudited)

(Taxable equivalent basis)	Quarter Ended March 31, 2002 Average Balance	Yield/ Interest	Rate
ASSETS			
Loans net of Unearned Income	\$6,199,602	\$113,818	7.45%
Held-to-maturity securities:			
Taxable	935,448	13,938	6.04%
Non Taxable	198,319	3,832	7.84%
Available-for-sale securities			
Taxable	1,055,547	14,256	5.48%
Non Taxable	193,462	3,318	6.96%
Short term investments	385,204	3,363	3.54%
Total interest earning assets and revenue	8,967,582	152,525	6.90%
Other assets	709,501		
Less: allowance for credit losses	(84,258)		
Total	\$9,592,825		

LIABILITIES AND

SHAREHOLDERS' EQUITY

Deposits:

Demand - interest bearing	\$2,257,654	\$8,834	1.59%
Savings	890,858	3,560	1.62%
Time	3,814,671	37,508	3.99%
Short-term borrowings	451,464	3,322	2.98%
Junior subordinated debt	83,333	1,783	8.56%
Long-term debt	139,859	2,112	6.12%
Total interest bearing			
liabilities and expense	7,637,839	57,119	3.03%
Demand deposits -			
non-interest bearing	1,037,730		
Other liabilities	110,299		
Total liabilities	8,785,869		
Shareholders' equity	806,956		
Total	\$9,592,825		
Net interest revenue	\$95,406		
Net interest margin		4.31%	
Net interest rate spread		3.86%	
Interest bearing liabilities to			
interest earning assets		85.17%	

Net interest tax equivalent
adjustment \$2,977

SOURCE: BancorpSouth, Inc.

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