

## **BancorpSouth, Inc. Reports Third Quarter Earnings And Results of Its Merger with First United Bancshares**

PRNewswire  
TUPELO, Miss.

BancorpSouth, Inc. announced today that third quarter 2000 earnings, excluding merger related and other special charges, were \$21.1 million or \$.25 per diluted share. When the impact of charges relating to its merger with First United Bancshares, Inc. (First United) on August 31, 2000 and other special charges are included, net income for the quarter totaled \$9.5 million or \$.11 per diluted share. As a result of the merger with First United, all prior period financial information has been restated to reflect pooling of interests accounting.

On September 30, total assets were \$9,301,602, a 12.7% increase over the previous year. Net loans and leases were \$5,844,464, up 10.5% over the previous year. Total deposits of \$7,388,072 reflected a 7.6% increase.

The charges relating to the merger with First United were \$5.6 million, net of tax. Other special charges totaled \$4.8 million, net of tax. Other special charges includes a \$6.1 million pre-tax, \$3.8 million after tax, provision for credit losses to bring the loan portfolio of First United in line with BancorpSouth's credit policy.

Spread compression and increased operating expenses reduced earnings for the quarter by \$2.9 million, net of tax or \$.03 per diluted share, as compared to the second quarter of 2000. Increased competition for customer deposits further compressed net interest margins in the third quarter, with a resulting net interest margin for the third quarter of 3.98%, compared with 4.28% for the comparable quarter ended September 30, 1999.

Earnings for the nine months ended September 30, 2000, excluding merger-related and other special charges, were \$73.7 million or \$.86 per diluted share. Earnings as compared to the comparable period of 1999 were down \$2.5 million or \$.02 per diluted share, or 3.3%, respectively.

BancorpSouth initially announced with the merger the planned restructuring of First United's investment portfolio, and a projected improvement in yields related to the restructured assets of 60 basis points. The expected restructuring charges related thereto were estimated to be approximately \$30 million pre-tax. During the third quarter, BancorpSouth significantly increased its short-term borrowings from the Federal Home Loan Bank for the purpose of acquiring short and intermediate term U. S. Treasury and U. S. Government Agency investment securities with yields in excess of the securities held as available for sale by First United. The First United securities are expected to be sold in the fourth quarter of 2000 with a yield enhancement expected to be in excess of 70 basis points, based on current

market conditions. The restructuring charges will be included in results for the fourth quarter as merger related charges, and based on transactions completed this month, the estimated restructuring charges will be significantly less than the original \$30 million estimated. For the full year 2001, such restructuring should improve interest income approximately \$4.3 million before tax, or \$.04 per share after tax.

Average total loans and leases outstanding grew 11.5% year to date versus the comparable period last year, and average deposits grew 6.6% for the same comparable periods.

Net charge offs were .70% of average loans in the third quarter of 2000 compared to .34% in the second quarter of 2000, again reflecting the steps to align First United's loan portfolio risks with that of BancorpSouth.

"While our results for the quarter obviously reflected some non-recurring events, solid progress is being made to assimilate First United into BancorpSouth operating systems and policies. Efficiencies expected from the consolidation of 'back room' support operations are expected to be realized beginning at the end of the second quarter 2001, with full efficiencies effected by year end 2001," said Aubrey Patterson, CEO. "Our merger strategy first and foremost focuses on our customers' best interests. The company's integration plan calls for conservative savings tied to an orderly conversion process. Our commitment is to provide a 'seamless' transition for First United's customers into the BancorpSouth family," Patterson added.

This news release discusses BancorpSouth's business outlook and may include certain forward-looking statements. The forward-looking statements and all other statements that are not historical facts are subject to a number of risks and uncertainties, and actual results may differ materially from those discussed. The key factors and assumptions that support the forward- looking statements, as well as information on the risk factors that could cause actual results to differ, are available from the company's Securities and Exchange Commission filings.

#### Selected Financial Data

Three Months Ended		Nine Months Ended	
September 30,		September 30,	
2000	1999	2000	1999
(Dollars in thousands except per share amounts)			

Earnings summary (excluding merger-related costs and other special items):

Net interest revenue	\$80,567	\$79,405	\$244,353	\$233,433
Provision for credit losses	4,549	4,698	14,562	12,643
Noninterest revenue	23,567	23,419	75,526	76,222
Noninterest expense	66,722	59,224	193,452	186,676
Income before income taxes	32,863	38,902	111,865	110,336
Income tax provision	11,778	12,730	37,236	34,344
Net income	\$21,085	\$26,172	\$74,629	\$75,992
Earnings per share:				
Basic	\$0.25	\$0.31	\$0.88	\$0.89
Diluted	\$0.25	\$0.30	\$0.88	\$0.88

Earnings summary (as reported):

Net interest revenue	\$80,567	\$79,405	\$244,353	\$233,433
Provision for credit losses	10,656	4,698	20,669	12,643
Noninterest revenue	23,567	23,419	75,526	76,222
Noninterest expense	76,607	59,224	204,561	186,676
Income before income taxes	16,871	38,902	94,649	110,336
Income tax provision	7,379	12,730	32,528	34,344
Net income	\$9,492	\$26,172	\$62,121	\$75,992
Earnings per share:				
Basic	\$0.11	\$0.31	\$0.73	\$0.89
Diluted	\$0.11	\$0.30	\$0.73	\$0.88

Balance sheet data at September 30:

Total assets	\$9,301,602	\$8,250,821		
Total earning assets	8,719,705	7,717,232		
Loans and lease receivables, net of unearned discount	5,922,564	5,361,142		
Allowance for credit losses	78,100	72,846		
Total deposits	7,388,072	6,864,920		
Common shareholders' equity	766,827	747,319		
Book value per share	9.12	8.73		

Average balance sheet data:

Total assets	\$8,919,186	\$8,155,161	\$8,653,681	\$8,018,485
Total earning assets	8,351,228	7,627,189	8,090,791	7,500,348
Loans and lease receivables, net of unearned discount	5,889,151	5,316,348	5,749,850	5,159,069
Total deposits	7,311,159	6,788,270	7,215,438	6,765,918
Common shareholders' equity	762,114	738,522	758,044	732,329

Non-performing assets at September 30:

Non-accrual loans	\$21,171	\$16,779		
Loans 90+ days past due	18,318	14,254		
Restructured loans	913	1,133		
Other real estate owned	6,452	10,134		

Net charge-off as a percentage of average loans (annualized)

0.70%	0.34%	0.39%	0.21%
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Performance ratios (annualized) (excluding merger-related costs and other special items):

Return on average assets	0.95%	1.28%	1.15%	1.26%
Return on common equity	11.07%	14.16%	13.13%	13.83%

Performance ratios (annualized) (as reported):

Return on average assets	0.43%	1.28%	0.96%	1.26%
Return on common equity	4.98%	14.16%	10.93%	13.83%

Net interest margin	3.98%	4.28%	4.18%	4.32%
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Average shares outstanding-

diluted	84,398,124	86,022,885	84,994,688	86,015,661
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BancorpSouth, Inc.  
Consolidated Statements of Income  
(amounts in thousands, except per share data)  
(Unaudited)

	Sep-00	Quarter Ended Jun-00	Mar-00	Dec-99	Sep-99
Interest Revenue:					
Loans, including fees	\$ 134,910	\$ 129,030	\$ 124,360	\$ 123,471	\$ 116,398
Held-to-maturity securities:	15,899	15,307	15,408	14,176	13,822
Available-for-sale securities	21,554	17,696	17,155	18,134	18,354
Short term investments	962	1,553	1,805	2,210	1,014
Total interest revenue	173,325	163,586	158,729	157,991	149,589
Interest Expense:					
Deposits	81,031	74,088	70,536	68,036	63,249
Short term borrowings	9,058	4,416	4,274	4,183	3,960
Long term borrowings	2,559	2,442	2,397	2,498	2,683
Other interest expense	110	182	193	187	292
Total interest expense	92,757	81,128	77,400	74,904	70,184
Net interest revenue	80,568	82,458	81,328	83,087	79,405
Provision for credit losses	10,656	5,398	4,615	5,169	4,698
Net interest revenue, after credit loss provision	69,912	77,060	76,713	77,918	74,707
Other Revenue:					
Mortgage lending	2,493	3,059	3,422	3,466	3,727
Service charges	13,125	13,146	12,037	12,677	12,099
Life insurance premiums	1,107	1,058	1,020	1,015	1,016
Trust income	1,794	1,637	1,644	1,793	1,602
Securities gains, net	(254)	(7)	177	83	117
Insurance commissions	3,717	3,972	3,499	3,281	3,293
Other	1,584	2,421	4,874	1,784	1,564
Total other revenue	23,567	25,286	26,674	24,099	23,419
Other Expense:					
Salaries and employee benefits	34,070	32,008	33,933	33,068	30,234
Occupancy net of rental income	4,647	4,409	4,449	4,543	4,317
Equipment	6,124	5,506	5,544	5,479	5,467
Telecommunications	1,868	1,751	1,574	2,019	1,573
Other	29,900	20,161	18,619	20,098	17,634
Total other expense	76,607	63,835	64,120	65,206	59,224
Income before					

income					
taxes	16,871	38,511	39,267	36,811	38,902
Income tax					
expense	7,379	12,527	12,622	10,392	12,729
Net Income	\$ 9,492	\$ 25,984	\$ 26,645	\$ 26,419	\$ 26,172
Net Income					
Per Share:					
Basic	\$0.11	\$0.31	\$0.31	\$0.31	\$0.31
Diluted	\$0.11	\$0.31	\$0.31	\$0.31	\$0.30

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

	Year To Date	
	Sep-00	Sep-99
Interest Revenue:		
Loans, including fees	\$ 388,299	\$ 338,468
Held-to-maturity securities:	46,615	39,828
Available-for-sale securities	56,405	54,456
Short term investments	4,320	5,931
Total interest revenue	495,640	438,683
Interest Expense:		
Deposits	225,656	188,719
Short term borrowings	17,748	7,335
Long term borrowings	7,398	8,118
Other interest expense	485	1,078
Total interest expense	251,286	205,250
Net interest revenue	244,353	233,433
Provision for credit losses	20,669	12,643
Net interest revenue, after credit loss provision	223,684	220,790
Other Revenue:		
Mortgage lending	8,973	14,823
Service charges	38,309	34,479
Life insurance premiums	3,184	2,960
Trust income	5,075	4,607
Securities gains, net	(83)	4,337
Insurance commissions	11,189	10,293
Other	8,879	4,724
Total other revenue	75,526	76,222
Other Expense:		
Salaries and employee benefits	100,011	91,682
Occupancy net of rental income	13,504	12,375
Equipment	17,174	16,132
Telecommunications	5,193	5,077
Other	68,680	61,410
Total other expense	204,562	186,676
Income before income taxes	94,649	110,336
Income tax expense	32,528	34,344
Net Income	\$ 62,121	\$ 75,992
Net Income Per Share: Basic	\$0.73	\$0.89
Diluted	\$0.73	\$0.88

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

	Quarter Ended		
	September 30, 2000		
(Taxable equivalent basis)	Average Balance	Yield/Interest	Rate
ASSETS			
Loans net of Unearned Income	\$5,888,736	\$135,311	9.14%
Held-to-maturity securities:			

Taxable	759,985	11,951	6.32%
Non Taxable	325,687	6,074	7.46%
Available-for-sale securities			
Taxable	1,242,467	20,542	6.65%
Non Taxable	75,530	1,556	8.24%
Short term investments	58,408	962	6.62%
Total interest earning assets and revenue	8,350,813	176,396	8.50%
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	3.35%
Savings	877,041	9,956	4.57%
Time	3,801,938	57,233	6.05%
Short-term borrowings	579,725	9,168	6.36%
Long-term debt	169,573	2,559	6.07%
Total interest bearing liabilities and expense	7,087,810	92,758	5.26%
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		\$83,638	
Net interest margin			3.98%
Net interest rate spread			3.23%
Interest bearing liabilities to interest earning assets			84.9%

Net interest tax equivalent adjustment	\$3,070
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Quarter Ended June 30, 2000			
(Taxable equivalent basis)	Average Balance	Yield/ Interest	Rate
ASSETS			
Loans net of Unearned Income	\$5,750,197	\$129,411	9.05%
Held-to-maturity securities:			
Taxable	751,572	11,446	6.13%
Non Taxable	324,755	5,941	7.32%
Available-for-sale securities			
Taxable	997,624	16,723	6.74%
Non Taxable	76,029	1,498	7.88%
Short term investments	99,355	1,553	6.29%
Total interest earning assets and revenue	7,999,532	166,572	8.37%
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	\$85,444	
Net interest margin	4.30%	
Net interest rate spread	3.53%	
Interest bearing liabilities to interest earning assets	84.2%	

Net interest tax equivalent adjustment \$2,986

Quarter Ended March 31, 2000			
(Taxable equivalent basis)	Average Balance	Yield/ Interest	Rate
ASSETS			
Loans net of Unearned Income	\$5,608,277	\$124,713	8.94%
Held-to-maturity securities:			
Taxable	780,049	11,575	5.97%
Non Taxable	321,956	5,898	7.33%
Available-for-sale securities			
Taxable	1,008,227	16,142	6.44%
Non Taxable	74,507	1,559	8.37%
Short term investments	126,159	1,805	5.75%
Total interest earning assets and revenue	7,919,175	161,692	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	\$84,292		
Net interest margin	4.28%		
Net interest rate spread	3.56%		
Interest bearing liabilities to interest earning assets	84.4%		
Net interest tax equivalent adjustment	\$2,964		

Quarter Ended December 31, 1999			
(Taxable equivalent basis)	Average Balance	Yield/ Interest	Rate
ASSETS			
Loans net of Unearned Income	\$5,486,654	\$ 123,807	8.95%
Held-to-maturity securities:			
Taxable	703,117	10,225	5.85%
Non Taxable	319,592	6,079	7.61%
Available-for-sale securities			
Taxable	1,077,241	17,055	6.37%
Non Taxable	81,090	1,660	8.19%
Short term investments	141,319	2,210	6.29%

Total interest earning assets and revenue	7,809,013	161,036	8.29%
Other assets	634,938		
Less: allowance for credit losses	(73,571)		
Total	\$8,370,380		

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Deposits:

Demand - interest bearing	\$1,588,385	\$11,903	3.01%
Savings	953,683	9,265	3.91%
Time	3,494,453	46,868	5.39%
Short-term borrowings	350,969	4,370	5.01%
Long-term debt	176,937	2,498	5.68%
Total interest bearing liabilities and expense	6,564,427	74,904	4.59%

Demand deposits - non-interest bearing 946,827

Other liabilities 106,096

Total liabilities 7,617,350

Shareholders' equity 753,030

Total \$8,370,380

Net interest revenue \$86,132

Net interest margin 4.38%

Net interest rate spread 3.70%

Interest bearing liabilities to interest earning assets 84.1%

Net interest tax equivalent adjustment \$3,045

#### Quarter Ended September 30, 1999

(Taxable equivalent basis)	Average Balance	Yield/ Interest	Rate
ASSETS			
Loans net of Unearned Income	\$5,316,348	\$116,734	8.71%
Held-to-maturity securities:			
Taxable	710,315	10,278	5.82%
Non Taxable	312,076	5,452	6.99%
Available-for-sale securities			
Taxable	1,125,113	17,324	6.19%
Non Taxable	73,756	1,586	8.60%
Short term investments	89,581	1,014	4.55%
Total interest earning assets and revenue	7,627,189	152,388	8.04%
Other assets	600,176		
Less: allowance for credit losses	(72,204)		
Total	\$8,155,161		

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Deposits:

Demand - interest bearing	\$1,562,146	\$11,089	2.86%
Savings	978,381	9,314	3.83%
Time	3,322,592	42,845	5.19%
Short-term borrowings	352,688	4,823	5.50%
Long-term debt	191,250	2,112	4.44%
Total interest bearing liabilities and expense	6,407,057	70,183	4.41%

Demand deposits - non-interest bearing 925,151

Other liabilities 84,421

Total liabilities 7,416,629

Shareholders' equity 738,532

Total \$8,155,161

Net interest revenue \$82,205

Net interest margin 4.28%

Net interest rate spread 3.63%

Interest bearing liabilities to



interest earning assets	84.0%
Net interest tax equivalent adjustment	\$2,800

BancorpSouth, Inc.  
Consolidated Balance Sheets  
(dollars in thousands)  
(Unaudited)

	September 30, 2000	September 30, 1999	December 31, 1999
<b>Assets</b>			
Cash & due from banks	\$ 262,868	\$ 248,839	\$ 334,181
Interest bearing deposits with other banks	13,089	21,639	12,058
Held-to-maturity securities	1,166,984	1,003,374	1,026,433
Federal funds sold	75,000	114,872	110,875
Loans & leases	5,922,564	5,361,142	5,541,962
Allowance for credit losses	(78,100)	(72,846)	(74,232)
Net loans & leases	5,844,464	5,288,296	5,467,730
Available-for-sale securities	1,505,148	1,169,050	1,080,063
Mortgages held for sale	34,105	41,917	37,513
Bank premises & equipment	186,577	170,620	171,867
Accrued interest receivable	90,430	73,979	73,076
Other real estate owned	7,303	10,412	11,182
Other assets	115,634	107,823	116,719
Total assets	\$ 9,301,602	\$ 8,250,821	\$ 8,441,697
<b>Liabilities</b>			
Demand deposits:			
Non-interest bearing	\$ 1,007,326	\$ 931,451	\$ 966,491
Interest bearing	1,671,883	1,567,074	1,589,155
Total demand deposits	2,679,209	2,498,525	2,555,646
Savings & time deposits:			
Savings	441,992	276,742	269,786
Premium access	441,483	688,016	667,722
Certificates of deposit	3,825,389	3,401,639	3,573,491
Total savings & time deposits	4,708,864	4,366,397	4,510,999
Total deposits	7,388,073	6,864,922	7,066,645
Federal funds purchased and securities sold under agreement to repurchase	298,035	223,544	257,427
Short-term borrowings	570,000	115,000	89,000
Accrued interest payable	45,930	35,873	30,929
Long-term debt	165,803	184,131	166,247
Other liabilities	66,934	80,031	74,338
Total liabilities	8,534,775	7,503,501	7,684,586
<b>Shareholders' Equity</b>			
Common stock	214,484	214,405	214,405
Capital surplus	70,464	71,645	71,777
Unrealized gain (loss) on securities	(7,055)	(7,808)	(14,149)
Retained earnings	515,086	470,695	486,540
Less: Cost of treasury stock	(26,152)	(1,617)	(1,462)
Total shareholders' equity	766,827	747,320	757,111
Total liabilities & shareholders' equity	\$ 9,301,602	\$ 8,250,821	\$ 8,441,697

SOURCE: BancorpSouth, Inc.

Contact: L. Nash Allen, Jr., 662-680-2330, or Gary C. Bonds,  
662-680-2332, both of BancorpSouth, Inc.

**BancorpSouth Bank**

201 S. Spring St., Tupelo, MS 38804 | (662) 680-2000

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