BANCORPSOUTH INC
Form 10-Q
August 05, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

(Mark One)
X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-12991

BANCORPSOUTH, INC.
(Exact name of registrant as specified in its charter)

| Mississippi | 64-0659571 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| One Mississippi Plaza, 201 South Spring Street Tupelo, Mississippi | 38804 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (662) 680-2000

NOT APPLICABLE
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check One): Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer (Do not check if a smaller reporting company) [ ] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

As of August 1, 2011, the registrant had outstanding 83,488,963 shares of common stock, par value $2.50 per share.

BANCORPSOUTH, INC.
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FORWARD-LOOKING STATEMENTS

Certain statements contained in this Report 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 reference to a future period(s) or by the use of forward-looking terminology, such as “anticipate,” “assume,” “believe,” “estimate,” “expect,” “m “might,” “will,” “intend,” “indicated,” “could,” or “would,” or future or conditional verb tenses, and variations or negatives of terms. These forward-looking statements include, without limitation, those relating to net interest revenue, estimates of fair value discount rates, fair values of available-for-sale securities, 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, the Company’s ability to meet the challenges of the current economic cycle, continued weakness in the economic environment, 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, goodwill impairment, the Company’s reserve for losses from representation and warranty obligations, the impact of recent accounting pronouncements, the Company’s foreclosure process related to mortgage loans, the impact of the Durbin Debit Interchange Amendment on the Company’s debit card revenue, the impact of the Federal Reserve’s new rules regarding overdraft payments on the Company’s service charge revenue, the resolution of non-performing loans that are collaterally dependent, real estate values, fully-indexed interest rates, interest rate risk, interest rate sensitivity, calculation of economic value of equity, concessions granted to borrowers experiencing financial difficulties, diversification of the Company’s revenue stream, liquidity needs and strategies, sources of funding, net interest margin, payment of dividends, the impact of federal and state regulatory requirements for capital on the Company’s ability to meet its cash obligations, the impact of pending litigation and the implementation and effect of remedial actions to address the material weakness in internal control over financial reporting. We caution you not to place undue reliance on the forward-looking statements contained in this report, 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 include, but are not limited to, conditions in the financial markets and economic conditions generally, the soundness of other financial institutions, the availability of capital on favorable

terms if and when needed, liquidity risk, the credit risk associated with real estate construction, estimates of costs and values associated with acquisition and development loans in the Company's loan portfolio, the adequacy of the Company's allowance for credit losses to cover actual credit losses, governmental regulation and supervision of the Company's operations, the susceptibility of the Company's business to local economic conditions, the impact of recent legislation and regulations on service charges for core deposit accounts, 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, the impact of hurricanes or other adverse weather events, risks in connection with completed or potential acquisitions, dilution caused by the Company's issuance of securities to raise capital or to acquire other banks, bank holding companies, financial holding companies and insurance agencies, restrictions on the Company's ability to declare and pay dividends, the Company's growth strategy, diversification in the types of financial services the Company offers, competition with other financial services companies, interruptions or breaches in security of the Company's information systems, the failure of certain third party vendors to perform, the Company's ability to improve its internal controls adequately, any requirement that the Company write down goodwill or other intangible assets, other factors generally understood to affect the financial results of financial services companies and other factors detailed from time to time in the Company's press releases and 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 of this report.

PART I.
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

BANCORPSOUTH, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

| | June 30, 2011 (Unaudited) | December 31, 2010 (1) | June 30, 2010 (Unaudited) |
|---|---|---|---|
| | (Dollars in thousands, except per share amounts) | | |
| ASSETS | | | |
| Cash and due from banks | $ 166,761 | $ 99,916 | $ 370,499 |
| Interest bearing deposits with other banks | 304,344 | 172,170 | 111,040 |
| Held-to-maturity securities, at amortized cost | - | 1,613,019 | 1,147,157 |
| Available-for-sale securities, at fair value | 2,560,824 | 1,096,062 | 962,692 |
| Federal funds sold and securities purchased under agreement to resell | - | 150,000 | 75,000 |
| Loans and leases | 9,255,879 | 9,376,351 | 9,691,623 |
| Less: Unearned income | 41,326 | 43,244 | 44,721 |
| Allowance for credit losses | 197,627 | 196,913 | 200,744 |
| Net loans | 9,016,926 | 9,136,194 | 9,446,158 |
| Loans held for sale | 70,519 | 93,697 | 95,987 |
| Premises and equipment, net | 328,075 | 332,890 | 336,645 |
| Accrued interest receivable | 55,525 | 61,025 | 63,862 |
| Goodwill | 271,297 | 270,097 | 270,097 |
| Bank owned life insurance | 197,028 | 194,064 | 190,828 |
| Other real estate owned | 151,204 | 133,412 | 67,560 |
| Other assets | 244,547 | 262,464 | 283,479 |
| TOTAL ASSETS | $ 13,367,050 | $ 13,615,010 | $ 13,421,004 |
| LIABILITIES | | | |
| Deposits: | | | |
| Demand: Noninterest bearing | $ 2,096,655 | $ 2,060,145 | $ 1,897,977 |
| Interest bearing | 4,939,553 | 4,931,518 | 4,725,457 |
| Savings | 944,993 | 863,034 | 770,112 |
| Other time | 3,327,262 | 3,635,324 | 3,827,095 |
| Total deposits | 11,308,463 | 11,490,021 | 11,220,641 |
| Federal funds purchased and securities sold under agreement to repurchase | 426,097 | 440,593 | 481,109 |
| Short-term Federal Home Loan Bank and other short-term borrowings | 703 | 2,727 | 3,500 |
| Accrued interest payable | 11,348 | 14,336 | 17,508 |
| Junior subordinated debt securities | 160,312 | 160,312 | 160,312 |
| Long-term Federal Home Loan Bank borrowings | 35,000 | 110,000 | 110,749 |

| | | | |
|---|---|---|---|
| Other liabilities | 178,424 | 174,777 | 186,926 |
| TOTAL LIABILITIES | 12,120,347 | 12,392,766 | 12,180,745 |
| | | | |
| SHAREHOLDERS' EQUITY | | | |
| Common stock, $2.50 par value per share | | | |
| Authorized - 500,000,000 shares; Issued - 83,488,962, | | | |
| 83,481,737 and 83,481,738 shares, respectively | 208,722 | 208,704 | 208,704 |
| Capital surplus | 226,362 | 224,976 | 223,922 |
| Accumulated other comprehensive loss | 6,289 | (14,453) | (5,008) |
| Retained earnings | 805,330 | 803,017 | 812,641 |
| TOTAL SHAREHOLDERS' EQUITY | 1,246,703 | 1,222,244 | 1,240,259 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 13,367,050 | $ 13,615,010 | $ 13,421,004 |

(1) Derived from audited financial statements.

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(Unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (In thousands, except for per share amounts) | | | |
| INTEREST REVENUE: | | | | |
| Loans and leases | $116,892 | $124,621 | $234,250 | $251,577 |
| Deposits with other banks | 124 | 33 | 246 | 54 |
| Federal funds sold and securities purchased under agreement to resell | 35 | 143 | 166 | 225 |
| Held-to-maturity securities: | | | | |
| Taxable | 5,066 | 9,363 | 13,080 | 18,778 |
| Tax-exempt | 2,291 | 2,412 | 5,638 | 4,873 |
| Available-for-sale securities: | | | | |
| Taxable | 10,451 | 8,030 | 19,036 | 16,415 |
| Tax-exempt | 1,871 | 833 | 2,695 | 1,665 |
| Loans held for sale | 505 | 727 | 952 | 1,233 |
| Total interest revenue | 137,235 | 146,162 | 276,063 | 294,820 |
| INTEREST EXPENSE: | | | | |
| Deposits: | | | | |
| Interest bearing demand | 6,039 | 9,751 | 12,585 | 19,143 |
| Savings | 810 | 915 | 1,636 | 1,804 |
| Other time | 16,285 | 21,535 | 33,768 | 43,064 |
| Federal funds purchased and securities sold under agreement to repurchase | 135 | 215 | 287 | 443 |
| Federal Home Loan Bank borrowings | 1,194 | 1,553 | 2,717 | 3,433 |
| Junior subordinated debt | 2,860 | 2,862 | 5,719 | 5,717 |
| Other | - | 2 | 2 | 5 |
| Total interest expense | 27,323 | 36,833 | 56,714 | 73,609 |
| Net interest revenue | 109,912 | 109,329 | 219,349 | 221,211 |
| Provision for credit losses | 32,240 | 62,354 | 85,719 | 105,873 |
| Net interest revenue, after provision for credit losses | 77,672 | 46,975 | 133,630 | 115,338 |
| NONINTEREST REVENUE: | | | | |
| Mortgage lending | 2,003 | (2,304) | 9,584 | 2,721 |
| Credit card, debit card and merchant fees | 11,263 | 9,333 | 21,609 | 18,143 |
| Service charges | 16,556 | 18,953 | 31,924 | 35,215 |
| Trust income | 2,850 | 2,707 | 5,984 | 5,294 |
| Security gains (losses), net | 10,045 | (585) | 10,062 | 712 |
| Insurance commissions | 22,941 | 21,666 | 45,490 | 43,334 |
| Other | 9,486 | 7,316 | 18,802 | 14,999 |

| | | | | |
|---|---|---|---|---|
| Total noninterest revenue | 75,144 | 57,086 | 143,455 | 120,418 |
| | | | | |
| NONINTEREST EXPENSE: | | | | |
| Salaries and employee benefits | 70,142 | 68,189 | 140,517 | 137,476 |
| Occupancy, net of rental income | 10,232 | 10,527 | 20,903 | 21,302 |
| Equipment | 5,595 | 5,877 | 11,253 | 11,616 |
| Deposit insurance assessments | 6,436 | 4,362 | 11,861 | 8,612 |
| Prepayment penalty on FHLB borrowings | 9,778 | - | 9,778 | 0 |
| Other | 34,886 | 31,061 | 72,767 | 61,493 |
| Total noninterest expense | 137,069 | 120,016 | 267,079 | 240,499 |
| Income (loss) before income taxes | 15,747 | (15,955) | 10,006 | (4,743) |
| Income tax (benefit) expense | 2,921 | (3,395) | (2,326) | (579) |
| Net income (loss) | $12,826 | $(12,560) | $12,332 | $(4,164) |
| | | | | |
| Earnings (loss) per share: Basic | $0.15 | $(0.15) | $0.15 | $(0.05) |
| Diluted | $0.15 | $(0.15) | $0.15 | $(0.05) |
| | | | | |
| Dividends declared per common share | $0.01 | $0.22 | $0.12 | $0.44 |

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

| | Six months ended June 30, | |
|---|---|---|
| | 2011 | 2010 |
| | (In thousands) | |
| Operating Activities: | | |
| Net income (loss) | $12,332 | $(4,164) |
| Adjustment to reconcile net income (loss) to net cash provided by operating activities: | | |
| Provision for credit losses | 85,719 | 105,873 |
| Depreciation and amortization | 14,789 | 14,905 |
| Deferred taxes | (267) | (6,732) |
| Amortization of intangibles | 1,687 | 1,999 |
| Amortization of debt securities premium and discount, net | 13,936 | 2,418 |
| Share-based compensation expense | 1,285 | 898 |
| Security gains, net | (10,062) | (712) |
| Net deferred loan origination expense | (4,384) | (4,561) |
| Excess tax benefit from exercise of stock options | (8) | (21) |
| Decrease in interest receivable | 5,500 | 4,789 |
| Decrease in interest payable | (2,988) | (2,080) |
| Realized gain on mortgages sold | (14,225) | (11,500) |
| Proceeds from mortgages sold | 483,065 | 494,449 |
| Origination of mortgages held for sale | (448,082) | (497,981) |
| Increase in bank-owned life insurance | (2,964) | (3,058) |
| (Increase) decrease in prepaid pension asset | (186) | 21 |
| Decrease in prepaid deposit insurance assessments | 11,040 | 7,690 |
| Other, net | (1,035) | (26,913) |
| Net cash provided by operating activities | 145,152 | 75,320 |
| Investing activities: | | |
| Proceeds from calls and maturities of held-to-maturity securities | 135,781 | 290,273 |
| Proceeds from calls and maturities of available-for-sale securities | 131,124 | 66,708 |
| Proceeds from sales of available-for-sale securities | 180,057 | 91,533 |
| Purchases of held-to-maturity securities | (151,105) | (404,821) |
| Purchases of available-for-sale securities | (119,089) | (157,397) |
| Net decrease in short-term investments | 150,000 | - |
| Net decrease in loans and leases | 20,141 | 43,328 |
| Purchases of premises and equipment | (10,520) | (7,861) |
| Proceeds from sale of premises and equipment | 1,693 | 73 |
| Contingency earn-out payment | (1,200) | - |
| Other, net | (31) | (40) |
| Net cash provided by (used in) investing activities | 336,851 | (78,204) |
| Financing activities: | | |
| Net (decrease) increase in deposits | (181,558) | 542,939 |
| Net decrease in short-term debt and other liabilities | (16,526) | (260,767) |
| Repayment of long-term debt | (75,000) | (22) |
| Issuance of common stock | 110 | 534 |
| Excess tax benefit from exercise of stock options | 8 | 21 |
| Payment of cash dividends | (10,018) | (36,727) |

| | | |
|---|---|---|
| Net cash (used in) provided by financing activities | (282,984) | 245,978 |
| | | |
| Increase in cash and cash equivalents | 199,019 | 243,094 |
| Cash and cash equivalents at beginning of period | 272,086 | 238,445 |
| Cash and cash equivalents at end of period | $471,105 | $481,539 |

See accompanying notes to consolidated financial statements.

BANCORPSOUTH, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 1 – BASIS OF FINANCIAL STATEMENT PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying unaudited interim consolidated financial statements of BancorpSouth, Inc. (the "Company") have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and follow general practices within the industries in which the Company operates. For further information, refer to the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial statements have been included and all such adjustments were of a normal, recurring nature. The results of operations for the three-month and six-month periods ended June 30, 2011 are not necessarily indicative of the results to be expected for the full year. Certain 2010 amounts have been reclassified to conform with the 2011 presentation.

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, BancorpSouth Bank (the "Bank") and Gumtree Wholesale Insurance Brokers, Inc., and the Bank's wholly-owned subsidiaries, Century Credit Life Insurance Company, Personal Finance Corporation of Tennessee, BancorpSouth Insurance Services, Inc., BancorpSouth Investment Services, Inc., BancorpSouth Municipal Development Corporation and BancorpSouth Bank Securities Corporation.

NOTE 2 – LOANS AND LEASES

The Company's loan and lease portfolio is disaggregated into the following segments: commercial and industrial; real estate; credit card; and all other loans and leases. The real estate segment is further disaggregated into the following classes: consumer mortgage; home equity; agricultural; commercial and industrial-owner occupied; construction, acquisition and development; and commercial. Certain loans within the prior period real estate consumer mortgage portfolio have been reclassified into the real estate construction acquisition and development portfolio in order to conform to current period presentation. This reclassification was determined necessary based on an analysis of the underlying uses of the collateral of the portfolios. The reclassification did not impact the overall amount of nonperforming loans nor did it impact the allowance for credit losses. A summary of gross loans and leases by segment and class as of the dates indicated follows:

| | June 30, | | December 31, |
|---|---|---|---|
| | 2011 | 2010 | 2010 |
| | (In thousands) | | |
| Commercial and industrial | $1,540,048 | $1,499,152 | $1,505,471 |
| Real estate | | | |
| Consumer mortgages | 1,971,499 | 1,981,475 | 1,951,563 |
| Home equity | 531,787 | 555,281 | 543,272 |
| Agricultural | 255,310 | 260,489 | 252,292 |
| Commercial and industrial-owner occupied | 1,366,734 | 1,407,704 | 1,331,473 |
| Construction, acquisition and development | 1,060,675 | 1,419,303 | 1,174,743 |
| Commercial | 1,764,648 | 1,794,644 | 1,816,951 |
| Credit cards | 101,955 | 102,784 | 106,345 |
| All other | 663,223 | 670,791 | 694,241 |

| | | | |
|---|---|---|---|
| Total | $9,255,879 | $9,691,623 | $9,376,351 |

The following table shows the Company's loans and leases, net of unearned income, as of June 30, 2011 by segment, class and geographical location:

| | Alabama and Florida Panhandle | Arkansas | Mississippi | Missouri | Greater Memphis Area | Northeast Tennessee | Texas and Louisiana | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | (In thousands) | | | | | |
| Commercial and industrial | $63,477 | $219,533 | $322,786 | $85,073 | $24,045 | $84,544 | $274,812 | $452,416 | $1,526,6 |
| Real estate | | | | | | | | | |
| Consumer mortgages | 114,266 | 273,338 | 779,838 | 66,163 | 87,596 | 164,453 | 412,493 | 73,352 | 1,971,4 |
| Home equity | 64,043 | 43,224 | 178,305 | 29,297 | 73,790 | 79,307 | 62,617 | 1,204 | 531,787 |
| Agricultural | 7,338 | 73,285 | 75,142 | 5,642 | 16,248 | 13,629 | 58,370 | 5,656 | 255,310 |
| Commercial and industrial-owner occupied | 125,567 | 175,098 | 472,765 | 74,684 | 109,132 | 101,806 | 246,369 | 61,313 | 1,366,7 |
| Construction, acquisition and development | 133,335 | 86,795 | 273,624 | 88,309 | 128,537 | 130,962 | 208,406 | 10,707 | 1,060,6 |
| Commercial | 195,722 | 340,963 | 344,926 | 241,209 | 132,670 | 105,507 | 354,065 | 49,586 | 1,764,6 |
| Credit cards | - | - | - | - | - | - | - | 101,955 | 101,955 |
| All other | 14,936 | 42,680 | 79,088 | 1,409 | 48,596 | 28,516 | 29,521 | 390,513 | 635,259 |
| Total | $718,684 | $1,254,916 | $2,526,474 | $591,786 | $620,614 | $708,724 | $1,646,653 | $1,146,702 | $9,214,5 |

The Company does not have any loan concentrations, other than those reflected in the preceding tables, which exceed 10% of total loans. A substantial portion of construction, acquisition and development loans are secured by real estate in markets in which the Company is located. Prior to March of 2010, some of these loans were structured with interest reserves to fund interest costs during the construction and development period. The Company's general loan policy was changed in March of 2010 to prohibit the use of interest reserves on loans made after that time. Additionally, certain of these loans were structured with interest-only terms. A portion of the consumer mortgage and commercial real estate portfolios originated through the permanent financing of construction, acquisition and development loans. The prolonged economic downturn has negatively impacted many borrowers' and guarantors' ability to make payments under the terms of the loans as their liquidity has been depleted. Accordingly, the ultimate collectability of a substantial portion of these loans and the recovery of a substantial portion of the carrying amount of other real estate owned are susceptible to changes in real estate values in the corresponding areas. Continued economic distress could negatively impact additional borrowers' and guarantors' ability to repay their debt which would make more of the Company's loans collateral dependent.

The following tables provide details regarding the aging of the Company's loan and lease portfolio, net of unearned income, by segment and class at June 30, 2011 and December 31, 2010:

| | June 30, 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | 90+ Days Past Due | Total Past Due | Current | Total Outstanding | 90+ Days Past Due still Accruing |
| | | | | (In thousands) | | | |
| Commercial and industrial | $7,022 | $1,691 | $2,503 | $11,216 | $1,515,470 | $1,526,686 | $118 |
| Real estate | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Consumer mortgages | 14,463 | 7,639 | 12,713 | 34,815 | 1,936,684 | 1,971,499 | 2,482 |
| Home equity | 2,779 | 348 | 912 | 4,039 | 527,748 | 531,787 | 242 |
| Agricultural | 2,600 | 318 | 2,841 | 5,759 | 249,551 | 255,310 | - |
| Commercial and industrial-owner occupied | 5,169 | 2,405 | 12,518 | 20,092 | 1,346,642 | 1,366,734 | - |
| Construction, acquisition and development | 11,375 | 17,150 | 64,323 | 92,848 | 967,827 | 1,060,675 | 432 |
| Commercial | 5,433 | 1,758 | 18,980 | 26,171 | 1,738,477 | 1,764,648 | 19 |
| Credit cards | 530 | 337 | 630 | 1,497 | 100,458 | 101,955 | 299 |
| All other | 2,725 | 312 | 894 | 3,931 | 631,328 | 635,259 | 388 |
| Total | $52,096 | $31,958 | $116,314 | $200,368 | $9,014,185 | $9,214,553 | $3,980 |

| | December 31, 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | 90+ Days Past Due | Total Past Due | Current | Total Outstanding | 90+ Days Past Due still Accruing |
| | | | | (In thousands) | | | |
| Commercial and industrial | $13,037 | $848 | $12,000 | $25,885 | $1,465,298 | $1,491,183 | $675 |
| Real estate | | | | | | | |
| Consumer mortgages | 16,937 | 4,481 | 20,640 | 42,058 | 1,909,505 | 1,951,563 | 6,521 |
| Home equity | 1,258 | 800 | 755 | 2,813 | 540,459 | 543,272 | 173 |
| Agricultural | 1,140 | 3,450 | 3,527 | 8,117 | 244,175 | 252,292 | 123 |
| Commercial and industrial-owner occupied | 9,260 | 1,290 | 7,323 | 17,873 | 1,313,600 | 1,331,473 | 20 |
| Construction, acquisition and development | 22,436 | 9,837 | 94,264 | 126,537 | 1,048,206 | 1,174,743 | 197 |
| Commercial | 4,409 | 4,712 | 10,507 | 19,628 | 1,797,323 | 1,816,951 | - |
| Credit cards | 793 | 373 | 780 | 1,946 | 104,399 | 106,345 | 330 |
| All other | 2,058 | 1,117 | 847 | 4,022 | 661,263 | 665,285 | 461 |
| Total | $71,328 | $26,908 | $150,643 | $248,879 | $9,084,228 | $9,333,107 | $8,500 |

The following tables provide details of the Company's loan and lease portfolio, net of unearned income, by segment, class and internally assigned grade at June 30, 2011 and December 31, 2010:

| | June 30, 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Pass | Special Mention | Substandard | Doubtful | Loss | Impaired | Total |
| | | | | (In thousands) | | | |
| Commercial and industrial | $1,477,497 | $1,312 | $40,160 | $1,282 | $450 | $5,985 | $1,526,686 |
| Real estate | | | | | | | |
| Consumer mortgage | 1,817,381 | 3,885 | 123,392 | 3,485 | 87 | 23,269 | 1,971,499 |
| Home equity | 512,791 | 793 | 16,501 | 427 | 605 | 670 | 531,787 |
| Agricultural | 229,001 | 2,486 | 16,507 | - | - | 7,316 | 255,310 |
| Commercial and industrial-owner occupied | 1,269,218 | 2,304 | 73,272 | 651 | 99 | 21,190 | 1,366,734 |
| Construction, acquisition and development | 728,194 | 20,348 | 114,222 | 594 | 286 | 197,031 | 1,060,675 |
| Commercial | 1,606,844 | 9,130 | 102,762 | 59 | - | 45,853 | 1,764,648 |
| Credit Cards | 101,645 | 11 | 281 | 18 | - | - | 101,955 |
| All other | 613,573 | 76 | 18,847 | 411 | 9 | 2,343 | 635,259 |
| Total | $8,356,144 | $40,345 | $505,944 | $6,927 | $1,536 | $303,657 | $9,214,553 |

| | December 31, 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Pass | Special Mention | Substandard | Doubtful | Loss | Impaired | Total |
| | (In thousands) | | | | | | |
| Commercial and industrial | $1,429,443 | $5,764 | $51,562 | $1,577 | $701 | $2,136 | $1,491,183 |
| Real estate | | | | | | | |
| Consumer mortgage | 1,813,740 | 1,867 | 104,504 | 3,106 | 123 | 28,223 | 1,951,563 |
| Home equity | 527,047 | 1,231 | 13,169 | 613 | 361 | 851 | 543,272 |
| Agricultural | 226,054 | 309 | 21,614 | - | 20 | 4,295 | 252,292 |
| Commercial and industrial-owner occupied | 1,250,265 | 1,422 | 62,783 | 900 | 30 | 16,073 | 1,331,473 |
| Construction, acquisition and development | 845,725 | 1,882 | 138,929 | 2,243 | 1,046 | 184,918 | 1,174,743 |
| Commercial | 1,688,228 | 5,565 | 86,358 | 98 | 495 | 36,207 | 1,816,951 |
| Credit Cards | 106,181 | 11 | 146 | 7 | - | - | 106,345 |
| All other | 641,292 | 35 | 22,735 | 477 | 44 | 702 | 665,285 |
| Total | $8,527,975 | $18,086 | $501,800 | $9,021 | $2,820 | $273,405 | $9,333,107 |

The following tables provide details regarding impaired loans and leases, net of unearned income, by segment and class at June 30, 2011 and December 31, 2010:

| | June 30, 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Average Recorded Investment | | Interest Income Recognized | |
| | Recorded Investment in Impaired Loans | Unpaid Principal Balance of Impaired Loans | Related Allowance for Credit Losses | Three months ended June 30, 2011 | Six months ended June 30, 2011 | Three months ended June 30, 2011 | Six months ended June 30, 2011 |
| | | | | (In thousands) | | | |
| With no related allowance: | | | | | | | |
| Commercial and industrial | $4,395 | $6,269 | $- | $5,589 | $4,258 | $31 | $36 |
| Real estate | | | | | | | |
| Consumer mortgage | 15,758 | 19,023 | - | 27,727 | 23,897 | 195 | 259 |
| Home equity | 456 | 561 | - | 632 | 489 | - | - |
| Agricultural | 2,101 | 2,177 | - | 3,808 | 3,120 | 18 | 18 |
| Commercial and industrial-owner occupied | 12,060 | 16,955 | - | 12,727 | 10,162 | 53 | 110 |
| Construction, acquisition and development | 118,763 | 160,553 | - | 156,510 | 122,221 | 391 | 461 |
| Commercial | 10,681 | 14,502 | - | 23,220 | 23,506 | 112 | 160 |
| All other | 819 | 5,297 | - | 2,283 | 1,535 | 51 | 59 |
| Total | $165,033 | $225,337 | $- | $232,496 | $189,188 | $851 | $1,103 |
| | | | | | | | |
| With an allowance: | | | | | | | |
| Commercial and industrial | $1,590 | $1,688 | $456 | $3,794 | $4,342 | $5 | $5 |
| Real estate | | | | | | | |
| Consumer mortgage | 7,985 | 8,089 | 2,278 | 16,603 | 17,987 | 102 | 249 |
| Home equity | 214 | 214 | 39 | 144 | 385 | 1 | 1 |
| Agricultural | 5,215 | 5,690 | 1,729 | 4,202 | 3,887 | 4 | 18 |
| Commercial and industrial-owner occupied | 9,130 | 9,450 | 3,151 | 12,191 | 12,150 | 45 | 58 |
| Construction, acquisition and development | 78,268 | 85,856 | 27,721 | 87,236 | 95,224 | 572 | 965 |
| Commercial | 35,172 | 37,386 | 10,642 | 34,377 | 31,134 | 183 | 399 |
| All other | 1,050 | 1,050 | 794 | 3,396 | 1,706 | 4 | 5 |
| Total | $138,624 | $149,423 | $46,810 | $161,943 | $166,815 | $916 | $1,700 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total: | | | | | | | |
| Commercial and industrial | $5,985 | $7,957 | $456 | $9,383 | $8,600 | $36 | $41 |
| Real estate | | | | | | | |
| Consumer mortgage | 23,743 | 27,112 | 2,278 | 44,330 | 41,884 | 297 | 508 |
| Home equity | 670 | 775 | 39 | 776 | 874 | 1 | 1 |
| Agricultural | 7,316 | 7,867 | 1,729 | 8,010 | 7,007 | 22 | 36 |
| Commercial and industrial-owner occupied | 21,190 | 26,405 | 3,151 | 24,918 | 22,312 | 98 | 168 |
| Construction, acquisition and development | 197,031 | 246,409 | 27,721 | 243,746 | 217,445 | 963 | 1,426 |
| Commercial | 45,853 | 51,888 | 10,642 | 57,597 | 54,640 | 295 | 559 |
| All other | 1,869 | 6,347 | 794 | 5,679 | 3,241 | 55 | 64 |
| Total | $303,657 | $374,760 | $46,810 | $394,439 | $356,003 | $1,767 | $2,803 |

| | December 31, 2010 | | |
|---|---|---|---|
| | Recorded Investment in Impaired Loans | Unpaid Principal Balance of Impaired Loans | Related Allowance for Credit Losses |
| | | (In thousands) | |
| With no related allowance: | | | |
| Commercial and industrial | $1,457 | $2,600 | $- |
| Real estate | | | |
| Consumer mortgage | 11,228 | 14,273 | - |
| Home equity | 290 | 629 | - |
| Agricultural | 1,439 | 1,981 | - |
| Commercial and industrial-owner occupied | 10,920 | 12,371 | - |
| Construction, acquisition and development | 80,204 | 120,938 | - |
| Commercial | 15,795 | 20,478 | - |
| All other | 702 | 931 | - |
| Total | $122,035 | $174,201 | $- |
| | | | |
| With an allowance: | | | |
| Commercial and industrial | $679 | $977 | $125 |
| Real estate | | | |
| Consumer mortgage | 16,995 | 16,644 | 4,226 |
| Home equity | 561 | 561 | 41 |
| Agricultural | 2,856 | 3,132 | 544 |
| Commercial and industrial-owner occupied | 5,153 | 5,298 | 1,361 |
| Construction, acquisition and development | 104,714 | 123,538 | 29,195 |
| Commercial | 20,412 | 21,026 | 5,227 |
| All other | - | - | - |
| Total | $151,370 | $171,176 | $40,719 |
| | | | |
| Total: | | | |
| Commercial and industrial | $2,136 | $3,577 | $125 |
| Real estate | | | |
| Consumer mortgage | 28,223 | 30,917 | 4,226 |
| Home equity | 851 | 1,190 | 41 |
| Agricultural | 4,295 | 5,113 | 544 |
| Commercial and industrial-owner occupied | 16,073 | 17,669 | 1,361 |
| Construction, acquisition and development | 184,918 | 244,476 | 29,195 |
| Commercial | 36,207 | 41,504 | 5,227 |
| All other | 702 | 931 | - |
| Total | $273,405 | $345,377 | $40,719 |

The following tables provide details regarding impaired construction, acquisition and development loans and leases, net of unearned income, by collateral type at June 30, 2011 and December 31, 2010:

| | June 30, 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Average Recorded Investment | | Interest Income Recognized | |
| | Recorded Investment in Impaired Loans | Unpaid Principal Balance of Impaired Loans | Related Allowance for Credit Losses | Three months ended June 30, 2011 | Six months ended June 30, 2011 | Three months ended June 30, 2011 | Six months ended June 30, 2011 |
| | | | | (In thousands) | | | |
| With no related allowance: | | | | | | | |
| Multi-family construction | $9,174 | $11,756 | $- | $10,205 | $9,466 | $- | $- |
| One-to-four family construction | 14,297 | 17,753 | - | 11,172 | 7,861 | 28 | 33 |
| Recreation and all other loans | 774 | 1,230 | - | 660 | 403 | 3 | 4 |
| Commercial construction | 8,157 | 12,097 | - | 20,194 | 15,974 | 53 | 55 |
| Commercial acquisition and development | 19,232 | 25,254 | - | 24,619 | 20,560 | 49 | 49 |
| Residential acquisition and development | 67,129 | 92,463 | - | 89,660 | 67,957 | 258 | 320 |
| Total | $118,763 | $160,553 | $- | $156,510 | $122,221 | $391 | $461 |
| | | | | | | | |
| With an allowance: | | | | | | | |
| Multi-family construction | $- | $- | $- | $981 | $1,184 | $- | $- |
| One-to-four family construction | 8,871 | 8,977 | 2,535 | 5,113 | 5,120 | 44 | 44 |
| Recreation and all other loans | - | - | 0 | 291 | 474 | - | 2 |
| Commercial construction | 8,460 | 12,532 | 2,264 | 7,210 | 8,452 | 25 | 70 |
| Commercial acquisition and development | 17,203 | 17,695 | 6,083 | 16,463 | 16,505 | 175 | 331 |
| Residential acquisition and development | 43,734 | 46,652 | 16,839 | 57,178 | 63,489 | 328 | 518 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total | $78,268 | $85,856 | $27,721 | $87,236 | $95,224 | $572 | $965 |
| | | | | | | | |
| Total: | | | | | | | |
| Multi-family construction | $9,174 | $11,756 | $- | $11,186 | $10,650 | $- | $- |
| One-to-four family construction | 23,168 | 26,730 | 2,535 | 16,285 | 12,981 | 72 | 77 |
| Recreation and all other loans | 774 | 1,230 | - | 951 | 877 | 3 | 6 |
| Commercial construction | 16,617 | 24,629 | 2,264 | 27,404 | 24,426 | 78 | 125 |
| Commercial acquisition and development | 36,435 | 42,949 | 6,083 | 41,082 | 37,065 | 224 | 380 |
| Residential acquisition and development | 110,863 | 139,115 | 16,839 | 146,838 | 131,446 | 586 | 838 |
| Total | $197,031 | $246,409 | $27,721 | $243,746 | $217,445 | $963 | $1,426 |

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| | December 31, 2010 | | |
|---|---|---|---|
| | Recorded Investment in Impaired Loans | Unpaid Principal Balance of Impaired Loans | Related Allowance for Credit Losses |
| | | (In thousands) | |
| With no related allowance: | | | |
| Multi-family construction | $8,293 | $9,975 | $- |
| One-to-four family construction | 6,511 | 11,749 | - |
| Recreation and all other loans | 392 | 580 | - |
| Commercial construction | 11,171 | 13,062 | - |
| Commercial acquisition and development | 7,897 | 12,501 | - |
| Residential acquisition and development | 45,940 | 73,071 | - |
| Total | $80,204 | $120,938 | $- |
| | | | |
| With an allowance: | | | |
| Multi-family construction | $1,904 | $6,978 | $4 |
| One-to-four family construction | 11,939 | 14,846 | 932 |
| Recreation and all other loans | 498 | 498 | 148 |
| Commercial construction | 12,459 | 12,612 | 5,246 |
| Commercial acquisition and development | 21,575 | 21,575 | 8,424 |
| Residential acquisition and development | 56,339 | 67,029 | 14,441 |
| Total | $104,714 | $123,538 | $29,195 |
| | | | |
| Total: | | | |
| Multi-family construction | $10,197 | $16,953 | $4 |
| One-to-four family construction | 18,450 | 26,595 | 932 |
| Recreation and all other loans | 890 | 1,078 | 148 |
| Commercial construction | 23,630 | 25,674 | 5,246 |
| Commercial acquisition and development | 29,472 | 34,076 | 8,424 |
| Residential acquisition and development | 102,279 | 140,100 | 14,441 |
| Total | $184,918 | $244,476 | $29,195 |

Loans considered impaired under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 310, Receivables (“FASB ASC 310”) are loans for which, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Company’s recorded investment in loans considered impaired at June 30, 2011 and December 31, 2010 was $303.7 million and $273.4 million, respectively. At June 30, 2011 and December 31, 2010, $138.6 million and $151.4 million, respectively, of those impaired loans had a valuation allowance of $46.8 million and $40.7 million, respectively. The remaining balance of impaired loans of $165.1 million and $122.0 million at June 30, 2011 and December 31, 2010, respectively, were carried at fair value, less estimated selling costs which approximated net realizable value. Therefore, such loans did not have an associated valuation allowance. Impaired loans that were characterized as troubled debt restructurings (“TDRs”) totaled $75.8 million and $63.7 million at June 30, 2011 and December 31, 2010, respectively.

Non-performing loans and leases ("NPLs") consist of non-accrual loans and leases, loans and leases 90 days or more past due and still accruing, and loans and leases that have been restructured because of the borrower's weakened financial condition. The following table presents information concerning NPLs as of the dates indicated:

| | June 30, | | December 31, |
|---|---|---|---|
| | 2011 | 2010 | 2010 |
| | | (In thousands) | |
| Non-accrual loans and leases | $331,076 | $263,758 | $347,499 |
| Loans and leases 90 days or more past due, still accruing | 3,980 | 17,696 | 8,500 |
| Restructured loans and leases still accruing | 44,786 | 20,813 | 38,376 |
| Total non-performing loans and leases | $379,842 | $302,267 | $394,375 |

The Bank's policy for all loan classifications provides that loans and leases are generally placed in non-accrual status if, in management's opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due, unless the loan or lease is both well-secured and in the process of collection. At June 30, 2011, the Company's geographic NPL distribution was concentrated primarily in its Alabama and Tennessee markets, including the greater Memphis, Tennessee area, a portion of which is in northwest Mississippi. The following table presents the Company's nonaccrual loans and leases by segment and class as of the dates indicated:

| | June 30, | | December 31, |
|---|---|---|---|
| | 2011 | 2010 | 2010 |
| | | (In thousands) | |
| Commercial and industrial | $9,337 | $6,280 | $13,075 |
| Real estate | | | |
| Consumer mortgages | 34,174 | 22,618 | 34,021 |
| Home equity | 1,232 | 1,565 | 811 |
| Agricultural | 8,526 | 3,972 | 7,589 |
| Commercial and industrial-owner occupied | 26,387 | 12,061 | 20,338 |
| Construction, acquisition and development | 200,434 | 174,725 | 211,547 |
| Commercial | 48,571 | 38,921 | 57,766 |
| Credit cards | 546 | 726 | 720 |
| All other | 1,869 | 2,890 | 1,632 |
| Total | $331,076 | $263,758 | $347,499 |

In the normal course of business, management grants concessions, which would not otherwise be considered, to borrowers that are experiencing financial difficulty. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and interest for a specified period, the rescheduling of payments in accordance with a bankruptcy plan or the charge-off of a portion of the loan. In most cases, the conditions of the credit also warrant nonaccrual status, even after the restructure occurs. As part of the credit approval process, the restructured loans are evaluated for adequate collateral protection in determining the appropriate accrual status at the time of restructure. TDR loans may be returned to accrual status if there has been at least a six-month period of sustained repayment performance by the borrower. During the second quarter and first six months of 2011, the most common concessions that were granted involved rescheduling payments of principal and interest over a longer amortization period, granting a period of reduced principal payment or interest only payment for a limited time period, or the rescheduling of payments in accordance with a bankruptcy plan.

NOTE 3 – ALLOWANCE FOR CREDIT LOSSES

The following tables summarize the changes in the allowance for credit losses by segment and class for the periods indicated:

| | Six months ended June 30, 2011 | | | | |
|---|---|---|---|---|---|
| | Balance, Beginning of Period | Charge-offs | Recoveries | Provision | Balance, End of Period |
| | | | (In thousands) | | |
| Commercial and industrial | $22,479 | $(14,365) | $773 | $13,953 | $22,840 |
| Real estate | | | | | |
| Consumer mortgage | 35,540 | (4,889) | 363 | 6,031 | 37,045 |
| Home equity | 7,305 | (2,473) | 91 | 2,697 | 7,620 |
| Agricultural | 4,997 | (965) | 47 | 630 | 4,709 |
| Commercial and industrial-owner occupied | 20,403 | (4,944) | 194 | 8,991 | 24,644 |
| Construction, acquisition and development | 59,048 | (49,126) | 2,057 | 41,941 | 53,920 |
| Commercial | 33,439 | (6,111) | 405 | 7,560 | 35,293 |
| Credit Cards | 4,126 | (1,606) | 494 | 473 | 3,487 |
| All other | 9,576 | (5,524) | 574 | 3,443 | 8,069 |
| Total | $196,913 | $(90,003) | $4,998 | $85,719 | $197,627 |

| | Year ended December 31, 2010 | | | | |
|---|---|---|---|---|---|
| | Balance, Beginning of Period | Charge-offs | Recoveries | Provision | Balance, End of Period |
| | | | (In thousands) | | |
| Commercial and industrial | $21,154 | $(11,879) | $1,330 | $11,874 | $22,479 |
| Real estate | | | | | |
| Consumer mortgage | 37,048 | (16,280) | 1,448 | 13,324 | 35,540 |
| Home equity | 7,218 | (5,215) | 179 | 5,123 | 7,305 |
| Agricultural | 4,192 | (1,201) | 12 | 1,994 | 4,997 |
| Commercial and industrial-owner occupied | 22,989 | (9,200) | 399 | 6,215 | 20,403 |
| Construction, acquisition and development | 46,193 | (122,596) | 1,706 | 133,745 | 59,048 |
| Commercial | 26,694 | (14,084) | 845 | 19,984 | 33,439 |
| Credit Cards | 3,481 | (4,559) | 829 | 4,375 | 4,126 |
| All other | 7,074 | (6,008) | 1,128 | 7,382 | 9,576 |
| Total | $176,043 | $(191,022) | $7,876 | $204,016 | $196,913 |

| | Six months ended June 30, 2010 | | | | |
|---|---|---|---|---|---|
| | Balance, Beginning of Period | Charge-offs | Recoveries | Provision | Balance, End of Period |
| | | | (In thousands) | | |
| Commercial and industrial | $ 21,154 | $ (7,275) | $ 305 | $ 8,334 | $ 22,518 |
| Real estate | | | | | |
| Consumer mortgage | 37,048 | (7,591) | 882 | 2,256 | 32,595 |
| Home equity | 7,218 | (2,285) | 95 | 1,751 | 6,779 |
| Agricultural | 4,192 | (680) | - | 255 | 3,767 |
| Commercial and industrial-owner occupied | 22,989 | (6,310) | 51 | 5,803 | 22,533 |
| Construction, acquisition and development | 46,193 | (49,090) | 267 | 70,935 | 68,305 |
| Commercial | 26,694 | (4,871) | 39 | 6,781 | 28,643 |
| Credit Cards | 3,481 | (2,523) | 369 | 1,984 | 3,311 |
| All other | 7,074 | (3,117) | 562 | 7,774 | 12,293 |
| Total | $ 176,043 | $ (83,742) | $ 2,570 | $ 105,873 | $ 200,744 |

The following tables provide the allowance for credit losses by segment, class and impairment status as of the dates indicated:

| | June 30, 2011 | | | |
|---|---|---|---|---|
| | Recorded Balance of Impaired Loans | Allowance for Impaired Loans and Leases | Allowance for All Other Loans and Leases | Total Allowance |
| | | (In thousands) | | |
| Commercial and industrial | $5,985 | $456 | $22,384 | $22,840 |
| Real estate | | | | |
| Consumer mortgage | 23,743 | 2,278 | 34,767 | 37,045 |
| Home equity | 670 | 39 | 7,581 | 7,620 |
| Agricultural | 7,316 | 1,729 | 2,980 | 4,709 |
| Commercial and industrial-owner occupied | 21,190 | 3,151 | 21,493 | 24,644 |
| Construction, acquisition and development | 197,031 | 27,721 | 26,199 | 53,920 |
| Commercial | 45,853 | 10,642 | 24,651 | 35,293 |
| Credit Cards | - | - | 3,487 | 3,487 |
| All other | 1,869 | 794 | 7,275 | 8,069 |
| Total | $303,657 | $46,810 | $150,817 | $197,627 |

| | December 31, 2010 | | | |
|---|---|---|---|---|
| | Recorded Balance of Impaired Loans | Allowance for Impaired Loans and Leases | Allowance for All Other Loans and Leases | Total Allowance |
| | (In thousands) | | | |
| Commercial and industrial | $2,136 | $125 | $22,354 | $22,479 |
| Real estate | | | | |
| Consumer mortgage | 28,223 | 4,226 | 31,314 | 35,540 |
| Home equity | 851 | 41 | 7,264 | 7,305 |
| Agricultural | 4,295 | 544 | 4,453 | 4,997 |
| Commercial and industrial-owner occupied | 16,073 | 1,361 | 19,042 | 20,403 |
| Construction, acquisition and development | 184,918 | 29,195 | 29,853 | 59,048 |
| Commercial | 36,207 | 5,227 | 28,212 | 33,439 |
| Credit Cards | - | - | 4,126 | 4,126 |
| All other | 702 | - | 9,576 | 9,576 |
| Total | $273,405 | $40,719 | $156,194 | $196,913 |

Management evaluates impaired loans individually in determining the adequacy of the allowance for impaired loans.

NOTE 4 – OTHER REAL ESTATE OWNED

The following table presents the activity in other real estate owned for the periods indicated:

| | Six months ended June 30, | | Year ended December 31, |
|---|---|---|---|
| | 2011 | 2010 | 2010 |
| | (In thousands) | | |
| Balance at beginning of period | $133,412 | $59,265 | $59,265 |
| Additions to foreclosed properties | | | |
| New foreclosed properties | 59,663 | 37,105 | 129,796 |
| Reductions in foreclosed properties | | | |
| Sales | (34,663) | (24,332) | (45,217) |
| Writedowns | (7,208) | (4,478) | (10,432) |
| Balance at end of period | $151,204 | $67,560 | $133,412 |

The following table presents the other real estate owned by geographical location, segment and class at June 30, 2011:

| | Alabama and Florida Panhandle | Arkansas | Mississippi | Missouri | Greater Memphis Area | Northeast Tennessee | Texas and Louisiana | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (In thousands) | | | | |
| Commercial and industrial | $439 | $18 | $ - | $- | $946 | $ - | $ - | $- | $1,403 |
| Real estate | | | | | | | | | |
| Consumer mortgages | 3,985 | 327 | 3,391 | 762 | 6,078 | 2,642 | 1,120 | 1,649 | 19,954 |
| Home equity | - | 58 | 291 | - | - | 368 | - | - | 717 |
| Agricultural | 950 | 87 | 2,081 | - | 1,551 | - | - | - | 4,669 |
| Commercial and industrial-owner occupied | 930 | 109 | 1,740 | 79 | 3,515 | 446 | 228 | 292 | 7,339 |
| Construction, acquisition and development | 9,334 | 2,231 | 26,052 | 2,952 | 49,562 | 14,931 | 2,669 | 621 | 108,352 |
| Commercial | 2,757 | 1,725 | 1,112 | 451 | 1,215 | 203 | 584 | - | 8,047 |
| All other | 172 | 44 | 312 | 195 | - | - | - | - | 723 |
| Total | $18,567 | $4,599 | $ 34,979 | $4,439 | $62,867 | $ 18,590 | $4,601 | $2,562 | $151,204 |

The Company incurred total foreclosed property expenses of $3.8 million for each of the three months ended June 30, 2011 and 2010. Realized net losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, were $2.1 million and $3.2 million for the three months ended June 30, 2011 and 2010, respectively. The Company incurred total foreclosed property expenses of $10.8 million and $7.4 million for the six months ended June 30, 2011 and 2010, respectively. Realized net losses on dispositions and holding losses on valuations of these properties, a component of total foreclosed property expenses, were $7.6 million and $5.9 million for the six months ended June 30, 2011 and 2010, respectively.

NOTE 5 – SECURITIES

During the second quarter of 2011, the Company determined that it no longer had the intent to hold until maturity all securities that were previously classified as held-to-maturity. As a result of this determination, all securities were classified as available-for-sale and recorded at fair value as of June 30, 2011. The Company reclassed held-to-maturity securities with amortized cost of $1.6 billion and fair value of $1.7 billion to available-for-sale resulting in an increase in other comprehensive income of $19.7 million during the second quarter of 2011. Amortized cost and estimated fair values of held-to-maturity securities as of December 31, 2010 follow:

| | December 31, 2010 | | |
|---|---|---|---|
| Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |

| | (In thousands) | | | |
|---|---|---|---|---|
| U.S. Government agencies | $1,246,649 | $27,082 | $4,320 | $1,269,411 |
| Obligations of states and political subdivisions | 366,370 | 4,286 | 7,376 | 363,280 |
| Total | $1,613,019 | $31,368 | $11,696 | $1,632,691 |

Gross gains of approximately $37,000 and no gross losses were recognized on held-to-maturity securities during the first six months of 2011 prior to the reclassification of held-to-maturity securities to available-for-sale securities. Gross gains of approximately $45,000 and no gross losses were recognized during the first six months of 2010. These gains and losses were a result of held-to-maturity securities being called prior to maturity.

A comparison of amortized cost and estimated fair values of available-for-sale securities as of June 30, 2011 and December 31, 2010 follows:

| | June 30, 2011 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| | (In thousands) | | | |
| U.S. Government agencies | $1,565,900 | $33,475 | $144 | $1,599,231 |
| Government agency issued residential mortgage-backed securities | 425,416 | 6,847 | 1,861 | 430,402 |
| Government agency issued commercial mortgage-backed securities | 30,420 | 1,325 | 118 | 31,627 |
| Obligations of states and political subdivisions | 472,860 | 14,727 | 934 | 486,653 |
| Other | 12,161 | 750 | - | 12,911 |
| Total | $2,506,757 | $57,124 | $3,057 | $2,560,824 |

| | December 31, 2010 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| | (In thousands) | | | |
| U.S. Government agencies | $416,005 | $17,153 | $- | $433,158 |
| Government agency issued residential mortgage-backed securities | 498,874 | 5,954 | 1,599 | 503,229 |
| Government agency issued commercial mortgage-backed securities | 29,582 | 676 | 264 | 29,994 |
| Obligations of states and political subdivisions | 110,946 | 965 | 1,746 | 110,165 |
| Other | 18,943 | 573 | - | 19,516 |
| Total | $1,074,350 | $25,321 | $3,609 | $1,096,062 |

Gross gains of $10.3 million and gross losses of approximately $260,000 were recognized on available-for-sale securities during the first six months of 2011, while gross gains of $2.0 million and gross losses of $1.3 million were recognized during the first six months of 2010.

The amortized cost and estimated fair value of available-for-sale securities at June 30, 2011 by contractual maturity are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Equity securities are considered as maturing after ten years.

| | June 30, 2011 | | | |
|---|---|---|---|---|
| | Amortized Cost | Estimated Fair Value | Weighted Average Yield | |
| | (Dollars in thousands) | | | |
| Maturing in one year or less | $330,416 | $337,666 | 5.09 | % |
| Maturing after one year through five years | 1,443,567 | 1,468,183 | 2.00 | |
| Maturing after five years through ten years | 266,506 | 273,532 | 3.48 | |
| Maturing after ten years | 466,268 | 481,443 | 5.61 | |

| | | |
|---|---|---|
| Total | $2,506,757 | $2,560,824 |

The following tables summarize information pertaining to temporarily impaired available-for-sale securities with continuous unrealized loss positions at June 30, 2011 and December 31, 2010:

| | June 30, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Continuous Unrealized Loss Position | | | | | |
| | Less Than 12 Months | | 12 Months or Longer | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| | (In thousands) | | | | | |
| Available-for-sale securities: | | | | | | |
| U.S. Government agencies | $79,782 | $(144) | $- | $- | $79,782 | $(144) |
| Government agency issued residential mortgage-backed securities | 140,877 | (1,861) | - | - | 140,877 | (1,861) |
| Government agency issued commercial mortgage-backed securities | 2,097 | (35) | 3,963 | (83) | 6,060 | (118) |
| Obligations of states and political subdivisions | 35,576 | (814) | 1,248 | (120) | 36,824 | (934) |
| Other | - | - | - | - | - | - |
| Total | $258,332 | $(2,854) | $5,211 | $(203) | $263,543 | $(3,057) |

| | December 31, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Continuous Unrealized Loss Position | | | | | |
| | Less Than 12 Months | | 12 Months or Longer | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| | (In thousands) | | | | | |
| Held-to-maturity securities: | | | | | | |
| U.S. Government agencies | $- | $- | $- | $- | $- | $- |
| Obligations of states and political subdivisions | 20,322 | 332 | 9,327 | 338 | 29,649 | 670 |
| Total | $20,322 | $332 | $9,327 | $338 | $29,649 | $670 |
| | | | | | | |
| Available-for-sale securities: | | | | | | |
| U.S. Government agencies | $48,881 | $207 | $- | $- | $48,881 | $207 |
| Government agency issued residential mortgage-backed securities | 6,320 | 122 | - | - | 6,320 | 122 |
| Government agency issued commercial mortgage-backed securities | 1,384 | 19 | 2,598 | 66 | 3,982 | 85 |
| Obligations of states and political subdivisions | 36,704 | 297 | 2,459 | 205 | 39,163 | 502 |
| Collateralized debt obligations | - | - | 5 | 1 | 5 | 1 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other | - | - | - | - | - | - |
| Total | $93,289 | $645 | $5,062 | $272 | $98,351 | $917 |

Based upon a review of the credit quality of these securities, and considering that the issuers were in compliance with the terms of the securities, management had no intent to sell these securities, and it was more likely than not that the Company would not be required to sell the securities prior to recovery of costs. Therefore, the impairments related to these securities were determined to be temporary. No other-than-temporary impairment has been recorded during 2011.

NOTE 6 – PER SHARE DATA

The computation of basic earnings per share ("EPS") is based on the weighted average number of shares of common stock outstanding. The computation of diluted earnings per share is based on the weighted average number of shares of common stock outstanding plus the shares resulting from the assumed exercise of all outstanding share-based awards using the treasury stock method. Weighted-average antidilutive stock options for 3.0 million shares of Company common stock for both the three months and six months ended June 30, 2011, with a weighted average exercise price of $21.03 and $21.01 per share for the three months and six months ended June 30, 2011, respectively, were excluded from diluted shares. Because of the net loss attributable to common shareholders for the three and six months ended June 30, 2010, no potentially dilutive shares were included in the loss per share calculations as including such shares would have been antidilutive. Weighted-average antidilutive stock options for 2.6 million and 2.7 million shares of Company common stock with a weighted average exercise price of $22.39 and $22.36 per share for the three months and six months ended June 30, 2010, respectively, were excluded from diluted shares. There were no antidilutive other equity awards for the three months and six months ended June 30, 2011. Antidilutive other equity awards of approximately 99,000 and 270,000 shares of Company common stock for the three months and six months ended June 30, 2010 were also excluded from diluted shares. The following tables provide a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the periods shown:

| | Three months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Income (Numerator) | Shares (Denominator) | Per Share Amount | Income (Numerator) | Shares (Denominator) | Per Share Amount |
| | (In thousands, except per share amounts) | | | | | |
| Basic EPS | | | | | | |
| Income (loss) available to common shareholders | $12,826 | 83,454 | $0.15 | $(12,560) | 83,429 | $(0.15) |
| Effect of dilutive share-based awards | - | 60 | | - | - | |
| Diluted EPS | | | | | | |
| Income (loss) available to common shareholders plus assumed exercise of all outstanding share-based awards | $12,826 | 83,514 | $0.15 | $(12,560) | 83,429 | $(0.15) |

| | Six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Income (Numerator) | Shares (Denominator) | Per Share Amount | Income (Numerator) | Shares (Denominator) | Per Share Amount |
| | (In thousands, except per share amounts) | | | | | |
| Basic EPS | | | | | | |
| Income (loss) available to common shareholders | $12,332 | 83,451 | $0.15 | $(4,164) | 83,416 | $(0.05) |
| Effect of dilutive share-based awards | - | 59 | | - | - | |
| Diluted EPS | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Income (loss) available to common shareholders plus assumed exercise of all outstanding share-based awards | $12,332 | 83,510 | $0.15 | $(4,164) | 83,416 | $(0.05) |

NOTE 7 – COMPREHENSIVE INCOME

The following tables present the components of other comprehensive income and the related tax effects allocated to each component for the periods indicated:

| | Three months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Before tax amount | Tax (expense) benefit | Net of tax amount | Before tax amount | Tax (expense) benefit | Net of tax amount |
| | (In thousands) | | | | | |
| Net unrealized gains on available-for-sale securities: | | | | | | |
| Unrealized gains (losses) arising during holding period | $46,461 | $(17,781) | $28,680 | $7,889 | $(3,015) | $4,874 |
| Less: Reclassification adjustment for net (gains) losses realized in net income | (10,045) | 3,842 | (6,203) | 585 | (224) | 361 |
| Recognized employee benefit plan net periodic benefit cost | 633 | (242) | 391 | 652 | (250) | 402 |
| Other comprehensive income (loss) | $37,049 | $(14,181) | $22,868 | $9,126 | $(3,489) | $5,637 |
| Net income (loss) | | | 12,826 | | | (12,560) |
| Comprehensive income (loss) | | | $35,694 | | | $(6,923) |

| | Six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Before tax amount | Tax (expense) benefit | Net of tax amount | Before tax amount | Tax (expense) benefit | Net of tax amount |
| | (In thousands) | | | | | |
| Net unrealized gains on available-for-sale securities: | | | | | | |
| Unrealized gains (losses) arising during holding period | $42,417 | $(16,244) | $26,173 | $4,931 | $(1,884) | $3,047 |
| Less: Reclassification adjustment for net (gains) losses realized in net income | (10,062) | 3,849 | (6,213) | (712) | 272 | (440) |
| Recognized employee benefit plan net periodic benefit cost | 1,266 | (484) | 782 | 1,286 | (492) | 794 |
| Other comprehensive income | $33,621 | $(12,879) | $20,742 | $5,505 | $(2,104) | $3,401 |
| Net income | | | 12,332 | | | (4,164) |
| Comprehensive income | | | $33,074 | | | $(763) |

Included with unrealized gains (losses) arising during holding period is an increase in other comprehensive income related to the transfer of held-to-maturity securities to the available-for-sale category.

NOTE 8 – GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amounts of goodwill by operating segment for the six months ended June 30, 2011 were as follows:

| | Community Banking (In thousands) | Insurance Agencies | Total |
|---|---|---|---|
| Balance as of December 31, 2010 | $217,618 | $52,479 | $270,097 |
| Goodwill recorded during the period | - | 1,200 | 1,200 |
| Balance as of June 30, 2011 | $217,618 | $53,679 | $271,297 |

The goodwill recorded in the insurance agency segment during the first six months of 2011 was related to an earn-out payment associated with an insurance agency acquired during the first quarter of 2008.

The Company's policy is to assess goodwill for impairment at the reporting segment level on an annual basis or sooner if an event occurs or circumstances change which indicate that the fair value of a reporting unit is below its carrying amount. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Accounting standards require management to estimate the fair value of each reporting segment in assessing impairment at least annually. The Company's annual assessment date is during the Company's fourth quarter. The Company performed a complete goodwill impairment analysis for all of its reporting segments during the second quarter of 2011 because volatile market conditions caused the Company's market value to fall below book value. Based on this analysis, no goodwill impairment was recorded during the six months ended June 30, 2011 because the estimated fair value of each of the Company's reporting segments exceeded its respective carrying values by more than 15%.

In the current environment, forecasting cash flows, credit losses and growth in addition to valuing the Company's assets with any degree of assurance is very difficult and subject to significant changes over very short periods of time. Management will continue to update its analysis as circumstances change. If market conditions continue to be volatile and unpredictable, impairment of goodwill related to the Company's reporting segments may be necessary in future periods.

The following tables present information regarding the components of the Company's identifiable intangible assets for the dates and periods indicated:

| | As of June 30, 2011 | | As of December 31, 2010 | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Amortized intangible assets: | (In thousands) | | | |
| Core deposit intangibles | $27,801 | $ 20,231 | $27,801 | $ 19,716 |
| Customer relationship intangibles | 32,749 | 22,814 | 32,511 | 21,661 |
| Non-solicitation intangibles | 75 | 19 | - | - |
| Total | $60,625 | $ 43,064 | $60,312 | $ 41,377 |
| | | | | |
| Unamortized intangible assets: | | | | |
| Trade names | $688 | $ - | $688 | $ - |

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Aggregate amortization expense for: | (In thousands) | | | |
| Core deposit intangibles | $248 | $323 | $515 | $662 |
| Customer relationship intangibles | 575 | 661 | 1,153 | 1,337 |
| Non-solicitation intangibles | 9 | - | 19 | - |
| Total | $832 | $984 | $1,687 | $1,999 |

The following table presents information regarding estimated amortization expense on the Company's amortizable identifiable intangible assets for the year ending December 31, 2011 and the succeeding four years:

| Estimated Amortization Expense: | Core Deposit Intangibles | Customer Relationship Intangibles | Non-Solicitation Intangibles | Total |
|---|---|---|---|---|
| | | (In thousands) | | |
| For year ending December 31, 2011 | $1,016 | $2,223 | $38 | $3,277 |
| For year ending December 31, 2012 | 946 | 1,905 | 37 | 2,888 |
| For year ending December 31, 2013 | 582 | 1,632 | - | 2,214 |
| For year ending December 31, 2014 | 526 | 1,398 | - | 1,924 |
| For year ending December 31, 2015 | 157 | 1,136 | - | 1,293 |

NOTE 9 – PENSION BENEFITS

The following table presents the components of net periodic benefit costs for the periods indicated:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | | | (In thousands) | |
| Service cost | $2,082 | $1,921 | $4,164 | $3,724 |
| Interest cost | 2,028 | 1,931 | 4,056 | 3,838 |
| Expected return on assets | (3,713) | (3,529) | (7,426) | (7,016) |
| Amortization of unrecognized transition amount | 5 | 3 | 10 | 8 |
| Recognized prior service cost | 50 | 85 | 100 | 170 |
| Recognized net loss | 578 | 564 | 1,156 | 1,108 |
| Net periodic benefit costs | $1,030 | $975 | $2,060 | $1,832 |

NOTE 10 – RECENT PRONOUNCEMENTS

In January 2010, the FASB issued an accounting standards update ("ASU") regarding fair value measurements and disclosures. This ASU revises two disclosure requirements concerning fair value measurements and clarifies two others. The ASU requires expanded disclosures related to significant transfers in and out of Level 1 and Level 2 fair value measurement and the reasons for the transfers, as well as the clarifications of existing disclosures and was effective for interim or annual reporting periods beginning after December 15, 2009. The new disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for interim or annual reporting periods beginning after December 15, 2010. This ASU impacts disclosures only and is included in Note 14 below. The new ASU did not have an impact on the financial position or results of operations of the Company.

In July 2010, the FASB issued a new accounting standard regarding disclosures about the credit quality of financing receivables and the allowance for credit losses. This new accounting standard amends existing accounting literature regarding disclosures about the credit quality of financing receivables and the allowance for credit losses to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses. This new accounting standard is effective for fiscal years and interim reporting periods ending on or after December 15, 2010. This new accounting standard regarding disclosures about the credit quality of financing receivables and the allowance for credit losses impacts disclosures only and is included

in Notes 2 and 3 above. The new accounting standard did not have an impact on the financial position or results of operations of the Company.

In April 2011, the FASB issued an ASU regarding a creditor's determination of whether a restructuring should be considered a TDR. This ASU provides additional guidance related to determining whether a creditor has granted a concession, including factors and examples for creditors to consider in evaluating whether a restructuring results in a delay in payment that is insignificant. The ASU also prohibits creditors from using the borrower's effective rate test to evaluate whether a concession has been granted to the borrower and adds factors for creditors

to use in determining whether a borrower is experiencing financial difficulties. The ASU ends the deferral of activity-based disclosures about TDRs that are part of the new credit-quality disclosure requirements. The ASU is effective for interim and annual periods beginning on or after June 15, 2011. The Company is currently assessing the impact of the adoption of this ASU on the financial position and results of operations of the Company.

In April 2011, the FASB issued an ASU regarding reconsideration of effective control for repurchase agreements. This ASU removes from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. Other criteria applicable to the assessment of effective control are not changed by this ASU. The ASU is effective for the first interim or annual period beginning on or after December 15, 2011 and should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. The new ASU is not expected to have a material impact on the financial position and results of operations of the Company.

In May 2011, the FASB issued an ASU regarding amendments to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"). This ASU provides amendments to ensure that fair value has the same meaning in U.S. GAAP and IFRS and that their respective fair value measurements and disclosure requirements are the same. The ASU is effective during interim and annual periods beginning after December 15, 2011 and should be applied prospectively. Early adoption is not permitted. The Company is currently assessing the impact on this new ASU on the financial position and results of operations of the Company.

In June 2011, the FASB issued an ASU regarding the presentation of comprehensive income. This ASU amends existing guidance and eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareholder's equity. The ASU requires that comprehensive income be presented in either a single continuous statement of in two separate but consecutive statements. The ASU is effective for interim and annual periods beginning on or after December 15, 2011. The adoption of this ASU is expected to change the manner in which the Company's other comprehensive income is disclosed and will have no impact on the financial position and results of operations of the Company.

NOTE 11 - SEGMENT REPORTING

The Company is a financial holding company with subsidiaries engaged in the business of banking and activities closely related to banking. The Company determines reportable segments based upon the services offered, the significance of those services to the Company's financial condition and operating results and management's regular review of the operating results of those services. The Company's primary segment is Community Banking, which includes providing a full range of deposit products, commercial loans and consumer loans. The Company has also designated two additional reportable segments -- Insurance Agencies and General Corporate and Other. The Company's insurance agencies serve as agents in the sale of title insurance, commercial lines of insurance and full lines of property and casualty, life, health and employee benefits products and services. The General Corporate and Other operating segment includes leasing, mortgage lending, trust services, credit card activities, investment services and other activities not allocated to the Community Banking or Insurance Agencies operating segments.

Results of operations and selected financial information by operating segment for the three-month and six-month periods ended June 30, 2011 and 2010 were as follows:

| | Community Banking | Insurance Agencies | General Corporate and Other | Total |
|---|---|---|---|---|
| | (In thousands) | | | |
| Three months ended June 30, 2011: | | | | |
| Results of Operations | | | | |
| Net interest revenue | $ 102,880 | $ 84 | $ 6,948 | $ 109,912 |
| Provision for credit losses | 32,534 | - | (294) | 32,240 |
| Net interest revenue after provision for credit losses | 70,346 | 84 | 7,242 | 77,672 |
| Noninterest revenue | 40,913 | 22,890 | 11,341 | 75,144 |
| Noninterest expense | 91,936 | 19,011 | 26,122 | 137,069 |
| Income (loss) before income taxes | 19,323 | 3,963 | (7,539) | 15,747 |
| Income tax expense (benefit) | 4,063 | 1,576 | (2,718) | 2,921 |
| Net income (loss) | $ 15,260 | $ 2,387 | $ (4,821) | $ 12,826 |
| Selected Financial Information | | | | |
| Total assets at end of period | $ 10,483,137 | $ 171,122 | $ 2,712,791 | $ 13,367,050 |
| Depreciation and amortization | 6,107 | 972 | 1,069 | 8,148 |
| | | | | |
| Three months ended June 30, 2010: | | | | |
| Results of Operations | | | | |
| Net interest revenue | $ 99,271 | $ 146 | $ 9,912 | $ 109,329 |
| Provision for credit losses | 58,789 | - | 3,565 | 62,354 |
| Net interest revenue after provision for credit losses | 40,482 | 146 | 6,347 | 46,975 |
| Noninterest revenue | 27,474 | 21,625 | 7,987 | 57,086 |
| Noninterest expense | 77,975 | 18,074 | 23,967 | 120,016 |
| (Loss) income before income taxes | (10,019) | 3,697 | (9,633) | (15,955) |
| Income tax (benefit) expense | (2,132) | 1,457 | (2,720) | (3,395) |
| Net (loss) income | $ (7,887) | $ 2,240 | $ (6,913) | $ (12,560) |
| Selected Financial Information | | | | |
| Total assets at end of period | $ 10,956,724 | $ 173,210 | $ 2,291,070 | $ 13,421,004 |
| Depreciation and amortization | 6,678 | 1,104 | 564 | 8,346 |

| | Community Banking | Insurance Agencies | General Corporate and Other | Total |
|---|---|---|---|---|
| | (In thousands) | | | |
| Six months ended June 30, 2011: | | | | |
| Results of Operations | | | | |
| Net interest revenue | $205,543 | $ 179 | $ 13,627 | $ 219,349 |
| Provision for credit losses | 85,775 | - | (56) | 85,719 |
| Net interest revenue after provision for credit losses | 119,768 | 179 | 13,683 | 133,630 |
| Noninterest revenue | 68,905 | 45,427 | 29,123 | 143,455 |
| Noninterest expense | 174,654 | 37,063 | 55,362 | 267,079 |
| Income (loss) before income taxes | 14,019 | 8,543 | (12,556) | 10,006 |
| Income tax expense (benefit) | 1,962 | 3,401 | (7,689) | (2,326) |
| Net income (loss) | $12,057 | $ 5,142 | $ (4,867) | $ 12,332 |
| Selected Financial Information | | | | |
| Total assets at end of period | $10,483,137 | $ 171,122 | $ 2,712,791 | $ 13,367,050 |
| Depreciation and amortization | 12,381 | 1,946 | 2,149 | 16,476 |
| | | | | |
| Six months ended June 30, 2010: | | | | |
| Results of Operations | | | | |
| Net interest revenue | $200,611 | $ 294 | $ 20,306 | $ 221,211 |
| Provision for credit losses | 100,738 | - | 5,135 | 105,873 |
| Net interest revenue after provision for credit losses | 99,873 | 294 | 15,171 | 115,338 |
| Noninterest revenue | 53,766 | 43,359 | 23,293 | 120,418 |
| Noninterest expense | 155,585 | 35,477 | 49,437 | 240,499 |
| (Loss) income before income taxes | (1,946) | 8,176 | (10,973) | (4,743) |
| Income tax (benefit) expense | (238) | 3,239 | (3,580) | (579) |
| Net (loss) income | $(1,708) | $ 4,937 | $ (7,393) | $ (4,164) |
| Selected Financial Information | | | | |
| Total assets at end of period | $10,956,724 | $ 173,210 | $ 2,291,070 | $ 13,421,004 |
| Depreciation and amortization | 13,634 | 2,164 | 1,106 | 16,904 |

The increased net income of the Community Banking operating segment for the three months and six months ended June 30, 2011 was primarily related to the decrease in the provision for credit losses.

NOTE 12 – MORTGAGE SERVICING RIGHTS

Mortgage servicing rights (“MSRs”), which are recognized as a separate asset on the date the corresponding mortgage loan is sold, are recorded at fair value as determined at each accounting period end. An estimate of the fair value of the Company’s MSRs is determined utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. Data and assumptions used in the fair value calculation related to MSRs as of the dates indicated were as follows:

| | June 30, | | December 31, |
|---|---|---|---|
| | 2011 | 2010 | 2010 |
| | (Dollars in thousands) | | |

| | | | |
|---|---|---|---|
| Unpaid principal balance | $4,026,851 | $3,552,221 | $3,870,872 |
| Weighted-average prepayment speed (CPR) | 15.4 | 21.1 | 15.6 |
| Discount rate (annual percentage) | 10.3 | 10.3 | 10.3 |
| Weighted-average coupon interest rate (percentage) | 5.2 | 5.5 | 5.2 |
| Weighted-average remaining maturity (months) | 315.0 | 321.0 | 315.0 |
| Weighted-average servicing fee (basis points) | 28.2 | 28.8 | 28.4 |

Because the valuation is determined by using discounted cash flow models, the primary risk inherent in valuing the MSRs is the impact of fluctuating interest rates on the estimated life of the servicing revenue stream. The use of different estimates or assumptions could also produce different fair values. The Company does not

hedge the change in fair value of MSRs and, therefore, the Company is susceptible to significant fluctuations in the fair value of its MSRs in changing interest rate environments.

The Company has only one class of mortgage servicing asset comprised of closed end loans for one-to-four family residences, secured by first liens. The following table presents the activity in this class for the periods indicated:

| | 2011 | 2010 |
|---|---|---|
| | (In thousands) | |
| Fair value as of January 1 | $38,642 | $35,560 |
| Additions: | | |
| Origination of servicing assets | 4,811 | 4,859 |
| Changes in fair value: | | |
| Due to payoffs/paydowns | (2,690) | (2,736) |
| Due to change in valuation inputs or assumptions used in the valuation model | (1,299) | (8,315) |
| Other changes in fair value | (9) | (5) |
| Fair value as of June 30 | $39,455 | $29,363 |

All of the changes to the fair value of the MSRs are recorded as part of mortgage lending noninterest revenue on the income statement. As part of mortgage lending noninterest revenue, the Company recorded contractual servicing fees of $2.9 million and $2.6 million and late and other ancillary fees of approximately $311,000 and $333,000 for the three months ended June 30, 2011 and 2010, respectively. The Company recorded contractual servicing fees of $5.7 million and $5.1 million and late and other ancillary fees of approximately $632,000 and $684,000 for the six months ended June 30, 2011 and 2010, respectively.

NOTE 13 – DERIVATIVE INSTRUMENTS

The derivatives held by the Company include commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual fixed-rate mortgage loans. The Company's objective in obtaining the forward commitments is to mitigate the interest rate risk associated with the commitments to fund the fixed-rate mortgage loans. Both the commitments to fund fixed-rate mortgage loans and the forward commitments to sell individual fixed-rate mortgage loans are reported at fair value, with adjustments being recorded in current period earnings, and are not accounted for as hedges. At June 30, 2011, the notional amount of forward commitments to sell individual fixed-rate mortgage loans was $131.1 million with a carrying value and fair value reflecting a loss of approximately $149,000. At June 30, 2010, the notional amount of forward commitments to sell individual fixed-rate mortgage loans was $158.4 million with a carrying value and fair value reflecting a loss of $1.8 million. At June 30, 2011, the notional amount of commitments to fund individual fixed-rate mortgage loans was $83.6 million with a carrying value and fair value reflecting a gain of approximately $990,000. At June 30, 2010, the notional amount of commitments to fund individual fixed-rate mortgage loans was $127.8 million with a carrying value and fair value reflecting a gain of $2.2 million.

The Company also enters into derivative financial instruments in the form of interest rate swaps to meet the financing, interest rate and equity risk management needs of its customers. Upon entering into these interest rate swaps to meet customer needs, the Company enters into offsetting positions to minimize interest rate and equity risk to the Company. These derivative financial instruments are reported at fair value with any resulting gain or loss recorded in current period earnings. These instruments and their offsetting positions are recorded in other assets and other liabilities on the consolidated balance sheets. As of June 30, 2011, the notional amount of customer related derivative financial instruments was $504.3 million with an average maturity of 68 months, an average interest receive rate of 2.5% and an average interest pay rate of 6.0%.

NOTE 14 – FAIR VALUE DISCLOSURES

"Fair value" is defined by FASB ASC 820, Fair Value Measurements and Disclosure ("FASB ASC 820"), as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a fair value hierarchy that prioritizes the

inputs to valuation techniques used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Determination of Fair Value

The Company uses the valuation methodologies listed below to measure different financial instruments at fair value. An indication of the level in the fair value hierarchy in which each instrument is generally classified is included. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

Available-for-sale securities. Available-for-sale securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. The Company's available-for-sale securities that are traded on an active exchange, such as the New York Stock Exchange, are classified as Level 1. Available-for-sale securities valued using matrix pricing are classified as Level 2. Available-for-sale securities valued using matrix pricing that has been adjusted to compensate for the present value of expected cash flows, market liquidity, credit quality and volatility are classified as Level 3.

Mortgage servicing rights. The Company records MSRs at fair value on a recurring basis with subsequent remeasurement of MSRs based on change in fair value. An estimate of the fair value of the Company's MSRs is determined by utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. All of the Company's MSRs are classified as Level 3.

Derivative instruments. The Company's derivative instruments consist of commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual fixed-rate mortgage loans. Fair value of these derivative instruments is measured on a recurring basis using recent observable market prices. The Company also enters into interest rate swaps to meet the financing, interest rate and equity risk management needs of its customers. The fair value of these instruments is either an observable market price or a discounted cash flow valuation using the terms of swap agreements but substituting original interest rates with prevailing interest rates. The Company's interest rate swaps, commitments to fund fixed-rate mortgage loans to customers and forward commitments to sell individual fixed-rate mortgage loans are classified as Level 3.

Loans held for sale. Loans held for sale are carried at the lower of cost or estimated fair value and are subject to nonrecurring fair value adjustments. Estimated fair value is determined on the basis of existing commitments or the

current market value of similar loans. All of the Company's loans held for sale are classified as Level 2.

Impaired loans. Loans considered impaired under FASB ASC 310 are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the

contractual terms of the loan agreement. Impaired loans are subject to nonrecurring fair value adjustments to reflect (1) partial write-downs that are based on the observable market price or current appraised value of the collateral, or (2) the full charge-off of the loan carrying value. All of the Company's impaired loans are classified as Level 3.

Other real estate owned. Other real estate owned ("OREO") is carried at the lower of cost or estimated fair value, less estimated selling costs and is subject to nonrecurring fair value adjustments. Estimated fair value is determined on the basis of independent appraisals and other relevant factors. All of the Company's OREO is classified as Level 3.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis as of June 30, 2011 and 2010:

| | June 30, 2011 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (In thousands) | | | |
| Assets: | | | | |
| Available-for-sale securities: | | | | |
| U.S. Government agencies | $- | $1,599,231 | $- | $1,599,231 |
| Government agency issued residential mortgage-backed securities | - | 430,402 | - | 430,402 |
| Government agency issued commercial mortgage-backed securities | - | 31,627 | - | 31,627 |
| Obligations of states and political subdivisions | - | 486,653 | - | 486,653 |
| Other | 703 | 12,208 | - | 12,911 |
| Mortgage servicing rights | - | - | 39,455 | 39,455 |
| Derivative instruments | - | - | 40,338 | 40,338 |
| Total | $703 | $2,560,121 | $79,793 | $2,640,617 |
| Liabilities: | | | | |
| Derivative instruments | $- | $- | $39,931 | $39,931 |

| | June 30, 2010 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | (In thousands) | | |
| Available-for-sale securities: | | | | |
| U.S. Government agencies | $- | $492,175 | $- | $492,175 |
| Government agency issued residential mortgage-backed securities | - | 319,918 | - | 319,918 |
| Government agency issued commercial mortgage-backed securities | - | 23,703 | - | 23,703 |
| Obligations of states and political subdivisions | - | 110,244 | - | 110,244 |
| Collateralized debt obligations | | | 812 | 812 |
| Other | 437 | 15,403 | - | 15,840 |
| Mortgage servicing rights | - | - | 29,363 | 29,363 |
| Derivative instruments | - | - | 46,083 | 46,083 |
| Total | $437 | $961,443 | $76,258 | $1,038,138 |
| Liabilities: | | | | |
| Derivative instruments | $- | $- | $46,231 | $46,231 |

The following tables present the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the six-month periods ended June 30, 2011 and 2010:

| | Mortgage Servicing Rights | Derivative Instruments | Available-for-sale Securities |
|---|---|---|---|
| | | (In thousands) | |
| Balance at December 31, 2010 | $38,642 | $2,685 | $- |
| Year to date net gains (losses) included in: | | | |
| Net income | 813 | (2,278) | - |
| Other comprehensive income | - | - | - |
| Purchases, sales, issuances and settlements, net | - | - | - |
| Transfers in and/or out of Level 3 | - | - | - |
| Balance at June 30, 2011 | $39,455 | $407 | $- |
| Net unrealized gains included in net income for the quarter relating to assets and liabilities held at June 30, 2011 | $3,839 | $53 | $- |

| | Mortgage Servicing Rights | Derivative Instruments | Available-for-sale Securities |
|---|---|---|---|
| | | (In thousands) | |
| Balance at December 31, 2009 | $35,560 | $844 | $2,125 |
| Year to date net gains (losses) included in: | | | |
| Net income (loss) | (6,197) | (992) | (1,313) |
| Other comprehensive income (loss) | - | - | - |
| Purchases, sales, issuances and settlements, net | - | - | - |
| Transfers in and/or out of Level 3 | - | - | - |
| Balance at June 30, 2010 | $29,363 | $(148) | $812 |
| Net unrealized losses included in net income (loss) for the quarter relating to assets and liabilities held at June 30, 2010 | $(8,315) | $(726) | $- |

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Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The following tables present the balances of assets and liabilities measured at fair value on a nonrecurring basis as of June 30, 2011 and 2010:

| | June 30, 2011 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Total Losses |
| Assets: | | | (In thousands) | | |
| Loans held for sale | $- | $70,519 | $- | $70,519 | $- |
| Impaired loans | - | - | 303,657 | 303,657 | (46,810) |
| Other real estate owned | - | - | 151,204 | 151,204 | (12,860) |

| | June 30, 2010 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Total Losses |
| Assets: | | | (In thousands) | | |
| Loans held for sale | $- | $95,987 | $- | $95,987 | $- |
| Impaired loans | - | - | 188,291 | 188,291 | (40,721) |
| Other real estate owned | - | - | 67,560 | 67,560 | (7,148) |

Fair Value of Financial Instruments

FASB ASC 825, Financial Instruments ("FASB ASC 825"), requires that the Company disclose estimated fair values for its financial instruments. Fair value estimates, methods and assumptions are set forth below for the Company's financial instruments.

Held-to-maturity securities. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities.

Loans and Leases. Fair values are estimated for portfolios of loans and leases with similar financial characteristics. The fair value of loans and leases is calculated by discounting scheduled cash flows through the estimated maturity using rates the Company would currently offer customers based on the credit and interest rate risk inherent in the loan or lease. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market and borrower information. Estimated maturity represents the expected average cash flow period, which in some instances is different than the stated maturity. This entrance price approach results in a calculated fair value that would be different than an exit or estimated actual sales price approach and such differences could be significant.

Deposit Liabilities. Under FASB ASC 825, the fair value of deposits with no stated maturity, such as noninterest bearing demand deposits, interest bearing demand deposits and savings, is equal to the amount payable on demand as of the reporting date. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the prevailing rates offered for deposits of similar maturities.

Debt. The carrying amounts for federal funds purchased and repurchase agreements approximate fair value because of their short-term maturity. The fair value of the Company's fixed-term Federal Home Loan Bank ("FHLB") advances is based on the discounted value of contractual cash flows. The discount rate is estimated using the prevailing rates available for advances of similar maturities. The fair value of the Company's junior subordinated debt is based on market prices or dealer quotes.

Lending Commitments. The Company's lending commitments are negotiated at prevailing market rates and are relatively short-term in nature. As a matter of policy, the Company generally makes commitments for fixed-rate

loans for relatively short periods of time. Therefore, the estimated value of the Company's lending commitments approximates the carrying amount and is immaterial to the financial statements.

The following table presents carrying and fair value information at June 30, 2011 and December 31, 2010:

| | June 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Assets: | (In thousands) | | | |
| Cash and due from banks | $166,761 | $166,761 | $99,916 | $99,916 |
| Interest bearing deposits with other banks | 304,344 | 304,344 | 172,170 | 172,170 |
| Held-to-maturity securities | - | - | 1,613,019 | 1,632,691 |
| Available-for-sale securities | 2,560,824 | 2,560,824 | 1,096,062 | 1,096,062 |
| Federal funds sold and securities purchased under agreement to resell | - | - | 150,000 | 150,000 |
| Net loans and leases | 9,016,926 | 9,068,597 | 9,136,194 | 9,187,064 |
| Loans held for sale | 70,519 | 70,566 | 93,697 | 94,001 |
| | | | | |
| Liabilities: | | | | |
| Noninterest bearing deposits | 2,096,655 | 2,096,655 | 2,060,145 | 2,060,145 |
| Savings and interest bearing deposits | 5,884,546 | 5,884,546 | 5,794,552 | 5,794,552 |
| Other time deposits | 3,327,262 | 3,380,016 | 3,635,324 | 3,677,796 |
| Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings | 426,800 | 426,261 | 443,320 | 443,081 |
| Long-term debt and other borrowings | 195,386 | 199,036 | 270,392 | 286,993 |
| | | | | |
| Derivative instruments: | | | | |
| Forward commitments to sell fixed rate mortgage loans | (149) | (149) | 2,499 | 2,499 |
| Commitments to fund fixed rate mortgage loans | 990 | 990 | 639 | 639 |
| Interest rate swap position to receive | 39,149 | 39,149 | 38,347 | 38,347 |
| Interest rate swap position to pay | (39,583) | (39,583) | (38,800) | (38,800) |

NOTE 15 – OTHER NONINTEREST REVENUE AND EXPENSE

The following table details other noninterest revenue for the three months and six months ended June 30, 2011 and 2010:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (In thousands) | | | |
| Annuity fees | $1,094 | $698 | $2,390 | $1,479 |
| Brokerage commissions and fees | 1,437 | 1,419 | 3,075 | 2,736 |
| Bank-owned life insurance | 2,223 | 1,972 | 3,922 | 3,641 |
| Other miscellaneous income | 4,732 | 3,227 | 9,415 | 7,143 |

| | | | | |
|---|---|---|---|---|
| Total other noninterest income | $9,486 | $7,316 | $18,802 | $14,999 |

The following table details other noninterest expense for the three months and six months ended June 30, 2011 and 2010:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (In thousands) | | | |
| Advertising | $1,291 | $1,196 | $2,180 | $1,852 |
| Foreclosed property expense | 3,765 | 3,813 | 10,847 | 7,351 |
| Telecommunications | 2,036 | 2,494 | 4,179 | 4,694 |
| Public relations | 1,554 | 1,656 | 3,068 | 3,304 |
| Data processing | 2,365 | 1,594 | 4,666 | 3,064 |
| Computer software | 1,899 | 1,900 | 3,747 | 3,604 |
| Amortization of intangibles | 833 | 984 | 1,687 | 1,999 |
| Legal fees | 1,095 | 1,313 | 3,681 | 2,641 |
| Postage and shipping | 1,171 | 1,178 | 2,468 | 2,538 |
| Other miscellaneous expense | 18,877 | 14,933 | 36,244 | 30,446 |
| Total other noninterest expense | $34,886 | $31,061 | $72,767 | $61,493 |

NOTE 16 – COMMITMENTS AND CONTINGENT LIABILITIES

The Company and its subsidiaries are engaged in lines of business that are heavily regulated and involve a large volume of financial transactions with numerous customers through offices in nine states. Although the Company and its subsidiaries have developed policies and procedures to minimize the impact of legal noncompliance and other disputes, litigation presents an ongoing risk.

On May 12, 2010, the Company and its Chief Executive Officer, President and Chief Financial Officer were named in a purported class-action lawsuit filed in the U.S. District Court for the Middle District of Tennessee on behalf of certain purchasers of the Company's common stock. On September 17, 2010, an Executive Vice President of the Company was added as a party to the lawsuit. The amended complaint alleges that the defendants issued materially false and misleading statements regarding the Company's business and financial results. The plaintiff seeks class certification, an unspecified amount of damages and awards of costs and attorneys' fees and such other equitable relief as the Court may deem just and proper. No class has been certified and, at this stage of the lawsuit, management cannot determine the probability of an unfavorable outcome to the Company. Although it is not possible to predict the ultimate resolution or financial liability with respect to this litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company's business, consolidated financial position or results of operations.

In November 2010, the Company was informed that the Atlanta Regional Office of the Securities and Exchange Commission had issued an Order of Investigation related to the Company's delay in filing its Annual Report on Form 10-K for year ended December 31, 2009 and related matters. The Company is cooperating fully with the SEC. No claims have been made by the SEC against the Company or against any individuals affiliated with the Company. At this time, it is not possible to predict when or how the investigation will be resolved or the cost or potential liabilities associated with this matter.

On May 18, 2010, the Bank was named as a defendant in a purported class action lawsuit filed by two Arkansas customers of the Bank in the U.S. District Court for the Northern District of Florida. The suit challenges the manner in which overdraft fees were charged and the policies related to posting order of debit card and ATM transactions. The suit also makes a claim under Arkansas' consumer protection statute. The case was transferred to pending multi-district litigation in the U.S. District Court for the Southern District of Florida. No class has been certified and, at this stage of the lawsuit, management of the Company cannot determine the probability of an unfavorable outcome to the Company. Although it is not possible to predict the ultimate resolution or financial

liability with respect to this litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company's business, consolidated financial position or results of operations. However, there can be no assurance that an adverse outcome or settlement would not have a material adverse effect on the Company's consolidated results of operations for a given fiscal period.

Otherwise, the Company and its subsidiaries are defendants in various lawsuits arising out of the normal course of business, including claims against entities to which the Company is a successor as a result of business combinations. In the opinion of management, the ultimate resolution of these lawsuits should not have a material adverse effect on the Company's business, consolidated financial position or results of operations. It is possible, however, that future developments could result in an unfavorable ultimate outcome for or resolution of any one or more of the lawsuits in which the Company or its subsidiaries are defendants, which may be material to the Company's results of operations for a particular quarterly reporting period. Litigation is inherently uncertain, and management of the Company cannot make assurances that the Company will prevail in any of these actions, nor can it reasonably estimate the amount of damages that the Company might incur.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

BancorpSouth, Inc. (the "Company") is a regional financial holding company headquartered in Tupelo, Mississippi with $13.4 billion in assets at June 30, 2011. BancorpSouth Bank (the "Bank"), the Company's wholly-owned banking subsidiary, has commercial banking operations in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida and Missouri. The Bank's insurance agency subsidiary also operates an office in Illinois. The Bank and its consumer finance, credit insurance, insurance agency and brokerage subsidiaries provide commercial banking, leasing, mortgage origination and servicing, insurance, brokerage and trust services to corporate customers, local governments, individuals and other financial institutions through an extensive network of branches and offices.

Management's discussion and analysis provides a narrative discussion of the Company's financial condition and results of operations. For a complete understanding of the following discussion, you should refer to the unaudited consolidated financial statements for the three-month and six-month periods ended June 30, 2011 and 2010 and the notes to such financial statements found under "Part I, Item 1. Financial Statements" of this report. This discussion and analysis is based on reported financial information.

As a financial holding company, the financial condition and operating results of the Company are heavily influenced by economic trends nationally and in the specific markets in which the Company's subsidiaries provide financial services. Generally, during the past few years, the pressures of the national and regional economic cycle have created a difficult operating environment for the financial services industry. The Company is not immune to such pressures and the continuing economic downturn has had a negative impact on the Company and its customers in all of the markets that it serves. The impact was reflected in a decline in credit quality and increases in the Company's measures of non-performing loans and leases ("NPLs") and net charge-offs, compared to the first six months of 2010. While NPLs and net charge-offs have increased, management believes that the Company is well positioned with respect to overall credit quality as evidenced by the improvement in credit quality metrics at June 30, 2011 compared to December 31, 2010 and March 31, 2011. Management believes, however, that continued weakness in the economic environment could adversely affect the strength of the credit quality of the Company's assets overall. Therefore, management is working to improve and enhance the Company's existing processes in order to focus on early identification and resolution of any credit issues.

Most of the revenue of the Company is derived from the operation of its principal operating subsidiary, the Bank. The financial condition and operating results of the Bank are affected by the level and volatility of interest rates on loans, investment securities, deposits and other borrowed funds, and the impact of economic downturns on loan demand, collateral values and creditworthiness of existing borrowers. The financial services industry is highly competitive and heavily regulated. The Company's success depends on its ability to compete aggressively within its markets while maintaining sufficient asset quality and cost controls to generate net income.

On April 27, 2011, a series of powerful storms and tornadoes moved through the Southeast, resulting in unprecedented loss of life and property damage. Other than scattered power outages and minor wind damage, the operations of the Company were not impacted.

On June 29, 2011, the Federal Reserve released its final rule implementing the Durbin Debit Interchange Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Durbin amendment"). The final rule set a base interchange rate of $0.21 cents per transaction, plus an additional five basis points of the transaction cost for fraud charges. The Federal Reserve also approved an interim final rule that allows for an upward

adjustment of no more than $0.01 on the debit interchange fee for implementing certain fraud prevention standards. Additionally, the Federal Reserve adopted requirements that issuers include two unaffiliated networks for routing debit transactions, one that is signature-based and one that is personal identification number based. The effective date for the final and interim final rules of the Durbin Amendment is October 1, 2011. The Company estimates that debit card revenue could be reduced in 2011 by approximately $3.5 million and could be reduced in 2012 by more than $15.0 million.

The information that follows is provided to enhance comparability of financial information between periods and to provide a better understanding of the Company’s operations.

SELECTED FINANCIAL QUARTERLY DATA

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (Dollars in thousands, except per share data) | | | |
| Earnings Summary: | | | | |
| Total interest revenue | $137,235 | $146,162 | $276,063 | $294,820 |
| Total interest expense | 27,323 | 36,833 | 56,714 | 73,609 |
| Net interest income | 109,912 | 109,329 | 219,349 | 221,211 |
| Provision for credit losses | 32,240 | 62,354 | 85,719 | 105,873 |
| Noninterest income | 75,144 | 57,086 | 143,455 | 120,418 |
| Noninterest expense | 137,069 | 120,016 | 267,079 | 240,499 |
| Income (loss) before income taxes | 15,747 | (15,955) | 10,006 | (4,743) |
| Income tax (benefit) expense | 2,921 | (3,395) | (2,326) | (579) |
| Net income (loss) | $12,826 | $(12,560) | $12,332 | $(4,164) |
| Balance Sheet - Period-end balances: | | | | |
| Total assets | $13,367,050 | $13,421,004 | $13,367,050 | $13,421,004 |
| Total securities | 2,560,824 | 2,109,849 | 2,560,824 | 2,109,849 |
| Loans and leases, net of unearned income | 9,214,553 | 9,646,902 | 9,214,553 | 9,646,902 |
| Total deposits | 11,308,463 | 11,220,641 | 11,308,463 | 11,220,641 |
| Long-term debt | 35,000 | 110,749 | 35,000 | 110,749 |
| Total shareholders' equity | 1,246,703 | 1,240,259 | 1,246,703 | 1,240,259 |
| Balance Sheet-Average Balances: | | | | |
| Total assets | $13,365,560 | $13,223,506 | $13,452,183 | $13,175,605 |
| Total securities | 2,707,282 | 2,051,283 | 2,722,763 | 2,025,250 |
| Loans and leases, net of unearned income | 9,249,127 | 9,703,253 | 9,274,415 | 9,734,994 |
| Total deposits | 11,355,871 | 11,075,655 | 11,426,363 | 10,977,508 |
| Long-term debt | 89,395 | 112,731 | 99,641 | 112,747 |
| Total shareholders' equity | 1,222,281 | 1,245,786 | 1,220,851 | 1,255,543 |
| Common Share Data: | | | | |
| Basic (loss) earnings per share | $0.15 | $(0.15) | $0.15 | $(0.05) |
| Diluted (loss) earnings per share | 0.15 | (0.15) | 0.15 | (0.05) |
| Cash dividends per share | 0.01 | 0.22 | 0.12 | 0.44 |
| Book value per share | 14.93 | 14.86 | 14.93 | 14.86 |
| Dividend payout ratio | 6.67% | NM% | 80.0% | NM% |
| Financial Ratios (Annualized): | | | | |
| Return on average assets | 0.38% | (0.38)% | 0.18% | (0.06)% |
| Return on average shareholders' equity | 4.21 | (4.04) | 2.04 | (0.67) |
| Total shareholders' equity to total assets | 9.33 | 9.24 | 9.33 | 9.24 |
| Tangible shareholders' equity to tangible assets | 7.32 | 7.23 | 7.32 | 7.23 |
| Net interest margin-fully taxable equivalent | 3.71 | 3.71 | 3.70 | 3.79 |
| | | | | |
| Credit Quality Ratios (Annualized): | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net charge-offs to average loans and leases | 1.42 | % | 2.08 | % | 1.83 | % | 1.67 | % |
| Provision for credit losses to average loans and leases | 1.39 | | 2.57 | | 1.85 | | 2.18 | |
| Allowance for credit losses to net loans and leases | 2.14 | | 2.08 | | 2.14 | | 2.08 | |
| Allowance for credit losses to NPLs | 52.03 | | 66.41 | | 52.03 | | 66.41 | |
| Allowance for credit losses to non-performing assets ("NPAs") | 37.21 | | 54.28 | | 37.21 | | 54.28 | |
| NPLs to net loans and leases | 4.12 | | 3.13 | | 4.12 | | 3.13 | |
| NPAs to net loans and leases | 5.76 | | 3.83 | | 5.76 | | 3.83 | |
| | | | | | | | | |
| Captial Adequacy: | | | | | | | | |
| Tier I capital | 10.82 | % | 10.53 | % | 10.82 | % | 10.53 | % |
| Total capital | 12.08 | | 11.79 | | 12.08 | | 11.79 | |
| Tier I leverage capital | 8.22 | | 8.35 | | 8.22 | | 8.35 | |

NM=Not meaningful

In addition to financial ratios based on measures defined by accounting principles generally accepted in the United States ("U.S. GAAP"), the Company utilizes tangible shareholders' equity and tangible asset measures when evaluating the performance of the Company. Tangible shareholders' equity is defined by the Company as total shareholders' equity less goodwill and identifiable intangible assets. Tangible assets are defined by the Company as total assets less goodwill and identifiable intangible assets. Management believes the ratio of tangible shareholders' equity to tangible assets to be an important measure of financial strength of the Company. The following table reconciles tangible assets and tangible shareholders' equity as presented above to U.S. GAAP financial measures as reflected in the Company's unaudited consolidated financial statements:

| | June 30, | |
|---|---|---|
| | 2011 | 2010 |
| | (In thousands) | |
| Tangible Assets: | | |
| Total assets | $13,367,050 | $ 13,421,004 |
| Less: Goodwill | 271,297 | 270,097 |
| Other identifiable intangible assets | 18,249 | 21,534 |
| Total tangible assets | $13,077,504 | $ 13,129,373 |
| | | |
| Tangible Shareholders' Equity | | |
| Total shareholders' equity | $1,246,703 | $ 1,240,259 |
| Less: Goodwill | 271,297 | 270,097 |
| Other identifiable intangible assets | 18,249 | 21,534 |
| Total tangible shareholders' equity | $957,157 | $ 948,628 |

FINANCIAL HIGHLIGHTS

The Company reported net income of $12.8 million for the second quarter of 2011, compared to a net loss of $12.6 million for the same quarter of 2010. For the first six months of 2011, the Company reported net income of $12.3 million compared to a net loss of $4.2 million for the first six months of 2010. The provision for credit losses was the most significant factor contributing to the increase in net income, as the charge in the second quarter and first six months of 2011 was $32.2 million and $85.7 million, respectively, compared to a charge of $62.4 million and $105.9 million during the second quarter and first six months of 2010, respectively. Net charge-offs decreased to $32.9 million, or 1.42% of average loans and leases, during the second quarter of 2011, compared to $50.5 million, or 2.08% of average loans and leases, during the second quarter of 2010. For the six months ended June 30, 2011, net charge-offs increased slightly to $85.0 million or 1.83% of average loans and leases, compared to $81.2 million or 1.67% of average loans and leases for the six months ended June 30, 2010. The decrease in the provision reflected the impact of a significant decrease in NPL formation during the second quarter of 2011 as NPLs decreased from $394.4 million at December 30, 2010 and $425.0 million at March 31, 2011 to $379.8 million at June 30, 2011. However, NPLs at June 30, 2011 compared to June 30, 2010 NPLs reflected an increase of $77.6 million or 25.7%, as the length and severity of the recession, as well as the lackluster current economic environment affected a larger portion of the Company's borrowers. The impact of the economic environment continues to be evident on real estate construction, acquisition and development loans and more specifically on residential construction, acquisition and development and consumer mortgage loans. Many of these loans have become collateral-dependent, requiring recognition of an impairment loss to reflect the decline in real estate values.

The primary source of revenue for the Company is the net interest revenue earned by the Bank. Net interest revenue is the difference between interest earned on loans, investments and other earning assets and interest paid on deposits and other obligations. Net interest revenue was $109.9 million for the second quarter of 2011, an increase of $0.6 million, or 0.5% from $109.3 million for the second quarter of 2010. Net interest revenue was $219.3 million for the first six

months of 2011, a decrease of $1.9 million, or 0.8% from $221.2 million for the first six months of 2010. Net interest revenue is affected by the general level of interest rates, changes in interest rates and changes in the amount and composition of interest earning assets and interest bearing liabilities. The Company's objective is to manage those assets and liabilities to maximize net interest revenue, while balancing

interest rate, credit, liquidity and capital risks. The Company experienced an increase in lower rate demand and time deposits and a decrease in higher rate other time deposits, which resulted in a decrease in interest expense of $9.5 million, or 25.8%, in the second quarter of 2011 compared to the second quarter of 2010 and a decrease of $16.9 million, or 23.0%, in the first six months of 2011 compared to the first six months of 2010. The increase in net interest revenue for the second quarter of 2011 compared to the second quarter of 2010 was a result of interest rates paid on interest bearing liabilities, particularly interest bearing demand deposits, decreasing at a more rapid rate than the interest rates earned on interest earning assets. However, for the first six months of 2011, the decrease in interest expense was more than offset by the decrease in interest revenue that resulted from the declining interest rate environment combined with the low loan demand and increase in NPLs as interest revenue decreased $18.8 million, or 6.4%, in the first six months of 2011 compared to the first six months of 2010. While loan demand has been weak, the Company has managed to replace some loan runoff with new loan production, primarily in its east Texas, Louisiana and Arkansas markets.

The Company attempts to diversify its revenue stream by increasing the amount of revenue received from mortgage lending operations, insurance agency activities, brokerage and securities activities and other activities that generate fee income. Management believes this diversification is important to reduce the impact of fluctuations in net interest revenue on the overall operating results of the Company. Noninterest revenue increased $18.1 million, or 31.6%, for the second quarter of 2011 compared to the second quarter of 2010 and increased $23.0 million, or 19.1%, for the first six months of 2011 compared to the first six months of 2010. One of the primary contributors to the increase in noninterest revenue was the increase in securities gains, which reflected a net gain of $10.0 million in the second quarter of 2011 compared to a net loss of $0.6 million in the second quarter of 2010 and a net gain of $10.1 million for the first six months of 2011 compared to net gains of $0.7 million for the first six months of 2010. During the second quarter of 2011, the Company determined that it no longer had the intent to hold until maturity all securities that were previously classified as held-to-maturity. As a result of this determination, all securities were classified as available-for-sale and recorded at fair value at June 30, 2011.

Noninterest revenue was also impacted by mortgage lending revenue, which increased to $2.0 million for the second quarter of 2011 compared to a loss of $2.3 million for the second quarter of 2010. Mortgage lending revenue increased to $9.6 million for the first six months of 2011 compared to $2.7 million for the first six months of 2010. The increase in mortgage lending revenue was primarily related to the fair value adjustment of MSRs as the fair value of MSRs decreased $3.8 million during the second quarter of 2011 compared to a decrease of $8.3 million for the second quarter of 2010 and decreased $1.3 million for the first six months of 2011 compared to $8.3 million for the first six months of 2010. Mortgage originations decreased in the second quarter of 2011 to $245.3 million from $290.6 million for the second quarter of 2010.

Credit card, debit card and merchant fees, trust income and insurance commissions increased 9.9% in the aggregate in the second quarter of 2011 compared to the second quarter of 2010 and increased 9.5% in the aggregate during the first six months of 2011 compared to the first six months of 2010. The increase in noninterest revenue was offset slightly by a 5.5% decrease in service charges during the first quarter of 2011 compared to the first quarter of 2010, as a result of a lower volume of items processed and mandated changes in overdraft regulations. There were no significant non-recurring noninterest revenue items during the second quarter or first six months of 2011 or 2010.

Noninterest expense increased 14.2% to $137.1 million for the second quarter of 2011 compared to $120.0 million for the second quarter of 2010 and increased 11.1% to $267.1 million for the first six months of 2011 compared to $240.5 million for the first six months of 2010. The increase in noninterest expense for the second quarter and first six months of 2011 was primarily related to the $9.8 million prepayment penalty related to the early repayment of FHLB advances. While foreclosed property expense decreased approximately $48,000, or 1.3%, for the second quarter of 2011 compared to the second quarter of 2010, foreclosed property expense increased 47.6% to $10.8 million for the first six months of 2011 from $7.4 million for the first six months of 2010. The increase for the first six months of 2011 compared to the same period of 2010 was primarily as a result of the Company experiencing writedowns of other real estate owned because of the decline in property values attributable to the prevailing economic environment. Deposit insurance assessments also increased 47.5% to $6.4 million for the second quarter of 2011 from $4.4 million for the second quarter of 2010 and increased 37.7% to $11.9 million for the first six months of 2011 compared to $8.6 million for the first six months of 2010 as a result of deposit growth and a slightly higher assessment rate. The Company continues to focus attention on controlling noninterest expense. The major components of net

income are discussed in more detail in the various sections that follow.

The total shareholders' equity to total assets ratio was 9.33% and 9.24% at June 30, 2011 and June 30, 2010, respectively. Interest bearing demand deposits, noninterest bearing demand deposits and savings deposits

increased 4.5%, 10.5% and 22.7%, respectively, at June 30, 2011 compared to June 30, 2010 while higher rate other time deposits decreased 13.1% at June 30, 2011 compared to June 30, 2010. During the second quarter of 2011, the Company repaid FHLB advances totaling $75.0 million resulting in a decrease in long-term FHLB borrowings of 68.4% to $35.0 million at June 30, 2011 compared to $110.7 million at June 30, 2010.

RESULTS OF OPERATIONS

Net Interest Revenue

Net interest revenue is the difference between interest revenue earned on assets, such as loans, leases and securities, and interest expense paid on liabilities, such as deposits and borrowings, and continues to provide the Company with its principal source of revenue. Net interest revenue is affected by the general level of interest rates, changes in interest rates and changes in the amount and composition of interest earning assets and interest bearing liabilities. The Company's long-term objective is to manage interest earning assets and interest bearing liabilities to maximize net interest revenue, while balancing interest rate, credit and liquidity risk. Net interest margin is determined by dividing fully taxable equivalent net interest revenue by average earning assets. For purposes of the following discussion, revenue from tax-exempt loans and investment securities has been adjusted to a fully taxable equivalent ("FTE") basis, using an effective tax rate of 35%. The following tables present average interest earning assets, average interest bearing liabilities, net interest revenue-FTE, net interest margin-FTE and net interest rate spread for the three months and six months ended June 30, 2011 and 2010:

| | Three months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Average Balance | Interest | Yield/ Rate | Average Balance | Interest | Yield/ Rate |
| ASSETS | (Dollars in millions, yields on taxable equivalent basis) | | | | | |
| Loans and leases (net of unearned income) (1)(2) | $9,249.1 | $117.8 | 5.11 % | $9,703.3 | $125.4 | 5.18 % |
| Loans held for sale | 44.7 | 0.5 | 4.53 % | 60.1 | 0.7 | 4.84 % |
| Held-to-maturity securities: | | | | | | |
| Taxable (3) | 887.8 | 5.1 | 2.32 % | 939.0 | 9.5 | 4.05 % |
| Non-taxable (4) | 209.8 | 3.5 | 6.74 % | 218.8 | 3.7 | 6.80 % |
| Available-for-sale securities: | | | | | | |
| Taxable | 1,432.8 | 10.5 | 2.94 % | 821.1 | 8.1 | 3.92 % |
| Non-taxable (5) | 176.9 | 2.9 | 6.53 % | 72.4 | 1.3 | 7.09 % |
| Federal funds sold, securities purchased under agreement to resell and short-term investments | 226.6 | 0.2 | 0.28 % | 295.6 | 0.1 | 0.24 % |
| Total interest earning assets and revenue | 12,227.7 | 140.5 | 4.61 % | 12,110.3 | 148.8 | 4.93 % |
| Other assets | 1,350.8 | | | 1,329.5 | | |
| Less: allowance for credit losses | (213.0) | | | (216.3) | | |
| Total | $13,365.5 | | | $13,223.5 | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| Deposits: | | | | | | |
| Demand - interest bearing | $4,977.8 | $6.0 | 0.49 % | $4,635.1 | $9.7 | 0.84 % |
| Savings | 941.2 | 0.8 | 0.35 % | 770.7 | 0.9 | 0.48 % |
| Other time | 3,418.7 | 16.3 | 1.91 % | 3,814.3 | 21.5 | 2.26 % |
| Federal funds purchased, securities sold under agreement to repurchase, short-term FHLB borrowings and other short term borrowings | 425.7 | 0.2 | 0.15 % | 486.3 | 0.3 | 0.22 % |
| Junior subordinated debt securities | 160.3 | 2.9 | 7.16 % | 160.3 | 2.9 | 7.16 % |
| Long-term FHLB borrowings | 89.4 | 1.1 | 5.27 % | 112.7 | 1.5 | 5.36 % |
| Total interest bearing liabilities and expense | 10,013.1 | 27.3 | 1.09 % | 9,979.4 | 36.8 | 1.48 % |
| Demand deposits - noninterest bearing | 2,018.2 | | | 1,855.6 | | |
| Other liabilities | 112.0 | | | 142.7 | | |
| Total liabilities | 12,143.3 | | | 11,977.7 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Shareholders' equity | 1,222.2 | | | 1,245.8 | | |
| Total | $13,365.5 | | | $13,223.5 | | |
| Net interest revenue-FTE | | $113.2 | | | $112.0 | |
| Net interest margin-FTE | | 3.71 | % | | 3.71 | % |
| Net interest rate spread | | 3.51 | % | | 3.45 | % |
| Interest bearing liabilities to interest earning assets | | 81.89 | % | | 82.40 | % |

(1) Includes taxable equivalent adjustment to interest of $0.9 million and $0.8 million for the three months ended June 30, 2011 and June 30, 2010using an effective tax rate of 35%.

(2) Includes non-accrual loans.

(3) Includes taxable equivalent adjustment to interest of $0.1 million for the three months ended June 30, 2011 and 2010 using an effective tax rate of 35%.

(4) Includes taxable equivalent adjustments to interest of $1.2 million and $1.3 million for the three months ended June 30, 2011 and 2010, respectively, using an effective tax rate of 35%.

(5) Includes taxable equivalent adjustment to interest of $1.0 million and $0.4 million for the three months ended June 30, 2011 and 2010, respectively, using an effective tax rate of 35%.

| | Six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Average Balance | Interest | Yield/ Rate | Average Balance | Interest | Yield/ Rate |
| ASSETS | (Dollars in millions, yields on taxable equivalent basis) | | | | | |
| Loans and leases (net of unearned income) (1)(2) | $9,274.4 | $236.0 | 5.13 % | $9,735.0 | $253.2 | 5.24 % |
| Loans held for sale | 41.9 | 0.9 | 4.58 % | 51.6 | 1.2 | 4.82 % |
| Held-to-maturity securities: | | | | | | |
| Taxable (3) | 1,104.0 | 13.3 | 2.42 % | 895.5 | 19.0 | 4.28 % |
| Non-taxable (4) | 269.9 | 8.7 | 6.48 % | 217.0 | 7.5 | 6.97 % |
| Available-for-sale securities: | | | | | | |
| Taxable | 1,224.8 | 19.1 | 3.14 % | 840.3 | 16.4 | 3.94 % |
| Non-taxable (5) | 124.1 | 4.1 | 6.74 % | 72.4 | 2.6 | 7.13 % |
| Federal funds sold, securities purchased under agreement to resell and short-term investments | 271.7 | 0.4 | 0.31 % | 233.5 | 0.3 | 0.24 % |
| Total interest earning assets and revenue | 12,310.8 | 282.5 | 4.63 % | 12,045.3 | 300.2 | 5.03 % |
| Other assets | 1,356.9 | | | 1,335.0 | | |
| Less: allowance for credit losses | (215.5) | | | (204.7) | | |
| Total | $13,452.2 | | | $13,175.6 | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| Deposits: | | | | | | |
| Demand - interest bearing | $5,064.9 | $12.6 | 0.50 % | $4,601.7 | $19.1 | 0.84 % |
| Savings | 919.4 | 1.6 | 0.36 % | 759.6 | 1.8 | 0.48 % |
| Other time | 3,485.8 | 33.8 | 1.95 % | 3,778.3 | 43.1 | 2.30 % |
| Federal funds purchased, securities sold under agreement to repurchase, short-term FHLB borrowings and other short term borrowings | 429.7 | 0.3 | 0.16 % | 525.1 | 0.9 | 0.33 % |
| Junior subordinated debt securities | 160.3 | 5.7 | 7.19 % | 160.3 | 5.7 | 7.19 % |
| Long-term FHLB borrowings | 99.6 | 2.7 | 5.38 % | 112.8 | 3.0 | 5.42 % |
| Total interest bearing liabilities and expense | 10,159.7 | 56.7 | 1.13 % | 9,937.8 | 73.6 | 1.49 % |
| Demand deposits - noninterest bearing | 1,956.3 | | | 1,837.9 | | |
| Other liabilities | 115.3 | | | 144.4 | | |
| Total liabilities | 12,231.3 | | | 11,920.1 | | |
| Shareholders' equity | 1,220.9 | | | 1,255.5 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total | $13,452.2 | | | $13,175.6 | | |
| Net interest revenue-FTE | | $225.8 | | | $226.6 | |
| Net interest margin-FTE | | 3.70 | % | | 3.79 | % |
| Net interest rate spread | | 3.50 | % | | 3.54 | % |
| Interest bearing liabilities to interest earning assets | | 82.53 | % | | 82.50 | % |

(1) Includes taxable equivalent adjustment to interest of $1.7 million and $1.6 million for the six months ended June 30, 2010 and 2009, respectively, using an effective tax rate of 35%.

(2) Includes non-accrual loans.

(3) Includes taxable equivalent adjustments to interest of $0.2 million for the nine months ended June 30, 2011 and 2010, respectively, using an effective tax rate of 35%.

(4) Includes taxable equivalent adjustments to interest of $3.0 million and $2.6 million for the six months ended June 30, 2010 and 2009, respectively, using an effective tax rate of 35%.

(5) Includes taxable equivalent adjustment to interest of $1.5 million and $0.9 million for the six months ended June 30, 2010 and 2009, respectively, using an effective tax rate of 35%.

Net interest revenue-FTE for the three-month period ended June 30, 2011 increased $1.2 million, or 1.1% compared to the same period in 2010. Net interest revenue-FTE for the six-month period ended June 30, 2011 decreased approximately $784,000, or 0.4% compared to the same period in 2010. The increase in net interest revenue-FTE for the second quarter of 2011 compared to the same period in 2010 was primarily a result of the increase in lower rate demand deposits and the decrease in higher rate long-term FHLB borrowings, which more than offset the decrease in average rates earned on loans and securities. The slight decrease in net interest revenue-FTE for the six months ended 2011 compared to the same period in 2010 was primarily a result of the increase in NPLs during the first quarter of 2011, as well as the deposit growth, which combined with a lack of loan growth, resulted in an increase in average short-term investments that had lower average rates earned than the average rates paid on the deposit growth.

Interest revenue-FTE for the three-month period ended June 30, 2011 decreased $8.3 million, or 5.6%, compared to the same period in 2010. Interest revenue-FTE for the six-month period ended June 30, 2011 decreased $17.7 million, or 5.9% compared to the same period in 2010. The decrease in interest revenue-FTE for the second quarter of 2011 compared to the same period in 2010 was a result of the increase in lower rate securities, combined with the declining loan yields as interest rates continue to be at historically low levels resulting in a decrease in the yield on average interest-earning assets of 32 basis points for the second quarter of 2011, compared to the same period in 2010. The decrease in interest revenue-FTE for the first six months of 2011 compared to the same period in 2010 was a result of the increase in lower rate securities and short-term investments, combined with the declining loan yields resulting in a decrease in the yield on average interest-earning assets of 40 basis points for the first six months of 2011 compared to the first six months of 2010. Average interest-earning assets increased $117.4 million, or 1.0%, for the three-month period ended June 30, 2011, compared to the same period in 2010 and increased $265.5 million, or 2.2% for the six-month period ended June 30, 2011, compared to the same period in 2010. The increase in average interest earning assets for the second quarter and first six months of 2011 compared to the same period in 2010 was primarily a result of the increase in short-term investments and securities, which was attributable to continued deposit growth, combined with a decrease in net loans and leases.

Interest expense for the three-month period ended June 30, 2011 decreased $9.5 million, or 25.8%, compared to the same period in 2010. Interest expense for the six-month period ended June 30, 2011 decreased $16.9 million, or 23.0%, compared to the same period in 2010. The decrease in interest expense for the second quarter and first six months of 2011 compared to the same periods in 2010 was a result of the increase in lower cost interest bearing demand deposits combined with the decrease in other time deposit rates resulting in an overall decrease in the average rate paid of 39 basis points for the second quarter of 2011 compared to the second quarter of 2010 and an overall decrease in the average rate paid of 37 basis points for the first six months of 2011 compared to the first six months of 2010. Average interest bearing liabilities increased $33.6 million, or 0.3%, for the three-month period ended June 30, 2011 compared to the same period in 2010 and increased $221.9 million for the six-month period ended June 30, 2011 compared to the same period in 2010. The increase in average interest bearing liabilities for the second quarter and first six months of 2011 was primarily a result of the increase in lower cost interest bearing demand deposits and savings deposits, offset by a decrease in other time deposits, short-term borrowings and long-term borrowings.

Net interest margin was 3.71% for both the three months ended June 30, 2011 and 2010. Net interest margin decreased to 3.70% for the six months ended June 30, 2011 from 3.79% for the six months ended June 30, 2010. The decrease in the net interest margin for the first six months of 2011 compared to the same period in 2010 was primarily a result of the combination of increased deposits and weak loan demand resulting in higher levels of short-term investments with relatively low yields and higher levels of held-to-maturity and available-for-sale investments with lower yields than earned on the loan portfolio.

Interest Rate Sensitivity

The interest rate sensitivity gap is the difference between the maturity or repricing opportunities of interest sensitive assets and interest sensitive liabilities for a given period of time. A prime objective of the Company's asset/liability management is to maximize net interest margin while maintaining a reasonable mix of interest sensitive assets and liabilities. The following table presents the Company's interest rate sensitivity at June 30, 2011:

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| | Interest Rate Sensitivity - Maturing or Repricing Opportunities | | | |
|---|---|---|---|---|
| | 0 to 90 Days | 91 Days to One Year | Over One Year to Five Years | Over Five Years |
| | (In thousands) | | | |
| Interest earning assets: | | | | |
| Interest bearing deposits with banks | $304,344 | $- | $- | $- |
| Available-for-sale and trading securities | 162,594 | 201,320 | 1,357,245 | 839,665 |
| Loans and leases, net of unearned income | 4,491,649 | 1,725,636 | 2,714,929 | 282,339 |
| Loans held for sale | 48,663 | 315 | 1,872 | 19,669 |
| Total interest earning assets | 5,007,250 | 1,927,271 | 4,074,046 | 1,141,673 |
| Interest bearing liabilities: | | | | |
| Interest bearing demand deposits and savings | 5,884,546 | - | - | - |
| Other time deposits | 764,958 | 1,557,226 | 1,004,612 | 466 |
| Federal funds purchased and securities sold under agreement to repurchase, short-term FHLB borrowings and other short-term borrowings | 426,097 | 703 | - | - |
| Long-term FHLB borrowings and junior subordinated debt securities | - | - | 5,000 | 190,312 |
| Other | - | - | 74 | - |
| Total interest bearing liabilities | 7,075,601 | 1,557,929 | 1,009,686 | 190,778 |
| Interest rate sensitivity gap | $(2,068,351) | $369,342 | $3,064,360 | $950,895 |
| Cumulative interest sensitivity gap | $(2,068,351) | $(1,699,009) | $1,365,351 | $2,316,246 |

In the event interest rates increase after June 30, 2011, based on this interest rate sensitivity gap, the Company would likely experience decreased net interest revenue in the following one-year period, as the cost of funds would increase at a more rapid rate than interest revenue on interest-earning assets. Conversely, in the event interest rates decline after June 30, 2011, based on this interest rate sensitivity gap, it is likely that the Company would experience slightly increased net interest revenue in the following one-year period. It should be noted that the balances shown in the table above are at June 30, 2011 and may not be reflective of positions at other times during the year or in subsequent periods. Allocations to specific interest rate sensitivity periods are based on the earlier of maturity or repricing dates. The increased liability sensitivity in the 0 to 90 day category as compared to other categories was primarily a result of the Company's utilization of core deposit growth, particularly in short-term demand deposits, to repay borrowings and to fund assets during the first six months of 2011.

As of June 30, 2011, the Bank had $2.2 billion in variable rate loans with interest rates determined by a floor, or minimum rate. This portion of the loan portfolio had an average interest rate earned of 4.63%, an average maturity of 27 months and a fully-indexed interest rate of 3.79% at June 30, 2011. The fully-indexed interest rate is the interest rate that these loans would be earning without the effect of interest rate floors. While the Bank benefits from interest rate floors in the current interest rate environment, loans currently earning their floored interest rate may not experience an immediate impact on the interest rate earned should key indices rise. Key indices include, but are not limited to, the Wall Street Journal prime rate, the Bank's prime rate and the London Interbank Offering Rate. At June 30, 2011, the Company had $1.3 billion, $1.3 billion and $733.0 million in variable rate loans with interest rates tied to the Bank's prime rate, the Wall Street Journal prime rate and the London Interbank Offering Rate, respectively. The Bank's net interest margin may be negatively impacted by the timing and magnitude of a rise in key indices.

Interest Rate Risk Management

Interest rate risk refers to the potential changes in net interest income and Economic Value of Equity ("EVE") resulting from adverse movements in interest rates. EVE is defined as the net present value of the balance sheet's cash flow. EVE is calculated by discounting projected principal and interest cash flows under the current interest rate environment. The present value of asset cash flows less the present value of liability cash flows derives

the net present value of the Company's balance sheet. The Company's Asset / Liability Committee utilizes financial simulation models to measure interest rate exposure. These models are designed to simulate the cash flow and accrual characteristics of the Company's balance sheet. In addition, the models incorporate assumptions about the direction and volatility of interest rates, the slope of the yield curve, and the changing composition of the Company's balance sheet arising from both strategic plans and customer behavior. Finally, management makes assumptions regarding loan and deposit growth, pricing, and prepayment speeds.

The sensitivity analysis included below delineates the percentage change in net interest income and EVE derived from instantaneous parallel rate shifts of plus and minus 400, 300, 200 and 100 basis points. The impact of minus 400, 300, 200 and 100 basis point rate shocks as of June 30, 2011 and 2010 was not considered meaningful because of the historically low interest rate environment. Variances were calculated from the base case scenario, which reflected prevailing market rates. Management assumed all non-maturity deposits have an average life of one day for calculating EVE, which management believes is the most conservative approach.

Net Interest Income
% Variance from Base Case Scenario

| Rate Shock | June 30, 2011 | June 30, 2010 |
|---|---|---|
| +400 basis points | -15.6% | NA |
| +300 basis points | -12.2% | NA |
| +200 basis points | -9.0% | -4.9% |
| +100 basis points | -5.1% | -2.5% |
| -100 basis points | NM | NM |

Economic Value of Equity
% Variance from Base Case Scenario

| Rate Shock | June 30, 2011 | June 30, 2010 |
|---|---|---|
| +400 basis points | -3.8% | NA |
| +300 basis points | -2.9% | NA |
| +200 basis points | -2.2% | -10.8% |
| +100 basis points | -1.4% | -5.7% |
| -100 basis points | NM | NM |
| -200 basis points | NM | NM |
| -300 basis points | NM | NM |
| -400 basis points | NM | NM |

NM=not meaningful
NA=not available

In addition to instantaneous rate shocks, the Company monitors interest rate exposure through simulations of gradual interest rate changes over a 12-month time horizon. The results of these analyses are included in the following table:

Net Interest Income
% Variance from Base Case Scenario

| Rate Ramp | June 30, 2011 | June 30, 2010 |
|---|---|---|
| | -6.8% | -4.1% |

| | | |
|---|---|---|
| +200 basis points | | |
| -200 basis points | NM | NM |
| NM=not meaningful | | |

Provision for Credit Losses and Allowance for Credit Losses

In the normal course of business, the Bank assumes risks in extending credit. The Bank manages these risks through underwriting in accordance with its lending policies, loan review procedures and the diversification of its loan and lease portfolio. Although it is not possible to predict credit losses with certainty, management regularly reviews the characteristics of the loan and lease portfolio to determine its overall risk profile and quality.

The provision for credit losses is the periodic cost of providing an allowance or reserve for estimated probable losses on loans and leases. The Bank's Board of Directors has appointed a loan loss reserve valuation committee (the "Loan Loss Committee"), which bases its estimates of credit losses on three primary components: (1) estimates of inherent losses that may exist in various segments of performing loans and leases; (2) specifically identified losses in individually analyzed credits; and (3) qualitative factors that may impact the performance of the loan and lease portfolio. Factors such as financial condition of the borrower and guarantor, recent credit performance, delinquency, liquidity, cash flows, collateral type and value are used to assess credit risk. Expected loss estimates are influenced by the historical losses experienced by the Bank for loans and leases of comparable creditworthiness and structure. Specific loss assessments are performed for loans and leases of significant size and delinquency based upon the collateral protection and expected future cash flows to determine the amount of impairment under FASB ASC 310, Receivables ("FASB ASC 310"). In addition, qualitative factors such as changes in economic and business conditions, concentrations of risk, loan and lease growth, acquisitions and changes in portfolio risk resulting from regulatory changes are considered in determining the adequacy of the level of the allowance for credit losses.

Attention is paid to the quality of the loan and lease portfolio through a formal loan review process. An independent loan review department of the Bank is responsible for reviewing the credit rating and classification of individual credits and assessing trends in the portfolio, adherence to internal credit policies and procedures and other factors that may affect the overall adequacy of the allowance for credit losses. The Loan Loss Committee is responsible for ensuring that the allowance for credit losses provides coverage of both known and inherent losses. The Loan Loss Committee meets at least quarterly to determine the amount of adjustments to the allowance for credit losses. The Loan Loss Committee is composed of senior management from the Bank's loan administration and finance departments. In 2010, the Bank established a real estate risk management group and an Impairment Committee. The real estate risk management group oversees compliance with regulations and U.S. GAAP related to lending activities where real estate is the primary collateral. The Impairment Committee is responsible for evaluating loans that have been specifically identified through various channels, including examination of the Bank's watch list, past due listings, findings of the internal loan review department, loan officer assessments and loans to borrowers or industries known to be experiencing problems. For all loans identified, the responsible loan officer in conjunction with the applicable credit administrator is required to prepare an impairment analysis to be reviewed by the Impairment Committee. The Impairment Committee deems that a loan is impaired if it is probable that the Company will be unable to collect all of the contractual principal and interest on the loan. The Impairment Committee also evaluates the circumstances surrounding the loan in order to determine if the loan officer used the most appropriate method for assessing the impairment of the loan (i.e., present value of expected future cash flows, observable market price or fair value of the underlying collateral). The Impairment Committee meets on a monthly basis.

If concessions are granted to a borrower as a result of its financial difficulties, the loan is classified as a TDR and analyzed for possible impairment as part of the credit approval process. TDRs determined to be impaired are reserved in accordance with FASB ASC 310 in the same manner as impaired loans which are not TDRs. Should the borrower's financial condition, collateral protection or performance deteriorate, warranting reassessment of the loan rating or impairment, additional reserves may be required.

Loans of $200,000 or more that become 60 or more days past due are identified for review by the Impairment Committee, which decides whether an impairment exists and to what extent a specific allowance for credit loss should be made. Loans that do not meet these requirements may also be identified by management for impairment review. Loans subject to such review are evaluated as to collateral dependency, current collateral value, guarantor or other financial support and likely disposition. Each such loan is individually evaluated for impairment. The impairment evaluation of real estate loans generally focuses on the fair value of underlying collateral obtained from appraisals, as the repayment of these loans may be dependent on the liquidation of the collateral. In certain

circumstances, other information such as comparable sales data is deemed to be a more reliable indicator of fair value of the underlying collateral than the most recent appraisal. In these instances, such information is used in determining the impairment recorded for the loan. As the repayment of commercial and industrial loans is generally

dependent upon the cash flow of the borrower or guarantor support, the impairment evaluation generally focuses on the discounted future cash flows of the borrower or guarantor support, as well as the projected liquidation of any pledged collateral. The Impairment Committee reviews the results of each evaluation and approves the final impairment amounts, which are then included in the analysis of the adequacy of the allowance for credit losses in accordance with FASB ASC 310. Loans identified for impairment are placed in non-accrual status.

The Company's policy is to obtain an appraisal at the time of loan origination for real estate collateral securing a loan of $250,000 or more, consistent with regulatory guidelines. The Company's policy is to obtain an updated appraisal when certain events occur, such as the refinancing of the debt, the renewal of the debt or events that indicate potential impairment. A new appraisal is generally ordered for loans greater than $200,000 that have characteristics of potential impairment such as delinquency or other loan-specific factors identified by management, the unavailability of a current appraisal dated within the prior 12 months or the inconsistency between current appraisal assumptions and the expected disposition of the loan collateral. In order to measure impairment properly at the time that a loan is deemed to be impaired, a staff appraiser may estimate the collateral fair value based upon earlier appraisals, sales contracts, approved foreclosure bids, comparable sales, officer estimates or current market conditions until a new appraisal is received. This estimate can be used to determine the extent of the impairment on the loan. After a loan is deemed to be impaired, it is management's policy to obtain an updated appraisal on at least an annual basis. Management performs a review of the pertinent facts and circumstances of each impaired loan on a monthly basis. As of each review date, management considers whether additional impairment should be recorded based on recent activity related to the loan-specific collateral as well as other relevant comparable assets. Any adjustment to reflect further impairments, either as a result of management's periodic review or as a result of an updated appraisal, are made through recording additional loan loss provisions or charge-offs.

At June 30, 2011, impaired loans totaled $303.7 million, which was net of cumulative charge-offs of $71.1 million. Additionally, the Company had specific reserves for impaired loans of $46.8 million included in the allowance for credit losses. Impaired loans at June 30, 2011 were primarily from the Company's consumer real estate or residential construction, acquisition and development real estate portfolios. The loans were evaluated for impairment based on the fair value of the underlying collateral securing the loan. As part of the impairment review process, appraisals are used to determine the property values. The appraised values that are used are generally based on the disposition value of the property, which assumes Bank ownership of the property "as-is" and a 180-day marketing period. If a current appraisal or one with an inspection date within the past 12 months using the necessary assumptions is not available, a new third-party appraisal is ordered. In cases where an impairment exists and a current appraisal is not available at the time of review, a staff appraiser may determine an estimated value based upon earlier appraisals, the sales contract, approved foreclosure bids, comparable sales, comparable appraisals, officer estimates or current market conditions until a new appraisal is received. After a new appraisal is received, the value used in the review will be updated and any adjustments to reflect further impairments are made. Appraisals are obtained from state-certified appraisers based on certain assumptions which may include foreclosure status, bank ownership, other real estate owned marketing period of 180 days, costs to sell, construction or development status and the highest and best use of the property. A staff appraiser may make adjustments to appraisals based on sales contracts, comparable sales and other pertinent information if an appraisal does not incorporate the effect of these assumptions.

When a guarantor is relied upon as a source of repayment, it is the Company's policy to analyze the strength of the guaranty. This analysis varies based on circumstances, but may include a review of the guarantor's personal and business financial statements and credit history, a review of the guarantor's tax returns and the preparation of a cash flow analysis of the guarantor. Management will continue to update its analysis on individual guarantors as circumstances change. Because of the continued weakness in the economy, subsequent analyses may result in the identification of the inability of some guarantors to perform under the agreed upon terms.

Any loan or portion thereof which is classified as "loss" by regulatory examiners or which is determined by management to be uncollectible, because of factors such as the borrower's failure to pay interest or principal, the borrower's financial condition, economic conditions in the borrower's industry or the inadequacy of underlying collateral, is charged off.

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The following table provides an analysis of the allowance for credit losses for the periods indicated:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (Dollars in thousands) | | | |
| Balance, beginning of period | $198,333 | $188,884 | $196,913 | $176,043 |
| Loans and leases charged off: | | | | |
| Commercial and industrial | (5,556) | (5,106) | (14,365) | (7,275) |
| Real estate | | | | |
| Consumer mortgages | (1,629) | (2,993) | (4,889) | (7,591) |
| Home equity | (1,391) | (602) | (2,473) | (2,285) |
| Agricultural | (373) | (473) | (965) | (680) |
| Commercial and industrial-owner occupied | (3,228) | (3,845) | (4,944) | (6,310) |
| Construction, acquisition and development | (16,783) | (33,321) | (49,126) | (49,090) |
| Commercial | (1,597) | (2,593) | (6,111) | (4,871) |
| Credit cards | (725) | (1,363) | (1,606) | (2,523) |
| All other | (4,971) | (2,067) | (5,524) | (3,117) |
| Total loans charged off | (36,253) | (52,363) | (90,003) | (83,742) |
| Recoveries: | | | | |
| Commercial and industrial | 589 | 242 | 773 | 305 |
| Real estate | | | | |
| Consumer mortgages | 220 | 818 | 363 | 882 |
| Home equity | 46 | 43 | 91 | 95 |
| Agricultural | 45 | - | 47 | - |
| Commercial and industrial-owner occupied | 21 | 44 | 194 | 51 |
| Construction, acquisition and development | 1,493 | 211 | 2,057 | 267 |
| Commercial | 392 | 27 | 405 | 39 |
| Credit cards | 239 | 219 | 494 | 369 |
| All other | 262 | 265 | 574 | 562 |
| Total recoveries | 3,307 | 1,869 | 4,998 | 2,570 |
| Net charge-offs | (32,946) | (50,494) | (85,005) | (81,172) |
| Provision charged to operating expense | 32,240 | 62,354 | 85,719 | 105,873 |
| Balance, end of period | $197,627 | $200,744 | $197,627 | $200,744 |
| Average loans for period | $9,249,127 | $9,703,253 | $9,274,415 | $9,734,994 |
| Ratios: | | | | |
| Net charge-offs to average loans (annualized) | 1.42% | 2.08% | 1.83% | 1.67% |
| Provision for credit losses to average loans and leases, net of unearned income (annualized) | 1.39% | 2.57% | 1.85% | 2.18% |
| Allowance for credit losses to loans and leases, net of unearned income | 2.14% | 2.08% | 2.14% | 2.08% |
| Allowance for credit losses to net charge- | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| offs (annualized) | 149.96 | % | 99.39 | % | 116.24 | % | 123.65 | % |

While net charge-offs increased $3.8 million, or 4.7%, for the first six months of 2011 compared to the first six months of 2010, net charge-offs decreased $17.5 million, or 34.8%, in the second quarter of 2011 compared to the second quarter of 2010. Decreases in net charge-offs in the second quarter of 2011 resulted in a provision for credit losses of $32.2 million during the second quarter of 2011 compared to a provision of $62.4 million in the

same quarter of 2010. Annualized net charge-offs as a percentage of average loans and leases decreased to 1.42% for the second quarter of 2011 compared to 2.08% for the second quarter of 2010. These decreases were primarily a result of decreased losses within the real estate construction, acquisition and development segment of the Company's loan and lease portfolio. The losses experienced in this segment were primarily a result of the weakened financial condition of the corresponding borrowers and guarantors. These borrowers' weakened state hindered their ability to service their loans with the Company, which caused a number of loans to become collateral dependent. Once it is determined a loan's repayment is dependent upon the underlying collateral, the loan is charged down to net realizable value or a specific reserve is allocated to the loan. This process resulted in a decreased level of charge-offs in the second quarter of 2011 compared to the second of 2010 as updated appraisals came in closer to loan carrying values. The decreased level of charge-offs resulted in an increase in the ratio of the allowance for credit losses to annualized charge-offs for the second quarter of 2011 compared to the same period in 2010. As of June 30, 2011, 91.7% of nonaccrual loans had been charged down to net realizable value or had specific reserves to reflect recent appraised values as of June 30, 2011. This resulted in impaired loans having an aggregate net book value of 69% of their contractual principal balance at June 30, 2011. As of June 30, 2010, 71.4% of nonaccrual loans had been charged down to net realizable value or had specific reserves to reflect recent appraised values as of June 30, 2010. This resulted in impaired loans having an aggregate net book value of 61% of their contractual principal balance at June 30, 2010. Non-accrual loans not impaired are loans not determined to be collaterally dependant.

The breakdown of the allowance by loan and lease category is based, in part, on evaluations of specific loan and lease histories and on economic conditions within specific industries or geographical areas. Accordingly, because all of these conditions are subject to change, the allocation is not necessarily indicative of the breakdown of any future allowance or losses. The following table presents (i) the breakdown of the allowance for credit losses by segment and class and (ii) the percentage of each segment and class in the loan and lease portfolio to total loans and leases at the dates indicated:

| | June 30, | | | | | | December 31, | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | | 2010 | | |
| | Allowance for Credit Losses | % of Total Loans and Leases | | Allowance for Credit Losses | % of Total Loans and Leases | | Allowance for Credit Losses | % of Total Loans and Leases | |
| | (Dollars in thousands) | | | | | | | | |
| Commercial and industrial | $22,840 | 16.6 | % | $22,518 | 15.5 | % | $22,479 | 16.1 | % |
| Real estate | | | | | | | | | |
| Consumer mortgages | 37,045 | 21.3 | % | 32,595 | 20.4 | % | 35,540 | 20.8 | % |
| Home equity | 7,620 | 5.8 | % | 6,779 | 5.7 | % | 7,305 | 5.8 | % |
| Agricultural | 4,709 | 2.8 | % | 3,767 | 2.7 | % | 4,997 | 2.7 | % |
| Commercial and industrial-owner occupied | 24,644 | 14.8 | % | 22,533 | 14.5 | % | 20,403 | 14.2 | % |
| Construction, acquisition and development | 53,920 | 11.5 | % | 68,305 | 14.6 | % | 59,048 | 12.5 | % |
| Commercial | 35,293 | 19.1 | % | 28,643 | 18.5 | % | 33,439 | 19.4 | % |
| Credit cards | 3,487 | 1.1 | % | 3,311 | 1.1 | % | 4,126 | 1.1 | % |
| All other | 8,069 | 7.0 | % | 12,293 | 7.0 | % | 9,576 | 7.4 | % |
| Total | $197,627 | 100.0 | % | $200,744 | 100.0 | % | $196,913 | 100.0 | % |

Noninterest Revenue

The components of noninterest revenue for the three months and six months ended June 30, 2011 and 2010 and the corresponding percentage changes are shown in the follow−ing tables:

| | Three months ended June 30, | | |
|---|---|---|---|
| | 2011 | 2010 | % Change |
| | (Dollars in thousands) | | |
| Mortgage lending | $2,003 | $(2,304) | NM% |
| Credit card, debit card and merchant fees | 11,263 | 9,333 | 20.7 |
| Service charges | 16,556 | 18,953 | (12.6) |
| Trust income | 2,850 | 2,707 | 5.3 |
| Securities gains, net | 10,045 | (585) | NM |
| Insurance commissions | 22,941 | 21,666 | 5.9 |
| Annuity fees | 1,094 | 698 | 56.7 |
| Brokerage commissions and fees | 1,437 | 1,419 | 1.3 |
| Bank-owned life insurance | 2,223 | 1,972 | 12.7 |
| Other miscellaneous income | 4,732 | 3,227 | 46.6 |
| Total noninterest revenue | $75,144 | $57,086 | 31.6% |

| | Six months ended June 30, | | |
|---|---|---|---|
| | 2011 | 2010 | % Change |
| | (Dollars in thousands) | | |
| Mortgage lending | $9,584 | $2,721 | 252.2% |
| Credit card, debit card and merchant fees | 21,609 | 18,143 | 19.1 |
| Service charges | 31,924 | 35,215 | (9.3) |
| Trust income | 5,984 | 5,294 | 13.0 |
| Securities gains, net | 10,062 | 712 | 1,313.2 |
| Insurance commissions | 45,490 | 43,334 | 5.0 |
| Annuity fees | 2,390 | 1,479 | 61.6 |
| Brokerage commissions and fees | 3,075 | 2,736 | 12.4 |
| Bank owned life insurance | 3,922 | 3,641 | 7.7 |
| Other miscellaneous income | 9,415 | 7,143 | 31.8 |
| Total noninterest revenue | $143,455 | $120,418 | 19.1% |

NM=Not meaningful

The Company’s revenue from mortgage lending typically fluctuates as mortgage interest rates change and is primarily attributable to two activities - origination and sale of new mortgage loans and servicing mortgage loans. Since the Company does not hedge the change in fair value of its MSRs, mortgage revenue can be significantly affected by changes in the valuation of MSRs in a changing interest rate environment. The Company’s normal practice is to originate mortgage loans for sale in the secondary market and to either retain or release the associated MSRs with the loan sold. The Company records MSRs at fair value on a recurring basis with subsequent remeasurement of MSRs based on change in fair value in accordance with FASB ASC 860, Transfers and Servicing.

In the course of conducting the Company’s mortgage lending activities of originating mortgage loans and selling those loans in the secondary market, various representations and warranties are made to the purchasers of the mortgage

loans. These representations and warranties also apply to underwriting the real estate appraisal opinion of value for the collateral securing these loans. Under the representations and warranties, failure by the Company to comply with the underwriting and/or appraisal standards could result in the Company being required to repurchase

the mortgage loan or to reimburse the investor for losses incurred (i.e., make whole requests) if such failure cannot be cured by the Company within the specified period following discovery. During the first six months of 2011, no mortgage loans were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. Therefore, no losses were recognized related to repurchased or make whole loans.

At June 30, 2011, the Company had reserved approximately $880,000 for potential losses from representation and warranty obligations. The reserve is based on the Company's repurchase and loss trends, and quantitative and qualitative factors that may result in anticipated losses different than historical loss trends, including loan vintage, underwriting characteristics and macroeconomic trends.

Management believes that the Company's foreclosure process related to mortgage loans continues to operate effectively. A mortgage loan foreclosure committee of the Bank reviews all delinquent loans before beginning the foreclosure process. All documents and activities related to the foreclosure process are executed in-house by mortgage department personnel.

Origination revenue, a component of mortgage lending revenue, is comprised of gains or losses from the sale of the mortgage loans originated, origination fees, underwriting fees and other fees associated with the origination of loans. Mortgage loan origination volumes of $245.3 million and $290.6 million produced origination revenue of $4.1 million and $4.5 million for the quarters ended June 30, 2011 and 2010, respectively. Mortgage loan origination volumes of $448.1 million and $498.0 million produced origination revenue of $7.3 million and $8.0 million for the six months ended June 30, 2011 and 2010, respectively. The decrease in customer demand for refinancing contributed to the decrease in mortgage loan origination volumes and the corresponding decrease in origination revenue for the second quarter and first six months of 2011 compared to the second quarter and first six months of 2010.

Revenue from the servicing process, another component of mortgage lending revenue, includes fees from the actual servicing of loans. Revenue from the servicing of loans was $3.2 million and $2.9 million for the quarters ended June 30, 2011 and 2010, respectively. For the six months ended June 30, 2011 and 2010, revenue from the servicing of loans was $6.3 million and $5.8 million, respectively. Changes in the fair value of the Company's MSRs are generally a result of changes in mortgage interest rates from the previous reporting date. An increase in mortgage interest rates typically results in an increase in the fair value of the MSRs while a decrease in mortgage interest rates typically results in a decrease in the fair value of MSRs. The fair value of MSRs is impacted by principal payments, prepayments and payoffs on loans in the servicing portfolio. Decreases in value from principal payments, prepayments and payoffs were $1.4 million for both quarters ended June 30, 2011 and 2010. Decreases in value from principal payments, prepayments and payoffs were $2.7 million for both the six months ended June 30, 2011 and 2010. The Company does not hedge the change in fair value of its MSRs and is susceptible to significant fluctuations in their value in a changing interest rate environment. Reflecting this sensitivity to interest rates, the fair value of MSRs decreased $3.8 million and $8.3 million for the second quarter of 2011 and 2010, respectively, and decreased $1.3 million and $8.3 million for the first six months of 2011 and 2010, respectively.

The following tables present the Company's mortgage lending operations for the three months and six months ended June 30, 2011 and 2010:

| | Three months ended June 30, | | |
|---|---|---|---|
| | 2011 | 2010 | % Change |
| | (Dollars in thousands) | | |
| Production revenue: | | | |
| Origination | $4,066 | $4,532 | (10.3)% |
| Servicing | 3,166 | 2,921 | 8.4 |
| Payoffs/Paydowns | (1,390) | (1,434) | (3.1) |
| Total | 5,842 | 6,019 | (2.9) |
| Market value adjustment | (3,839) | (8,323) | (53.9) |
| Mortgage lending revenue | $2,003 | $(2,304) | NM |
| | (Dollars in millions) | | |
| Origination volume | $245 | $291 | (15.8) |
| Mortgage loans serviced at period-end | $4,027 | $3,552 | 13.4 |

| | Six months ended June 30, | | |
|---|---|---|---|
| | 2011 | 2010 | % Change |
| | (Dollars in thousands) | | |
| Production revenue: | | | |
| Origination | $7,290 | $7,958 | (8.4)% |
| Servicing | 6,283 | 5,814 | 8.1 |
| Payoffs/Paydowns | (2,690) | (2,736) | (1.7) |
| Total | 10,883 | 11,036 | (1.4) |
| Market value adjustment | (1,299) | (8,315) | (84.4) |
| Mortgage lending revenue | $9,584 | $2,721 | 252.2 |
| | (Dollars in millions) | | |
| Origination volume | $448 | $498 | (10.0) |
| Mortgage loans serviced at period-end | $4,027 | $3,552 | 13.4 |

NM=Not meaningful

Credit card, debit card and merchant fees increased for the comparable three-month and six-month periods as a result of an increase in the number and monetary volume of items processed. When the Durbin Debit Interchange Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act is implemented on October 1, 2011 by the Federal Reserve, the Company estimates that debit card revenue could be reduced in 2011 by $3.5 million and could be reduced in 2012 by more than $15.0 million. Service charges on deposit accounts, which include insufficient fund fees, decreased for the comparable three-month and six-month periods of 2011 and 2010 as a result of a lower volume of items processed and mandated changes in overdraft regulations. Recent changes in banking regulations, the FDIC's guidance and, in particular, the Federal Reserve's new rules pertaining to certain overdraft payments on consumer accounts are estimated to decrease service charge revenue by $9.0 million in 2011. The Company has taken

steps to mitigate the impact of these new regulations on the Company's service charge revenue by offering new deposit products to customers.

Trust income increased by 5.3% and 13.0% for the comparable three-month and six-month periods of 2011 and 2010 primarily as a result of increases in the value of assets under management or in custody. Net security gains of $10.0 million and $10.1 million for the three-month and six-month periods ending June 30, 2011 were primarily a result of sales of available-for-sale securities, some of which were previously classified as held-to-maturity.

Insurance commissions increased slightly for the comparable three-month and six-month periods of 2011 and 2010 as a result of new policies written during 2011. Annuity fees increased by 56.7% and 61.6% for the

comparable three-month and six-month periods of 2011 and 2010 as a result of customers shifting funds from lower rate deposit accounts to higher rate annuity products. Brokerage commissions and fees remained relatively stable for the comparable three month periods of 2011 and 2010 and increased by 12.4% for the comparable six-month periods of 2011 and 2010 because activity increased subsequent to the first quarter of 2010 as the financial markets recovered somewhat. Bank-owned life insurance revenue increased 12.7% and 7.7% for the comparable three-month and six-month periods of 2011 and 2010 as a result of the Company recording life insurance proceeds of approximately $478,000 during the first six months of 2011. Other miscellaneous income, which includes safe deposit box rental income, gain or loss on disposal of assets, and other non-recurring revenue items, increased by 46.6% and 31.8% for the comparable three-month and six-month periods of 2011 and 2010 primarily as a result of a $1.1 million gain on the disposition of fixed assets during the second quarter of 2011.

Noninterest Expense

The components of noninterest expense for the three months and six months ended June 30, 2011 and 2010 and the corresponding percentage changes are shown in the follow−ing tables:

| | Three months ended June 30, | | | |
|---|---|---|---|---|
| | 2011 | 2010 | % Change | |
| | (Dollars in thousands) | | | |
| Salaries and employee benefits | $70,142 | $68,189 | 2.9 | % |
| Occupancy, net | 10,232 | 10,527 | (2.8 | ) |
| Equipment | 5,595 | 5,877 | (4.8 | ) |
| Deposit insurance assessments | 6,436 | 4,362 | 47.5 | |
| Prepayment penalty on FHLB borrowings | 9,778 | - | | NM |
| Advertising | 1,291 | 1,196 | 7.9 | |
| Foreclosed property expense | 3,765 | 3,813 | (1.3 | ) |
| Telecommunications | 2,036 | 2,494 | (18.4 | ) |
| Public relations | 1,554 | 1,656 | (6.2 | ) |
| Data processing | 2,365 | 1,594 | 48.4 | |
| Computer software | 1,899 | 1,900 | (0.1 | ) |
| Amortization of intangibles | 833 | 984 | (15.3 | ) |
| Legal fees | 1,095 | 1,313 | (16.6 | ) |
| Postage and shipping | 1,171 | 1,178 | (0.6 | ) |
| Other miscellaneous expense | 18,877 | 14,933 | 26.4 | |
| Total noninterest expense | $137,069 | $120,016 | 14.2 | % |

| | Six months ended June 30, | | | |
|---|---|---|---|---|
| | 2011 | 2010 | % Change | |
| | (Dollars in thousands) | | | |
| Salaries and employee benefits | $140,517 | $137,476 | 2.2 | % |
| Occupancy, net of rental income | 20,903 | 21,302 | (1.9 | ) |
| Equipment | 11,253 | 11,616 | (3.1 | ) |
| Deposit insurance assessments | 11,861 | 8,612 | 37.7 | |
| Prepayment penalty on FHLB borrowings | 9,778 | - | NM | |
| Advertising | 2,180 | 1,852 | 17.7 | |
| Foreclosed property expense | 10,847 | 7,351 | 47.6 | |
| Telecommunications | 4,179 | 4,694 | (11.0 | ) |
| Public relations | 3,068 | 3,304 | (7.1 | ) |
| Data processing | 4,666 | 3,064 | 52.3 | |
| Computer software | 3,747 | 3,604 | 4.0 | |
| Amortization of intangibles | 1,687 | 1,999 | (15.6 | ) |
| Legal | 3,681 | 2,641 | 39.4 | |
| Postage and shipping | 2,468 | 2,538 | (2.8 | ) |
| Other miscellaneous expense | 36,244 | 30,446 | 19.0 | |
| Total noninterest expense | $267,079 | $240,499 | 11.1 | % |

NM=Not meaningful

Salaries and employee benefits expense for the three months and six months ended June 30, 2011 increased slightly compared to the same periods in 2010, primarily because of a slight increase in the number of employees combined with an increase in insurance commissions as insurance revenue increased over the same periods. Equipment expense decreased for the comparable three-month and six-month periods primarily because of decreased depreciation. The increase in deposit insurance assessments for the three months and six months ended June 30, 2011 compared to the same period in 2010 was a result of deposit growth and a slightly higher assessment rate. The deposit insurance assessment recorded during the second quarter of 2011 was based on the redefined assessment base and the new scorecard method to calculate the initial assessment rate as this new method became effective for assessment calculations beginning with the second quarter of 2011. During the second quarter of 2011, the Company recorded $9.8 million in expenses related to the early repayment of FHLB advances. No early repayments were made during 2010.

While foreclosed property expense decreased slightly for the three months ended June 30, 2011 compared to the same period in 2010, foreclosed property expense increased for the six months ended June 30, 2011 compared to the same period in 2010 as the Company experienced larger writedowns of other real estate owned as a result of the decline in property values attributable to the prevailing economic environment. During the first six months of 2011, the Company added $59.7 million to other real estate owned through foreclosures. Sales of other real estate owned in the first six months of 2011 were $34.7 million resulting in a net loss of approximately $352,000. The components of foreclosed property expense for the three months and six months ended June 30, 2011 and 2010 and the percentage change between periods are shown in the following tables:

| | Three months ended June 30, | | | |
|---|---|---|---|---|
| | 2011 | 2010 | % Change | |
| | (Dollars in thousands) | | | |
| (Gain) loss on sale of other real estate owned | $(140) | $830 | (116.9) | % |
| Writedown of other real estate owned | 2,272 | 2,388 | (4.9) | |
| Other foreclosed property expense | 1,633 | 595 | 174.5 | |
| Total foreclosed property expense | $3,765 | $3,813 | (1.3) | % |

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| | Six months ended June 30, | | | |
|---|---|---|---|---|
| | 2011 | 2010 | % Change | |
| | (Dollars in thousands) | | | |
| Loss on sale of other real estate owned | $352 | $1,455 | (75.8 | )% |
| Writedown of other real estate owned | 7,208 | 4,478 | 61.0 | |
| Other foreclosed property expense | 3,287 | 1,418 | 131.8 | |
| Total foreclosed property expense | $10,847 | $7,351 | 47.6 | % |

While the Company experienced some fluctuations in various components of other noninterest expense, including advertising, telecommunications, data processing, legal fees and amortization of intangibles, the increase in other noninterest expense for the three months and six months ended June 30, 2011, compared with the same period in 2010, was primarily related to the increases in accounting expenses, consulting expenses and pre-foreclosure related expenses.

Income Tax

The Company recorded income tax expense of $2.9 million for the second quarter of 2011, compared to an income tax benefit of $3.4 million for the second quarter of 2010. For the six-month period ended June 30, 2011 and 2010, income tax benefit was $2.3 million and approximately $578,000, respectively. Because of the volatility on the Company's earnings, the Company's tax calculations were based on actual results of operations, including tax preference items through June 30, 2011. The primary differences between the Company's recorded benefit for the first six months of 2011, and the benefit that would have resulted from applying the U.S. statutory tax rate of 35% to the Company's pre-tax loss are primarily the effect of tax-exempt income and other tax preference items.

FINANCIAL CONDITION

The percentage of earning assets to total assets measures the effectiveness of management's efforts to invest available funds into the most efficient and profitable uses. Earning assets at June 30, 2011 were $12.2 billion, or 90.9% of total assets, compared with $12.5 billion, or 91.5% of total assets, at December 31, 2010.

Loans and Leases

The Bank's loan and lease portfolio represents the largest single component of the Company's earning asset base, comprising 75.6% of average earning assets during the second quarter of 2011. The Bank's lending activities include both commercial and consumer loans and leases. Loan and lease originations are derived from a number of sources, including direct solicitation by the Bank's loan officers, existing depositors and borrowers, builders, attorneys, walk-in customers and, in some instances, other lenders, real estate broker referrals and mortgage loan companies. The Bank has established systematic procedures for approving and monitoring loans and leases that vary depending on the size and nature of the loan or lease, and applies these procedures in a disciplined manner. The Company's loans and leases are widely diversified by borrower and industry. Loans and leases, net of unearned income, totaled $9.2 billion at June 30, 2011, representing a 1.3% decrease from $9.3 billion at December 31, 2010. The decrease in loans and leases, net of unearned income, was primarily a result of continued low loan demand in the markets served by the Company; however, the Company was able to replace some loan runoff with new loan production, particularly out of its east Texas, Louisiana and Arkansas markets.

The following table shows the composition of the Company's gross loans and leases by segment and class at the dates indicated:

| | June 30, 2011 | June 30, 2010 | December 31, 2010 |
|---|---|---|---|
| | | (In thousands) | |
| Commercial and industrial | $1,540,048 | $1,499,152 | $1,505,471 |
| Real estate | | | |
| Consumer mortgages | 1,971,499 | 1,981,475 | 1,951,563 |
| Home equity | 531,787 | 555,281 | 543,272 |
| Agricultural | 255,310 | 260,489 | 252,292 |
| Commercial and industrial-owner occupied | 1,366,734 | 1,407,704 | 1,331,473 |
| Construction, acquisition and development | 1,060,675 | 1,419,303 | 1,174,743 |
| Commercial | 1,764,648 | 1,794,644 | 1,816,951 |
| Credit cards | 101,955 | 102,784 | 106,345 |
| All other | 663,223 | 670,791 | 694,241 |
| Total | $9,255,879 | $9,691,623 | $9,376,351 |

The following table shows the Company's net loans and leases by segment, class and geographical location as of June 30, 2011:

| | Alabama and Florida Panhandle | Arkansas | Mississippi | Missouri | Greater Memphis Area | Northeast Tennessee | Texas and Louisiana | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | (In thousands) | | | | | |
| Commercial and industrial | $63,477 | $219,533 | $322,786 | $85,073 | $24,045 | $84,544 | $274,812 | $452,416 | $1,526,6 |
| Real estate | | | | | | | | | |
| Consumer mortgages | 114,266 | 273,338 | 779,838 | 66,163 | 87,596 | 164,453 | 412,493 | 73,352 | 1,971,4 |
| Home equity | 64,043 | 43,224 | 178,305 | 29,297 | 73,790 | 79,307 | 62,617 | 1,204 | 531,787 |
| Agricultural | 7,338 | 73,285 | 75,142 | 5,642 | 16,248 | 13,629 | 58,370 | 5,656 | 255,310 |
| Commercial and industrial-owner occupied | 125,567 | 175,098 | 472,765 | 74,684 | 109,132 | 101,806 | 246,369 | 61,313 | 1,366,7 |
| Construction, acquisition and development | 133,335 | 86,795 | 273,624 | 88,309 | 128,537 | 130,962 | 208,406 | 10,707 | 1,060,6 |
| Commercial | 195,722 | 340,963 | 344,926 | 241,209 | 132,670 | 105,507 | 354,065 | 49,586 | 1,764,6 |
| Credit cards | - | - | - | - | - | - | - | 101,955 | 101,955 |
| All other | 14,936 | 42,680 | 79,088 | 1,409 | 48,596 | 28,516 | 29,521 | 390,513 | 635,259 |
| Total | $718,684 | $1,254,916 | $2,526,474 | $591,786 | $620,614 | $708,724 | $1,646,653 | $1,146,702 | $9,214,5 |

The maturity distribution of the Bank's loan portfolio is one factor in management's evaluation by collateral type of the risk characteristics of the loan and lease portfolio. The following table shows the maturity distribution of the Company's loans and leases, net of unearned income, as of June 30, 2011:

| | Past Due | One Year or Less | One to Five Years | After Five Years | Total |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Commercial and industrial | $10,851 | $975,292 | $419,552 | $120,991 | $1,526,686 |
| Real estate | | | | | |
| Consumer mortgages | 8,628 | 460,507 | 1,220,811 | 281,553 | 1,971,499 |
| Home equity | 632 | 114,047 | 417,063 | 45 | 531,787 |
| Agricultural | 1,044 | 75,606 | 147,381 | 31,279 | 255,310 |
| Commercial and industrial-owner occupied | 8,068 | 261,436 | 869,039 | 228,191 | 1,366,734 |
| Construction, acquisition and development | 74,109 | 641,789 | 327,897 | 16,880 | 1,060,675 |
| Commercial | 8,182 | 334,875 | 1,259,342 | 162,249 | 1,764,648 |
| Credit cards | - | 101,955 | - | - | 101,955 |
| All other | 691 | 250,447 | 329,401 | 54,720 | 635,259 |
| Total | $112,205 | $3,215,954 | $4,990,486 | $895,908 | $9,214,553 |

Commercial and Industrial - Commercial and industrial loans are loans and leases to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal guarantees are generally required for these loans. Also included in this category are loans to finance agricultural production and business credit card lines. Commercial and industrial loans outstanding increased 2.4% during the first six months of 2011.

Real Estate – Consumer Mortgages - Consumer mortgages are first- or second-lien loans to consumers secured by a primary residence or second home. These loans are generally amortized over terms up to 15 or 20 years with maturities of three to five years. The loans are generally secured by properties located within the local market area of the community bank which originates and services the loan. These loans are underwritten in accordance with the Bank's general loan policies and procedures which require, among other things, proper documentation of each borrower's financial condition, satisfactory credit history and property value. Consumer mortgages outstanding remained stable during the first six months of 2011 increasing by 1.0% when compared to December 31, 2010, as the housing sector slowed and lower long-term mortgage rates were available. In addition to loans originated through the Bank's branches, the Bank originates and services consumer mortgages sold in the secondary market which are underwritten and closed pursuant to investor and agency guidelines. The Bank's exposure to sub-prime mortgages is minimal.

Real Estate – Home Equity - Home equity loans include revolving credit lines which are secured by a first or second lien on a borrower's residence. Each loan is underwritten individually by lenders who specialize in home equity lending and must conform to Bank lending policies and procedures for consumer loans as to borrower's financial condition, ability to repay, satisfactory credit history and the condition and value of collateral. Properties securing home equity loans are generally located in the local market area of the Bank branch or office originating and servicing the loan. The Bank has not purchased home equity loans from brokers or other lending institutions.

Real Estate – Agricultural - Agricultural loans include loans to purchase agricultural land and production lines secured by farm land. Agricultural loans outstanding remained stable during the first six months of 2011.

Real Estate – Commercial and Industrial-Owner Occupied - Commercial and industrial-owner occupied loans include loans secured by business facilities to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal guarantees are generally required for these loans. Commercial and industrial-owner occupied loans increased 2.7% during the first six months of 2011.

Real Estate – Construction, Acquisition and Development - Construction, acquisition and development loans include both loans and credit lines for the purpose of purchasing, carrying and developing land into commercial developments or residential subdivisions. Also included are loans and lines for construction of residential, multi-family and commercial buildings. These loans are often structured with interest reserves to fund interest costs during the construction and development period. Additionally, certain loans are structured with interest only terms. The Bank primarily engages in construction and development lending only in local markets served by its branches. The

weakened economy and housing market has negatively impacted builders and developers in particular. Sales of finished houses slowed during 2009 and activity remained slow during 2010,

which has resulted in lower demand for residential lots and development land. The Company curtailed the origination of new construction, acquisition and development loans significantly during 2009 and the Company has continued to maintain that strategy. Construction, acquisition and development loans decreased 9.7% during the first six months of 2011.

The underwriting process for construction, acquisition and development loans with interest reserves is essentially the same as that for a loan without interest reserves and may include analysis of borrower and guarantor financial strength, market demand for the proposed project, experience and success with similar projects, property values, time horizon for project completion and the availability of permanent financing once the project is completed. Construction, acquisition and development loans, with or without interest reserves, are inspected periodically to ensure that the project is on schedule and eligible for requested draws. Inspections may be performed by construction inspectors hired by the Company or by appropriate loan officers and are done periodically to monitor the progress of a particular project. These inspections may also include discussions with project managers and engineers. For performing construction, acquisition and development loans, interest is generally recognized as interest income as it is earned. Non-performing construction, acquisition and development loans are placed on non-accrual status and interest income is not recognized, except in those situations where principal is expected to be received in full. In such situations, interest income is recognized as payment is received.

At June 30, 2011, the Company had $34.0 million in construction, acquisition and development loans that provided for the use of interest reserves with approximately $204,000 and $484,000 recognized as interest income during the second quarter and first six months of 2011, respectively. The amount of construction, acquisition and development loans with interest reserves that were on non-accrual status was $12.8 million at June 30, 2011. Interest income is not recognized on construction, acquisition and development loans with interest reserves that are in non-accrual status. Loans with interest reserves normally have a budget that includes the various cost components involved in the project. Interest is such a cost, along with hard and other soft costs. The Company's policy is to allow interest reserves only during the construction phase.

So that interest capitalization is appropriate, interest reserves are not included for any renewal period after construction is completed or otherwise ceases, requiring borrowers to make interest payments no less than quarterly. Loans for which construction is complete, or has ceased, and where interest payments are not made on a timely basis are usually considered non-performing and are placed in nonaccrual status. Procedures are in place to restrict the structuring of a loan with terms that do not require performance until the end of the loan term, as well as to restrict the advancement of funds to keep a loan from becoming non-performing with any such advancement identified as a troubled debt restructuring ("TDR").

On a case-by-case basis, a construction, acquisition and development loan may be extended, renewed or restructured. Loans are sometimes extended for a short period of time (generally 90 days or less) beyond the contractual maturity to facilitate negotiations or allow the borrower to gain other financing or acquire more recent note-related information, such as appraisals or borrower financial statements. These short-term extensions are not ordinarily accounted for as TDRs if the loan and project are performing in accordance with the terms of the loan agreement and/or promissory note. Construction, acquisition and development loans may be renewed when the borrower has satisfied the terms and conditions of the original loan, including payment of interest, and when management believes that the borrower is able to continue to meet the terms of the renewed note during the renewal period. Many loans are structured to mature at the conclusion of the construction or development period or at least annually. If concessions are granted to a borrower as a result of its financial difficulties, the loan is classified as a TDR and analyzed for impairment.

The Bank's real estate risk management group is responsible for reviewing and approving the structure and classification of all construction, acquisition and development loan renewals and modifications above a threshold of $500,000. The analysis performed by the real estate risk management group may include the review of updated appraisals, borrower and guarantor financial condition, construction status and proposed loan structure. If the new terms of the loan meet the criteria of a TDR as set out in FASB ASC 310, the loan is identified as such.

Each construction, acquisition and development loan is underwritten to address: (i) the desirability of the project, its market viability and projected absorption period; (ii) the creditworthiness of the borrower and the guarantor as to liquidity, cash flow and assets available to ensure performance of the loan; (iii) equity contribution to the project; (iv) the developer's experience and success with similar projects; and (v) the value of the collateral. Each factor must be

acceptable under the Company's lending policy and risk review.

The construction, acquisition and development portfolio may be further categorized by risk characteristics into the following six categories: commercial acquisition and development, residential acquisition and development, multi-family construction, one-to-four family construction, commercial construction and recreation and all other

loans. Construction, acquisition and development loans were $1.06 billion at June 30, 2011 and $1.17 billion at December 31, 2010. The following table shows the Company's construction, acquisition and development portfolio by geographical location at June 30, 2011:

| Real Estate Construction, Acquisition and Development | Alabama and Florida Panhandle | Arkansas | Mississippi | Missouri | Greater Memphis Area | Northeast Tennessee | Texas and Louisiana | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | (In thousands) | | | | | |
| Multi-family construction | $- | $- | $9,185 | $8,667 | $741 | $98 | $232 | $193 | $19,116 |
| One-to-four family construction | 32,746 | 18,881 | 48,004 | 9,676 | 13,104 | 36,626 | 37,768 | 2,004 | 198,809 |
| Recreation and all other loans | 1,158 | 10,292 | 33,901 | 597 | 2,977 | 983 | 15,789 | 669 | 66,366 |
| Commercial construction | 18,922 | 9,079 | 37,222 | 18,145 | 17,156 | 30,021 | 28,665 | 1,624 | 160,834 |
| Commercial acquisition and development | 12,031 | 21,316 | 51,069 | 25,978 | 33,965 | 25,214 | 50,640 | 2,247 | 222,460 |
| Residential acquisition and development | 68,478 | 27,227 | 94,243 | 25,246 | 60,594 | 38,020 | 75,312 | 3,970 | 393,090 |
| Total | $133,335 | $86,795 | $273,624 | $88,309 | $128,537 | $130,962 | $208,406 | $10,707 | $1,060,675 |

The following table shows the maturity distribution of the Company's construction, acquisition and development portfolio as of June 30, 2011:

| Real Estate Construction, Acquisition and Development | Past Due | One Year or Less | One to Five Years | After Five Years | Total |
|---|---|---|---|---|---|
| | | | (In thousands) | | |
| Multi-family construction | $9,174 | $9,844 | $98 | $- | $19,116 |
| One-to-four family construction | 4,242 | 177,685 | 16,009 | 873 | 198,809 |
| Recreation and all other loans | 58 | 22,982 | 42,122 | 1,204 | 66,366 |
| Commercial construction | 11,655 | 85,255 | 55,145 | 8,779 | 160,834 |
| Commercial acquisition and development | 18,832 | 97,164 | 104,428 | 2,036 | 222,460 |
| Residential acquisition and development | 30,148 | 248,859 | 110,095 | 3,988 | 393,090 |
| Total | $74,109 | $641,789 | $327,897 | $16,880 | $1,060,675 |
| | | | | | |
| Impaired loans | $66,663 | $82,622 | $11,394 | $374 | $161,053 |
| Other non-accrual loans | 7,446 | 667 | 1,441 | 196 | 9,750 |
| Total Non-accrual loans | $74,109 | $83,289 | $12,835 | $570 | $170,803 |

All of the $74.1 million in past due construction, acquisition and development loans are included in nonaccrual loans at June 30, 2011. Approximately 60.5% of the loans included in the construction, acquisition and development portfolio are scheduled to mature within one year. Many of these maturities are expected to occur prior to the completion of the related projects; and it is therefore expected that these loans will be renewed for an additional period of time. The Company's loan policy requires that updated appraisals from qualified third party appraisers be obtained for any real estate loan renewed for loans over $250,000. If the borrower is experiencing financial difficulties, and the renewal is made with concessions, the loan is considered to be a TDR. These TDRs are tested for impairment by assessing the estimated disposal value of the collateral from the recent appraisal or by assessing the present value of the discounted cash flows expected on these loans.

Real Estate – Commercial - Commercial loans include loans to finance income-producing commercial and multi-family properties. Lending in this category is generally limited to properties located in the Bank's trade area with only limited exposure to properties located elsewhere but owned by in-market borrowers. Loans in this category include loans for neighborhood retail centers, medical and professional offices, single retail stores, warehouses and apartments leased generally to local businesses and residents. The underwriting of these loans takes into consideration the occupancy and rental rates as well as the financial health of the borrower. The Bank's exposure to national retail tenants is minimal. The Bank has not purchased commercial real estate loans from brokers or third-party originators. Commercial loans decreased 2.9% during the first six months of 2011.

Credit Cards - Credit cards include consumer and business MasterCard and Visa accounts and private label accounts for local merchants. The Bank offers credit cards primarily to its deposit and loan customers. Credit card balances decreased 4.1% during the first six months of 2011.

All Other - All other loans and leases include consumer installment loans and loans and leases to state, county and municipal governments and non-profit agencies. Consumer installment loans and leases include term loans of up to five years secured by automobiles, boats and recreational vehicles. The Bank offers lease financing for vehicles and heavy equipment to state, county and municipal governments and medical equipment to healthcare providers across the southern states. All other loan and lease balances decreased 4.5% during the first six months of 2011.

NPLs consist of non-accrual loans and leases, loans and leases 90 days or more past due, still accruing, and accruing loans and leases that have been restructured (primarily in the form of reduced interest rates and modified payment terms) because of the borrower's or guarantor's weakened financial condition or bankruptcy proceedings. The Bank's policy provides that loans and leases are generally placed in non-accrual status if, in management's opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due, unless the loan or lease is both well-secured and in the process of collection. The Bank's NPAs consist of NPLs and other real estate owned, which consists of foreclosed properties. The Bank's NPAs, which are carried either in the loan account or other real estate owned on the consolidated balance sheets, depending on foreclosure status, were as follows as of the dates presented:

| | June 30, | | December 31, |
|---|---|---|---|
| | 2011 | 2010 | 2010 |
| | (Dollars in thousands) | | |
| Non-accrual loans and leases | $331,076 | $263,758 | $347,499 |
| Loans 90 days or more past due, still accruing | 3,980 | 17,696 | 8,500 |
| Restructured loans and leases, but accruing | 44,786 | 20,813 | 38,376 |
| Total NPLs | 379,842 | 302,267 | 394,375 |
| | | | |
| Other real estate owned | 151,204 | 67,560 | 133,412 |
| Total NPAs | $531,046 | $369,827 | $527,787 |
| | | | |
| NPLs to net loans and leases | 4.12 % | 3.13 % | 4.23 % |
| NPAs to net loans and leases | 5.76 % | 3.83 % | 5.65 % |

NPLs decreased 3.7% to $379.8 million at June 30, 2011 compared to $394.4 million at December 31, 2010 and increased 25.7% compared to $302.3 million at June 30, 2010. Included in NPLs at June 30, 2011 were $303.7 million of loans that were impaired. These impaired loans had a specific reserve of $46.8 million included in the allowance for credit losses of $197.6 million at June 30, 2011, and were net of $71.1 million in partial charge-downs previously taken on these impaired loans. NPLs at December 31, 2010 included $273.4 million of loans that are impaired. These impaired loans had a specific reserve of $40.7 million included in the allowance for credit losses of $196.9 million at December 31, 2010. NPLs at June 30, 2010 included $188.3 million of loans that are impaired. These impaired loans had a specific reserve of $40.7 million included in the allowance for credit losses of $200.8 million at June 30, 2010. The significant increase in restructured loans and leases still accruing at June 30, 2011 compared to June 30, 2010 reflects the increase in loans which meet the criteria for disclosure as TDRs because payment terms or pricing have been modified by the Company or by orders under bankruptcy proceedings but which demonstrate sufficient performance or collateral to support the remaining principal and accrued interest.

The following table provides additional details related to the Company's non-performing loans and leases and the allowance for credits losses at the dates indicated:

| | June 30, | | December 31, |
|---|---|---|---|
| | 2011 | 2010 | 2010 |
| | (Dollars in thousands) | | |
| Unpaid principal balance of impaired loans | $374,760 | $243,221 | $345,377 |
| Cumulative charge offs on impaired loans | 71,103 | 54,930 | 71,972 |
| Outstanding balance of impaired loans | 303,657 | 188,291 | 273,405 |
| Other non-accrual loans and leases not impaired | 27,419 | 75,467 | 74,094 |
| Total non-accrual loans and leases | $331,076 | $263,758 | $347,499 |
| Allowance for impaired loans | 46,810 | 40,721 | 40,719 |
| Nonaccrual loans and leases, net of specific reserves | $284,266 | $223,037 | $306,780 |
| Loans and leases 90+ past due, still accruing | 3,980 | 17,696 | 8,500 |
| Restructured loans and leases, still accruing | 44,786 | 20,813 | 38,376 |
| Total non-performing loans and leases | $379,842 | $302,267 | $394,375 |
| Allowance for impaired loans | $46,810 | $40,721 | $40,719 |
| Allowance for all other loans and leases | 150,817 | 160,053 | 156,194 |
| Total Allowance for Credit Losses | $197,627 | $200,774 | $196,913 |
| Outstanding balance of impaired loans | $303,657 | $188,291 | $273,405 |
| Allowance for impaired loans | 46,810 | 40,721 | 40,719 |
| Net book value of impaired loans | $256,847 | $147,570 | $232,686 |
| Net book value of impaired loans as a % of unpaid principal balance | 69 % | 61 % | 67 % |
| Coverage of other non-accrual loans and leases not impaired by the allowance for all other loans and leases | 550 % | 212 % | 211 % |
| Coverage of non-performing loans and leases not impaired by the allowance for all other loans and leases | 198 % | 140 % | 129 % |

While non-accrual loans decreased at June 30, 2011 compared to December 31, 2010, the increase in non-accrual loans during the second quarter of 2011 compared to the second quarter of 2010 was reflective of the continuing effects of the prevailing economic environment on the Bank's loan portfolio, as a significant portion of the increase in the Bank's NPLs was attributable to problems developing for established customers with real estate related loans,

particularly residential construction and development loans, primarily in the Bank's more urban markets. These problems resulted primarily from the decreased liquidity of certain borrowers and third party guarantors, as well as the declines in appraised real estate values for loans which became collateral dependent during 2010 and the first six months of 2011 and certain other borrower specific factors. Of the Bank's construction, acquisition and development loans, which totaled $1.1 billion at June 30, 2011, $392.8 million represented loans made by the Bank's locations in Alabama and Tennessee, including the greater Memphis, Tennessee area, a portion of which is in northwest Mississippi. Residential acquisition and development loans were

the largest component of the Bank's construction, acquisition and development loans and totaled $393.1 million at June 30, 2011 with 42.5% of such loans made by the Bank's locations in Alabama and Tennessee. These areas have experienced a higher incidence of NPLs, primarily as a result of a severe downturn in the housing market in these regions. Of the Company's total NPLs of $379.8 million at June 30, 2011, $183.4 million, or 48.3%, were loans made within these markets. These markets continue to be affected by high inventories of unsold homes, unsold lots and undeveloped land intended for use as housing developments. Unlike the Bank's NPL concentrations in Alabama and Tennessee which are being affected by the severe downturn in the housing market, the Bank's NPLs in Missouri are generally a result of borrowers experiencing financial difficulties, or difficulties with a specific project, rather than problems more associated with product types in specific geographic areas. The Bank's NPLs in Missouri are represented by fewer and larger individual credits in the commercial and industrial and commercial real estate classes, some of which are participations with other financial institutions that pre-date our acquisition of The Signature Bank in 2007. The following table presents the Company's NPLs by geographical location at June 30, 2011:

| | Outstanding | 90+ Days Past Due still Accruing | Non-accruing Loans | Restructured Loans, still accruing | NPLs | NPLs as a % of Outstanding |
|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | |
| Alabama and Florida Panhandle | $ 718,684 | $ 221 | $ 67,087 | $ 5,745 | $ 73,053 | 10.2 % |
| Arkansas | 1,254,916 | 37 | 13,719 | 9,122 | 22,878 | 1.8 |
| Mississippi | 2,526,474 | 464 | 43,518 | 6,538 | 50,520 | 2.0 |
| Missouri | 591,786 | 22 | 43,128 | 12,659 | 55,809 | 9.4 |
| Greater Memphis Area | 620,614 | 163 | 71,975 | 2,378 | 74,516 | 12.0 |
| Northeast Tennessee | 708,724 | 20 | 31,933 | 3,905 | 35,858 | 5.1 |
| Texas and Louisiana | 1,646,653 | 80 | 53,243 | 776 | 54,099 | 3.3 |
| Other | 1,146,702 | 2,973 | 6,473 | 3,663 | 13,109 | 1.1 |
| Total | $ 9,214,553 | $ 3,980 | $ 331,076 | $ 44,786 | $ 379,842 | 4.1 % |

The increase in other real estate owned in the first six months of 2011 reflected the general slow-down in the residential real estate sector in certain of the Bank's markets, resulting in increased foreclosures. The Bank recorded losses from the loans that were secured by these foreclosed properties in the allowance for credit losses at the time of foreclosure.

The ultimate impact of the economic downturn on the Company's financial condition and results of operations will depend on its severity and duration. Continued weakness in the economy could adversely affect the Bank's volume of NPLs. The Bank will continue to focus on improving and enhancing existing processes related to the early identification and resolution of potential credit problems. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and/or interest for a specified time, the rescheduling of payments in accordance with a bankruptcy plan or the charge-off of a portion of the loan. In most cases, the conditions of the credit also warrant non-accrual status, even after the restructure occurs. TDR loans may be returned to accrual status if there has been at least a six-month sustained period of repayment performance by the borrower. For reporting purposes, if a restructured loan is 90 days or more past due or has been placed in non-accrual status, the restructured loan is included in the loans 90 days or more past due category or the non-accrual loan category of NPAs. Restructured loans of $81.1 million and $83.4 million were included in the non-accrual loan category at June 30, 2011 and December 31, 2010, respectively.

At June 30, 2011, the Company did not have any concentration of loans or leases in excess of 10% of total loans and leases outstanding which were not otherwise disclosed as a category of loans or leases. Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. The Bank conducts business in a

geographically concentrated area and has a significant amount of loans secured by real estate to borrowers in varying activities and businesses, but does not consider these factors alone in identifying loan concentrations. The ability of the Bank's borrowers to repay loans is somewhat dependent upon the economic conditions prevailing in the Bank's market areas.

In the normal course of business, management becomes aware of possible credit problems in which borrowers exhibit potential for the inability to comply with the contractual terms of their loans and leases, but which

do not yet meet the criteria for disclosure as NPLs. Historically, some of these loans and leases are ultimately restructured or placed in non-accrual status. At June 30, 2011, the Bank had $12.6 million of potential problem loans or leases that were not included in the non-accrual loans and leases or in the loans 90 days or more past due categories, but for which management had concerns as to the ability of such borrowers to comply with the contractual terms of their loans and leases.

Collateral for some of the Bank's loans and leases is subject to fair value evaluations that fluctuate with market conditions and other external factors. In addition, while the Bank has certain underwriting obligations related to such evaluations, the evaluations of some real property and other collateral are dependent upon third-party independent appraisers employed either by the Bank's customers or as independent contractors of the Bank. During the current economic cycle, some subsequent fair value appraisals have reported lower values than were originally reported. These declining collateral values could impact future losses and recoveries.

The following table provides additional details related to the make-up of the Company's loan and lease portfolio, net of unearned income, and the distribution of NPLs at June 30, 2011:

| Loans and leases, net of unearned income | Outstanding | 90+ Days Past Due still Accruing | Non-accruing Loans | Restructured Loans, still accruing | NPLs | NPLs as a % of Outstanding |
|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | |
| Commercial and industrial | $1,526,686 | $118 | $ 9,337 | $ 500 | $9,955 | 0.7 % |
| Real estate | | | | | | |
| Consumer mortgages | 1,971,499 | 2,482 | 34,174 | 2,041 | 38,697 | 2.0 |
| Home equity | 531,787 | 242 | 1,232 | - | 1,474 | 0.3 |
| Agricultural | 255,310 | - | 8,526 | 760 | 9,286 | 3.6 |
| Commercial and industrial-owner occupied | 1,366,734 | - | 26,387 | 5,938 | 32,325 | 2.4 |
| Construction, acquisition and development | 1,060,675 | 432 | 200,434 | 5,410 | 206,276 | 19.4 |
| Commercial | 1,764,648 | 19 | 48,571 | 17,452 | 66,042 | 3.7 |
| Credit cards | 101,955 | 299 | 546 | 2,758 | 3,603 | 3.5 |
| All other | 635,259 | 388 | 1,869 | 9,927 | 12,184 | 1.9 |
| Total | $9,214,553 | $3,980 | $ 331,076 | $ 44,786 | $379,842 | 4.1 % |

The following table provides additional details related to the make-up of the Company's real estate construction, acquisition and development loan class and the distribution of NPLs at June 30, 2011:

| Real Estate Construction, Acquisition and Development | Outstanding | 90+ Days Past Due still Accruing | Non-accruing Loans | Restructured Loans, still accruing | NPLs | NPLs as a % of Outstanding |
|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | |
| Multi-family construction | $19,116 | $- | $ 9,174 | $ - | $9,174 | 48.0 % |
| One-to-four family construction | 198,809 | - | 24,537 | 1,697 | 26,234 | 13.2 |
| Recreation and all other loans | 66,366 | 2 | 774 | 24 | 800 | 1.2 |
| Commercial construction | 160,834 | - | 16,618 | - | 16,618 | 10.3 |
| Commercial acquisition and development | 222,460 | - | 37,207 | 1,415 | 38,622 | 17.4 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Residential acquisition and development | 393,090 | 430 | 112,124 | 2,274 | 114,828 | 29.2 | |
| Total | $1,060,675 | $432 | $ 200,434 | $ 5,410 | $206,276 | 19.4 | % |

Securities

The Company uses the Bank's securities portfolios to make various term invest−ments, to provide a source of liquidity and to serve as collateral to secure certain types of deposits. In evaluating the balance sheet during June of 2011, the Company determined that it may be in the Company's best interest to prepay some long-term FHLB borrowings. In the course of that evaluation, the Company determined certain securities classified as held-to-maturity should be sold as their term more closely aligned with the FHLB borrowings assisting in the mitigation of

interest rate risk. As a result, the Company transferred all held-to-maturity securities to the available-for-sale category during the second quarter of 2011. Held-to-maturity securities were $1.6 billion at December 31, 2010. Available-for-sale securities were $2.6 billion at June 30, 2011 compared to $1.1 billion at December 31, 2010 with the increase primarily resulting from the transfer of all held-to-maturity securities to the available-for-sale category during the second quarter of 2011. Available-for-sale securities, which are subject to possible sale, are recorded at fair value. At June 30, 2011, the Company held no securities whose decline in fair value was considered other than temporary.

The following table shows the available-for-sale securities portfolio by credit rating as obtained from Moody's rating service as of June 30, 2011:

| | Amortized Cost | | | Estimated Fair Value | | |
|---|---|---|---|---|---|---|
| | Amount | % | | Amount | % | |
| Available-for-sale Securities: | (Dollars in thousands) | | | | | |
| Aaa | $2,050,991 | 81.8 | % | $2,090,868 | 81.7 | % |
| Aa1 to Aa3 | 185,245 | 7.4 | % | 191,727 | 7.4 | % |
| A1 to A3 | 17,025 | 0.7 | % | 17,403 | 0.7 | % |
| Baa1 | 6,678 | 0.3 | % | 6,777 | 0.3 | % |
| Ba1 to Ba3 | 496 | 0.0 | % | 528 | | |
| Caa1 | 66 | 0.0 | % | 131 | - | |
| Not rated (1) | 246,256 | 9.8 | % | 253,390 | 9.9 | % |
| Total | $2,506,757 | 100.0 | % | $2,560,824 | 100.0 | % |

(1) Not rated securities primarily consist of Mississippi and Arkansas municipal bonds.

Of the securities not rated by Moody's, bonds with a book value of $78.0 million and a market value of $80.6 million were rated A- or better by Standard and Poor's.

Goodwill

The Company's policy is to assess goodwill for impairment at the reporting segment level on an annual basis or sooner if an event occurs or circumstances change which indicate that the fair value of a reporting unit is below its carrying amount. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Accounting standards require management to estimate the fair value of each reporting segment in assessing impairment at least annually. The Company's annual assessment date is during the Company's fourth quarter. The Company performed a complete goodwill impairment analysis for all of its reporting segments during the second quarter of 2011 because volatile market conditions caused the Company's market value to fall below book value. Based on this analysis, no goodwill impairment was recorded during the six months ended June 30, 2011 because the estimated fair value of each of the Company's reporting segments exceeded its respective carrying values by more than 15%.

In the current environment, forecasting cash flows, credit losses and growth in addition to valuing the Company's assets with any degree of assurance is very difficult and subject to significant changes over very short periods of time. Management will continue to update its analysis as circumstances change. If market conditions continue to be volatile and unpredictable, impairment of goodwill related to the Company's reporting segments may be necessary in future periods. Goodwill was $271.3 million and $270.1 million at June 30, 2011 and December 31, 2010, respectively.

Other Real Estate Owned

Other real estate owned was $151.2 million and $133.4 million at June 30, 2011 and December 31, 2010, respectively. Other real estate owned at June 30, 2011 had aggregate loan balances at the time of foreclosure of $263.5 million. Other real estate owned at December 31, 2010 had aggregate loan balances at time of foreclosure of

$237.2 million. The following table presents the other real estate owned by segment, class and geographical location at June 30, 2011:

| | Alabama and Florida Panhandle | Arkansas | Mississippi | Missouri | Greater Memphis Area | Northeast Tennessee | Texas and Louisiana | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| | (In thousands) | | | | | | | | |
| Commercial and industrial | $439 | $18 | $ - | $- | $946 | $ - | $ - | $- | $1,403 |
| Real estate | | | | | | | | | |
| Consumer mortgages | 3,985 | 327 | 3,391 | 762 | 6,078 | 2,642 | 1,120 | 1,649 | 19,954 |
| Home equity | - | 58 | 291 | - | - | 368 | - | - | 717 |
| Agricultural | 950 | 87 | 2,081 | - | 1,551 | - | - | - | 4,669 |
| Commercial and industrial-owner occupied | 930 | 109 | 1,740 | 79 | 3,515 | 446 | 228 | 292 | 7,339 |
| Construction, acquisition and development | 9,334 | 2,231 | 26,052 | 2,952 | 49,562 | 14,931 | 2,669 | 621 | 108,352 |
| Commercial | 2,757 | 1,725 | 1,112 | 451 | 1,215 | 203 | 584 | - | 8,047 |
| All other | 172 | 44 | 312 | 195 | - | - | - | - | 723 |
| Total | $18,567 | $4,599 | $ 34,979 | $4,439 | $62,867 | $ 18,590 | $4,601 | $2,562 | $151,204 |

Because of the relatively high number of the Bank’s NPLs that have been determined to be collaterally dependent, management expects the resolution of a significant number of these loans to necessitate foreclosure proceedings resulting in a further increase in other real estate owned.

Deposits and Other Interest-Bearing Liabilities

Deposits originating within the communities served by the Bank continue to be the Bank’s primary source of funding its earning assets. The Company has been able to compete effectively for deposits in its primary market areas, while continuing to manage the exposure to rising interest rates. The dis−tribution and market share of deposits by type of deposit and by type of depositor are important considerations in the Company's assessment of the stability of its fund sources and its access to additional funds. Furthermore, management shifts the mix and maturity of the deposits depending on economic conditions and loan and investment policies in an attempt, within set policies, to minimize cost and maximize net interest margin.

The following table presents the Company’s noninterest-bearing, interest-bearing, savings and other time deposits as of the dates indicated and the percentage change between dates:

| | June 30, 2011 | December 31, 2010 | % Change | |
|---|---|---|---|---|
| | (Dollars in millions) | | | |
| Noninterest bearing demand | $2,097 | $2,060 | 1.8 | % |
| Interest bearing demand | 4,939 | 4,932 | 0.1 | |
| Savings | 945 | 863 | 9.5 | |
| Other time | 3,327 | 3,635 | (8.5 | ) |
| Total deposits | $11,308 | $11,490 | (1.6 | )% |

Total deposits remained virtually unchanged at June 30, 2011 compared to December 31, 2010. The average maturity of time deposits at June 30, 2011 was approximately 13 months, compared to 14 months at December 31, 2010.

Liquidity and Capital Resources

One of the Company's goals is to provide adequate funds to meet increases in loan demand or any potential increase in the normal level of deposit withdrawals. This goal is accomplished primarily by generating cash from the Bank’s operating activities and maintaining sufficient short-term liquid assets. These sources, coupled with a stable deposit base and a historically strong reputation in the capital markets, allow the Company to fund earning assets and maintain the availability of funds. Management believes that the Bank’s traditional sources of maturing loans and investment securities, sales of loans held for sale, cash from operating activities and a strong base of core

deposits are adequate to meet the Company's liquidity needs for normal operations over both the short-term and the long-term.

To provide additional liquidity, the Company utilizes short-term financing through the purchase of federal funds and securities sold under agreement to repurchase. All securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. Further, the Company maintains a borrowing relationship with the Federal Home Loan Bank ("FHLB") which provides access to short-term and long-term borrowings and the Company also has access to the Federal Reserve discount window and other bank lines. The Company had short-term borrowings from the FHLB totaling approximately $703,000 at June 30, 2011 and $2.7 million at December 31, 2010. The Company had federal funds purchased and securities sold under agreement to repurchase of $426.1 million and $440.6 million at June 30, 2011 and December 31, 2010, respectively. The Company repaid $75.0 million in long-term borrowings during the second quarter of 2011 reducing long-term borrowings to $35.0 million at June 30, 2011 compared to $110.0 million at December 31, 2010. The Company has pledged eligible mortgage loans to secure the FHLB borrowings and had $3.0 billion in additional borrowing capacity under the existing FHLB borrowing agreement at June 30, 2011.

The Company had non-binding federal funds borrowing arrangements with other banks aggregating $725.0 million at June 30, 2011. Secured borrowing arrangements utilizing the Company's securities portfolio provide substantial additional liquidity to the Company. Such arrangements typically provide for borrowings of 95% to 98% of the unencumbered fair value of the Company's federal government and government agencies securities portfolio. The ability of the Company to obtain funding from these or other sources could be negatively affected should the Company experience a substantial deterioration in its financial condition or its debt rating, or should the availability of short-term funding become restricted as a result of the disruption in the financial markets. Management does not anticipate any short- or long-term changes to its liquidity strategies and believes that the Company has ample sources to meet the liquidity challenges caused by current economic conditions. The Company utilizes, among other tools, maturity gap tables, interest rate shock scenarios and an active asset and liability management committee to analyze, manage and plan asset growth and to assist in managing the Company's net interest margin and overall level of liquidity.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Company enters into various off-balance sheet commitments and other arrangements to extend credit that are not reflected in the consolidated balance sheets of the Company. The business purpose of these off-balance sheet commitments is the routine extension of credit. While most of the commitments to extend credit are made at variable rates, included in these commitments are forward commitments to fund individual fixed-rate mortgage loans. Fixed-rate lending commitments expose the Company to risks associated with increases in interest rates. As a method to manage these risks, the Company enters into forward commitments to sell individual fixed-rate mortgage loans. The Company also faces the risk of deteriorating credit quality of borrowers to whom a commitment to extend credit has been made; however, no significant credit losses are expected from these commitments and arrangements.

Regulatory Requirements for Capital

The Company is required to comply with the risk-based capital guidelines established by the Board of Governors of the Federal Reserve System. These guidelines apply a variety of weighting factors that vary according to the level of risk associated with the assets. Capital is measured in two "Tiers": Tier I consists of common shareholders' equity and qualifying non-cumulative perpetual preferred stock, less goodwill and certain other intangible assets; and Tier II consists of general allowance for losses on loans and leases, "hybrid" debt capital instruments and all or a portion of other subordinated capital debt, depending upon remaining term to maturity. Total capital is the sum of Tier I and Tier II capital. The required minimum ratio levels to be considered adequately capitalized for the Company's Tier I capital, total capital, as a percentage of total risk-adjusted assets, and Tier I leverage capital (Tier I capital divided by total assets, less goodwill) are 4%, 8% and 4%, respectively. The Company exceeded the required minimum levels for these ratios at June 30, 2011 and December 31, 2010 as follows:

65

| | June 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio |
| | (Dollars in thousands) | | | |
| BancorpSouth, Inc. | | | | |
| Tier I capital (to risk-weighted assets) | $1,075,337 | 10.82 % | $1,070,744 | 10.61 % |
| Total capital (to risk-weighted assets) | 1,200,629 | 12.08 | 1,197,626 | 11.87 |
| Tier I leverage capital (to average assets) | 1,075,337 | 8.22 | 1,070,744 | 8.07 |

The Federal Deposit Insurance Corporation's ("FDIC") capital-based supervisory system for insured financial institutions categorizes the capital position for banks into five categories, ranging from "well capitalized" to "critically undercapitalized." For a bank to be classified as "well capitalized," the Tier I capital, total capital and leverage capital ratios must be at least 6%, 10% and 5%, respectively. The Bank met the criteria for the "well capitalized" category at June 30, 2011 and December 31, 2010 as follows:

| | June 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio |
| | (Dollars in thousands) | | | |
| BancorpSouth Bank | | | | |
| Tier I capital (to risk-weighted assets) | $1,046,607 | 10.54 % | $1,040,714 | 10.32 % |
| Total capital (to risk-weighted assets) | 1,171,899 | 11.81 | 1,167,596 | 11.58 |
| Tier I leverage capital (to average assets) | 1,046,607 | 8.03 | 1,040,714 | 7.87 |

There are various legal and regulatory limits on the extent to which the Bank may pay dividends or otherwise supply funds to the Company. In addition, federal and state regulatory agencies have the authority to condition, require advanced consent and/or prevent a bank, bank holding company or financial holding company from paying a dividend or engaging in any other activity that, in the opinion of the agency, would constitute an unsafe or unsound practice. Management does not expect these limitations to cause a material adverse effect with regard to the Company's ability to meet its cash obligations.

Uses of Capital

The Company may pursue acquisitions of depository institutions and businesses closely related to banking that further the Company's business strategies, including FDIC-assisted transactions. The Company anticipates that consideration for any transactions other than FDIC-assisted transactions would include shares of the Company's common stock, cash or a combination thereof.

On March 21, 2007, the Company announced a new stock repurchase program whereby the Company may acquire up to three million shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period from May 1, 2007 through April 30, 2009. The original expiration date for this stock repurchase program was extended until April 30, 2011. At the expiration of this stock repurchase program, 460,700 shares had been repurchased.

Certain Litigation Contingencies

The Company and its subsidiaries are engaged in lines of business that are heavily regulated and involve a large volume of financial transactions with numerous customers through offices in nine states. Although the Company and its subsidiaries have developed policies and procedures to minimize the impact of legal noncompliance and other disputes, litigation presents an ongoing risk.

On May 12, 2010, the Company and its Chief Executive Officer, President and Chief Financial Officer were named in a purported class-action lawsuit filed in the U.S. District Court for the Middle District of Tennessee on behalf of certain purchasers of the Company's common stock. On September 17, 2010, an Executive Vice President of the Company was added as a party to the lawsuit. The amended complaint alleges that the defendants issued materially false and misleading statements regarding the Company's business and financial results. The plaintiff seeks class certification, an unspecified amount of damages and awards of costs and attorneys' fees and

such other equitable relief as the Court may deem just and proper. No class has been certified and, at this stage of the lawsuit, management cannot determine the probability of an unfavorable outcome to the Company. Although it is not possible to predict the ultimate resolution or financial liability with respect to this litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company's business, consolidated financial position or results of operations.

In November 2010, the Company was informed that the Atlanta Regional Office of the Securities and Exchange Commission had issued an Order of Investigation related to the Company's delay in filing its Annual Report on Form 10-K for year ended December 31, 2009 and related matters. The Company is cooperating fully with the SEC. No claims have been made by the SEC against the Company or against any individuals affiliated with the Company. At this time, it is not possible to predict when or how the investigation will be resolved or the cost or potential liabilities associated with this matter.

On May 18, 2010, the Bank was named as a defendant in a purported class action lawsuit filed by two Arkansas customers of the Bank in the U.S. District Court for the Northern District of Florida. The suit challenges the manner in which overdraft fees were charged and the policies related to posting order of debit card and ATM transactions. The suit also makes a claim under Arkansas' consumer protection statute. The case was transferred to pending multi-district litigation in the U.S. District Court for the Southern District of Florida. No class has been certified and, at this stage of the lawsuit, management of the Company cannot determine the probability of an unfavorable outcome to the Company. Although it is not possible to predict the ultimate resolution or financial liability with respect to this litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company's business, consolidated financial position or results of operations. However, there can be no assurance that an adverse outcome or settlement would not have a material adverse effect on the Company's consolidated results of operations for a given fiscal period.

Otherwise, the Company and its subsidiaries are defendants in various lawsuits arising out of the normal course of business, including claims against entities to which the Company is a successor as a result of business combinations. In the opinion of management, the ultimate resolution of these lawsuits should not have a material adverse effect on the Company's business, consolidated financial position or results of operations. It is possible, however, that future developments could result in an unfavorable ultimate outcome for or resolution of any one or more of the lawsuits in which the Company or its subsidiaries are defendants, which may be material to the Company's results of operations for a particular quarterly reporting period. Litigation is inherently uncertain, and management of the Company cannot make assurances that the Company will prevail in any of these actions, nor can it reasonably estimate the amount of damages that the Company might incur.

CRITICAL ACCOUNTING POLICIES

During the three months ended June 30, 2011, there was no significant change in the Company's critical accounting policies and no significant change in the application of critical accounting policies as presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

During the three months ended June 30, 2011, there were no significant changes to the quantitative and qualitative disclosures about market risks presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

## ITEM 4. CONTROLS AND PROCEDURES.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, except for the remediation efforts management continued during the first six months of 2011 related to a material weakness in internal control over financial reporting

identified as of December 31, 2009 and 2010, and reported in the Company's Annual Reports on Form 10-K for the years ended December 31, 2009 and 2010. Following management's initial determination of the material weakness as of December 31, 2009, management began taking steps to remediate the material weakness. These ongoing efforts included the following:

- The creation of a real estate risk management group which oversees compliance with laws, regulations and U.S. GAAP related to lending activities;
- Testing of significant loans, with a focus on higher risk loans, for impairment on a monthly basis;
- Reporting by management to the Board of Directors on a quarterly basis regarding significant problem loans and potentially problematic portfolios;
- Additional resources committed to the Bank's appraisal group, as necessary, for compliance with appraisal policies and procedures;
- Additional personnel committed to the Company's independent loan review function;
- New leadership for the independent loan review function; and
- Migration to a risk-based approach for timing of loan review.

Management anticipates that these remedial actions will strengthen the Company's internal control over financial reporting and will, over time, address the material weakness that was identified as of December 31, 2010. Because some of these remedial actions will take place on a quarterly basis, their successful implementation will continue to be evaluated before management is able to conclude that the material weakness has been remediated. The Company cannot provide any assurance that these remediation efforts will be successful or that the Company's internal control over financial reporting will be effective as a result of these efforts.

Evaluation of Disclosure Controls and Procedures

As of June 30, 2011, the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13(a)-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation and the identification of a material weakness in the Company's internal control over financial reporting as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were not effective to ensure that information required to be disclosed by the Company in its reports that it files or submits under the Exchange Act is recorded, processed, summarized and reporting within the time periods specified in the Securities Exchange Commission rules and forms.

## PART II
## OTHER INFORMATION

### ITEM 1A. RISK FACTORS.

There have been no material changes from the risk factors previously disclosed in the Company's annual report on Form 10-K for the year ended December 31, 2010.

### ITEM 6. EXHIBITS.

| | | |
|---|---|---|
| (3) | (a) | Restated Articles of Incorporation, as amended. (1) |
| | (b) | Bylaws, as amended and restated. (2) |
| | (c) | Amendment No. 1 to Amended and Restated Bylaws. (3) |

(d) Amendment No. 2 to Amended and Restated Bylaws. (4)

(e) Amendment No. 3 to Amended and Restated Bylaws. (4)

(4) (a) Specimen Common Stock Certificate. (5)

(b) Amended and Restated Certificate of Trust of BancorpSouth Capital Trust I. (6)

(c) Second Amended and Restated Trust Agreement of BancorpSouth Capital Trust I, dated as of January 28, 2002, between BancorpSouth, Inc., The Bank of New York, The Bank of New York (Delaware) and the Administrative Trustees named therein. (7)

(d) Junior Subordinated Indenture, dated as of January 28, 2002, between BancorpSouth, Inc. and The Bank of New York. (7)

(e) Guarantee Agreement, dated as of January 28, 2002, between BancorpSouth, Inc. and The Bank of New York. (7)

(f) Junior Subordinated Debt Security Specimen. (7)

(g) Trust Preferred Security Certificate for BancorpSouth Capital Trust I. (7)

(h) Certain instruments defining the rights of certain holders of long-term debt securities of the Registrant are omitted pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The Registrant hereby agrees to furnish copies of these instruments to the SEC upon request.

(10.1) Amendment to BancorpSouth, Inc. Long-Term Equity Incentive Plan. (8)

(31.1) Certification of the Chief Executive Officer of BancorpSouth, Inc. pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

(31.2) Certification of the Chief Financial Officer of BancorpSouth, Inc. pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

(32.1) Certification of the Chief Executive Officer of BancorpSouth, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

(32.2) Certification of the Chief Financial Officer of BancorpSouth, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

(101)** Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2010, is formatted in XBRL (Extensible Business Reporting Language) interactive data files: (i) the Consolidated Balance Sheets as of September 30, 2010 and 2009, and December 31, 2009, (ii) the Consolidated Statements of Income for each of the three-month and nine-month periods ended September 30, 2010 and 2009, (iii) the Consolidated Statements of Cash Flows for each of the nine-month periods ended September 30, 2010 and 2009, and (iv) the Notes to Consolidated Financial Statements, tagged as blocks of text.*

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(1) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2009 (file number 1-12991) and incorporated by reference thereto.

(2) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1998 (file number 1-12991) and incorporated by reference thereto.

(3) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 (file number 1-12991) and incorporated by reference thereto.

(4) Filed as exhibits 3.1 and 3.2 to the Company's Current Report on Form 8-K filed on January 26, 2007 (file number 1-12991) and incorporated by reference thereto.

(5) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1994 (file number 0-10826) and incorporated by reference thereto.

(6) Filed as exhibit 4.12 to the Company's registration statement on Form S-3 filed on November 2, 2001 (Registration No. 33-72712) and incorporated by reference thereto.

(7) Filed as an exhibit to the Company's Current Report on Form 8-K filed on January 28, 2002 (file number 1-12991) and incorporated by reference thereto.

(8) Filed as an exhibit to the Company's Current Report on Form 8-K filed on April 8, 2011 (file number 1-12991) and incorporated by reference thereto.

* Filed herewith.

**

As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BancorpSouth, Inc.
(Registrant)

DATE: August 5, 2011 /s/ William L. Prater
William L. Prater
Treasurer and
Chief Financial Officer

INDEX TO EXHIBITS

| Exhibit No. | Description |
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| (f) | Junior Subordinated Debt Security Specimen. (7) |
| (g) | Trust Preferred Security Certificate for BancorpSouth Capital Trust I. (7) |
| (h) | Certain instruments defining the rights of certain holders of long-term debt securities of the Registrant are omitted pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The Registrant hereby agrees to furnish copies of these instruments to the SEC upon request. |
| (10.1) | Amendment to BancorpSouth, Inc. Long-Term Equity Incentive Plan. (8) |
| (31.1) | Certification of the Chief Executive Officer of BancorpSouth, Inc. pursuant to Rule 13a-14 or 15d- 14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.* |
| (31.2) | Certification of the Chief Financial Officer of BancorpSouth, Inc. pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.* |
| (32.1) | Certification of the Chief Executive Officer of BancorpSouth, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* |
| (32.2) | Certification of the Chief Financial Officer of BancorpSouth, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* |
| (101)** | Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2010, is formatted in XBRL (Extensible Business Reporting Language) interactive data files: (i) the Consolidated Balance Sheets as of September 30, 2010 and 2009, and December 31, 2009, (ii) the Consolidated Statements of Income for each of the three-month and nine-month periods ended September 30, 2010 and 2009, (iii) the Consolidated Statements of Cash Flows for each of the nine-month periods ended September 30, 2010 and 2009, and (iv) the Notes to Consolidated Financial Statements, tagged as blocks of text.* |

(1) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2009 (file number 1-12991) and incorporated by reference thereto.

(2) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1998 (file number 1-12991) and incorporated by reference thereto.

(3) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2000 (file number 1-12991) and incorporated by reference thereto.

(4) Filed as exhibits 3.1 and 3.2 to the Company's Current Report on Form 8-K filed on January 26, 2007 (File number 1-12991) and incorporated by reference thereto.

(5) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 1994 (file number 0-10826) and incorporated by reference thereto.
(6) Filed as exhibit 4.12 to the Company's registration statement on Form S-3 filed on November 2, 2001 (Registration No. 33-72712) and incorporated by reference thereto.
(7) Filed as an exhibit to the Company's Current Report on Form 8-K filed on January 28, 2002 (file number 1-12991) and incorporated by reference thereto.
(8) Filed as an exhibit to the Company's Current Report on Form 8-K filed on April 8, 2011 (file number 1-12991) and incorporated by reference thereto.
* Filed herewith.
** As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.