BANCORPSOUTH INC
Form 10-K
March 15, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2009

OR

o **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 1-12991

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, $2.50 par value	New York Stock Exchange
Common stock purchase rights	New York Stock Exchange
Guarantee of 8.15% Preferred Securities of BancorpSouth Capital Trust I	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common stock, $2.50 par value
Common stock purchase rights
Guarantee of 8.15% Preferred Securities of BancorpSouth Capital Trust I

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer þ	Accelerated Filer o	Non-Accelerated Filer o	Smaller Reporting Company o
		(Do Not Ckeck if a 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 o No þ

The aggregate market value of the registrant s common stock held by non-affiliates of the registrant on June 30, 2009 was approximately $1,623,000,000, based on the last reported sale price per share of the registrant s common stock as reported on the New York Stock Exchange on June 30, 2009.

As of March 10, 2010, the registrant had outstanding 83,459,120 shares of common stock, par value $2.50 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement used in connection with the registrant s 2010 Annual Meeting of Shareholders, to be held April 28, 2010, are incorporated by reference into Part III of this Report.

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PART I

ITEM 1. BUSINESS.

GENERAL

BancorpSouth, Inc. (the Company) is a financial holding company incorporated in 1982. Through its principal bank subsidiary, BancorpSouth Bank (the Bank), the Company conducts commercial banking and financial services operations in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida, Missouri and Illinois. At December 31, 2009, the Company and its subsidiaries had total assets of approximately $13.2 billion and total deposits of approximately $10.7 billion. The Company s principal office is located at One Mississippi Plaza, 201 South Spring Street, Tupelo, Mississippi 38804 and its telephone number is (662) 680-2000.

The Company s Internet website address is www.bancorpsouthonline.com. The Company makes available its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports free of charge on its website on the Investor Relations webpage under the caption SEC Filings as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (the SEC). The Company s Internet website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K (this Report).

DESCRIPTION OF BUSINESS

The Bank has its principal office in Tupelo, Lee County, Mississippi, and conducts a general commercial banking, trust and insurance business through 310 offices in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida, Missouri and Illinois. The Bank has grown through the acquisition of other banks and insurance agencies and through the opening of new branches and offices.

The Bank and its subsidiaries provide a range of financial services to individuals and small-to-medium size businesses. The Bank operates investment services, credit insurance and insurance agency subsidiaries which engage in investment brokerage services and sales of other insurance products. The Bank s trust department offers a variety of services including personal trust and estate services, certain employee benefit accounts and plans, including individual retirement accounts, and limited corporate trust functions. All of the Company s assets are located in the United States and all of its revenues generated from external customers originate within the United States.

The Company has registered the trademarks BancorpSouth, both typed form and design, and Bank of Mississippi, both typed form and design, with the U.S. Patent and Trademark Office. The trademark BancorpSouth will expire in 2011, and Bank of Mississippi will expire in 2020, unless the Company extends these trademarks for additional ten year periods. Registrations of trademarks with the U.S. Patent and Trademark Office generally may be renewed and continue indefinitely, provided that the Company continues to use these trademarks and files appropriate maintenance and renewal documentation with the U.S. Patent and Trademark Office at times required by the federal trademark laws and regulations.

COMPETITION

Vigorous competition exists in all major areas where the Bank is engaged in business. The Bank competes for available loans and depository accounts with state and national commercial banks as well as savings and loan associations, insurance companies, credit unions, money market mutual funds, automobile finance companies and financial services companies. None of these competitors is dominant in the entire area served by the Bank.

The principal areas of competition in the banking industry center on a financial institution s ability and willingness to provide credit on a timely and competitively priced basis, to offer a sufficient range of deposit and investment opportunities at competitive prices and maturities, and to offer personal and other services of sufficient quality and at competitive prices. The Company and its subsidiaries believe they can compete effectively in all these areas.

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REGULATION AND SUPERVISION

The following is a brief summary of the regulatory environment in which the Company and its subsidiaries operate and is not designed to be a complete discussion of all statutes and regulations affecting such operations, including those statutes and regulations specifically mentioned herein. Changes in these applicable laws, and their application by regulatory and law enforcement agencies, cannot necessarily be predicted, but could have a material effect on the business and results of the Company and its subsidiaries.

The Company is a financial holding company regulated as such under the Bank Holding Company Act of 1956 (the Bank Holding Company Act) and is subject to regulation and supervision by the Board of Governors of the Federal Reserve System (the Federal Reserve). The Company is required to file annual reports with the Federal Reserve and such other information as the Federal Reserve may require. The Federal Reserve may also conduct examinations of the Company. According to Federal Reserve policy, a financial holding company must act as a source of financial strength to its subsidiary banks and commit resources to support each such subsidiary. This support may be required at times when a financial holding company may not be able to provide such support.

The Bank is incorporated under the laws of the State of Mississippi and is subject to the applicable provisions of Mississippi banking laws and the laws of various states in which it operates, as well as federal law. The Bank is subject to the supervision of the Mississippi Department of Banking and Consumer Finance and to regular examinations by that department. Deposits in the Bank are insured by the Federal Deposit Insurance Corporation (the FDIC) and, therefore, the Bank is subject to the provisions of the Federal Deposit Insurance Act and to examination by the FDIC. FDIC regulations require that management report annually on its responsibility for preparing its institution s financial statements, and establishing and maintaining an internal control structure and procedures for financial reporting and compliance with designated laws and regulations concerning safety and soundness. The Bank is not a member of the Federal Reserve.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) permits, among other things, the acquisition of savings associations by financial holding companies, irrespective of their financial condition, and increased the deposit insurance premiums for banks and savings associations. FIRREA also provides that commonly controlled, federally insured financial institutions must reimburse the FDIC for losses incurred by the FDIC in connection with the default of another commonly controlled financial institution or in connection with the provision of FDIC assistance to such a commonly controlled financial institution in danger of default. Reimbursement liability under FIRREA is superior to any obligations to shareholders of such federally insured institutions (including a financial holding company such as the Company if it were to acquire another federally insured financial institution) arising as a result of their status as shareholders of a reimbursing financial institution.

The Company and the Bank are subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). This Act provides for increased funding for the FDIC s deposit insurance fund and expands the regulatory powers of federal banking agencies to permit prompt corrective actions to resolve problems of insured depository institutions through the regulation of banks and their affiliates, including financial holding companies. Its provisions are designed to minimize the potential loss to depositors and to FDIC insurance funds if financial institutions default on their obligations to depositors or become in danger of default. Among other things, FDICIA provides a framework for a system of supervisory actions based primarily on the capital levels of financial institutions. FDICIA also provides for a risk-based deposit insurance premium structure. The FDIC charges an annual assessment for the insurance of deposits based on the risk a particular institution poses to its deposit insurance fund. While most of the Company s deposits were in the Bank Insurance Fund, certain other of the Company s deposits which were acquired from thrifts over the years remained in the Savings Association Insurance Fund.

Under the Federal Deposit Insurance Reform Act of 2005, the Bank Insurance Fund and the Savings Association Insurance Fund were merged into a new combined fund, called the Deposit Insurance Fund (the DIF), effective March 31, 2006. Substantially all of the deposits of the Bank are insured up to applicable limits by the DIF of the FDIC and are subject to deposit insurance assessments to maintain the DIF. The FDIC utilizes a risk-based assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank s capital level and supervisory rating. As of January 1, 2007, the previous nine risk categories utilized in the risk matrix were condensed into four risk categories which continue to be distinguished by capital levels and supervisory ratings. In an effort to restore capitalization levels and to ensure the DIF will adequately cover projected losses from future bank failures, the FDIC in October 2008 proposed a rule to alter the way in which it differentiates for risk in the risk-based assessment system and to revise deposit insurance assessment rates, including base assessment rates. The FDIC also proposed and adopted three adjustments that could be made to an institution s initial base assessment

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rate, including (i) a potential decrease of up to two basis points for long-term unsecured debt, including senior and subordinated debt, (ii) a potential increase for secured liabilities in excess of 15% of domestic deposits and (iii) for certain institutions, a potential increase for brokered deposits in excess of 10% of domestic deposits. In addition, the FDIC proposed raising the current rates uniformly by seven basis points for the assessment for the first quarter of 2009. The proposal for first quarter 2009 assessment rates was adopted as a final rule in December 2008. As a result of increased bank failures and a decrease in the DIF, on December 30, 2009, the FDIC required all insured financial institutions to prepay three years worth of insurance premiums with the prepayment including a 5% annual growth rate in the projected assessment base and a three basis point increase in the annual assessment rate for 2011 and 2012. The FDIC may require additional special assessment payments if the DIF balance continues to decline.

The Company is required to comply with the risk-based capital guidelines established by the Federal Reserve and with other tests relating to capital adequacy that the Federal Reserve adopts from time to time. See Note 20 to the Company s Consolidated Financial Statements included in this Report for a discussion of the Company s capital amounts and ratios.

The Company is a legal entity that is separate and distinct from its subsidiaries. There are various legal limitations on the extent to which the Bank may extend credit, pay dividends or otherwise supply funds to the Company or its affiliates. In particular, the Bank is subject to certain restrictions imposed by federal law, including without limitation, sections 23A and 23B of the Federal Reserve Act, on any extensions of credit to the Company or, with certain exceptions, other affiliates.

The primary source of funds for dividends paid to the Company s shareholders is dividends paid to the Company by the Bank. Various federal and state laws limit the amount of dividends that the Bank may pay to the Company without regulatory approval. Under Mississippi law, the Bank must obtain approval of the Commissioner of the Mississippi Department of Banking and Consumer Finance prior to paying any dividend on the Bank s common stock. Under FDICIA, the Bank may not pay any dividends if, after paying the dividend, it would be undercapitalized under applicable capital requirements. The FDIC also has the authority to prohibit the Bank from engaging in business practices that the FDIC considers to be unsafe or unsound, which, depending on the financial condition of the Bank, could include the payment of dividends.

In addition, the Federal Reserve has the authority to prohibit the payment of dividends by a financial holding company if its actions constitute unsafe or unsound practices. In 1985, the Federal Reserve issued a policy statement on the payment of cash dividends by financial holding companies, which outlined the Federal Reserve s view that a financial holding company that is experiencing earnings weaknesses or other financial pressures should not pay cash dividends that exceed its net income, that are inconsistent with its capital position or that could only be funded in ways that weaken its financial health, such as by borrowing or selling assets. The Federal Reserve indicated that, in some instances, it may be appropriate for a financial holding company to eliminate its dividends.

In addition, in the current financial and economic environment, the Federal Reserve Board has indicated that bank and financial holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (IBBEA) permits adequately capitalized and managed financial holding companies to acquire control of banks in states other than their home states, subject to federal regulatory approval, without regard to whether such a transaction is prohibited by the laws of any state. IBBEA permits states to continue to require that an acquired bank must have been in existence for a certain minimum time period that may not exceed five years. IBBEA prohibits a financial holding company, following an interstate acquisition, from controlling more than 10% of the nation s total amount of bank deposits or 30% of bank deposits in the relevant state. States retain the ability to adopt legislation to effectively raise or lower the 30% limit. Federal banking regulators may approve merger transactions involving banks located in different states, without regard to laws of any state prohibiting such transactions; provided, however, that mergers may not be approved with respect to banks located in a state that, prior to June 1, 1997, enacted legislation prohibiting mergers by banks located in such state with out-of-state institutions. Federal banking regulators may permit an out-of-state bank to open new branches in another state if such state has enacted legislation permitting interstate branching. Affiliated institutions are authorized to accept deposits for existing accounts, renew time deposits and close and service loans for affiliated institutions without being deemed an impermissible branch of the affiliate.

The Community Reinvestment Act of 1977 (CRA) and its implementing regulations provide an incentive for regulated financial institutions to meet the credit needs of their local community or communities, including low and moderate income neighborhoods, consistent with the safe and sound operation of such financial institutions. The regulations provide that the appropriate regulatory authority will assess reports under CRA in connection with applications for establishment of domestic branches, acquisitions of banks or mergers involving financial holding companies. An unsatisfactory rating under CRA may serve as a basis to deny an application to acquire or establish a new bank, to establish a new branch or to expand banking services. As of December 31, 2009, the Company had a satisfactory rating under CRA.

Under the Gramm-Leach-Bliley Act of 1999 (the GLBA), banks may associate with a company engaged principally in securities activities. The GLBA also permits a bank holding company to elect to become a financial holding company, allowing it to exercise expanded financial powers. Financial holding company powers relate to financial activities that are determined by the Federal Reserve to be financial in nature, incidental to an activity that is financial in nature or complementary to a financial activity (provided that the complementary activity does not pose a safety and soundness risk). The GLBA expressly characterizes certain activities as financial in nature, including lending activities, underwriting and selling insurance, providing financial or investment advice, securities underwriting, dealing and making markets in securities and merchant banking. In order to qualify as a financial holding company, a bank holding company s depository subsidiaries must be both well-capitalized and well-managed and must have at least a satisfactory rating under CRA. The Company elected to become a financial holding company during 2004.

In addition, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as extended and revised by the PATRIOT Improvement and Reauthorization Act of 2005 (the USA Patriot Act), requires each financial institution (i) to establish an anti-money laundering program; (ii) to establish due diligence policies, procedures and controls with respect to its private banking accounts and correspondent banking accounts involving foreign individuals and certain foreign financial institutions; and (iii) to avoid establishing, maintaining, administering or managing correspondent accounts in the United States for, or on behalf of, foreign financial institutions that do not have a physical presence in any country. The USA Patriot Act also requires that financial institutions must follow certain minimum standards to verify the identity of customers, both foreign and domestic, when a customer opens an account. In addition, the USA Patriot Act contains a provision encouraging cooperation among financial institutions, regulatory authorities and law enforcement authorities with respect to individuals, entities and organizations engaged in, or reasonably suspected of engaging in, terrorist acts or money laundering activities.

The activities of the Company and its subsidiaries are also subject to regulation under various federal laws and regulations thereunder, including the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Fair Credit Reporting Act, the Electronic Funds Transfer Act and the Currency and Foreign Transactions Reporting Act (Bank Secrecy Act), among others, as well as various state laws.

The GLBA and other federal and state laws, as well as the various guidelines adopted by the Federal Reserve and the FDIC, provide for minimum standards of privacy to protect the confidentiality of the non-public personal information of customers and to regulate the use of such information by financial institutions. The Company and its subsidiaries have adopted a customer information security program to comply with these regulatory requirements.

The Bank s insurance subsidiaries are regulated by the insurance regulatory authorities and applicable laws and regulations of the states in which they operate.

The Bank s investment services subsidiary is regulated as a registered investment adviser and broker-dealer by federal and/or state securities regulations and self-regulatory authorities.

The Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) represents a comprehensive revision of laws affecting corporate governance, accounting obligations and corporate reporting. The Sarbanes-Oxley Act is applicable to all companies with equity or debt securities registered under the Securities Exchange Act of 1934, as amended (the Exchange Act). In particular, the Sarbanes-Oxley Act established: (i) requirements for audit committees, including independence, expertise and responsibilities; (ii) responsibilities regarding financial statements for the Chief Executive Officer and Chief Financial Officer of the reporting company; (iii) standards for auditors and regulation of audits; (iv) disclosure and reporting obligations for the reporting company and its directors and executive officers; and (v) civil and criminal penalties for violation of the securities laws.

In response to unprecedented market turmoil, Congress enacted the Emergency Economic Stabilization Act (EESA) on October 3, 2008. EESA authorizes the Secretary of the Treasury (the Secretary) to purchase up to $700 billion in troubled assets from financial institutions under the Troubled Asset Relief Program (TARP). Troubled assets include residential or commercial mortgages and related instruments originated prior to March 14, 2008 and any other financial instrument the purchase of which the Secretary determines, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, is necessary to promote financial stability. The Secretary was authorized to purchase up to $250 billion in troubled assets immediately and up to $350 billion upon certification by the President that such authority is needed. EESA also increased the maximum deposit insurance

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amount up to $250,000 until December 31, 2013. Pursuant to his authority under EESA, the Secretary created the TARP Capital Purchase Program under which the Treasury Department is investing up to $250 billion in senior preferred stock of U.S. banks and savings associations or their holding companies. In the fourth quarter of 2008 after careful consideration of the Company s asset quality, financial and operating results, liquidity sources and capital levels, the Company elected not to participate in the TARP Capital Purchase Program.

On March 23, 2009, Treasury, in conjunction with the FDIC and the Federal Reserve, announced the Public-Private Investment Program (PPIP). PPIP consists of two aspects, a Legacy Loans Program and a Legacy Securities Program. Both programs involve a partnership between the federal government and private entities to purchase non-performing or illiquid assets from the balance sheets of financial institutions. To date, the Company has not participated in either of these programs.

In addition, there have been a number of legislative and regulatory proposals that could have an impact on the operation of financial holding companies and their bank and non-bank subsidiaries. Management is not able to predict whether or in what form these proposals may be adopted in the future and, if adopted, what their effect will be on the Company and its subsidiaries.

LENDING ACTIVITIES

The Bank s lending activities include both commercial and consumer loans. Loan 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 that vary depending on the size and nature of the loan, and applies these procedures in a disciplined manner.

Commercial Lending

The Bank offers a variety of commercial loan services including term loans, lines of credit, equipment and receivable financing and agricultural loans. A broad range of short-to-medium term commercial loans, both secured and unsecured, are made available to businesses for working capital (including inventory and receivables), business expansion (including acquisition and development of real estate and improvements), and the purchase of equipment and machinery. The Bank also makes construction loans to real estate developers for the acquisition, development and construction of residential subdivisions.

Commercial loans are granted based on the borrower s ability to generate cash flow to support its debt obligations and other cash related expenses. A borrower s ability to repay commercial loans is substantially dependent on the success of the business itself and on the quality of its management. As a general practice, the Bank takes as collateral a security interest in any available real estate, equipment, inventory, receivables or other personal property, although such loans may also be made infrequently on an unsecured basis. In many instances, the Bank requires personal guarantees of its commercial loans to provide additional credit support.

The Bank has had very little exposure as an agricultural lender. Crop production loans have been either fully supported by the collateral and financial strength of the borrower, or a 90% loan guaranty has been obtained through the Farm Service Agency on such loans.

Residential Consumer Lending

A portion of the Bank s lending activities consists of the origination of fixed and adjustable rate residential mortgage loans secured by owner-occupied property located in the Bank s primary market areas. Home mortgage lending is unique in that a broad geographic territory may be serviced by originators working from strategically placed offices either within the Bank s traditional banking facilities or from affordable storefront locations in commercial buildings. In addition, the Bank offers construction loans, second mortgage loans and home equity lines of credit.

The Bank finances the construction of individual, owner-occupied houses on the basis of written underwriting and construction loan management guidelines. First mortgage construction loans are made to qualified individual borrowers and are generally supported by a take-out commitment from a permanent lender. The Bank makes residential construction loans to individuals who intend to erect owner-occupied housing on a purchased parcel of real estate. The construction phase of these loans has certain risks, including the viability of the contractor, the contractor s ability to complete the project and changes in interest rates.

In most cases, the Bank sells its mortgage loans with terms of 15 years or more in the secondary market and either retains or releases the right to service those loans. The sale of mortgage loans to the secondary market allows the Bank to manage the interest rate risks related to such lending operations. Generally, after the sale of a loan with servicing retained, the Bank s only involvement is to act as a servicing agent. In certain cases, the Bank may be required to repurchase mortgage loans upon which customers have defaulted that were previously sold in the secondary market if these loans did not meet the underwriting standards of the entity that purchased the loans. These loans would be held by the Bank in its mortgage loan portfolio.

In most cases, the Bank requires fire, extended casualty insurance and, where appropriate, wind and hail insurance and, where required by applicable regulations, flood insurance to be obtained by the borrower. The Bank maintains its own errors and omissions insurance policy to protect against loss in the event of failure of a mortgagor to pay premiums on fire and other hazard insurance policies. Mortgage loans originated by the Bank customarily include a due on sale clause giving the Bank the right to declare a loan immediately due and payable in the event, among other matters, that the borrower sells or otherwise disposes of the real property subject to a mortgage. In general, the Bank enforces due on sale clauses. Borrowers are typically permitted to refinance or repay residential mortgage loans at their option without penalty.

Non-Residential Consumer Lending

Non-residential consumer loans made by the Bank include loans for automobiles, recreation vehicles, boats, personal (secured and unsecured) and deposit account secured loans. Non-residential consumer loans are attractive to the Bank because they typically have a shorter term and carry higher interest rates than those charged on other types of loans.

The Bank also issues credit cards solicited on the basis of applications received through referrals from the Bank s branches and other marketing efforts. The Bank generally has a small portfolio of credit card receivables outstanding. Credit card lines are underwritten using conservative credit criteria, including past credit history and debt-to-income ratios, similar to the credit policies applicable to other personal consumer loans.

The Bank grants consumer loans based on employment and financial information solicited from prospective borrowers as well as credit records collected from various reporting agencies. Financial stability of the borrower and credit history are the primary factors the Bank considers in granting such loans. The availability of collateral is also a factor considered in making such loans. The Bank seeks collateral that can be assigned and has good marketability with an adequate margin of value. The geographic area of the borrower is another consideration, with preference given to borrowers in the Bank s primary market areas.

OTHER FINANCIAL SERVICES

The Bank s insurance service subsidiary serves as an agent in the sale of title insurance, commercial lines of insurance and a full line of property and casualty, life, health and employee benefits products and services and operates in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Missouri and Illinois.

The Bank s investment services subsidiary provides brokerage, investment advisory and asset management services and operates in certain communities in Mississippi, Tennessee, Alabama, Arkansas, Louisiana, Texas, Florida and Missouri.

See Note 21 to the Company s Consolidated Financial Statements included elsewhere in this Report for financial information about each segment of the Company, as defined by U.S. generally accepted accounting principles (U.S. GAAP).

ASSET QUALITY

Management seeks to maintain a high quality of assets through conservative underwriting and sound lending practices. Management intends to follow this policy even though it may result in foregoing the funding of higher yielding loans. Management believes that the Bank has adequate underwriting and loan administration policies in place and personnel to manage the associated risks prudently.

In an effort to maintain the quality of the loan portfolio, management seeks to limit higher risk loans. These loans include loans to provide initial equity and working capital to new businesses with no other capital strength, loans secured by unregistered stock, loans for speculative transactions in stock, land or commodity markets, loans to borrowers or the taking of collateral outside the Bank s primary market areas, loans dependent on secondary liens as primary collateral and non-recourse loans. To the extent risks are identified, additional precautions are taken in order to reduce the Bank s risk of loss. Commercial loans entail certain additional risks because they usually involve large loan balances to single borrowers or a related group of borrowers, resulting in a more concentrated loan portfolio. Further, because payment of these loans is usually dependent upon the successful operation of the commercial enterprise, the risk of loss with respect to these loans may increase in the event of adverse conditions in the economy.

The Board of Directors of the Bank focuses much of its efforts and resources, and that of the Bank s management and lending officials, on loan underwriting and credit quality monitoring policies and practices. Loan status and monitoring is handled through the Bank s loan administration department. Weak financial performance is identified and monitored using past due reporting, the internal loan rating system, loan review reports, the various loan committee functions and periodic asset quality rating committee meetings. Senior loan officers have established a review process with the objective of quickly identifying, evaluating and initiating necessary corrective action for problem loans. The results of loan reviews are reported to the Audit Committee of both the Company s and the Bank s Board of Directors. This process is an integral element of the Bank s loan program. Nonetheless, management maintains a cautious outlook in anticipating the potential effects of uncertain economic conditions (both locally and nationally) and the possibility of more stringent regulatory standards.

RECENT ACQUISITIONS

The Company completed no material acquisitions during 2009.

EMPLOYEES

At December 31, 2009, the Company and its subsidiaries had approximately 4,450 full-time equivalent employees. The Company and its subsidiaries are not a party to any collective bargaining agreements and employee relations are considered to be good.

EXECUTIVE OFFICERS OF THE REGISTRANT

Information follows concerning the executive officers of the Company who are subject to the reporting requirements of Section 16 of the Exchange Act:

Name	Offices Held	Age
Aubrey B. Patterson	Chairman of the Board of Directors and Chief Executive Officer of the Company and the Bank; Director of the Company	67
James V. Kelley	President and Chief Operating Officer of the Company and the Bank; Director of the Company	60
William L. Prater	Treasurer and Chief Financial Officer of the Company; Executive Vice President, Chief Financial Officer and Cashier of the Bank	49
Larry Bateman	Executive Vice President of the Company and Vice Chairman of the Bank	60
Gary R. Harder	Executive Vice President of the Company and Executive Vice President, Audit and Loan Review of the Bank	65

Name	Offices Held	Age
W. James Threadgill, Jr.	Executive Vice President of the Company and Vice Chairman of the Bank	55
Gordon Lewis	Executive Vice President of the Company and Vice Chairman of the Bank	60
Gregg Cowsert	Executive Vice President of the Company and Vice Chairman and Chief Lending Officer of the Bank	62
Cathy S. Freeman	Executive Vice President and Corporate Secretary of the Company and the Bank	44
Gray C. Bonds	Senior Vice President and Principal Accounting Officer of the Company and Executive Vice President and Controller of the Bank	62

None of the executive officers of the Company are related by blood, marriage or adoption to each other or to any of the Company s directors or nominees up for election at the 2010 annual meeting of shareholders. There are no arrangements or understandings between any of the executive officers and any other person pursuant to which the individual named above was or is to be selected as an officer. The executive officers of the Company are elected by the Board of Directors at its first meeting following the annual meeting of shareholders, and they hold office until the next annual meeting or until their successors are duly elected and qualified.

Mr. Patterson has served as Chairman of the Board and Chief Executive Officer of the Bank and the Company for at least the past five years.

Mr. Kelley has served as President and Chief Operating Officer of the Bank and the Company for at least the past five years.

Mr. Prater joined the Company on September 1, 2008 and served as Executive Vice President until June 30, 2009 when he was named Treasurer and Chief Financial Officer of the Company and Executive Vice President, Chief Financial Officer and Cashier of the Bank. Prior to joining the Company, Mr. Prater most recently served as Executive Vice President of Finance at Regions Bank and held the office of Senior Vice President of Finance at AmSouth Bank from 2004 to 2006.

Mr. Bateman has served as Executive Vice President of the Company for at least the past five years. He has served as Vice Chairman of the Bank during this same period.

Mr. Harder has served as Executive Vice President, Audit and Loan Review of the Bank for at least the past five years. He has also served as Executive Vice President of the Company during this same period. Mr. Harder retired from the Bank and the Company effective December 31, 2009. Ms. Carol Waddle replaced Mr. Harder and was named Senior Vice President of the Company and Senior Vice President, Audit and Loan Review of the Bank on January 27, 2010.

Mr. Threadgill has served as Executive Vice President of the Company and Vice Chairman of the Bank for at least the past five years.

Mr. Lewis had served as Louisiana/Texas Region President of BancorpSouth Bank for at least three years prior to December 2007 when he was named Executive Vice President of the Company and Vice Chairman of the Bank.

Mr. Cowsert has served as Executive Vice President of the Company and Vice Chairman and Chief Lending Officer of the Bank for at least the past five years.

Mrs. Freeman has served as First Vice President and Corporate Secretary of the Company and the Bank or Senior Vice President and Corporate Secretary of the Company and the Bank for at least the three years prior to January 2008 when she was named Executive Vice President of the Company and the Bank.

Mr. Bonds has served as Senior Vice President of the Company and Senior Vice President and Controller of the Bank for at least the four years prior to September 2008, when he was named Executive Vice President and

Controller of the Bank, and the four years prior to December 2008, when he was named Senior Vice President and Principal Accounting Officer of the Company.

ITEM 1A. RISK FACTORS.

Certain statements contained in this Annual 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 Exchange Act, 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, believe, estimate, expect, plan, predict, fores might, will, would, should, could or intend, future or conditional verb tenses, and variations or negatives of s terms. These forward-looking statements include, without limitation, those relating to the expiration of the Company s trademarks, the Company s ability to compete effectively, the effect of changes in laws, governmental regulations and legislative proposals affecting financial institutions, examinations of the Company by the Federal Reserve, the Company s operating results, interest earning assets and interest bearing liabilities, commercial loans, mortgage loans, economic conditions in the Company s market area and the impact of the economic downturn on the Company s financial condition, internal control over financial reporting, the Company s remediation efforts with respect to the material weakness in internal control over financial reporting, maturities and fair values of held-to-maturity securities, valuation of mortgage servicing rights, diversification of revenue stream, the Company s policy regarding underwriting and lending practices, other real estate owned, asset quality, net interest revenue, net interest margin, interest rate sensitivity, credit quality and credit losses, capital resources, uses of capital, sources of liquidity and liquidity strategies, sources of maturing loans and investment securities, sales of loans held for sale, cash from operating activities, deposits, non-performing assets (NPAs), the ability to declare and pay dividends, future acquisitions, market risk, significant accounting policies, the impact of recent accounting pronouncements, estimated amortization expense of amortizable identifiable intangible assets, market conditions, stock repurchase program, allowance for credit losses, vesting of restricted stock, valuation of stock options, fair value of loans and leases, values of investment securities, contributions to pension plans, goodwill, related party transactions, loan concentrations, impaired loans, non-performing loans, non-accrual loans and leases, allowance for loan losses, economic value of equity, the ratio of tangible equity to tangible assets, other-than-temporary impairment of securities, financial condition of the Company s borrowers, off-balance sheet commitments and arrangements, future lease payments, pension and other post-retirement benefit amounts, charge-offs, legal and regulatory limitations and compliance, junior subordinated debt securities and the effect of certain legal claims and pending lawsuits.

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 due to a variety of factors. These factors include, but are not limited to, the following:

- Local, regional and national economic conditions and the impact they may have on the Company and its customers and the Company s assessment of that impact;
- Volatility and disruption in national and international financial markets;
- Government intervention in the U.S. financial system;
- The ability of the Company to increase noninterest revenue and expand noninterest revenue business;
- Changes in general business or economic conditions or government fiscal and monetary policies;
- Fluctuations in prevailing interest rates and the effectiveness of the Company s interest rate hedging strategies;
- The ability of the Company to maintain credit quality;
- The ability of the Company to provide and market competitive products and services;

Changes in the Company s operating or expansion strategy;

Geographic concentration of the Company s assets and susceptibility to economic downturns in that area;

The availability of and costs associated with maintaining and/or obtaining adequate and timely sources of liquidity;

Laws and regulations affecting financial institutions in general;

The ability of the Company to operate and integrate new technology;

The ability of the Company to manage its growth and effectively serve an expanding customer and market base;

The ability of the Company to attract, train and retain qualified personnel;

Changes in consumer preferences;

The ability of the Company to repurchase its common stock on favorable terms;

The ability of the Company to collect amounts due under loan agreements and to attract deposits;

Legislation and court decisions related to the amount of damages recoverable in legal proceedings;

Possible adverse rulings, judgments, settlements and other outcomes of pending litigation; and

Other factors generally understood to affect the financial results of financial services companies.

The Company undertakes no obligation to update its forward-looking statements to reflect events or circumstances that occur after the date of this Report.

In addition to the factors listed above that could influence our forward-looking statements, management believes that the risk factors set forth below should be considered in evaluating the Company s business. Other relevant risk factors are outlined below and may be supplemented from time to time in the Company s filings with the Securities and Exchange Commission.

Our business may be adversely affected by conditions in the financial markets and economic conditions generally.

Since mid-2007 the financial services industry and the securities markets generally were materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. This was initially triggered by declines in home prices and the values of sub-prime mortgages, but spread to all mortgage and real estate asset classes, to leveraged bank loans and to nearly all asset classes, including equities. The global markets have been characterized by substantially increased volatility and short-selling and an overall loss of investor confidence, initially in financial institutions, but more recently in companies in a number of other industries and in the broader markets.

Market conditions have also led to the failure or merger of a number of prominent financial institutions. Financial institution failures or near-failures have resulted in further losses as a consequence of defaults on securities issued by them and defaults under contracts entered into with such entities as counterparties. Furthermore, declining asset values, defaults on mortgages and consumer loans, and the lack of market and investor confidence, as well as other factors, have all combined to increase credit default swap spreads, to cause rating agencies to lower credit ratings, and to otherwise increase the cost and decrease the availability of liquidity, despite very significant declines in Federal Reserve borrowing rates and other government actions. Some banks and other lenders have suffered significant losses and have become reluctant to lend, even on a secured basis, due to the increased risk of default and the impact of declining asset values on the value of collateral. The foregoing has significantly weakened the strength and liquidity of some financial institutions worldwide. In 2008, the United States government, the Federal Reserve and other regulators took numerous steps to increase liquidity and to restore investor confidence, including Treasury s TARP Capital Purchase Program, but asset values have continued to decline and access to liquidity continues to be very limited.

Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, is highly dependent upon the business environment in the markets where we operate and in the United States as a whole. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence, limitations on the availability or increases in the cost of credit and capital, increases in inflation or interest rates, natural disasters or a combination of these or other factors.

Overall, the 2009 business environment was adverse for many households and businesses in the United States. The business environment in the markets in which we operate has been less adverse than in the broader United States but continues to deteriorate. It is possible that the business environment in the United States will continue to deteriorate for the foreseeable future. There can be no assurance that these conditions will improve in the near term. Such conditions could adversely affect the credit quality of our loans, our results of operations and our financial condition.

We may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when the collateral we hold cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure owed to us. Any such losses could have a material adverse affect on our financial condition and results of operations.

Current levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more than a year. In recent months, the volatility and disruption has reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers underlying financial strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

We may elect or be compelled to seek additional capital in the future, but that capital may not be available when it is needed.

We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. In addition, we may elect to raise additional capital to support our business or to finance any acquisitions or we may otherwise elect or be required to raise additional capital. In that regard, a number of financial institutions have recently raised considerable amounts of capital in response to a deterioration in their results of operations and financial condition arising from the turmoil in the mortgage loan market, deteriorating economic conditions, declines in real estate values and other factors.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control, and on our financial performance. Accordingly, we cannot provide assurance of our ability to raise additional capital if needed or to be able to do so on terms acceptable to us. If we cannot raise additional capital when needed, it may have a material adverse effect on our financial condition and results of operations.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or the terms of which are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of the recent turmoil faced by banking organizations and the continued deterioration in credit markets.

We make and hold in our portfolio a significant number of real estate construction, acquisition and development loans, which are based upon estimates of costs and values associated with the completed project and which pose more credit risk than other types of loans typically made by financial institutions.

At December 31, 2009, we had a balance of $1.5 billion in real estate construction, acquisition and development loans, representing 15.0% of our total loan portfolio. These real estate construction, acquisition and development loans have certain risks that are not present in other types of loans. The primary credit risks associated with real estate construction, acquisition and development loans are underwriting, project risks and market risks. Project risks include cost overruns, borrower credit risk, project completion risk, general contractor credit risk and environmental and other hazard risks. Market risks are risks associated with the sale of the completed residential and commercial units. They include affordability risk, which means the risk that borrowers cannot obtain affordable financing, product design risk, and risks posed by competing projects. Real estate construction, acquisition and development loans also involve additional risks because funds are advanced upon the security of the project, which is of uncertain value prior to its completion, and costs may exceed realizable values in declining real estate markets.

Because of the uncertainties inherent in estimating construction costs and the realizable market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, real estate construction, acquisition and development loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If our appraisal of the value of the completed project proves to be overstated or market values or rental rates decline, we may have inadequate security for the repayment of the loan upon completion of construction of the project. If we are forced to foreclose on a project prior to or at completion due to a default, there can be no assurance that we will be able to recover all of the unpaid balance and accrued interest on the loan as well as related foreclosure and holding costs. In addition we may be required to fund additional amounts to complete the project and may have to hold the property for an unspecified period of time while we attempt to dispose of it. The adverse effects of the foregoing matters upon our real estate construction, acquisition and development portfolio could necessitate a further increase in non-performing loans related to this portfolio and these non-performing loans may result in a material level of charge-offs, which may have a material adverse effect on our financial condition and results of operations.

Our allowance for credit losses may not be adequate to cover actual credit losses.

We make various assumptions and judgments about the collectibility of our loan and lease portfolio and provide an allowance for potential losses based on a number of factors. The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Continuing deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for credit losses. In addition, bank regulatory agencies periodically review our allowance for credit losses and may require an increase in the provision for credit losses or the recognition of further loan charge-offs, based on judgments different than those of management. Any increases in the allowance for credit losses will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on our financial condition and results of operations. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Provisions for Credit Losses and Allowance for Credit Losses included herein for more information regarding our process for determining the appropriate level of the allowance for credit losses.

Our operations are subject to extensive governmental regulation and supervision.

The Company is a financial holding company under the Bank Holding Company Act and the Bank is a Mississippi state banking corporation. Both are subject to extensive governmental regulation, supervision, legislation and control. Banking regulations are primarily intended to protect depositors funds, federal deposit insurance funds and the banking system as a whole, not security holders. These laws and regulations limit the manner in which we operate, including the amount of loans we can originate, interest we can charge on loans and fees we can charge for certain services. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. It is likely that there will be significant changes to the banking and financial institutions regulatory regimes in the near future in light of the recent performance of and government intervention in the financial services sector. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. We cannot predict the extent to which the government and governmental organizations may change any of these laws or controls. We also cannot predict how such changes would adversely affect our business and prospects.

Changes in interest rates could have an adverse impact on our results of operations and financial condition.

Our earnings and financial condition are dependent to a large degree upon net interest income, which is the difference or spread between interest earned on loans, securities and other interest-earning assets and interest paid on deposits, borrowings and other interest-bearing liabilities. When market rates of interest change, the interest we receive on our assets and the interest we pay on our liabilities may fluctuate. This can cause decreases in our spread and can adversely affect our earnings and financial condition.

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Interest rates are highly sensitive to many factors including:

- The rate of inflation;
- Economic conditions;
- Federal monetary policies; and
- Stability of domestic and foreign markets.

The Bank originates residential mortgage loans for sale and for our portfolio. The origination of residential mortgage loans is highly dependent on the local real estate market and the level of interest rates. Increasing interest rates tend to reduce the origination of loans for sale and fee income, which we report as gain on sale of loans. Decreasing interest rates generally result in increased prepayments of loans and mortgage-backed securities, as borrowers refinance their debt in order to reduce their borrowing cost. This typically leads to reinvestment at lower rates than the loans or securities were paying. Changes in market interest rates could also reduce the value of our financial assets. Our financial condition and results of operations could be adversely effected if we are unsuccessful in managing the effects of changes in interest rates.

Monetary policies and economic factors may limit our ability to attract deposits or make loans.

The monetary policies of federal regulatory authorities, particularly the Federal Reserve, and economic conditions in our service area and the United States generally, affect our ability to attract deposits and extend loans. We cannot predict either the nature and timing of any changes in these monetary policies and economic conditions, including the Federal Reserve s interest rate policies, or their impact on our financial performance. The banking business is subject to various material business risks, which have become more acute during the current environment of economic slowdown and recession. In the current economic environment, foreclosures have increased and such conditions could also lead to a potential decline in deposits and demand for loans.

Hurricanes or other adverse weather events could negatively affect local economies where we maintain branch offices or cause disruption or damage to our branch office locations, which could have an adverse effect on our business or results of operations.

We have operations in Mississippi, Alabama, Louisiana, Texas and Florida, which include areas susceptible to hurricanes or tropical storms. Such weather conditions can disrupt our operations, result in damage to our branch office locations or negatively affect the local economies in which we operate. We cannot predict whether or to what extent damage caused by future hurricanes or storms will affect our operations or the economies in our market areas, but such weather conditions could result in a decline in loan originations and an increase in the risk of delinquencies, foreclosures or loan losses. Our business or results of operations may be adversely affected by these and other negative effects of devastating hurricanes or storms.

We face risks in connection with completed or potential acquisitions.

Historically, we have grown through the acquisition of other financial institutions as well as the development of de novo offices. If appropriate opportunities present themselves, we intend to pursue additional acquisitions in the future that we believe are strategic, including possible FDIC-assisted transactions. There can be no assurance that we will be able to identify, negotiate or finance potential acquisitions successfully or integrate such acquisitions with our current business.

Upon completion of an acquisition, we are faced with the challenges of integrating the operations, services, products, personnel and systems of acquired companies into our business, which may divert management s attention from ongoing business operations. We cannot assure you that we will be successful in effectively integrating any acquisition into the operations of our business. Moreover, there can be no assurance that the anticipated benefits of any acquisition will be realized.

The success of our acquisitions is dependent on the continued employment of key employees. If acquired businesses do not meet projected revenue targets, or if certain key employees were to leave, we could conclude that the value of the businesses has decreased and that the related goodwill has been impaired. If we were to conclude that goodwill has been impaired, it would result in an impairment of goodwill charge to us, which would adversely affect our results of operations.

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Issuing additional shares of our common stock to acquire other banks, bank holding companies, financial holding companies and insurance agencies may result in dilution for existing shareholders and may adversely affect the market price of our stock.

In connection with our growth strategy, we have issued, and may issue in the future, shares of our common stock to acquire additional banks, bank holding companies, financial holding companies and insurance agencies. Resales of substantial amounts of common stock in the public market and the potential of such sales could adversely affect the prevailing market price of our common stock and impair our ability to raise additional capital through the sale of equity securities. We usually must pay an acquisition premium above the fair market value of acquired assets for the acquisition of banks, bank holding companies, financial holding companies and insurance agencies. Paying this acquisition premium, in addition to the dilutive effect of issuing additional shares, may also adversely affect the prevailing market price of our common stock.

Our ability to declare and pay dividends is limited by law.

We derive our income solely from dividends received from owning the Bank s common stock. Federal and state law limit the Bank s ability to declare and pay dividends. In addition, the Federal Reserve may impose restrictions on our ability to declare and pay dividends on our common stock.

Our growth strategy includes risks that could have an adverse effect on financial performance.

A significant element of our growth strategy is the acquisition of additional banks (which might include the acquisition of bank assets in FDIC-assisted transactions), bank holding companies, financial holding companies and insurance agencies in order to achieve greater economies of scale. We cannot assure you that appropriate growth opportunities will continue to exist, that we will be able to acquire banks, insurance agencies, bank holding companies and financial holding companies that satisfy our criteria or that any such acquisitions will be on terms favorable to us. Further, our growth strategy requires that we continue to hire qualified personnel, while concurrently expanding our managerial and operational infrastructure. We cannot assure you that we will be able to hire and retain qualified personnel or that we will be able to successfully expand our infrastructure to accommodate future acquisitions or growth. As a result of these factors, we may not realize the expected economic benefits associated with our acquisitions. This could have a material adverse effect on our financial performance.

Diversification in types of financial services may adversely affect our financial performance.

As part of our business strategy, we may further diversify our lines of business into areas that are not traditionally associated with the banking business. As a result, we would need to manage the development of new business lines in which we have not previously participated. Each new business line would require the investment of additional capital and the significant involvement of our senior management to develop and integrate the service subsidiaries with our traditional banking operations. We can offer no assurances that we will be able to develop and integrate new services without adversely affecting our financial performance.

We compete with other financial holding companies, bank holding companies, banks, insurance and financial services companies.

The banking, insurance and financial services businesses are extremely competitive in our service areas in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida, Missouri and Illinois. We compete, and will continue to compete, with well-established banks, credit unions, insurance agencies and other financial institutions, some of which have significantly greater resources and lending limits. Some of our competitors provide certain services that we do not provide.

Information systems may experience an interruption or breach in security.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of these information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of these information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

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Anti-takeover provisions may discourage a change of our control.

Our governing documents and certain agreements to which we are a party contain provisions which make a change-in-control difficult to accomplish, and may discourage a potential acquirer. These include a shareholder rights plan, or poison pill, a classified or staggered Board of Directors, change-in-control agreements with members of management and supermajority voting requirements. These anti-takeover provisions may have an adverse effect on the market for our common stock.

Securities that we issue, including our common stock, are not FDIC insured.

Securities that we issue, including our common stock, are not savings or deposit accounts or other obligations of any bank and are not insured by the FDIC, the Bank Insurance Funds, any other governmental agency or instrumentality or any private insurer and are subject to investment risk, including the possible loss of your investment.

We reported a material weakness in our internal control over financial reporting, and if we are unable to improve our internal controls, our financial results may not be accurately reported.

Management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2009 identified a material weakness in its internal control over financial reporting designed to ensure proper accounting for allowance for credit losses, as described in Item 9A. Controls and Procedures. This material weakness, or difficulties encountered in implementing new or improved controls or remediation, could prevent us from accurately reporting our financial results, result in material misstatements in our financial statements or cause us to fail to meet our reporting obligations. Failure to comply with Section 404 of the Sarbanes-Oxley Act of 2002 could negatively affect our business, the price of our common stock and market confidence in our reported financial information.

We could be required to write down goodwill and other intangible assets.

When we acquire a business, a portion of the purchase price of the acquisition is allocated to goodwill and other identifiable intangible assets. The amount of the purchase price that is allocated to goodwill and other intangible assets is determined by the excess of the purchase price over the net identifiable assets acquired. At December 31, 2009, our goodwill and other identifiable intangible assets were $270.1 million. Under current accounting standards, if we determine goodwill or intangible assets are impaired, we are required to write down the carrying value of these assets. We conduct a review at least annually to determine whether goodwill and other identifiable intangible assets are impaired. We completed such an impairment analysis in 2009 and concluded that no impairment charge was necessary for the year ended December 31, 2009. We cannot provide assurance, however, that we will not be required to take an impairment charge in the future. Any impairment charge would have an adverse effect on our shareholders equity and financial results and could cause a decline in our stock price.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The physical properties of the Company are held by its subsidiaries as follows:

a. The Bank The main office is located at One Mississippi Plaza, 201 South Spring Street in the central business district of Tupelo, Mississippi in a seven-floor, modern, glass, concrete and steel office building owned by the Bank. The Bank occupies approximately 75% of the space, with the remainder leased to various unaffiliated tenants.

   The Bank owns 251 of its 282 branch banking facilities. The remaining 31 branch banking facilities are occupied under leases with unexpired terms ranging from one to 14 years. The Bank also owns other buildings that provide space for computer operations, lease servicing, mortgage lending, warehouse needs and other general purposes.

The Bank considers all its buildings and leased premises to be in good condition. The Bank also owns parcels of property acquired under foreclosure.

b. BancorpSouth Insurance Services, Inc. This wholly-owned subsidiary of the Bank owns six of the 25 offices it occupies. It leases 19 offices that have unexpired terms varying in duration from one to eight years.

ITEM 3. LEGAL PROCEEDINGS.

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.

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 such matters should not have a material adverse effect on the Company s consolidated financial position or results of operations. Litigation is, however, inherently uncertain, and the Company cannot make assurances that it will prevail in any of these actions, nor can it estimate with reasonable certainty the amount of damages that it might incur.

The Company reported litigation expense of $2.3 million in 2007 as a result of legal and other accruals established relative to the Company s guarantee of Visa Inc. s projected obligations for certain litigation matters. These reserves were recorded as other liabilities and pertain to Visa Inc. s settlement with American Express, as well as other pending Visa Inc. litigation and were based on information available from Visa Inc. and other member banks. The Bank, as a member of Visa Inc., is obligated to share in certain liabilities associated with Visa Inc. s settled and pending litigation. During the first quarter of 2008, $1.1 million of this reserve was reversed and recorded as a reduction of litigation expense as a result of Visa Inc. s initial public offering and its deposit of a portion of the net proceeds thereof into an escrow account from which settlement of, or judgments relating to, the covered litigation may be paid.

During the second quarter of 2008, $1.1 million of the reserve related to previously recorded litigation contingencies was reversed as a result of a favorable court ruling. During the fourth quarter of 2009, the Company reported $2.6 million in litigation contingencies primarily related to the unexpected, adverse resolution of a legal matter.

PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

MARKET FOR COMMON STOCK

The common stock of the Company trades on the New York Stock Exchange under the symbol BXS. The following table sets forth, for the quarters indicated, the range of sale prices of the Company s common stock as reported on the New York Stock Exchange:

		High	Low
2009	Fourth	$ 25.19	$ 21.71
	Third	24.96	19.41
	Second	25.30	19.46
	First	23.87	15.60
2008	Fourth	$ 29.25	$ 16.93
	Third	31.90	15.15
	Second	25.30	17.48
	First	25.50	19.01

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HOLDERS OF RECORD

As of March 10, 2010, there were 8,947 shareholders of record of the Company s common stock.

DIVIDENDS

The Company declared cash dividends each quarter in an aggregate annual amount of $0.88 per share during 2009 and $0.87 per share during 2008. Future dividends, if any, will vary depending on the Company s profitability, anticipated capital requirements and applicable federal and state regulations. See Item 1. Business Regulation and Supervision and Note 16 to the Company s Consolidated Financial Statements included elsewhere in this Report for more information on restrictions and limitations on the Company s ability to pay dividends.

ISSUER PURCHASES OF EQUITY SECURITIES

The Company did not repurchase any shares of its common stock during the three months ended December 31, 2009.

ITEM 6. SELECTED FINANCIAL DATA.

See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Selected Financial Information for the Selected Financial Data.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

The Company is a regional financial holding company with approximately $13.2 billion in assets headquartered in Tupelo, Mississippi. The Company s wholly-owned banking subsidiary has commercial banking operations in Mississippi, Tennessee, Alabama, Arkansas, Texas, Louisiana, Florida, and Missouri. 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. The Bank s insurance agency subsidiary also operates an office in Illinois.

Management s discussion and analysis provides a narrative discussion of the Company s financial condition and results of operations for the previous three years. For a complete understanding of the following discussion, you should refer to the Consolidated Financial Statements and related Notes presented elsewhere in this Report. This discussion and analysis is based on reported financial information, and certain amounts for prior years have been reclassified to conform with the current financial statement presentation. The information that follows is provided to enhance comparability of financial information between years and to provide a better understanding of the Company s operations.

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 2008 and 2009, the pressures of the national and regional economic cycle created a difficult operating environment for the financial services industry. The Company was not immune to such pressures and understands that 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 the increases in the Company s measures of non-performing loans and leases (NPLs) and net charge-offs, compared to 2008 and 2007. While these measures have increased, management believes that it is well positioned with respect to overall credit quality and the strength of its allowance for credit losses to meet the challenges of the current economic cycle. 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 will continue to focus on early identification and decisive 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 value 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.

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.

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SELECTED FINANCIAL INFORMATION

	Year Ended December 31				
	2009	2008	2007	2006	2005
	(Dollars in thousands, except per share amounts)				
Earnings Summary:					
Interest revenue	$ 615,414	$ 705,413	$ 801,242	$ 681,891	$ 559,936
Interest expense	170,515	264,577	378,343	296,092	204,379
Net interest revenue	444,899	440,836	422,899	385,799	355,557
Provision for credit losses	117,324	56,176	22,696	8,577	24,467
Net interest revenue, after provision for credit losses	327,575	384,660	400,203	377,222	331,090
Noninterest revenue	275,276	245,607	232,151	207,017	199,854
Noninterest expense	490,017	455,913	428,410	394,077	363,144
Income before income taxes	112,834	174,354	203,944	190,162	167,800
Income tax expense	30,105	53,943	66,001	64,968	52,601
Net income	$ 82,729	$ 120,411	$ 137,943	$ 125,194	$ 115,199
Balance Sheet Year-End Balances:					
Total assets	$ 13,167,867	$ 13,480,218	$ 13,189,841	$ 12,040,521	$ 11,768,674
Total securities	1,993,594	2,316,380	2,627,110	2,765,419	2,766,411
Loans, net of unearned income	9,775,136	9,691,277	9,179,684	7,871,471	7,365,555
Total deposits	10,677,702	9,711,872	10,064,099	9,710,578	9,607,258
Long-term debt	112,771	286,312	88,977	135,707	137,228
Total shareholders equity	1,276,296	1,240,260	1,196,626	1,026,585	977,166
Balance Sheet Average Balances:					
Total assets	13,203,659	13,200,801	12,857,135	11,798,007	10,968,874
Total securities	2,179,479	2,417,390	2,781,232	2,943,556	2,786,231
Loans, net of unearned income	9,734,580	9,429,963	8,784,940	7,579,935	7,026,009
Total deposits	10,155,730	9,803,999	10,200,098	9,554,441	9,110,411
Long-term debt	290,582	278,845	139,537	136,411	137,902
Total shareholders equity	1,255,605	1,224,280	1,121,000	999,989	934,563
Common Share Date:					
Basic earnings per share	$ 0.99	$ 1.46	$ 1.69	$ 1.58	$ 1.47
Diluted earnings per share	0.99	1.45	1.69	1.57	1.47
Cash dividends per share	0.88	0.87	0.83	0.79	0.76
Book value per share	15.29	14.92	14.54	12.98	12.33

Dividend payout ratio	88.89	60.00	49.11	50.32	51.70
Financial Ratios:					
Return on average assets	0.63%	0.91%	1.07%	1.06%	1.05%
Return on average shareholders equity	6.59%	9.84%	12.31%	12.52%	12.33%
Total shareholders equity to total assets	9.69%	9.20%	9.07%	8.53%	8.30%
Tangible shareholders equity to tangible assets	7.63%	7.15%	7.09%	7.25%	6.99%
Net interest margin-fully taxable equivalent	3.77%	3.75%	3.68%	3.70%	3.64%
Credit Quality Ratios:					
Net charge-offs to average loans and leases	0.76%	0.40%	0.14%	0.15%	0.23%
Provision for credit losses to average loans and leases	1.21%	0.60%	0.26%	0.11%	0.35%
Allowance for credit losses to net loans and leases	1.80%	1.37%	1.25%	1.26%	1.38%
Allowance for credit losses to NPLs	94.41%	207.45%	394.76%	421.36%	352.44%
Allowance for credit losses to NPAs	71.64%	120.36%	215.47%	291.38%	226.84%
NPLs to net loans and leases	1.91%	0.66%	0.32%	0.30%	0.39%
NPAs to net loans and leases	2.51%	1.14%	0.58%	0.43%	0.61%
Capital Adquacy:					
Tier I capital	11.17%	10.79%	10.63%	12.34%	12.85%
Total capital	12.42%	12.04%	11.81%	13.55%	14.11%
Tier I leverage capital	8.95%	8.65%	8.13%	8.73%	8.65%

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In addition to financial ratios defined by 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. The Company believes the ratio of tangible 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 measure as reflected in the Company s unaudited consolidated financial statements:

	Year Ended December 31,				
	2009	2008	2007	2006	2005
			(In thousands)		
Tangible Assets:					
Total assets	$ 13,167,867	$ 13,480,218	$ 13,189,841	$ 12,040,521	$ 11,768,674
Less: Goodwill	270,097	268,966	254,889	143,718	138,754
Identifiable intangible assets	23,533	28,164	26,549	22,442	26,788
Total tangible assets	$ 12,874,237	$ 13,183,088	$ 12,908,403	$ 11,874,361	$ 11,603,132
Tangible Shareholders Equity					
Total shareholders equity	$ 1,276,296	$ 1,240,260	$ 1,196,626	1,026,585	977,166
Less: Goodwill	270,097	268,966	254,889	143,718	138,754
Identifiable intangible assets	23,533	28,164	26,549	22,442	26,788
Total tangible shareholders equity	$ 982,666	$ 943,130	$ 915,188	$ 860,425	$ 811,624

FINANCIAL HIGHLIGHTS

The primary source of revenue for the Company is the amount of net interest revenue earned by the Bank. Net interest revenue is the difference between interest earned on loans and investments and interest paid on deposits and other obligations. Net interest revenue for 2009 was $444.9 million, compared to $440.8 million for 2008 and $422.9 million for 2007. 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 those assets and liabilities to maximize net interest revenue, while balancing interest rate, credit, liquidity and capital risks. While the Company experienced a 3% growth in average loans during 2009, the declining interest rate environment resulted in decreased interest revenue in 2009 compared to 2008. However, the Company s net interest revenue was positively impacted by the smaller decrease in average rates earned on interest earning assets than the decrease in average rates paid on interest bearing liabilities. The Company continued with its asset/liability strategies in 2009, which included funding loan growth with maturing, lower yielding investment securities and increased lower rate demand deposits.

Contributing to the decrease in net income was the increase in the provision for credit losses as the provision for credit losses was $117.3 million in 2009 compared to $56.2 million in 2008 and $22.7 million in 2007. Net charge-offs also increased to $78.2 million, or 0.76% of average loans and leases in 2009, compared to $38.2 million, or 0.40% of average loans and leases in 2008. The increase in the provision for credit losses in 2009 was primarily reflective of the cumulative pressure that the extended economic downturn in the Bank s markets has had on established customers that were performing well prior to and earlier in the slowing economic environment.

The Company has taken steps in the past that have diversified 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 for 2009 was $275.3 million, compared to $245.6 million for 2008 and $232.2 million in 2007. One of the primary contributors to noninterest revenue in 2009 was the increase in mortgage lending revenue. Mortgage lending revenue increased to $32.2 million in 2009 compared to $2.1 million in 2008. The increase in mortgage lending revenue was primarily a result of the increase in mortgage originations, the majority of which were refinancings in the first half of 2009 resulting from historically low mortgage interest rates. Also contributing to the increase in mortgage lending revenue was the $2.4 million increase in the value of the Bank s mortgage servicing rights in 2009 compared to a $10.5 million decline in the value in 2008. Noninterest revenue was negatively impacted by the 6.6% decrease in insurance commissions in 2009 compared to 2008, resulting from the soft market cycle experienced in the insurance industry. Contributing to the increase in noninterest revenue during 2009 compared to 2008, the Company recorded interest on tax refunds of $2.8 million, a gain of $3.7 million from the sale of student loans, a gain of $1.8 million on the sale of the Company s remaining shares of MasterCard, Inc. common stock, an insurance recovery of $1.3 million related to a casualty loss and gains on claims related to bank-owned life insurance of $1.4 million.

Noninterest expense for 2009 was $490.0 million, an increase of 7.5% from $455.9 million for 2008, which was an increase of 6.4% from $428.4 million for 2007. The increases in noninterest expense included the incremental costs related to banking locations and facilities added in 2009, coupled with the significant increase in deposit insurance assessments in 2009 compared to 2008. Despite being assessed at the FDIC s lowest rate, deposit insurance assessments increased $16.8 million during 2009 which included a $6.1 million special FDIC assessment during the second quarter of 2009 as part of the FDIC s restoration plan for the Deposit Insurance Fund. Income tax expense decreased in 2009 and 2008 primarily as a result of the decrease in pretax income in both years. The major components of net income are discussed in more detail in the various sections that follow.

The Company s capital and liquidity remained strong during 2009 as its total shareholders equity to total assets ratio increased to 9.69% from 9.20% in 2008. Also, demand deposits increased 10.7% contributing to an overall deposit increase of 9.94% in 2009 compared to 2008. This increase in deposits allowed the Company to reduce its reliance on short-term borrowings, which decreased 60.8% to $743.4 million at December 31, 2009 compared to $1.9 billion at December 31, 2008.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company s consolidated financial statements are prepared in accordance with U.S. GAAP, which require the Company to make estimates and assumptions (see Note 1 to the Company s Consolidated Financial Statements included elsewhere in this Report). The Company believes that its determination of the allowance for credit losses, the assessment for other-than-temporary impairment of securities, the valuation of mortgage servicing rights and the estimation of pension and other post retirement benefit amounts involve a higher degree of judgment and complexity than the Company s other significant accounting policies. Further, these estimates can be materially impacted by changes in market conditions or the actual or perceived financial condition of the Company s borrowers, subjecting the Company to significant volatility of earnings.

Allowance for Credit Losses

The allowance for credit losses is established through the provision for credit losses, which is a charge against earnings. Provisions for credit losses are made to reserve for estimated probable losses on loans and leases. The allowance for credit losses is a significant estimate and is regularly evaluated by the Company for adequacy by taking into consideration factors such as changes in the nature and volume of the loan and lease portfolio; trends in actual and forecasted portfolio credit quality, including delinquency, charge-off and bankruptcy rates; and current economic conditions that may affect a borrower s ability to pay. In determining an adequate allowance for credit losses, management makes numerous assumptions, estimates and assessments. The use of different estimates or assumptions could produce different provisions for credit losses. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Provisions for Credit Losses and Allowance for Credit Losses included herein for more information. At December 31, 2009, the allowance for credit losses was $176.0 million, representing 1.80% of total loans and leases at year-end.

Other Real Estate Owned

Other real estate owned, consisting of assets that have been acquired through foreclosure or in satisfaction of loans, is carried at the lower of cost or fair value, less estimated selling costs. Fair value is based on independent appraisals and other relevant factors. Other real estate owned is revalued on an annual basis or more often if market conditions necessitate. Valuation adjustments required at foreclosure are charged to the allowance for credit losses. Subsequent valuation adjustments on the periodic revaluation of the property are charged to net income as noninterest expense.

There is a valuation allowance recorded based on recent property disposition experience. Significant judgments and complex estimates are required in estimating the fair value of other real estate owned, and the period of time within which such estimates can be considered current is significantly shortened during periods of market volatility, as experienced during 2009. As a result, the net proceeds realized from sales transactions could differ significantly from appraisals, comparable sales, and other estimates used to determine the fair value of other real estate owned.

Assessment for Other-Than-Temporary Impairment of Securities

Securities are evaluated periodically to determine whether a decline in their value is other-than-temporary. The term other-than-temporary is not intended to indicate a permanent decline in value. Rather, it means that the prospects for near term recovery of value are not necessarily favorable, or that there is a lack of evidence to support fair values equal to, or greater than, the carrying value of the investment. Management reviews criteria such as the magnitude and duration of the decline, as well as the reasons for the decline, to predict whether the loss in value is other-than-temporary. Once a decline in value is determined to be other-than-temporary, the impairment is separated into (a) the amount of the impairment related to the credit loss and (b) the amount of the impairment related to all other factors. The value of the security is reduced by the other-than-temporary impairment with the amount of the impairment related to credit loss recognized as a charge to earnings and the amount of the impairment related to all other factors recognized in other comprehensive income.

Mortgage Servicing Rights

The Company recognizes as assets the rights to service mortgage loans for others, known as mortgage servicing rights (MSRs). 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 860, Transfers and Servicing (FASB ASC 860). 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. 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. At December 31, 2009, the Company s mortgage servicing asset was valued at $35.6 million.

Pension and Postretirement Benefits

Accounting for pension and other postretirement benefit amounts is another area where the accounting guidance requires management to make various assumptions in order to appropriately value any related asset or liability. Estimates that the Company makes to determine pension-related assets and liabilities include actuarial assumptions, expected long-term rate of return on plan assets, rate of compensation increase for participants and discount rate. Estimates that the Company makes to determine asset and liability amounts for other postretirement benefits include actuarial assumptions and a discount rate. Changes in these estimates could impact earnings. For example, lower expected long-term rates of return on plan assets could negatively impact earnings, as would lower estimated discount rates or higher rates of compensation increase. In estimating the projected benefit obligation, actuaries must make assumptions about such factors as mortality rate, turnover rate, retirement rate, disability rate and the rate of compensation increases. The Company accounts for the over-funded or under-funded status of its defined benefit and postretirement plans as an asset or liability in its consolidated balance sheets and recognizes changes in that funded status in the year in which the changes occur through comprehensive income as required by FASB ASC 715, Compensation Retirement Benefits (FASB ASC 715). In accordance with FASB ASC 715, the Company calculates the expected return on plan assets each year based on the balance in the pension asset portfolio at the beginning of the year and the expected long-term rate of return on that portfolio. In determining the reasonableness of the expected rate of return, the Company considers a variety of factors including the actual return earned on plan assets, historical rates of return on the various asset classes of which the plan portfolio is comprised and current/prospective capital market conditions and economic forecasts. The Company used an expected rate of return of 8% on plan assets for 2009. The discount rate is the rate used to determine the present value of the Company s future benefit obligations for its pension and other postretirement benefit plans. The Company determines the discount rate to be used to discount plan liabilities at the measurement date with the assistance of our actuary using the Citigroup Pension Discount Curve. The

Company developed a level equivalent yield using the expected cash flows from the BancorpSouth, Inc. Retirement Plan (the Basic Plan), the BancorpSouth, Inc.

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Restoration Plan (the Restoration Plan) and the BancorpSouth, Inc. Supplemental Executive Retirement Plan (the Supplemental Plan) and the December 31, 2009 Citigroup Pension Discount Curve. The Citigroup Pension Discount Curve is published on the Society of Actuaries website along with a background paper on this interest rate curve. Based on this analysis, the Company established its discount rate assumptions for determination of the projected benefit obligation at 6.00% for the Basic Plan, 5.85% for the Restoration Plan and 5.35% for the Supplemental Plan based on a December 31, 2009 measurement date.

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 years ended December 31, 2009:

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(Taxable equivalent basis)	2009 Average Balance	2009 Interest	2009 Yield/ Rate	2008 Average Balance	2008 Interest	2008 Yield/ Rate	2007 Average Balance	2007 Interest	2007 Yield/ Rate
	(Dollars in thousands, yields on taxabale equivalent basis)								
ASSETS									
Loans and leases (net of unearned income) (1)(2)	$ 9,734,580	$ 520,315	5.35%	$ 9,429,964	$ 593,258	6.29%	$ 8,784,940	$ 672,193	7.65%
Loans held for sale	115,181	3,965	3.44%	156,857	7,667	4.89%	95,313	5,962	6.26%
Held-to-maturity securities:									
Taxable (3)	1,015,440	47,397	4.67%	1,282,512	59,119	4.61%	1,530,247	68,142	4.45%
Non-taxable (4)	194,370	13,619	7.01%	184,243	12,480	6.77%	189,234	12,701	6.71%
Available-for-sale securities:									
Taxable	898,073	35,026	3.90%	859,932	35,813	4.16%	977,459	41,212	4.22%
Non-taxable (5)	71,596	5,223	7.30%	90,703	6,470	7.13%	84,292	6,194	7.35%
Federal funds sold, securities purchased under agreement to resell and short-term investments	49,197	205	0.42%	32,930	972	2.95%	87,948	4,831	5.49%
Total interest earning assets and revenue	12,078,437	625,750	5.18%	12,037,141	715,779	5.95%	11,749,433	811,235	6.90%
Other assets	1,275,150			1,291,675			1,217,135		
Less: allowance for credit losses	(149,928)			(128,015)			(109,433)		
Total	$ 13,203,659			$ 13,200,801			$ 12,857,135		
LIABILITIES AND SHAREHOLDERS EQUITY									
Deposits:									
Demand interest bearing	$ 4,051,362	$ 40,047	0.99%	$ 3,552,690	$ 60,333	1.70%	$ 3,191,433	$ 83,833	2.63%
Savings	712,740	3,700	0.52%	712,330	5,280	0.74%	718,080	9,301	1.30%
Other time	3,633,453	101,308	2.79%	3,874,192	148,591	3.84%	4,636,436	215,723	4.65%
Federal funds purchased,securities sold under agreement to repurchase, short-term FHLB borrowings and other short term borrowings	1,175,708	2,378	0.20%	1,565,381	26,858	1.72%	1,057,057	48,098	4.55%
Junior subordinated debt securities	160,312	11,630	7.25%	160,312	12,469	7.78%	159,939	13,067	8.17%

Long-term FHLB borrowings	290,582	11,452	3.93%	278,845	11,046	3.95%	144,006	8,321	5.77%
Total interest bearing liabilities and expense	10,024,157	170,515	1.70%	10,143,750	264,577	2.61%	9,906,951	378,343	3.81%
Demand deposits - noninterest bearing	1,758,175			1,664,787			1,654,149		
Other liabilities	165,722			167,984			175,035		
Total liabilities	11,948,054			11,976,521			11,736,135		
Shareholders equity	1,255,605			1,224,280			1,121,000		
Total	$ 13,203,659			$ 13,200,801			$ 12,857,135		
Net interest revenue-FTE		$ 455,235			$ 451,202			$ 432,892	
Net interest margin-FTE			3.77%			3.75%			3.68%
Net interest rate spread			3.48%			3.34%			3.09%
Interest bearing liabilities to interest earning assets			82.99%			84.27%			84.32%

(1) Includes taxable equivalent adjustment to interest of approximately $3,302,000, $3,293,000 and $3,380,000 in 2009, 2008 and 2007, respectively, using an effective tax rate of 35%.

(2) Non-accrual loans are included in Loans (net of unearned income).

(3) Includes taxable equivalent adjustments to interest of approximately $440,000 in 2009 and 2008 using an

effective tax rate of 35%.

(4) Includes taxable equivalent adjustments to interest of approximately $4,767,000, $4,368,000 and $4,445,000 in 2009, 2008 and 2007, respectively, using an effective tax rate of 35%.

(5) Includes taxable equivalent adjustment to interest of approximately $1,827,000, $2,265,000 and $2,168,000 in 2009, 2008 and 2007, respectively, using an effective tax rate of 35%.

Net interest revenue-FTE increased 0.9% to $455.2 million in 2009 from $451.2 million in 2008, which represented an increase of 4.2% from $432.9 million in 2007. The slight increase in net interest revenue-FTE for 2009 compared to 2008 was a result of rates paid on interest bearing liabilities declining at a faster rate than rates earned on interest earning assets. The decline in rates paid on interest bearing liabilities was a result of the increase in low cost demand deposits coupled with the decline in other time deposits and short-term borrowing rates. The declining loan yields experienced by the Company was a result of reduced interest rates with this decline being somewhat offset by the impact of the interest rate floors evident on a portion of the Company s variable rate loans. The effect of the interest rate floors on the Company s variable rate loans is more fully discussed in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Interest Rate Sensitivity. The increase in net interest revenue-FTE for 2008 compared to 2007 was related to the combination of growth in loans and the Company s focus on funding the growth with maturing investment securities and lower-cost liabilities.

Interest revenue-FTE decreased 12.6% to $625.8 million in 2009 from $715.8 million in 2008, which represented a decrease of 11.8% from $811.2 million in 2007. The decrease in interest revenue-FTE in 2009 and 2008 was primarily a result of the declining loan yields as interest rates were at historically low levels resulting in an overall decrease in the yield on average interest earning assets of 76 basis points during 2009 and 95 basis points during 2008. Average interest earning assets increased $41.8 million, or 0.4%, to $12.1 billion in 2009 and increased $287.7 million, or 2.5%, to $12.0 billion in 2008 from $11.7 billion in 2007. The increase in average interest earning assets during 2009 was primarily a result of average loans and leases increasing $305.2 million to $9.7 billion, partially offset by the decrease in average loans held for sale during 2009 as the Company sold its remaining portfolio of student loans. The increase in average earning assets during 2008 was primarily a result of average loans and leases increasing $645.0 million to $9.4 billion coupled with the increase in average loans held for sale of $61.5 million, partially offset by an overall decrease in average investment securities of $363.8 million as the Company invested funds from maturing securities in 2008 into higher rate loans or new higher rate short- and intermediate-term investments.

Interest expense decreased 35.6% to $170.5 million in 2009 from $264.6 million in 2008, which represented a decrease of 30.1% from $378.3 million in 2007. The decrease in interest expense during 2009 was a result of the increase in lower cost interest bearing demand deposits combined with the decrease in other time deposits and short-term borrowing rates resulting in an overall decrease in the average rate paid on interest bearing liabilities of 91 basis points. The decrease in interest expense during 2008 was also a result of the increase in lower cost interest bearing demand deposits and short-term borrowings coupled with a decrease in higher rate other time deposits resulting in an overall decrease in the average rate paid on interest bearing liabilities of 120 basis points. Average interest bearing liabilities decreased $119.6 million, or 1.2%, to $10.0 billion in 2009 and increased $236.8 million, or 2.4%, to $10.1 billion in 2008 from $9.9 billion in 2007. The decrease in interest bearing liabilities in 2009 compared to 2008 was primarily a result of the decrease in short-term borrowings, partially offset by the increase in lower cost interest bearing demand deposits. The increase in interest bearing liabilities in 2008 compared to 2007 was a result of the increase in lower cost demand deposits coupled with the increase in short-term borrowings.

Net interest margin-FTE for 2009 was 3.77%, an increase of two basis points from 3.75% for 2008 which represented an increase of seven basis points from 3.68% for 2007. Net interest margin-FTE remained relatively stable for 2007, 2008 and 2009 as the Company was able to mitigate the effect of lower loan yields by increasing lower cost demand deposits and decreasing higher rate time deposits. The Company was also able to maintain stability in the loan portfolio by replacing loan runoff by modest new loan production. The slight increase in net interest margin-FTE for 2008 was primarily a result of the Company investing funds from maturing securities in higher rate loans or new higher rate short- and intermediate-term investments while funding the loan growth with lower rate short-term and long-term Federal Home Loan Bank (FHLB) borrowings rather than with higher rate time deposits. Net interest rate spread for 2009 was 3.48%, an increase of 14 basis points from 3.34% for 2008, which represented an increase of 25 basis points from 3.09% for 2007. The increase in net interest rate spread for 2009 and 2008 was primarily a result of the Company s ability to reduce the impact of declining loan yields by increasing lower rate demand deposits and decreasing higher rate time deposits resulting in a smaller decrease in the average rate earned on interest earning assets than the decrease in the average rate paid on interest bearing liabilities.

Net interest revenue-FTE may also be analyzed by segregating the rate and volume components of interest revenue and interest expense. The table below presents an analysis of rate and volume change in net interest

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revenue from 2008 to 2009 and from 2007 to 2008. Changes that are not solely a result of volume or rate have been allocated to volume.

	2009 over 2008 - Increase (Decrease)			2008 over 2007 - Increase (Decrease)		
(Taxable equivalent basis)	Volume	Rate	Total	Volume	Rate	Total
			(In thousands)			
INTEREST REVENUE						
Loans (net of unearned income)	$ 16,282	$ (89,225)	$ (72,943)	$ 40,580	$ (119,515)	$ (78,935)
Loans held for sale	(1,435)	(2,267)	(3,702)	3,008	(1,303)	1,705
Held-to-maturity securities:						
Taxable	(12,466)	744	(11,722)	(11,420)	2,397	(9,023)
Non-taxable	710	429	1,139	(338)	117	(221)
Available-for-sale securities:						
Taxable	1,488	(2,275)	(787)	(4,895)	(504)	(5,399)
Non-taxable	(1,394)	147	(1,247)	457	(181)	276
Federal funds sold, securities purchased under agreement to resell and short-term investments	68	(835)	(767)	(1,624)	(2,235)	(3,859)
Total	3,253	(93,282)	(90,029)	25,768	(121,224)	(95,456)
INTEREST EXPENSE						
Demand interest bearing	4,929	(25,215)	(20,286)	6,135	(29,635)	(23,500)
Savings	2	(1,582)	(1,580)	(43)	(3,978)	(4,021)
Other time	(6,712)	(40,571)	(47,283)	(29,235)	(37,897)	(67,132)
Federal funds purchased, securities sold under agreement to repurchase, short-term FHLB borrowings and other short term borrowings	(788)	(23,692)	(24,480)	8,722	(29,962)	(21,240)
Junior subordinated debt securities		(839)	(839)	29	(627)	(598)
Long-term FHLB borrowings	463	(57)	406	5,341	(2,616)	2,725
Total	(2,106)	(91,956)	(94,062)	(9,051)	(104,715)	(113,766)
Total increase (decrease)	$ 5,359	$ (1,326)	$ 4,033	$ 34,819	$ (16,509)	$ 18,310

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 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 December 31, 2009:

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	Interest Rate Sensitivity - Maturing or Repricing			
	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	$ 15,704	$	$	$
Federal funds sold and securities purchased under agreement to resell	75,000			
Held-to-maturity securities	115,279	290,510	407,278	219,755
Available-for-sale securities	35,088	61,561	404,097	460,026
Loans, net of unearned income	4,993,945	1,645,555	2,895,467	240,169
Loans held for sale	54,941	367	2,202	22,833
Total interest earning assets	5,289,957	1,997,993	3,709,044	942,783
INTEREST BEARING LIABILITIES:				
Interest bearing demand deposits and savings	5,048,838			
Other time deposits	762,635	1,697,424	1,265,717	1,425
Federal funds purchased, securities sold under agreement to repurchase, short-term FHLB borrowings and other short-term borrowings	680,503	4,874	57,993	
Long-term FHLB borrowings and junior subordinated debt securities			54,271	218,812
Other				91
Total interest bearing liabilities	6,491,976	1,702,298	1,377,981	220,328
Interest rate sensitivity gap	$ (1,202,019)	$ 295,695	$ 2,331,063	$ 722,455
Cumulative interest sensitivity gap	$ (1,202,019)	$ (906,324)	$ 1,424,739	$ 2,147,194

In the event interest rates decline after 2009, 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, as the cost of funds would decrease at a more rapid rate than interest revenue on interest earning assets. Conversely, in the event interest rates increase after 2009, based on this interest rate sensitivity gap, the Company would likely experience decreased net interest revenue in the following one-year period. It should be noted that the balances shown in the table above are at December 31, 2009 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 Company s asset/liability strategy of partially funding loan growth with short-term borrowings from the FHLB and federal funds purchased contributed to the increased liability sensitivity in the 0 to 90 day category. The Company was able to manage this liability sensitivity during the later part of 2009, however, by reducing low rate, short term borrowings and extending the average maturity of time deposits.

As of December 31, 2009, the Bank had approximately $2.5 billion in variable rate loans whose interest rate was determined by a floor, or minimum rate. This portion of the loan portfolio has an average interest rate earned of 4.42%, an average maturity of 26 months and a fully-indexed interest rate of 3.62%. 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. Examples of key indices include the Wall Street Journal prime rate, the Bank s prime rate and the London Interbank Offering Rate. The impact on the Bank s average interest rate earned will be related to the timing and magnitude of a rise in key indices.

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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 200 basis points. The impact of a minus 200 basis point rate shock as of December 31, 2009 and 2008 was not considered meaningful because of the historically low interest rate environment. Variances were calculated from the base case scenario, which reflected current market rates. Management of the Company 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	
	December 31, 2009	December 31, 2008
Rate Shock		
+200 basis points	-4.1%	-8.5%
-200 basis points	N/A	N/A

	Economic Value of Equity % Variance from Base Case Scenario	
	December 31, 2009	December 31, 2008
Rate Shock		
+200 basis points	-9.5%	-11.0%
-200 basis points	N/A	N/A

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	
	December 31, 2009	December 31, 2008
Rate Ramp		
+200 basis points	-4.1%	-6.5%
-200 basis points	N/A	N/A

Provisions 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 conservative underwriting in accordance with its lending policies, loan review procedures and the diversification of its loan portfolio. Although it is not possible to predict credit losses with certainty, management regularly reviews the characteristics of the loan portfolio to determine its overall risk profile and quality.

Attention is paid to the quality of the loan portfolio through a formal loan review process. The Board of Directors of the Bank has appointed a loan loss reserve valuation committee (the Loan Loss Committee) that 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.

The provision for credit losses is the periodic cost of providing an allowance or reserve for estimated probable losses on loans and leases. The Loan Loss Committee bases its estimates of losses on three primary components: (1) estimates of inherent losses which may exist in various segments of performing loans and leases; (2) specifically identified losses in individually analyzed credits; and (3) qualitative factors which may impact the performance of the portfolio. Inherent losses are estimated based upon the probability of default of individual borrowers and the amount of losses expected in the event of any such default. Factors such as financial condition, 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 due to regulatory or internal changes are considered in determining the adequacy of the level of the allowance for credit losses.

As a result of the deteriorating housing market and the negative impact that the weakened economy has had on builders and developers, additional focus was placed on the real estate construction, acquisition and development portfolio when estimating the adequacy of the allowance for credit losses because of the credit risks associated with this portfolio. Additionally, during the fourth quarter of 2009, the Company provided an additional reserve of $3.5 million for modeling imprecision due to this deterioration.

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.

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.

An analysis of the allowance for credit losses for the five years ended December 31, 2009 is provided in the following table:

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	2009	2008	2007	2006	2005
			(Dollars in thousands)		
Balance, beginning of period	$ 132,793	$ 115,197	$ 98,834	$ 101,500	$ 91,673
Loans and leases charged off:					
Commercial and agricultural	(9,534)	(7,124)	(2,656)	(2,008)	(2,595)
Real estate					
Consumer mortgages	(13,917)	(8,161)	(4,801)	(3,370)	(6,145)
Home equity	(5,372)	(1,307)	(537)	(361)	(93)
Agricultural	(848)	(381)	(45)	(217)	(195)
Commercial and industrial-owner occupied	(4,033)	(1,970)	(1,126)	(3,099)	(2,656)
Construction, acquisition and development	(32,638)	(15,332)	(818)		
Commercial	(3,584)	(814)	(465)	(1,743)	(1,098)
Credit cards	(4,770)	(3,636)	(2,979)	(2,189)	(3,098)
All other	(3,517)	(3,342)	(3,414)	(3,116)	(4,553)
Total loans and leases charged off	(78,213)	(42,067)	(16,841)	(16,103)	(20,433)
Recoveries:					
Commercial and agricultural	761	1,134	997	1,801	1,084
Real estate					
Consumer mortgages	824	532	836	496	951
Home equity	109	30	117	3	33
Agricultural	2		29		
Commercial and industrial-owner occupied	297	75	261	89	41
Construction, acquisition and development	128	263	27	4	59
Commercial	189	23	126	66	5
Credit cards	617	319	282	347	328
All other	1,212	1,537	1,680	2,054	2,056
Total recoveries	4,139	3,913	4,355	4,860	4,557
Net charge-offs	(74,074)	(38,154)	(12,486)	(11,243)	(15,876)
Provision charged to operating expense	117,324	56,176	22,696	8,577	24,467
Other, net		(426)	6,153		1,236
Balance, end of period	$ 176,043	$ 132,793	$ 115,197	$ 98,834	$ 101,500
	$ 9,734,580	$ 9,429,963	$ 8,784,940	$ 7,579,935	$ 7,026,009

Loans and leases, net of unearned average					
Loans and leases, net of unearned period end	$ 9,775,136	$ 9,691,277	$ 9,179,684	$ 7,871,471	$ 7,365,555
RATIOS					
Net charge-offs to average loans and leases	0.76%	0.40%	0.14%	0.15%	0.23%
Provision for credit losses to average loans and leases, net of unearned	1.21%	0.60%	0.26%	0.11%	0.35%
Allowance for credit losses to loans and leases, net of unearned	1.80%	1.37%	1.25%	1.26%	1.38%

The increases in the provision for credit losses in 2009 compared to 2008 and in 2008 compared to 2007 were primarily a result of the increased credit risk experienced by the Company resulting from the prevailing economic downturn, an increase in net charge-offs and some downward migration of loans within the Bank s loan and lease credit ratings and classifications attributable to the prevailing economic environment. Net charge-offs as a percentage of average loans and leases increased in 2009 when compared to 2008 primarily as a result of the Company experiencing increased losses within the construction, acquisition and development and the consumer mortgage portfolios. The construction, acquisition and development and the consumer mortgage portfolios experienced increased losses as a result of declining collateral values related to real estate securing these loans, as

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well as the negative impact that the weakened economy and housing market has had on builders and developers. Because the Company s mortgage lending decisions are based on conservative lending policies, the Company continues to have only nominal exposure to the credit issues affecting the sub-prime residential mortgage market.

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 for losses. The following table presents (i) the breakdown of the allowance for credit losses by loan and lease category and (ii) the percentage of each category in the loan and lease portfolio to total loans and leases at the dates indicated:

	2009		2008		2007	
	Allowance for Credit Loss	% of Loans in Each Category to Total Loans	Allowance for Credit Loss	% of Loans in Each Category to Total Loans	Allowance for Credit Loss	% of Loans in Each Category to Total Loans
			(Dollars in thousands)			
Commercial & agricultural	$ 21,154	15.11%	$ 19,150	14.72%	$ 17,764	15.04%
Real estate						
Consumer mortgages	37,048	20.53	31,158	21.52	28,632	22.96
Home equity	7,218	5.60	5,689	5.25	4,401	4.46
Agricultural	4,192	2.67	3,167	2.40	2,368	1.88
Commercial and industrial-owner occupied	22,989	14.76	17,982	15.04	18,194	15.75
Construction, acquisition and development	46,193	14.86	29,771	17.35	19,903	18.11
Commercial	26,694	18.39	17,899	16.11	14,564	12.92
Credit cards	3,481	1.10	1,572	0.96	3,111	1.13
All other	7,074	6.98	6,405	6.65	6,260	7.75
Total	$ 176,043	100.00%	$ 132,793	100.00%	$ 115,197	100.00%

	2006		2005	
	Allowance for Credit Loss	% of Loans in Each Category to Total Loans	Allowance for Credit Loss	% of Loans in Each Category to Total Loans
		(Dollars in thousands)		
Commercial & agricultural	$ 14,257	14.35%	$ 15,185	14.96%
Real estate				
Consumer mortgages	30,399	29.79	32,725	30.08
Home equity	3,562	4.19	3,163	3.95
Agricultural	2,778	2.69	2,782	2.77
Commercial and industrial-owner occupied	17,463	16.97	15,801	17.07

Construction, acquisition and development	9,372	11.05	7,815	9.59
Commercial	13,704	13.68	13,285	14.19
Credit cards	2,917	1.24	3,799	1.16
All other	4,382	6.04	6,945	6.23
Total	$ 98,834	100.00%	$ 101,500	100.00%

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Noninterest Revenue

The components of noninterest revenue for the years ended December 31, 2009, 2008 and 2007 and the percentage change between such years are shown in the following table:

	2009		2008		2007
	Amount	% Change	Amount	% Change	Amount
	(Dollars in thousands)				
Mortgage lending	$ 32,225	1,401.6%	$ 2,146	(65.5)%	$ 6,214
Credit card, debit card and merchant fees	34,244	1.5	33,743	13.1	29,836
Service charges	72,864	(5.5)	77,091	2.3	75,339
Trust income	9,698	3.9	9,330	(8.1)	10,154
Securities (losses) gains, net	(55)	99.1	(5,849)	NM	121
Insurance commissions	80,937	(6.6)	86,661	21.7	71,182
Annuity fees	3,721	(41.5)	6,363	37.5	4,626
Brokerage commissions and fees	4,803	(11.6)	5,434	(26.3)	7,369
Bank-owned life insurance	8,614	17.4	7,338	3.4	7,097
Other	28,225	20.9	23,350	15.5	20,212
Total noninterest revenue	$ 275,276	12.1%	$ 245,607	5.8%	$ 232,150

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. 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. For more information about the Company s treatment of MSRs, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Mortgage Servicing Rights of this Report.

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. Origination volume of $1.5 billion, $963.0 million and $876.1 million produced origination revenue of $25.7 million, $8.1 million and $5.4 million for 2009, 2008 and 2007, respectively. Significantly increased volume and better pricing and delivery execution during 2009 when compared to 2008 and 2007 contributed to higher mortgage lending revenue during 2009.

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 $10.8 million, $9.7 million and $9.1 million for 2009, 2008 and 2007, respectively. Mortgage lending revenue is also impacted by principal payments, prepayments and payoffs on loans in the servicing portfolio. Principal payments, prepayments and payoffs were $6.7 million, $5.2 million and $5.0 million for 2009, 2008 and 2007. The increase of these amounts in 2009 compared to 2008 and 2007 resulted from the large number of refinancings that occurred during the first half of 2009 because of the low interest rate environment. 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 Company does not hedge the change in fair value of its MSRs and is susceptible to significant fluctuations in their value in changing interest rate environments. Reflecting this sensitivity to interest rates, the fair value of MSRs increased $2.4 million for 2009 and decreased $10.5 million and $3.3 million for 2008 and 2007, respectively.

The following table presents the Company s mortgage lending operations for 2009, 2008 and 2007:

	2009		2008		2007
	Amount	% Change	Amount	% Change	Amount
			(Dollars in thousands)		
Production revenue:					
Origination	$ 25,746	216.0%	$ 8,148	50.1%	$ 5,428
Servicing	10,783	10.8	9,734	6.9	9,104
Payoffs/Paydowns	(6,706)	(28.0)	(5,239)	(5.3)	(4,976)
Total	29,823	135.9	12,643	32.3	9,556
Market value adjustment	2,402	NM	(10,497)	(214.1)	(3,342)
Mortgage lending revenue	$ 32,225	1,401.6	$ 2,146	(65.5)	$ 6,214
			(Dollars in millions)		
Origination volume	$ 1,542	60.1	$ 963	9.0	$ 876
Mortgage loans serviced at year-end	$ 3,413	11.2	$ 3,068	7.1	$ 2,864

NM = not meaningful

Credit card, debit card and merchant fees remained relatively stable in 2009 when compared to 2008 but increased in 2008 when compared to 2007 as a result of an increase in the numerical and monetary volume of items processed. Service charges on deposit accounts, which includes insufficient fund fees, decreased in 2009 when compared to 2008 as a result of a lower volume of items processed but remained relatively consistent in 2008 when compared to 2007. Trust income remained relatively consistent in 2009 when compared to 2008 and decreased in 2008 when compared to 2007 primarily because of decreases in the value of assets under care (either managed or custody).

Net security losses of approximately $55,000 and $5.8 million were recorded in 2009 and 2008, while net securities gains of approximately $121,000 were recorded in 2007. These amounts reflected the sales and calls of securities from the available-for-sale portfolio and held-to-maturity portfolio. Any sales of held-to-maturity securities occurred within three months of maturity and were so near maturity that management believed changes in interest rates would not have a significant impact on fair value. The net security losses included a $250,000 and an $8.6 million other-than-temporary impairment charge related to credit loss in 2009 and 2008, respectively, related to the Company s investment in pooled trust preferred securities. The fair value of these securities was negatively impacted by prevailing market conditions.

The decrease in insurance commissions in 2009 when compared to 2008 was primarily attributable to lower insurance premiums resulting in reduced commissions paid by the underwriters. The increase in insurance commissions in 2008 when compared to 2007 was primarily a result of the increase in policies written in 2008, higher policy premiums and the acquisitions of one insurance agency during the third quarter of 2007 and two additional insurance agencies during the first quarter of 2008.

Annuity fees decreased in 2009 and 2008 as a result of the prevailing interest rate environment. Brokerage commissions and fees decreased in 2009 and 2008 as a result of the lower volume of transactions and the reduction in market values coupled with a customer shift from equity into fixed income investments which have a lower commission scale. Bank-owned life insurance increased in 2009 as a result of the Company recording life insurance proceeds of $1.4 million net of cash surrender value. Bank-owned life insurance remained relatively consistent for

2008 compared to 2007.

Other miscellaneous noninterest revenue for 2009 included interest on tax refunds of $2.8 million, a gain of $3.7 million from the sale of the Company s remaining student loans as the Company is no longer originating and selling student loans, a gain of $1.8 million on the sale of the Company s remaining shares of MasterCard, Inc. common stock, and an insurance recovery of $1.3 million related to a casualty loss. Other miscellaneous noninterest revenue for 2008 included a gain of $2.8 million related to the sale of shares of Visa Inc. common stock in connection with its initial public offering, a gain of approximately $704,000 from the sale of student loans and a gain of $2.6 million related to the sale of shares of MasterCard Incorporated common stock. The Company owned 103,193 shares of Visa Inc. class B common stock at December 31, 2009.

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Noninterest Expense

The components of noninterest expense for the years ended December 31, 2009, 2008 and 2007 and the percentage change between years are shown in the following table:

	2009		2008		2007
	Amount	% Change	Amount	% Change	Amount
	(Dollars in thousands)				
Salaries and employee benefits	$ 278,734	2.6%	$ 271,556	6.3%	$ 255,342
Occupancy, net	42,108	5.7	39,846	13.5	35,098
Equipment	23,508	(6.8)	25,211	4.1	24,214
Deposit insurance assessments	19,672	589.8	2,852	124.6	1,270
Advertising	6,377	(16.5)	7,640	2.0	7,488
Foreclosed property expense	13,599	175.5	4,936	323.3	1,166
Telecommunications	8,854	2.1	8,672	11.3	7,793
Public relations	5,900	(9.0)	6,483	(3.9)	6,748
Data Processing	6,175	13.0	5,467	6.1	5,153
Computer software	7,260	2.5	7,082	(0.3)	7,106
Amortization of intangibles	4,957	(16.4)	5,927	16.8	5,074
Legal fees	5,932	15.3	5,147	4.1	4,946
Postage and shipping	4,939	(6.7)	5,293	6.1	4,991
Other	62,002	3.7	59,801	(3.6)	62,020
Total noninterest expense	$ 490,017	7.5%	$ 455,913	6.4%	$ 428,409

Salaries and employee benefits expense increased slightly in 2009 as a result of increases in the cost of employee heath care benefits and pension expenses, as well as costs associated with the hiring of employees to staff the new banking locations added during 2009. Salaries and employee benefits expense increased in 2008 as a result of an increase in incentive payments (especially commission-based), salary increases, increases in the cost of employee health care benefits and costs associated with the hiring of employees to staff the new banking and insurance locations added during 2008. Pension plan costs, a component of salaries and employee benefits expense, increased in 2009 to $8.1 million after decreasing to $3.9 million in 2008 from $6.8 million in 2007. Occupancy expense increased in 2009, 2008 and 2007, principally as a result of additional branch offices, bank buildings, insurance agencies and facilities opened during those years.

Equipment expense decreased in 2009 when compared to 2008 as a result of a decrease in depreciation expense coupled with the Company s continued focus on controlling such expenses. Equipment expense increased in 2008 compared to 2007 because of increased depreciation related to equipment purchased in 2008. The increase in deposit insurance assessments in 2009 when compared to 2008 was primarily a result of the significant increase in the Company s FDIC insurance assessments in 2009, despite being assessed at the FDIC s lowest rate because of the Company s status as well capitalized under federal regulations. The Company was assessed a special FDIC assessment of $6.1 million during the second quarter of 2009. This special FDIC assessment, along with increased regular premiums for 2009 and credits used to partially offset 2008 premiums, contributed to the increase in deposit insurance assessments to $19.7 million in 2009 from $2.9 million in 2008.

Foreclosed property expense increased in 2009 and 2008 as the Company experienced larger losses on the sale and writedown of other real estate owned as a result of the decline in property values attributable to the prevailing economic environment. While the Company experienced some minor fluctuations in various components of other noninterest expense including advertising, legal fees, data processing and amortization of intangibles, total other noninterest expense remained relatively consistent when comparing 2009, 2008 and 2007. Included in noninterest expense in 2009 was $2.4 million in litigation contingencies primarily related to the unexpected, adverse resolution of a legal matter. Included in noninterest expense in 2008 was a $1.1 million reversal of a portion of the $2.3 million litigation expense reported in 2007 related to the Company s guarantee of Visa Inc. s projected obligations for certain litigation matters during the first quarter of 2008, as well as the $1.1 million reversal of a portion of a previously recorded litigation contingency as a result of a favorable court ruling during the second quarter of 2008.

Income Taxes

Income tax expense was $30.1 million in 2009, $53.9 million in 2008 and $66.0 million in 2007. The decrease in the income tax expense in 2009 compared to 2008 was primarily a result of a decrease in the level of pretax income, which decreased 35.3% in 2009 compared to 2008. Similarly, the decrease in the income tax expense in 2008 compared to 2007 was primarily a result of a decrease in the level of pretax income, which decreased 14.5% in 2008 compared to 2007. The effective tax rate for 2009 was 26.7% compared to 30.9% for 2008 and 32.4% for 2007. The decrease in the effective tax rate from 2008 to 2009 was primarily a result of the 35.3% decrease in pretax income while the tax preference items, such as tax-exempt interest income, remained relatively consistent in both years. The decrease in the effective tax rate from 2007 to 2008 was also primarily a result of the 14.5% decrease in pretax income from 2007 to 2008, while tax preference items, such as tax-exempt interest income, remained relatively consistent in both years.

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 December 31, 2009 were $11.9 billion, or 90.7% of total assets, compared with $12.2 billion, or 90.6% of total assets at December 31, 2008.

Loans and Leases

The Bank s loan and lease portfolio represents the largest single component of the Company s earning asset base, comprising 80.6% of average earning assets during 2009. 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. At December 31, 2009, 44.0% of the Company s loans and leases were located within the Mississippi market with the remainder of the Company s loans and leases spread over a large geographic footprint as the Bank has operations in seven other states. The following table indicates the average loans and leases, year-end balances of the loan and lease portfolio and the percentage increases for the years presented:

	2009		2008		2007
	Amount	% Change	Amount	% Change	Amount
	(Dollars in millions)				
Loans and leases, net of unearned average	$9,735	3.2%	$9,430	7.3%	$8,785
Loans and leases, net of unearned year-end	9,775	0.9	9,691	5.6	9,180

Average loans and leases increased 3.2% in 2009 compared to 2008 and 7.3% in 2008 compared to 2007. Loans and leases outstanding at December 31, 2009 increased 0.9% compared to December 31, 2008 and increased 5.6% at December 31, 2008 compared to December 31, 2007. The increase in year-end and average loans and leases in 2009 and 2008 was primarily a result of the continued moderate loan demand realized in the markets served by the Company as the Company was able to replace natural loan runoff with moderate new loan production.

The following table shows the composition of the Company s gross loans and leases by collateral type at December 31 for the years indicated:

			December 31		
	2009	2008	2007	2006	2005
			(In thousands)		
Commercial and industrial	$ 1,484,011	$ 1,433,690	$ 1,387,548	$ 1,136,495	$ 1,107,309
Real estate					
Consumer mortgages	2,017,067	2,096,568	2,118,641	2,358,861	2,226,177
Home equity	550,085	511,480	411,346	332,033	292,047
Agricultural	262,069	234,024	173,575	213,085	204,996
Commercial and industrial owner occupied	1,449,554	1,465,027	1,453,158	1,343,412	1,263,236
Construction, acquisition and development	1,459,503	1,689,719	1,671,359	875,218	710,015
Commercial	1,806,766	1,568,956	1,192,353	1,082,882	1,050,198
Credit cards	108,086	93,650	104,037	98,249	85,529
All other	685,845	647,753	715,478	477,288	461,705
Total gross loans and leases	$ 9,822,986	$ 9,740,867	$ 9,227,495	$ 7,917,523	$ 7,401,212

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 modestly during 2009.

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 3 to 5 years. The loans are 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 declined during 2009 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 located in the local market areas of the community bank originating and servicing the loan. Home equity loans outstanding increased in 2009 due to both increased usage of existing lines and new originations. 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 increased modestly over 2009.

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 outstanding decreased modestly during 2009.

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 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 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 which resulted in lower demand for residential lots and development land. While origination of new construction and development projects was significantly curtailed during 2009, existing loans outstanding reduced at a slower rate than in previous years. The slower pace of repayments is directly related to slowing sales of homes and lots developed for residential construction. This segment of the portfolio was down by 13.6% in 2009.

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.

Credit Cards Credit cards include consumer MasterCard accounts, Visa accounts and private label accounts for local merchants. The Bank offers credit cards primarily to its deposit and loan customers. Credit card balances increased during 2009 primarily because of increased utilization by existing accounts.

All Other All other loans include consumer installment loans and loans and leases to state, county and municipal governments and non-profit agencies. Consumer installment loans 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.

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 Bank s loans and leases net of unearned income as of December 31, 2009:

	One Year or Less	One to Five Years	After Five Years
		(In thousands)	
Commercial and industrial	$ 667,712	$ 679,052	$ 119,805
Real estate			
Consumer mortgages	918,777	933,578	164,712
Home equity	250,565	254,601	44,919
Agricultural	119,373	121,296	21,400
Commercial and industrial-owner occupied	660,274	670,911	118,369
Construction, acquisition and development	661,606	678,236	119,661
Commercial	822,984	836,243	147,539
Credit cards	49,233	50,026	8,827
All other	298,553	303,362	53,522
Total loans and leases, net of unearned income	$ 4,449,077	$ 4,527,305	$ 798,754

The interest rate sensitivity of the Bank s loan and lease portfolio is important in the management of net interest margin. The Bank attempts to manage the relationship between the interest rate sensitivity of its assets and liabilities to produce an effective interest differential that is not significantly impacted by the level of interest rates. The following table shows the interest rate sensitivity of the Bank s loans and leases net of unearned income due after one year as of December 31, 2009:

	Fixed Rate	Variable Rate

	(In thousands)	
Loan and lease portfolio Due after one year	$ 3,053,286	$ 2,272,773

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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 weakened financial condition. 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 assets on the consolidated balance sheets, depending on foreclosure status, were as follows at the end of each year presented:

	2009	2008	2007	2006	2005
			(Dollars in thousands)		
Non-accrual loans and leases	$ 144,013	$ 28,168	$ 9,789	$ 6,603	$ 8,816
Loans 90 days or more past due, still accruing	36,301	33,373	18,671	15,282	17,744
Restructured loans and leases, but accruing	6,161	2,472	721	1,571	2,239
Total NPLs	186,475	64,013	29,181	23,456	28,799
Other real estate owned	59,265	46,317	24,281	10,463	15,947
Total NPAs	$ 245,740	$ 110,330	$ 53,462	$ 33,919	$ 44,746
NPLs to net loans and leases	1.91%	0.66%	0.32%	0.30%	0.39%
NPAs to net loans and leases	2.51%	1.14%	0.58%	0.43%	0.61%

NPAs increased significantly in 2009 compared to 2008 and in 2008 compared to 2007. The increase in foreclosed properties is reflective of the general slow-down in the residential real estate sector in certain of the Bank s markets. 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 increase in non-accrual and past due loans also reflects the effects of the recent economic environment on the Bank s loan portfolio as a significant portion of the rise in the Bank s NPLs was attributable to problems developing for established customers with real estate related loans, primarily in the Bank s more urban markets in the fourth quarter of 2009. These problems resulted primarily from declines in appraised real estate values, decreased liquidity of certain borrowers and certain other borrower specific factors. More specifically, consumer mortgages and construction, acquisition and development loans collateralized by real estate represented 73.7% of the increase in non-accrual loans and leases in 2009 compared to 2008. Of our construction, acquisition and development loans, which totaled $1.5 billion at the end of 2009, $638.5 million represented loans made by our community banks in Alabama and Tennessee, including the greater Memphis, Tennessee area, a portion of which is in Northwest Mississippi. These areas have experienced a higher incidence of non-performing loans, primarily as a result of a severe downturn in the housing market. Of the Company s total non-performing loans of $186.5 million, $105.8 million 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.

The ultimate impact of the economic downturn on the Company s financial condition and results of operations will continue to 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 remain focused on early identification and effective resolution of potential credit problems. 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. At December 31, 2009, $72.6 million restructured loans were included in the loans 90 days or more past due or non-accrual loan category.

The total amount of interest earned on NPLs was approximately $4.1 million, $495,000, $385,000, $114,000 and $194,000 in 2009, 2008, 2007, 2006 and 2005, respectively. The gross interest income that would have been recorded under the original terms of those loans and leases if they had not been non-performing amounted to approximately $8.4 million, $1.8 million, $964,000, $475,000 and $600,000 in 2009, 2008, 2007, 2006 and 2005, respectively.

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. Loans the Bank considered impaired, which were included in NPLs, totaled $128.5 million,

$25.5 million, $9.5 million, $9.1 million and $13.5 million at December 31, 2009, 2008, 2007, 2006 and 2005, respectively, with a valuation allowance of $22.7 million, $9.1 million, $4.4 million, $4.5 million and $6.1 million, respectively. The Bank has not, as a matter of policy, made or participated in any loans or investments relating to leveraged buyouts or leveraged recapitalizations. At December 31, 2009, 2008 and 2007, 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 factor 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 non-performing loans and leases. Historically, some of these loans and leases are ultimately restructured or placed in non-accrual status. At December 31, 2009, the Bank had approximately $20.4 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 December 31, 2009:

Loans and leases, net of unearned income	Outstanding	90+ Days Past Due still Accruing	Non-accruing Loans	Restructured Loans, but accruing	NPLs	NPLs as a % of Outstanding
		(Dollars in thousands)				
Commercial and industrial	$ 1,466,569	$ 1,797	$ 4,852	$ 94	$ 6,743	0.5%
Real estate						
Consumer mortgages	2,017,067	9,905	20,731	477	31,113	1.5
Home equity	550,085	810	1,642		2,452	0.4
Agricultural	262,069	1,015	1,136		2,151	0.8
Commercial and industrial-owner occupied	1,449,554	4,511	7,039		11,550	0.8
Construction, acquisition and development	1,459,503	13,482	82,170	1,606	97,258	6.7
Commercial	1,806,766	2,558	23,209	587	26,354	1.5
Credit cards	108,086	355	1,044	3,347	4,746	4.4
All other	655,437	1,868	2,190	50	4,108	0.6
Total	$ 9,775,136	$ 36,301	$ 144,013	$ 6,161	$ 186,475	1.9%

The following table provides selected characteristics of the Company s real estate construction, acquisition and development loans at December 31, 2009:

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Real Estate Construction, Acquisition and Development	Outstanding	90+ Days Past Due still Accruing	Non-accruing Loans	Restructured Loans, but accruing	NPLs	NPL as a % of Outstanding
			(Dollars in thousands)			
Multi-family construction	$ 8,111	$	$	$	$	%
Condominiums	16,898		9,247		9,247	54.7
One-to-four family construction	255,026	1,535	1,514		3,049	1.2
Recreation and all other loans	50,122	496			496	1.0
Commercial construction	240,917		6,684	1,606	8,290	3.4
Commercial acquisition and development	282,766	4,500	2,527		7,027	2.5
Residential acquisition and development	605,663	6,951	62,198		69,149	11.4
Total	$ 1,459,503	$ 13,482	$ 82,170	$ 1,606	$ 97,258	6.7%

Securities and Other Earning Assets

The Company uses its securities portfolio to make various term investments, to provide a source of liquidity and to serve as collateral to secure certain types of deposits and borrowings. The following tables show the carrying value of the Company s held-to-maturity and available-for-sale securities by investment category at December 31, 2009, 2008, and 2007:

	December 31		
	2009	2008	2007
		(In thousands)	
Held-to-maturity Securities:			
U. S. Government agency securities	$ 798,660	$ 1,079,431	$ 1,375,656
Taxable obligations of states and political subdivisions	20,045	70,337	49,238
Tax-exempt obligations of states and political subdivisions	214,117	183,753	194,021
Other securities			7,001