KONSYNSKI BENN
Form 4/A
February 25, 2009

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
KONSYNSKI BENN

(Last) (First) (Middle)

1300 CLIFTON RD, GOIZUETA BUSINESS SCHOOL

(Street)

ALTANTA, GA 30322

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
TESSCO TECHNOLOGIES INC [TESS]

3. Date of Earliest Transaction (Month/Day/Year)
02/04/2009

4. If Amendment, Date Original Filed(Month/Day/Year)
02/06/2009

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/04/2009		P		400 (1)	A	$ 6.57 (1)	72,768 (1)	D	
Common Stock	02/05/2009		P		1,700	A	$ 6.89	74,468 (1)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KONSYNSKI BENN 1300 CLIFTON RD GOIZUETA BUSINESS SCHOOL ALTANTA, GA 30322	X			

Signatures

Benn Konsynski by David M. Young by Power of Attorney	02/25/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This Form 4/A is being filed to correct Table I of the Form 4 filed by the Reporting Person on February 6, 2009 (the "Original Filing"). On February 4, 2009, the Reporting Person acquired 400 shares of Common Stock at a price of $6.57 per share, but Line 1 Table I of the Original Filing reported the acquisition of 300 shares of Common Stock at a price of $6.89 per share. Accordingly, this Amendment is filed to correct the amount and price of the securities reported as acquired on the first line of Table I of the Original Filing, and to adjust Table I, Column 5 accordingly for both of the transactions reported on the Original Filing.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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$ -

$ -

$ 28,258

28,258

$ (4,487)

Other real estate owned

-

-

7,704

7,704

(586)

	June 30, 2016				Six months ended June 30, 2016 Net Losses
Assets:	(In thousands)				
Impaired loans	-	-	40,236	40,236	(1,380)
Other real estate owned	-	-	14,658	14,658	(1,168)

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Explanation of Responses:

Explanation of Responses:

Fair Value of Financial Instruments

FASB ASC 825, Financial Instruments (“FASB ASC 825”), requires that the Company disclose estimated fair values for its financial instruments. Fair value estimates, methods and assumptions that are used by the Company in estimating fair values of financial instruments and that are not disclosed above in Note 14 are set forth below.

Cash and Due From Banks. The carrying amounts for cash and due from banks approximate fair values due to their immediate and shorter-term maturities.

Loans and Leases. Fair values are estimated for portfolios of loans and leases with similar financial characteristics. The fair value of loans and leases is calculated by discounting scheduled cash flows through the estimated maturity using rates the Company would currently offer customers based on the credit and interest rate risk inherent in the loan or lease. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market and borrower information. Estimated maturity represents the expected average cash flow period, which in some instances is different than the stated maturity. This entrance price approach results in a calculated fair value that would be different than an exit or estimated actual sales price approach and such differences could be significant. All of the Company’s loans and leases are classified as Level 3.

Deposit Liabilities. Under FASB ASC 825, the fair value of deposits with no stated maturity, such as noninterest bearing demand deposits, interest bearing demand deposits and savings, is equal to the amount payable on demand as of the reporting date. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the prevailing rates offered for deposits of similar maturities. The Company’s noninterest bearing demand deposits, interest bearing demand deposits and savings are classified as Level 1. Certificates of deposit are classified as Level 2.

Debt. The carrying amounts for federal funds purchased and repurchase agreements approximate fair value because of their short-term maturity. The fair value of the Company’s fixed-term Federal Home Loan Bank (“FHLB”) advances is based on the discounted value of contractual cash flows. The discount rate is estimated using the prevailing rates available for advances of similar maturities. The fair value of the Company’s long-term borrowings with U.S. Bank is based on the LIBOR rates plus an interest rate spread. The fair value of the Company’s junior subordinated debt is based on market prices or dealer quotes. The Company’s federal funds purchased, repurchase agreements and junior subordinated debt are classified as Level 1. FHLB advances and U.S. Bank advances are classified as Level 2.

Lending Commitments. The Company’s lending commitments are negotiated at prevailing market rates and are relatively short-term in nature. As a matter of policy, the Company generally makes commitments for fixed-rate loans for relatively short periods of time. Therefore, the estimated value of the Company’s lending commitments approximates the carrying amount and is immaterial to the financial statements. The Company’s lending commitments are classified as Level 2. The Company’s off-balance sheet commitments including letters of credit, which totaled $89.2 million at June 30, 2017, are funded at current market rates at the date they are drawn upon. It is management’s

opinion that the fair value of these commitments would approximate their carrying value, if drawn upon.

The following table presents carrying and fair value information of financial instruments at June 30, 2017 and December 31, 2016:

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	June 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:	(In thousands)			
Cash and due from banks	$ 178,376	$ 178,376	$ 184,152	$ 184,152
Interest bearing deposits with other banks	49,680	49,680	38,813	38,813
Available-for-sale securities	2,421,295	2,421,295	2,531,676	2,531,676
Net loans and leases	10,896,979	10,922,797	10,688,255	10,692,820
Loans held for sale	184,921	184,921	166,927	166,927
Liabilities:				
Noninterest bearing deposits	3,390,428	3,390,428	3,250,537	3,250,537
Savings and interest bearing deposits	6,725,693	6,725,693	6,596,289	6,596,289
Other time deposits	1,822,175	1,840,666	1,841,315	1,857,506
Federal funds purchased and securities sold under agreement to repurchase and other short-term borrowings	764,815	763,649	546,002	545,002
Long-term debt and other borrowings	230,000	231,631	542,888	547,273
Derivative instruments:				
Forward commitments to sell fixed rate mortgage loans	673	673	2,903	2,903
Commitments to fund fixed rate mortgage loans	3,981	3,981	3,362	3,362
Interest rate swap position to receive	5,215	5,215	9,061	9,061
Interest rate swap position to pay	(5,287)	(5,287)	(9,175)	(9,175)

NOTE 15 – OTHER NONINTEREST REVENUE AND EXPENSE

The following table details other noninterest revenue for the three months and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Bank-owned life insurance	$ 1,710	$ 1,813	$ 3,379	$ 3,706
Other miscellaneous income	4,591	4,078	7,024	6,747
Total other noninterest income	$ 6,301	$ 5,891	$ 10,403	$ 10,453

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The following table details other noninterest expense for the three months and six months ended June 30, 2017 and 2016:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Advertising	$ 1,037	$ 1,043	1,700	1,676
Foreclosed property expense	960	1,309	2,010	2,490
Telecommunications	1,233	1,259	2,380	2,554
Public relations	654	599	1,374	1,260
Data processing	7,230	6,685	13,853	13,076
Computer software	2,913	2,732	5,894	5,392
Amortization of intangibles	1,010	869	2,040	1,749
Legal fees	1,330	1,754	2,559	6,289
Merger expense	-	1	-	2
Postage and shipping	1,080	985	2,255	2,102
Other miscellaneous expense	12,355	13,664	25,106	27,540
Total other noninterest expense	$ 29,802	$ 30,900	$ 59,171	$ 64,130

NOTE 16 – COMMITMENTS AND CONTINGENT LIABILITIES

The nature of the Company’s business ordinarily results in a certain amount of claims, litigation, investigations and legal and administrative cases and proceedings. Although the Company and its subsidiaries have developed policies and procedures to minimize the impact of legal noncompliance and other disputes, and endeavored to provide reasonable insurance coverage, litigation and regulatory actions present an ongoing risk.

The Company and its subsidiaries are engaged in lines of business that are heavily regulated and involve a large volume of financial transactions and potential transactions with numerous customers or applicants, and the Company is a public company with a large number of shareholders. From time to time, borrowers, customers, shareholders, former employees and other third parties have brought actions against the Company or its subsidiaries, in some cases claiming substantial damages. Financial services companies are subject to the risk of class action litigation and, from time to time, the Company and its subsidiaries are subject to such actions brought against it. Additionally, the Bank is, and management expects it to be, engaged in a number of foreclosure proceedings and other collection actions as part of its lending and leasing collections activities, which, from time to time, have resulted in counterclaims against the Bank. Various legal proceedings have arisen and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations. The Company and its subsidiaries may also be subject to enforcement actions by federal or state regulators, including the Securities and Exchange Commission, the Federal Reserve, the FDIC, the Consumer Financial Protection Bureau (the “CFPB”), the Department of Justice (the “DOJ”), state attorneys general and the Mississippi Department of Banking and Consumer Finance.

When and as the Company determines it has meritorious defenses to the claims asserted, it vigorously defends against such claims. The Company will consider settlement of claims when, in management's judgment and in consultation with counsel, it is in the best interests of the Company to do so.

The Company cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against it, its directors, management or employees, including remedies or damage awards. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of the Company's business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable the Company will incur a loss and the amount can be reasonably

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estimated, the Company establishes an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings and the potential loss, however, may turn out to be substantially higher than the amount accrued. Further, the Company's insurance policies have deductibles and they will likely not cover all such litigation, other proceedings or claims, or the costs of defense.

While the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, if applicable, management believes that the litigation-related expense of $2.9 million accrued as of June 30, 2017, which excludes amounts reserved for regulatory settlement expenses discussed below, is adequate and that any incremental liability arising from the Company's legal proceedings and threatened claims, including the matters described herein and those otherwise arising in the ordinary course of business, will not have a material adverse effect on the Company's business or consolidated financial condition. It is possible, however, that future developments could result in an unfavorable outcome for or resolution of any one or more of the lawsuits in which the Company or its subsidiaries are defendants, which may be material to the Company's results of operations for a particular fiscal period or periods.

On July 31, 2014 the Company, its Chief Executive Officer and former Chief Financial Officer were named in a purported class-action lawsuit filed in the U.S. District Court for the Middle District of Tennessee on behalf of certain purchasers of the Company's common stock. The complaint was subsequently amended to add the former President and Chief Operating Officer. The complaint alleges that the defendants made misleading statements concerning the Company's expectation that it would be able to close two merger transactions within a specified time period and regarding the Company's compliance with certain Bank Secrecy Act and anti-money laundering requirements. On July 10, 2015, the District Court granted in part and denied in part the defendants' motion to dismiss, holding that the statements concerning the Company's expectations about the closing of the mergers were "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, were protected by the safe harbor provision of the Private Securities Litigation Reform Act of 1995, and thus were not actionable. Class certification was granted by the District Court on April 21, 2016, and a petition for immediate appeal of the class certification order was filed and was granted. The U.S. Sixth Circuit Court of Appeals vacated the class certification order and remanded the case to the District Court for further proceedings. On June 26, 2017 the District Court issued a Memorandum Opinion and signed an Order granting class certification. On July 10, 2017 the defendants again filed a Petition for Permission to Appeal Pursuant to Rule of Civil Procedure 23(f) in the U.S. Sixth Circuit Court of Appeals. The plaintiff seeks an unspecified amount of damages and awards of costs and attorneys' fees and such other equitable relief as the District Court may deem just and proper. At this stage of the lawsuit, management cannot determine the probability of an unfavorable outcome to the Company as it is uncertain whether the second class certification order will withstand review and the exact amount of damages is uncertain. Although it is not possible to predict the ultimate resolution or financial liability with respect to the litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company's business, consolidated financial position or results of operations.

On June 29, 2016, the Bank, the CFPB and the DOJ agreed to a settlement set forth in a consent order (the "Consent Order") related to the joint investigation by the CFPB and the DOJ of the Bank's fair lending program during the period between January 1, 2011 and December 31, 2013. The Consent Order was signed by the United States District Court for the Northern District of Mississippi (the "District Court") on July 25, 2016. In the first quarter of 2016, the Bank reserved $13.8 million to cover costs related to this matter, $10.3 million of which was reflected as regulatory settlement expense and $3.5 million of which was included in other noninterest expense. The settlement of this matter did not have a material financial impact on the second and third quarter 2016 financial results. For additional information regarding the terms of this settlement and the Consent Order, see the signed Consent Order and the Company's Current Report on Form 8-K that was filed with the SEC on June 29, 2016 which are incorporated herein by reference.

NOTE 17 – LONG-TERM DEBT

On August 8, 2013, the Company entered into a Credit Agreement with U.S. Bank National Association ("U.S. Bank") as a lender and administrative agent, and First Tennessee Bank, National Association, as a lender. The Credit Agreement included an unsecured revolving loan of up to $25.0 million that terminated and the outstanding balance of which was payable in full on August 8, 2015, which the Bank did not renew, and an unsecured multi-draw term loan of up to $60.0 million, which commitment terminated on February 28, 2014. The

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proceeds from the term loan were used to repurchase trust preferred securities. All principal and interest due under the Credit Agreement were repaid in full in October 2016.

The Company had no long-term borrowings from U.S. Bank pursuant to the Credit Agreement at June 30, 2017 or December 31, 2016. The Company had long-term borrowings from FHLB of $230.0 million and $530.0 million at June 30, 2017 and December 31, 2016, respectively.

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

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q may not be based upon historical facts and are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may be identified by their reference to a future period or periods or by the use of forward-looking terminology such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “foresee,” “hope,” “intend,” “may,” “might,” “plan,” “will,” or “would” or future or conditional verb tens variations or negatives of such terms. These forward-looking statements include, without limitation, those relating to the terms, timing and closings of the proposed mergers with Ouachita Bancshares Corp. and Central Community Corporation, the acceptance by customers of Ouachita Bancshares Corp. and Central Community Corporation of the Company’s products and services if the proposed mergers close, the Company’s ability to operate its regulatory compliance programs consistent with federal, state and local laws, including its Bank Secrecy Act (“BSA”) and anti-money laundering (“AML”) compliance program and its fair lending compliance program, the Company’s compliance with the consent order it entered into with the Consumer Financial Protection Bureau and the United States Department of Justice related to the Company’s fair lending practices (the “Consent Order”), amortization expense for intangible assets, goodwill impairments, loan impairment, utilization of appraisals and inspections for real estate loans, maturity, renewal or extension of construction, acquisition and development loans, net interest revenue, fair value determinations, the amount of the Company’s non-performing loans and leases, credit quality, credit losses, liquidity, off-balance sheet commitments and arrangements, valuation of mortgage servicing rights, allowance and provision for credit losses, early identification and resolution of credit issues, utilization of non-GAAP financial measures, the ability of the Company to collect all amounts due according to the contractual terms of loan agreements, the Company’s reserve for losses from representation and warranty obligations, the Company’s foreclosure process related to mortgage loans, the resolution of non-performing loans that are collaterally dependent, real estate values, fully-indexed interest rates, interest rate risk, interest rate sensitivity, the impact of interest rates on loan yields, calculation of economic value of equity, impaired loan charge-offs, diversification of the Company’s revenue stream, the growth of the Company’s insurance business and commission revenue, the growth of the Company’s customer base and loan, deposit and fee revenue sources, liquidity needs and strategies, sources of funding, net interest margin, declaration and payment of dividends, the utilization of the Company’s share repurchase program, the implementation and execution of cost saving initiatives, improvement in the Company’s efficiencies, operating expense trends, future acquisitions and consideration to be used therefor, and the impact of certain claims and ongoing, pending or threatened litigation, administrative and investigatory matters.

The Company cautions readers not to place undue reliance on the forward-looking statements contained in this Report, in that actual results could differ materially from those indicated in such forward-looking statements as a result of a variety of factors. These factors may include, but are not limited to, the Company’s ability to operate its regulatory

compliance programs consistent with federal, state and local laws, including its BSA/AML compliance program and its fair lending compliance program, the Company's ability to successfully implement and comply with the Consent Order, the ability of the Company, Ouachita Bancshares Corp. and Central Community Corporation to obtain regulatory approval of and close the proposed mergers, the willingness of Ouachita Bancshares Corp. and Central Community Corporation to proceed with the proposed mergers, the potential impact upon the Company of the delay in the closings of these proposed mergers, the impact of any ongoing, pending or threatened litigation, administrative and investigatory matters involving the Company, conditions in the financial markets and economic conditions generally, the adequacy of the Company's provision and allowance for credit losses to cover actual credit losses, the credit risk associated with real estate construction, acquisition and development loans, limitations on the Company's ability to declare and pay dividends, the availability of capital on favorable terms if and when needed, liquidity risk, governmental regulation, including the Dodd-Frank Act, and supervision of the Company's operations, the short-term and long-term impact of changes to banking capital standards on the Company's

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regulatory capital and liquidity, the impact of regulations on service charges on the Company's core deposit accounts, the susceptibility of the Company's business to local economic and environmental conditions, the soundness of other financial institutions, changes in interest rates, the impact of monetary policies and economic factors on the Company's ability to attract deposits or make loans, volatility in capital and credit markets, reputational risk, the impact of the loss of any key Company personnel, the impact of hurricanes or other adverse weather events, any requirement that the Company write down goodwill or other intangible assets, diversification in the types of financial services the Company offers, the growth of the Company's insurance business and commission revenue, the growth of the Company's loan, deposit and fee revenue sources, the Company's ability to adapt its products and services to evolving industry standards and consumer preferences, competition with other financial services companies, risks in connection with completed or potential acquisitions, the Company's growth strategy, interruptions or breaches in the Company's information system security, the failure of certain third-party vendors to perform, unfavorable ratings by rating agencies, dilution caused by the Company's issuance of any additional shares of its common stock to raise capital or acquire other banks, bank holding companies, financial holding companies and insurance agencies, the utilization of the Company's share repurchase program, the implementation and execution of cost saving initiatives, other factors generally understood to affect the assets, business, cash flows, financial condition, liquidity, prospects and/or results of operations of financial services companies and other factors detailed from time to time in the Company's press and news releases, reports and other filings with the SEC, including, without limitation, those factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 under the heading "Item 1A. Risk Factors" and in the Company's Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Forward-looking statements speak only as of the date that they were made, and, except as required by law, the Company does not undertake any obligation to update or revise forward-looking statements to reflect events or circumstances that occur after the date of this Report.

OVERVIEW

BancorpSouth, Inc. (the "Company") is a regional financial holding company headquartered in Tupelo, Mississippi with $14.8 billion in assets at June 30, 2017. BancorpSouth Bank (the "Bank"), the Company's wholly-owned banking subsidiary, has commercial banking operations in Alabama, Arkansas, Florida, Louisiana, Mississippi, Missouri, Tennessee and Texas. The Bank's insurance agency subsidiary also operates an office in Illinois. The Bank and its insurance agency subsidiary provide commercial banking, leasing, mortgage origination and servicing, insurance, brokerage and trust services to corporate customers, local governments, individuals and other financial institutions through an extensive network of branches and offices.

Management's discussion and analysis provides a narrative discussion of the Company's financial condition and results of operations. For a complete understanding of the following discussion, please refer to the unaudited consolidated financial statements for the three-month and six-month period ended June 30, 2017 and 2016 and the consolidated financial statements as of December 31, 2016 and the notes to such financial statements found under "Part I, Item 1. Financial Statements" of this report. This discussion and analysis is based on such reported financial information.

As a financial holding company, the financial condition and operating results of the Company are heavily influenced by economic trends nationally and in the specific markets in which the Company's subsidiaries provide financial services. Generally, recent pressures of the national and regional economic cycle created a difficult operating environment for the financial services industry. During that time, the Company was not immune to such pressures and the economic downturn had a negative impact on the Company and its customers in all of the markets that it serves. However, the Company's financial condition has remained stable or improved during the first six months of

2017 as reflected by decreases in non-performing assets and criticized loans, when compared to prior periods.

Management believes that the Company remains well positioned with respect to overall credit quality as evidenced by the stable or improving credit quality metrics especially when comparing June 30, 2017 to December 31, 2016 and June 30, 2016. Management believes, however, that future 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 resolution of any credit issues.

The largest source of the Company's revenue 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

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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 DATA

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(Dollars in thousands, except per share data)			
Earnings Summary:				
Total interest revenue	$ 126,855	$ 119,423	$ 249,781	$ 237,395
Total interest expense	9,377	7,107	17,692	13,920
Net interest revenue	117,478	112,316	232,089	223,475
Provision for credit losses	1,000	2,000	2,000	3,000
Noninterest revenue	68,130	68,526	138,999	133,253
Noninterest expense	127,553	127,561	254,662	269,073
Income before income taxes	57,055	51,281	114,426	84,655
Income tax expense	19,166	16,589	38,444	27,414
Net income	$ 37,889	$ 34,692	$ 75,982	$ 57,241
Balance Sheet - Period-end balances:				
Total assets	$ 14,843,130	$ 14,137,160	$ 14,843,130	$ 14,137,160
Total securities	2,421,295	2,103,883	2,421,295	2,103,883
Loans and leases, net of unearned income	11,018,540	10,575,978	11,018,540	10,575,978
Total deposits	11,938,296	11,364,367	11,938,296	11,364,367
Long-term debt	230,000	365,588	230,000	365,588
Total shareholders' equity	1,691,832	1,713,043	1,691,832	1,713,043
Balance Sheet-Average Balances:				
Total assets	$ 14,741,811	$ 14,027,786	$ 14,786,784	$ 13,939,723
Total securities	2,497,108	2,069,058	2,502,375	2,053,399
Loans and leases, net of unearned income	10,883,102	10,513,732	10,851,967	10,443,328
Total deposits	11,902,415	11,437,422	11,922,024	11,434,451
Long-term debt	398,132	219,434	463,702	143,592
Total shareholders' equity	1,680,053	1,690,906	1,705,849	1,679,686
Common Share Data:				
Basic earnings per share	$ 0.41	$ 0.37	$ 0.82	$ 0.61
Diluted earnings per share	0.41	0.37	0.82	0.60
Cash dividends per share	0.13	0.10	0.25	0.20
Book value per share	18.59	18.12	18.59	18.12
Tangible book value per share (1)	15.06	14.78	15.06	14.78
Dividend payout ratio	30.48 %	22.58 %	30.44 %	32.99 %
Financial Ratios (Annualized):				
Return on average assets	1.03 %	0.99 %	1.04 %	0.83 %
	9.05	8.25	8.98	6.85

Return on average shareholders' equity								
Total shareholders' equity to total assets	11.40		12.12		11.40		12.12	
Tangible shareholders' equity to tangible assets (1)	9.44		10.11		9.44		10.11	
Net interest margin-fully taxable equivalent	3.52		3.56		3.49		3.55	
Credit Quality Ratios (Annualized):								
Net charge-offs to average loans and leases	0.17	%	0.06	%	0.08	%	0.05	%
Provision for credit losses to average loans and leases	0.04		0.08		0.04		0.06	
Allowance for credit losses to net loans and leases	1.10		1.20		1.10		1.20	
Allowance for credit losses to NPLs	169.59		158.27		169.59		158.27	
Allowance for credit losses to NPAs	153.13		133.82		153.13		133.82	
NPLs to net loans and leases	0.65		0.76		0.65		0.76	
NPAs to net loans and leases	0.72		0.90		0.72		0.90	
Capital Adequacy:								
Common equity Tier 1 capital	11.90	%	12.17	%	11.90	%	12.17	%
Tier 1 capital	11.90		12.37		11.90		12.37	
Total capital	12.91		13.45		12.91		13.45	
Tier 1 leverage capital	9.93		10.66		9.93		10.66	

(1) Non-GAAP financial measures. See “—Non-GAAP Measures and Reconciliations.”

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Non-GAAP Financial Measures and Reconciliations

In addition to financial ratios based on measures defined by U.S. GAAP, the Company utilizes tangible shareholders' equity, tangible asset and tangible book value per share measures when evaluating the performance of the Company. Tangible shareholders' equity is defined by the Company as total shareholders' equity less goodwill and identifiable intangible assets. Tangible assets are defined by the Company as total assets less goodwill and identifiable intangible assets. Management believes the ratio of tangible shareholders' equity to tangible assets to be important to investors who are interested in evaluating the adequacy of the Company's capital levels. Tangible book value per share is defined by the Company as tangible shareholders' equity divided by total common shares outstanding. Management believes that tangible book value per share is important to investors who are interested in changes from period to period in book value per share exclusive of changes in intangible assets. The following table reconciles tangible shareholders' equity, tangible assets and tangible book value per share as presented above to U.S. GAAP financial measures as reflected in the Company's unaudited consolidated financial statements:

	June 30, 2017	2016
	(Dollars in thousands, except per share data)	
Tangible Assets:		
Total assets	$ 14,843,130	$ 14,137,160
Less: Goodwill	300,798	294,901
Other identifiable intangible assets	19,854	20,831
Total tangible assets	$ 14,522,478	$ 13,821,428
Tangible Shareholders' Equity:		
Total shareholders' equity	$ 1,691,832	$ 1,713,043
Less: Goodwill	300,798	294,901
Other identifiable intangible assets	19,854	20,831
Total tangible shareholders' equity	$ 1,371,180	$ 1,397,311
Total common shares outstanding	91,022,729	94,546,091
Tangible shareholders' equity to tangible assets	9.44 %	10.11 %
Tangible book value per share	$ 15.06	$ 14.78

FINANCIAL HIGHLIGHTS

The Company reported net income of $37.9 million for the second quarter of 2017, compared to net income of $34.7 million for the same quarter of 2016. For the first six months of 2017, the Company reported net income of $76.0 million, compared to net income of $57.2 million for the first six months of 2016. A primary factor contributing to the increase in net income for the three months ended June 30, 2017 compared to the same period in 2016 was the

increase in net interest revenue which was $117.5 million for the three months ended June 30, 2017 compared to $112.3 million for the three months ended June 30, 2016. The increase in net interest revenue for the comparable three-month period is primarily a result of the increase in interest revenue resulting from increases in loan and lease yields and the average loan and lease portfolio more than offsetting the increase in interest expense associated with interest bearing demand deposits and long term debt. A primary factor contributing to the increase in net income for the six months ended June 30, 2017 compared to the same period in 2016 was the decrease in noninterest expense which was $254.7 million for the first six months of 2017 compared to $269.1 million for the first six months of 2016. A pre-tax charge of $10.3 million was recorded during the first six months of 2016 related to a liability associated with an ongoing regulatory matter. This regulatory matter was settled during the second quarter of 2016 with no additional regulatory settlement charges deemed necessary in 2017. Also contributing to the increase in net income for the first six months of 2017 compared to the first six months of 2016 was the increase in net interest revenue and noninterest revenue. The increase in net interest revenue is a result of the increase in interest revenue resulting from increases in loan and lease yields and the average loan and lease portfolio more than

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offsetting the increase in interest expense associated with interest bearing demand deposits and long term debt. The increase in noninterest revenue for the comparable six-month periods is primarily a result of the increase in mortgage banking.

The primary source of revenue for the Company is the net interest revenue earned by the Bank. Net interest revenue is the difference between interest earned on loans, investments and other earning assets and interest paid on deposits and other obligations. Net interest revenue was $117.5 million for the second quarter of 2017, an increase of $5.2 million, or 4.6%, from $112.3 million for the second quarter of 2016. Net interest revenue was $232.1 million for the first six months of 2017, an increase of $8.6 million, or 3.9%, from $223.5 million for the first six months of 2016. 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. One of the Company's objective is to manage those assets and liabilities to maximize net interest revenue, while balancing interest rate, credit, liquidity and capital risks. The increase in net interest revenue for the second quarter and first six months of 2017 compared to the second quarter and first six months of 2016 was primarily a result of the increase in interest revenue related to loans and leases due to the increasing loan and lease portfolio and yields more than offsetting the increase in interest expense related to the increase in interest bearing demand deposits and long-term debt.

Interest revenue increased $7.4 million, or 6.2%, in the second quarter of 2017 compared to the second quarter of 2016 and increased $12.4 million, or 5.2%, in the first six months of 2017 compared to the first six months of 2016. The Company has managed to increase loan yields while also increasing loan and leases as new loan production more than offset loan runoff in most loan categories when comparing the second quarter of 2017 to the second quarter of 2016. The increase in interest expense of $2.3 million, or 31.9%, for the second quarter of 2017 compared to the second quarter of 2016 and $3.8 million, or 27.1 %, in the first 6 months of 2017 compared to the first six months of 2016 was primarily due to an increase in interest related to long term debt coupled with the increase in average balances and rates on interest bearing deposits.

The Company attempts to diversify its revenue stream by increasing the amount of revenue received from mortgage banking 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 remained relatively stable for the second quarter of 2017 compared to the second quarter of 2016 and increased $5.7 million, or 4.3%, for the first six months of 2017 compared to the first six months of 2016. One of the primary contributors to the increase in noninterest revenue for the comparable six month period was mortgage banking. Mortgage banking increased to $15.1 million for the first six months of 2017 compared to $9.7 million for the first six months of 2016. The increase in mortgage banking for the comparable six month period was a result of the change in MSRs. The fair value of MSRs, including the MSR hedge, decreased approximately $575,000 during the first six months of 2017 compared to a decrease of $12.0 million during the first six months of 2016. Mortgage origination volume decreased 16.6% to $385.9 million for the second quarter of 2017 compared to $462.6 million for the second quarter of 2016 and decreased 13.4% to $673.7 million for the first six months of 2017 compared to $778.0 million for the first six months of 2016. As a result of decreased mortgage originations for those periods of 2017 compared to the same periods of 2016, mortgage origination revenue decreased to $5.8 million during the second quarter of 2017 compared to $9.4 million during the second quarter of 2016 and decreased to $10.9 million during the first six months of 2017 compared to $15.8 million for the first six months of 2016.

Wealth management revenue remained relatively stable for the second quarter and first six months of 2017 compared to the second quarter and first six months of 2016. Deposit service charges decreased $1.3 million and $2.6 million for the second quarter and first six months of 2017 compared to the second quarter and first six months of 2016, respectively, while insurance commissions increased $2.3 million and $2.0 million for the same comparable periods. There were no significant non-recurring noninterest revenue items during the first six months of 2017 or 2016.

Total noninterest expense remained stable for the second quarter of 2017 compared to the second quarter of 2016 and decreased 5.4% to $254.7 million for the first six months of 2017 compared to $269.1 million for the first six months of 2016. The decrease in noninterest expense during the first six months of 2017 compared to the first six months of 2016 was primarily a result of a pre-tax charge of $10.3 million recorded during the first quarter of 2016 related to a liability associated with an ongoing regulatory matter. This regulatory matter was settled during the second quarter of 2016 with no additional regulatory settlement charges deemed necessary. The Company continues to focus attention on controlling noninterest expense. The major components of net income are discussed in more detail below.

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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 incurred 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. One of the Company's long-term objectives 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%.

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The following table presents average interest earning assets, average interest bearing liabilities, net interest revenue-FTE, net interest margin-FTE and net interest rate spread for the three months and six months ended June 30, 2017 and 2016:

	Three months ended June 30,					
	2017			2016		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
ASSETS	(Dollars in millions, yields on taxable equivalent basis)					
Loans and leases (net of unearned income) (1)(2)	$ 10,883.1	$ 116.2	4.28%	$ 10,513.8	$ 110.0	4.21%
Loans held for sale	138.8	1.2	3.59%	142.6	1.2	3.34%
Available-for-sale securities:						
Taxable	2,196.5	7.5	1.37%	1,731.7	6.0	1.40%
Non-taxable (3)	300.6	3.9	5.26%	337.4	4.5	5.36%
Federal funds sold, securities purchased under agreement to resell and short-term investments	117.4	0.3	0.88%	237.6	0.2	0.39%
Total interest earning assets and revenue	13,636.4	129.1	3.80%	12,963.1	121.9	3.78%
Other assets	1,231.0			1,190.8		
Less: Allowance for credit losses	(125.6)			(126.1)		
Total	$ 14,741.8			$ 14,027.8		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits:						
Demand - interest bearing	$ 5,079.4	$ 3.2	0.25%	$ 4,957.8	$ 2.2	0.18%
Savings	1,627.0	0.5	0.12%	1,510.3	0.5	0.12%
Other time	1,833.2	3.7	0.81%	1,847.2	3.4	0.75%
Federal funds purchased, securities sold under agreement to repurchase, short-term FHLB borrowings and other short term borrowings	564.2	1.0	0.69%	447.6	0.2	0.15%
Junior subordinated debt securities	-	-	-	23.2	0.2	3.23%
Long-term debt	398.1	1.0	1.01%	219.4	0.6	1.21%
Total interest bearing liabilities and expense	9,501.9	9.4	0.40%	9,005.5	7.1	0.32%
Demand deposits - noninterest bearing	3,362.8			3,122.1		
Other liabilities	197.0			209.3		
Total liabilities	13,061.7			12,336.9		
Shareholders' equity	1,680.1			1,690.9		
Total	$ 14,741.8			$ 14,027.8		
Net interest revenue-FTE		$ 119.7			$ 114.8	
Net interest margin-FTE			3.52%			3.56%
Net interest rate spread			3.40%			3.47%

Interest bearing liabilities to interest earning assets	69.68%	69.47%

(1) Includes taxable equivalent adjustment to interest of $0.9 million for both the three months ended June 30, 2017 and 2016 using an effective tax rate of 35%.

(2) Includes non-accrual loans.

(3) Includes taxable equivalent adjustment to interest of $1.3 million and $1.6 million for the three months ended June 30, 2017 and 2016, respectively, using an effective tax rate of 35%.

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	Six months ended June 30,					
	2017			2016		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
ASSETS	(Dollars in millions, yields on taxable equivalent basis)					
Loans and leases (net of unearned income) (1)(2)	$ 10,852.0	$ 228.5	4.25%	$ 10,443.3	$ 218.7	4.20%
Loans held for sale	133.9	2.3	3.39%	122.9	2.2	3.54%
Available-for-sale securities:						
Taxable	2,199.8	14.9	1.36%	1,709.5	11.9	1.40%
Non-taxable (3)	302.6	7.9	5.28%	343.9	9.2	5.34%
Federal funds sold, securities purchased under agreement to resell and short-term investments	187.5	0.7	0.80%	276.9	0.5	0.36%
Total interest earning assets and revenue	13,675.8	254.3	3.75%	12,896.5	242.5	3.77%
Other assets	1,236.1			1,169.5		
Less: allowance for credit losses	(125.1)			(126.3)		
Total	$ 14,786.8			$ 13,939.7		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits:						
Demand - interest bearing	$ 5,161.3	$ 6.0	0.23%	$ 5,030.2	$ 4.4	0.17%
Savings	1,607.5	1.0	0.12%	1,489.3	0.9	0.12%
Other time	1,835.2	7.3	0.80%	1,846.4	6.8	0.74%
Federal funds purchased, securities sold under agreement to repurchase, short-term FHLB borrowings and other short term borrowings	499.4	1.3	0.53%	444.7	0.3	0.14%
Junior subordinated debt securities	0.5	-	3.29%	23.2	0.4	3.20%
Long-term FHLB borrowings	463.7	2.1	0.93%	143.6	1.2	1.64%
Total interest bearing liabilities and expense	9,567.6	17.7	0.37%	8,977.4	14.0	0.31%
Demand deposits - noninterest bearing	3,318.1			3,068.6		
Other liabilities	195.3			214.0		
Total liabilities	13,081.0			12,260.0		
Shareholders' equity	1,705.8			1,679.7		
Total	$ 14,786.8			$ 13,939.7		
Net interest revenue-FTE		$ 236.6			$ 228.5	
Net interest margin-FTE			3.49%			3.55%
Net interest rate spread			3.38%			3.46%
Interest bearing liabilities to interest earning assets			69.96%			69.61%

(1) Includes taxable equivalent adjustment to interest of $1.7 million and $1.8 million for the six months ended June 30, 2017 and 2016, respectively, using an effective tax rate of 35%.

(2) Includes non-accrual loans.

(3) Includes taxable equivalent adjustment to interest of $2.8 million and $3.2 million for the six months ended June 30, 2017 and 2016, respectively, using an effective tax rate of 35%.

Net interest revenue-FTE for the three-month period ended June 30, 2017 increased $4.9 million, or 4.3%, compared to the same period in 2016. Net interest revenue-FTE for the six-month period ended June 30, 2017 increased $8.1 million, or 3.5%, compared to the same period in 2016. The increase in net interest revenue-FTE for the comparable three-month and six-month periods was primarily a result of the increase in interest revenue-FTE related to the increase in average earning assets with that increase somewhat offset by the increase in rates paid on other time deposits and in the average balance of demand deposits and long-term debt. The increase in earning

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assets was primarily a result of loan run-off being more than replaced with new higher yielding loans. The decrease in earning asset yields was primarily a result of new securities and maturity securities being replaced by securities with lower yields. Rates on interest bearing liabilities increased as a result of increases in rates paid on interest-bearing and other time deposits.

Interest revenue-FTE for the three-month period ended June 30, 2017 increased $7.2 million, or 5.9%, compared to the same period in 2016. Interest revenue-FTE for the six-month period ended June 30, 2017 increased $11.8 million, or 4.8%, compared to the same period in 2016. The increase in interest revenue-FTE for these comparable periods was a result of the rising loan yields in combination with loan growth noticed during the second quarter and first six months of 2017. The yield on average interest-earning assets increased 2 basis points for the second quarter of 2017 compared to the second quarter of 2016 and decreased 2 basis points for the first six months of 2017 compared to the first six months of 2016. Average interest-earning assets increased $673.4 million, or 5.2%, for the three-month period ended June 30, 2017, compared to the same period in 2016. Average interest-earning assets increased $779.3 million, or 6.0%, for the six month period ended June 30, 2017, compared to the same period in 2016.

Interest expense for the three-month period ended June 30, 2017 increased $2.3 million, or 32.0%, compared to the same periods in 2016. Interest expense for the six-month period ended June 30, 2017 increased $3.7 million, or 27.1%, compared to the same period in 2016. The increase in interest expense for the comparable three-month and six-month periods was primarily a result of the increase in average long-term debt combined with the increase in average balances and rates paid on interest bearing and other time deposits. Average rates paid on interest bearing liabilities increased 8 basis points for the second quarter of 2017 compared to the second quarter of 2016 and increased 6 basis points for the first six months of 2017 compared to the first six months of 2016. Average interest bearing liabilities increased $496.4 million, or 5.5%, for the second quarter of 2017 compared to the second quarter of 2016 and increased $590.2 million, or 6.6%, for the first six months of 2017 compared to the first six months of 2016. The increase in average interest bearing liabilities for these periods was primarily a result of increases in average interest bearing demand and savings deposits combined with the increase in average long-term FHLB borrowings.

Net interest margin-FTE was 3.52% and 3.56% for the three months ended June 30, 2017 and June 30, 2016, respectively. Net interest margin-FTE was 3.49% and 3.55% for the six months ended June 30, 2017 and June 30, 2016, respectively.

Interest Rate Sensitivity

The interest rate sensitivity gap is the difference between the maturity or repricing opportunities of interest sensitive assets and interest sensitive liabilities for a given period of time. A prime objective of the Company’s asset/liability management is to maximize net interest margin while maintaining a reasonable mix of interest sensitive assets and liabilities.

The following table presents the Company’s interest rate sensitivity at June 30, 2017:

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	Interest Rate Sensitivity - Maturing or Repricing Opportunities			
	0 to 90 Days	91 Days to One Year	Over One Year to Five Years	Over Five Years
	(In thousands)			
Interest earning assets:				
Interest bearing deposits with banks	$ 49,680	$ -	$ -	$ -
Available-for-sale and trading securities	174,839	577,243	1,342,713	326,500
Loans and leases, net of unearned income	3,355,170	1,644,366	4,935,009	1,083,995
Loans held for sale	184,921	-	-	-
Total interest earning assets	3,764,610	2,221,609	6,277,722	1,410,495
Interest bearing liabilities:				
Interest bearing demand and savings deposits	6,725,693	-	-	-
Other time deposits	286,710	675,715	859,750	-
Federal funds purchased , securities sold under agreement to repurchase, short-term FHLB borrowings and other short-term borrowings	764,815	-	-	-
Long-term debt	200,000	-	30,000	-
Total interest bearing liabilities	7,977,218	675,715	889,750	-
Interest rate sensitivity gap	$ (4,212,608)	$ 1,545,894	$ 5,387,972	$ 1,410,495
Cumulative interest sensitivity gap	$ (4,212,608)	$ (2,666,714)	$ 2,721,258	$ 4,131,753

In the event interest rates increase after June 30, 2017, based on this interest rate sensitivity gap, the Company could experience decreased net interest revenue in the following one-year period, as the cost of funds could increase at a more rapid rate than interest revenue on interest earning assets. However, the Company's historical repricing sensitivity on interest bearing demand deposits and savings suggests that these deposits, while having the ability to reprice in conjunction with rising market rates, often exhibit less repricing sensitivity to a change in market rates, thereby somewhat reducing the exposure to rising interest rates. In the event interest rates decline after June 30, 2017, based on this interest rate sensitivity gap, it is possible that the Company could experience slightly increased net interest revenue in the following one-year period. However, any potential benefit to net interest revenue in a falling rate environment is mitigated by implied rate floors on interest bearing demand deposits and savings resulting from the historically low interest rate environment. It should be noted that the balances shown in the table above are at June 30, 2017 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 elevated liability sensitivity in the 0 to 90 day category as compared to other categories was primarily a result of the Company's utilization of shorter term, lower cost deposits to fund earning assets.

As of June 30, 2017, the Bank had $2.2 billion in variable rate loans with interest rates determined by a floor, or minimum rate. This portion of the loan portfolio had an average interest rate earned of 4.13%, an average maturity of 181 months and a fully-indexed interest rate of 4.87% at June 30, 2017. The fully-indexed interest rate is the interest rate that these loans would be earning without the effect of interest rate floors. The fully-indexed interest rate also considers the impact of loans that will earn an interest rate above their floor at their next repricing date. While the Bank benefits from interest rate floors in the current interest rate environment, loans currently earning their floored interest rate may not experience an immediate impact on the interest rate earned should key indices rise. Key indices include, but are not limited to, the Bank's prime rate, the Wall Street Journal prime rate and the London Interbank Offering Rate. At June 30, 2017, the Company had $384.3 million, $4.7 billion and $751.5 million in variable rate loans with interest rates tied to the Bank's prime rate, the Wall Street Journal prime rate and the London Interbank

Offering Rate, respectively. The Bank's net interest margin may be negatively impacted by the timing and magnitude of a rise in key indices.

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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 in the tables below delineates the percentage change in net interest income and EVE derived from instantaneous parallel rate shifts of plus and minus 400, 300, 200 and 100 basis points. The impact of minus 400, 300, 200 and 100 basis point rate shocks as of June 30, 2017 and 2016 was not considered meaningful because of the historically low interest rate environment. However, the risk exposure should be mitigated by any downward rate shifts. Variances were calculated from the base case scenario, which reflected prevailing market rates, and the net interest income forecasts used in the calculations spanned 12 months for each scenario.

For the tables below, average life assumptions and beta values for non-maturity deposits were estimated based on the historical behavior rather than assuming an average life of one day and a beta value of 1, or 100%. Historical behavior suggests that non-maturity deposits have longer average lives for which to discount expected cash flows and lower beta values for which to re-price expected cash flows. The former results in a higher premium derived from the present value calculation, while the latter results in a slower rate of change and lower change in interest rate paid given a change in market rates. Both have a positive impact on the EVE calculation for rising rate shocks. Calculations using these assumptions are designed to delineate more precise risk exposure under the various shock scenarios. While the falling rate shocks are not considered meaningful in the historically low interest rate environment, the risk profile would be negatively impacted by downward rate shifts under these assumptions.

	Net Interest Income % Variance from Base Case Scenario	
Rate Shock	June 30, 2017	June 30, 2016
+400 basis points	4.3%	9.5%
+300 basis points	6.6%	10.7%
+200 basis points	7.5%	10.3%
+100 basis points	3.7%	5.0%
-100 basis points	NM	NM
-200 basis points	NM	NM
-300 basis points	NM	NM
-400 basis points	NM	NM

NM=not meaningful

	Economic Value of Equity % Variance from Base Case Scenario	
Rate Shock	June 30, 2017	June 30, 2016
+400 basis points	23.4%	29.8%
+300 basis points	18.3%	23.0%
+200 basis points	11.8%	15.3%
+100 basis points	5.9%	7.5%
-100 basis points	NM	NM
-200 basis points	NM	NM
-300 basis points	NM	NM
-400 basis points	NM	NM

NM=not meaningful

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

	Net Interest Income % Variance from Base Case Scenario	
Rate Ramp	June 30, 2017	June 30, 2016
+200 basis points	2.9%	4.3%
-200 basis points	NM	NM

NM=not meaningful

Provision for Credit Losses and Allowance for Credit Losses

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

The provision for credit losses is the periodic cost (or credit) of providing an allowance or reserve for estimated probable incurred losses on loans and leases. The Board of Directors has appointed a Credit Committee, composed of senior management and loan administration staff which meets on a quarterly basis or more frequently if required to review the recommendations of several internal working groups developed for specific purposes including the allowance for loans and lease losses, impairments and charge-offs. The allowance for loan and lease losses group ("ALLL group") bases its estimates of credit losses on three primary components: (1) estimates of probable incurred losses that exist in various segments of performing loans and leases based upon historical net loss experience; (2) specifically identified losses in individually analyzed credits; and (3) qualitative factors that address estimates of incurred losses not fully identified by historical net loss experience. Factors such as financial condition of the borrower and guarantor, recent credit performance, delinquency, liquidity, cash flows, collateral type and value are used to assess credit risk. Estimates of incurred losses are influenced by the historical net losses experienced by the Bank for loans and leases of comparable creditworthiness and structure. Specific loss assessments are performed for loans and leases classified as impaired loans based upon the collateral protection or 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 conditions, concentrations of risk, and changes in portfolio risk resulting from regulatory changes are considered in determining the adequacy of the level of the allowance for credit losses.

Attention is paid to the quality of the loan and lease portfolio through a formal loan review process. An independent loan review department of the Bank is responsible for reviewing the credit rating and classification of individual credits and assessing trends in the portfolio, adherence to internal credit policies and procedures and other factors that may affect the overall adequacy of the allowance for credit losses. The ALLL group is responsible for ensuring that the allowance for credit losses provides adequate coverage of estimated probable incurred loan losses. The ALLL group meets at least quarterly to determine the amount of adjustments to the allowance for credit losses. The ALLL group is composed of senior management from the Bank's loan administration and finance departments. The impairment group is responsible for evaluating individual loans that have been specifically identified as impaired loans through various channels, including examination of the Bank's watch list, past due listings, loan officer

assessments and loans to borrowers or industries known to be experiencing problems. For all loans identified, the responsible loan officer in conjunction with his or her credit administrator is required to prepare an impairment analysis to be reviewed by the impairment group. The impairment group deems that a loan is impaired if the loan is greater than $500,000 and it is probable that the Company will be unable to collect the contractual principal and interest on the loan and all loans restructured in a TDR. The impairment group also evaluates the circumstances surrounding the loan in order to determine whether the most appropriate method for measuring the impairment of the loan was used (i.e., present value of expected future cash flows, observable market price or fair value of the underlying collateral if the loan is collateral dependent). The impairment group meets on a monthly basis.

If concessions are granted to a borrower as a result of its financial difficulties, the loan is classified as a troubled debt restructuring ("TDR") and an impaired loan, with the amount of impairment, if any, determined as discussed above. TDRs are reserved in accordance with FASB ASC 310. Should the borrower's financial

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condition, collateral protection or performance deteriorate, warranting reassessment of the loan rating or impairment, additional reserves and/or chargeoffs may be required.

Loans of $500,000 or more that are identified as impaired loans are reviewed by the impairment group, which approves the amount of specific reserve, if any, and/or chargeoff amounts. The impairment evaluation of real estate loans generally focuses on the fair value of underlying collateral less estimated costs to sell obtained from appraisals, as the repayment of these loans may be dependent on the liquidation of the collateral. In certain circumstances, other information such as comparable sales data is deemed to be a more reliable indicator of fair value of the underlying collateral than the most recent appraisal. In these instances, such information is used in determining the impairment recorded for the loan. As the repayment of commercial and industrial loans is generally dependent upon the cash flow of the borrower or guarantor support, the impairment evaluation generally focuses on the discounted future cash flows of the borrower or guarantor support, as well as the projected liquidation of any pledged collateral. The impairment group reviews the results of each evaluation and approves the final impairment amounts, which are then included in the analysis of the adequacy of the allowance for credit losses in accordance with FASB ASC 310. Loans identified for impairment are placed in non-accrual status.

A new appraisal is generally ordered for loans greater than $500,000 that have characteristics of potential impairment, such as delinquency or other loan-specific factors identified by management, when a current appraisal (dated within the prior 12 months) is not available or when a current appraisal uses assumptions that are not consistent with the expected disposition of the loan collateral. In order to measure impairment properly at the time that a loan is deemed to be impaired, a staff appraiser may estimate the collateral fair value based upon earlier appraisals received from outside appraisers, sales contracts, approved foreclosure bids, comparable sales, officer estimates or current market conditions until a new appraisal is received. This estimate can be used to determine the extent of the impairment on the loan. After a loan is deemed to be impaired, it is management’s policy to obtain an updated appraisal on at least an annual basis. Management performs a review of the pertinent facts and circumstances of each impaired loan, such as changes in outstanding balances, information received from loan officers and receipt of re-appraisals, on a monthly basis. As of each review date, management considers whether additional impairment and/or chargeoffs should be recorded based on recent activity related to the loan-specific collateral as well as other relevant comparable assets. Any adjustment to reflect further impairments, either as a result of management’s periodic review or as a result of an updated appraisal, are made through recording additional loan loss provisions and/or charge-offs.

At June 30, 2017, impaired loans totaled $28.3 million, which was net of cumulative charge-offs of $11.2 million. Additionally, the Company had specific reserves for impaired loans of $1.9 million included in the allowance for credit losses. Impaired loans at June 30, 2017 were primarily from the Company’s commercial and industrial portfolio and commercial and industrial-owner occupied real estate portfolio. Impaired loan charge-offs are determined necessary when management determines that the amount is not likely to be collected.

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

Any loan or portion thereof which is classified as “loss” 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.

Explanation of Responses:

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(Dollars in thousands)			
Balance, beginning of period	$ 125,196	$ 126,506	$ 123,736	$ 126,458
Loans and leases charged off:				
Commercial and industrial	(3,773)	(748)	(4,157)	(888)
Real estate				
Consumer mortgages	(522)	(477)	(1,118)	(1,187)
Home equity	(125)	(224)	(584)	(774)
Agricultural	(6)	(10)	(50)	(21)
Commercial and industrial-owner occupied	(1,460)	(660)	(1,864)	(814)
Construction, acquisition and development	(54)	(280)	(84)	(506)
Commercial real estate	(1)	(870)	(20)	(1,115)
Credit cards	(781)	(614)	(1,619)	(1,334)
All other	(591)	(417)	(1,150)	(904)
Total loans charged off	(7,313)	(4,300)	(10,646)	(7,543)
Recoveries:				
Commercial and industrial	1,034	339	1,524	551
Real estate				
Consumer mortgages	339	499	964	954
Home equity	110	246	466	326
Agricultural	34	96	75	132
Commercial and industrial-owner occupied	481	101	674	226
Construction, acquisition and development	208	524	1,532	796
Commercial real estate	75	509	144	1,192
Credit cards	205	199	454	380
All other	192	216	638	463
Total recoveries	2,678	2,729	6,471	5,020
Net recoveries (charge-offs)	(4,635)	(1,571)	(4,175)	(2,523)
Provision charged to operating expense	1,000	2,000	2,000	3,000
Balance, end of period	$ 121,561	$ 126,935	$ 121,561	$ 126,935
Average loans for period	$ 10,883,102	$ 10,513,732	$ 10,851,967	$ 10,443,328
Ratios:				
Net charge-offs to average loans (annualized)	0.17%	0.06%	0.08%	0.05%
Provision for credit losses to average loans and leases, net of unearned income (annualized)	0.04%	0.08%	0.04%	0.06%
Allowance for credit losses to loans and leases, net of unearned income	1.10%	1.20%	1.10%	1.20%

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Net chargeoffs were $4.6 million in the second quarter of 2017 compared to $1.6 million in the second quarter of 2016. Net chargeoffs were $4.2 million in the first six months of 2017 compared to net chargeoffs of $2.5 million in the first six months of 2016. Annualized net chargeoffs as a percentage of average loans and leases for the second quarter of 2017 were 0.17%, compared to 0.06% for the second quarter of 2016. Total recoveries were $2.7 million and $6.5 million for the three-month and six-month periods ended June 30, 2017, compared to $2.7 million and $5.0 million for the three-month and six-month periods ended June 30, 2016 with 23.7% of the first six months of 2017 recoveries being noticed in the real estate construction, acquisition and development portfolio.

A $1.0 million provision for credit losses was recorded for the second quarter of 2017 compared to a $2.0 million provision for credit losses for the second quarter of 2016. A $2.0 million and $3.0 million provision for credit losses was recorded for the first six months of 2017 and 2016, respectively. As of June 30, 2017 and 2016, 44% and 59%, respectively, of nonaccrual loans had been charged down to net realizable value or had specific reserves to reflect recent appraised values. As a result, impaired loans had an aggregate net book value of 72% and 80% of their contractual principal balance at June 30, 2017 and 2016, respectively.

The allowance for credit losses decreased $5.4 million to $121.6 million at June 30, 2017 compared to $126.9 million at June 30, 2016. The decrease was a result of improving credit metrics since June 30, 2016, including reductions in classified loans and NPLs.

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

	June 30, 2017			2016			December 31, 2016		
	Allowance for Credit Losses	% of Total Loans and Leases		Allowance for Credit Losses	% of Total Loans and Leases		Allowance for Credit Losses	% of Total Loans and Leases	
	(Dollars in thousands)								
Commercial and industrial	$16,129	14.2	%	$17,719	16.0	%	$ 19,170	14.9	%
Real estate									
Consumer mortgages	33,544	25.2		33,225	24.1		30,386	24.4	
Home equity	6,960	5.7		7,167	5.8		7,174	5.8	
Agricultural	1,851	2.2		2,363	2.4		2,172	2.2	
Commercial and industrial-owner occupied	12,790	16.3		13,642	15.5		12,899	16.3	
Construction, acquisition and development	13,532	10.5		15,536	9.6		13,957	10.7	
Commercial real estate	23,103	21.2		27,688	21.3		24,845	20.7	
Credit cards	6,345	0.9		3,439	1.0		7,787	1.0	
All other	7,307	3.8		6,156	4.3		5,346	4.0	
Total	$121,561	100.0	%	$126,935	100.0	%	$ 123,736	100.0	%

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Explanation of Responses:

Noninterest Revenue

The components of noninterest revenue for the three months and six months ended June 30, 2017 and 2016 and the corresponding percentage changes are shown in the following tables:

	Three months ended June 30,		
	2017	2016	% Change
	(Dollars in thousands)		
Mortgage banking excl. MSR and MSR Hedge Market value	$ 7,643	$ 11,978	(36.2)%
MSR and MSR Hedge Market value adjustment	(1,509)	(4,092)	(63.1)
Credit card, debit card and merchant fees	9,565	9,495	0.7
Deposit service charges	9,706	11,018	(11.9)
Securities gains, net	23	86	(73.3)
Insurance commissions	31,126	28,803	8.1
Trust income*	3,679	3,493	5.3
Annuity fees *	264	465	(43.2)
Brokerage commissions and fees*	1,332	1,389	(4.1)
Bank-owned life insurance	1,710	1,813	(5.7)
Other miscellaneous income	4,591	4,078	12.6
Total noninterest revenue	$ 68,130	$ 68,526	(0.6) %

* Included in Wealth Management revenue on the Consolidated Statements of Income

	Six months ended June 30,		
	2017	2016	% Change
	(Dollars in thousands)		
Mortgage banking excl. MSR and MSR Hedge Market value	$ 15,699	$ 21,762	(27.9)%
MSR and MSR Hedge Market value adjustment	(575)	(12,046)	(95.2)
Credit card, debit card and merchant fees	18,468	18,456	0.1
Deposit service charges	19,395	22,032	(12.0)
Securities gains, net	1,094	88	NM
Insurance commissions	64,066	62,052	3.2
Trust income*	7,240	6,923	4.6
Annuity fees*	613	942	(34.9)
Brokerage commissions and fees*	2,596	2,591	0.2
Bank-owned life insurance	3,379	3,706	(8.8)
Other miscellaneous income	7,024	6,747	4.1
Total noninterest revenue	$ 138,999	$ 133,253	4.3 %

* Included in Wealth Management revenue on the Consolidated Statements of Income

NM= Not meaningful

The Company’s revenue from mortgage banking typically fluctuates as mortgage interest rates change and is primarily attributable to two activities - origination and sale of new mortgage loans and servicing mortgage loans. Since mortgage revenue can be significantly affected by changes in the valuation of MSRs in changing interest rate environments, the Company began piloting a hedge of the change in fair value of its MSRs during the fourth quarter of 2015. 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 for all loans sold on a servicing retained basis with subsequent adjustments to fair value of MSRs in accordance with FASB ASC 860.

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In the course of conducting the Company's mortgage banking activities of originating mortgage loans and selling those loans in the secondary market, various representations and warranties are made to the purchasers of the mortgage loans. These representations and warranties also apply to underwriting the real estate appraisal opinion of value for the collateral securing these loans. Under the representations and warranties, failure by the Company to comply with the underwriting and/or appraisal standards could result in the Company being required to repurchase the mortgage loan or to reimburse the investor for losses incurred (i.e., make whole requests) if such failure cannot be cured by the Company within the specified period following discovery. During the first six months of 2017, eight mortgage loans were settled as a result of make whole requests with no mortgage loans repurchased as a result of underwriting and appraisal standard exceptions. A loss of approximately $217,000 was recognized related to repurchased or make whole loans. During the first six months of 2016, nine mortgage loans totaling approximately $651,000 were repurchased or otherwise settled as a result of underwriting and appraisal standard exceptions or make whole requests. A loss of approximately $59,000 was recognized related to repurchased or make whole loans.

At June 30, 2017, the Company had accrued $1.3 million for its estimate of losses from representation and warranty obligations. The reserve was based on the Company's repurchase and loss trends, and quantitative and qualitative factors that may result in anticipated losses different than historical loss trends, including loan vintage, underwriting characteristics and macroeconomic trends.

Management believes that the Company's foreclosure process related to mortgage loans continues to operate effectively. Before beginning the foreclosure process, a mortgage loan foreclosure working group of the Bank reviews the identified delinquent loan. All documents and activities related to the foreclosure process are executed in-house by mortgage department personnel.

Origination revenue, a component of mortgage banking, is comprised of gains or losses from the sale of the mortgage loans originated, origination fees, underwriting fees and other fees associated with the origination of loans. Mortgage loan origination volumes of $385.9 million and $462.6 million produced origination revenue of $5.8 million and $9.4 million for the quarters ended June 30, 2017 and 2016, respectively. Mortgage loan origination volumes of $673.7 million and $778.0 million produced origination revenue of $10.9 million and $15.8 million for the first six months ended June 30, 2017 and 2016, respectively. The decrease in mortgage origination revenue for the second quarter and first six months ended June 30, 2017 compared to the second quarter and first six months ended June 30, 2016 is a result of the decrease in mortgage loan originations coupled with larger growth noticed in the held for sale pipeline during the second quarter of 2016 than the growth noticed in the held for sale pipeline in the second quarter of 2017.

Revenue from the servicing process, another component of mortgage banking, includes fees from the actual servicing of loans. Revenue from the servicing of loans was $4.7 million for both the quarters ended June 30, 2017 and 2016. For the six months ended June 30, 2017 and 2016, revenue from the servicing of loans was $9.5 million and $9.4 million, respectively.

Changes in the fair value of the Company's MSRs are generally a result of changes in mortgage interest rates from the previous reporting date. An increase in mortgage interest rates typically results in an increase in the fair value of the MSRs while a decrease in mortgage interest rates typically results in a decrease in the fair value of MSRs. The fair value of MSRs is also impacted by principal payments, prepayments, chargeoffs and payoffs on loans in the servicing portfolio. Decreases in value from principal payments, prepayments, chargeoffs and payoffs were $2.8 million and $2.1 million for the quarters ended June 30, 2017 and 2016, respectively. Decreases in value from principal payments, prepayments, chargeoffs and payoffs were $4.7 million and $3.4 million for the first six months of June 30, 2017 and 2016, respectively. The Company began piloting a hedge of the change in fair value of its MSRs during the fourth quarter of 2015. At June 30, 2017, the Company had a hedge in place designed to cover approximately 6% of the MSR value. The Company is susceptible to fluctuations in their value in changing interest rate environments. Reflecting this sensitivity to interest rates, the fair value of MSRs, including the MSR hedges decreased $1.5 million and decreased $4.1 million for the second quarters ended June 30, 2017 and 2016,

respectively, and decreased approximately $575,000 and $12.0 million for the first six months of 2017 and 2016, respectively.

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	Three months ended June 30,		
	2017	2016	% Change
	(Dollars in thousands)		
Mortgage banking:			
Origination	$ 5,771	$ 9,366	(38.4) %
Servicing	4,697	4,678	0.4
Payoffs/Paydowns	(2,825)	(2,066)	36.7
	7,643	11,978	
Market value adjustment on MSR	(1,616)	(4,092)	(60.5)
Market value adjustment on MSR Hedge	107	-	100.0
Mortgage banking	$ 6,134	$ 7,886	(22.2) %
	(Dollars in millions)		
Origination volume	$ 386	$ 463	(16.6) %

	Six months ended June 30,		
	2017	2016	
	(Dollars in thousands)		
Mortgage banking:			
Origination	$ 10,888	$ 15,786	(31.0) %
Servicing	9,512	9,422	1.0
Payoffs/Paydowns	(4,701)	(3,446)	36.4
	15,699	21,762	
MSR market value adjustment	(707)	(12,046)	(94.1)
Market value adjustment on MSR Hedge	132	-	100.0
Mortgage banking	$ 15,124	$ 9,716	55.7 %
	(Dollars in millions)		
Origination volume	$ 674	$ 778	(13.4) %
Outstanding principal balance of mortgage loans serviced at period-end	$ 6,431	$ 6,154	4.5 %

Credit card, debit card and merchant fees remained stable for the comparable three-month and six-month periods. Deposit service charge revenue decreased 11.9% and 12.0% when comparing the three-month and six-month periods ended June 30, 2017 and 2016, respectively, due to modifications made on the calculation and assessment of overdraft fees since June 30, 2016.

Net security gains of approximately $23,000 and $1.1 million for the three-month and six-month periods ended June 30, 2017, respectively, and net security gains of approximately $86,000 and $88,000 for the three-month and six-month periods ended June 30, 2016 were a result of sales and calls of available-for-sale securities.

Insurance commissions increased 8.1% and 3.2% for the second quarter and first six months of 2017 compared to the second quarter and first six months of 2016 as a result of new policies and growth from existing customers coupled with the revenue contributed by the small insurance agencies acquired during the second quarter and fourth quarter of 2016. Trust income increased 5.3% and 4.6% during the second quarter and first six months of 2017 compared to the second quarter and first six months of 2016 as a result of increases in the value of assets under management or in custody, as revenue is earned on assets under management. Annuity fees decreased 43.2% and 34.9% for the second quarter and first six months of 2017 compared to the second quarter and first six months of 2016 as a result of less annuity sales during the second quarter and first six months of 2017. Brokerage commissions and fees remained relatively stable decreasing approximately $57,000, or 4.1% for the comparable

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three-month period and increasing approximately $5,000, or 0.2%, for the comparable six month period. Bank-owned life insurance decreased 5.7% and 8.8% for the comparable three-month and six-month periods as a result of recording life insurance proceeds in 2016 with no proceeds recorded during the first six months of 2017. Other miscellaneous income, which includes safe deposit box rental income, gain or loss on disposal of assets, and other non-recurring revenue items increased 12.6% and 4.1% for the comparable three-month and six-month periods ended June 30, 2017 and 2016, respectively, primarily as a result of income received upon the settlement of a lawsuit which was somewhat offset by decreases in miscellaneous other investment income.

Noninterest Expense

The components of noninterest expense for the three months and six months ended June 30, 2017 and 2016 and the corresponding percentage changes are shown in the following tables:

	Three months ended June 30,		
	2017	2016	% Change
	(Dollars in thousands)		
Salaries and employee benefits	$ 81,597	$ 80,675	1.1 %
Occupancy, net	10,455	10,109	3.4
Equipment	3,438	3,295	4.3
Deposit insurance assessments	2,261	2,582	(12.4)
Advertising	1,037	1,043	(0.6)
Foreclosed property expense	960	1,309	(26.7)
Telecommunications	1,233	1,259	(2.1)
Public relations	654	599	9.2
Data processing	7,230	6,685	8.2
Computer software	2,913	2,732	6.6
Amortization of intangibles	1,010	869	16.2
Legal fees	1,330	1,754	(24.2)
Merger expense	-	1	100.0
Postage and shipping	1,080	985	9.6
Other miscellaneous expense	12,355	13,664	(9.6)
Total noninterest expense	$ 127,553	$ 127,561	(0.0) %

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	Six months ended June 30,		
	2017	2016	% Change
	(Dollars in thousands)		
Salaries and employee benefits	$ 162,983	$ 162,354	0.4 %
Occupancy, net of rental income	20,757	20,382	1.8
Equipment	7,006	7,060	(0.8)
Deposit insurance assessments	4,745	4,870	(2.6)
Regulatory settlement	-	10,277	(100.0)
Advertising	1,700	1,676	1.4
Foreclosed property expense	2,010	2,490	(19.3)
Telecommunications	2,380	2,554	(6.8)
Public relations	1,374	1,260	9.0
Data processing	13,853	13,076	5.9
Computer software	5,894	5,392	9.3
Amortization of intangibles	2,040	1,749	16.6
Legal fees	2,559	6,289	(59.3)
Merger expense	-	2	(100.0)
Postage and shipping	2,255	2,102	7.3
Other miscellaneous expense	25,106	27,540	(8.8)
Total noninterest expense	$ 254,662	$ 269,073	(5.4) %

Salaries and employee benefits, occupancy and equipment expense remained relatively stable for the three months and six months ended June 30, 2017 compared to the same periods in 2016. Deposit insurance assessments decreased 12.4% and 2.6% for the comparable three-month and six month periods as a result of movement evidenced in several variables utilized by the FDIC in calculating the deposit insurance assessment. A pre-tax charge of $10.3 million was recorded during the first six months of 2016 related to a liability associated with ongoing regulatory matters. No similar charges were recorded in the first six months of 2017.

Foreclosed property expense decreased 26.7% and 19.3% for the comparable three months and six months ended June 30, 2017 and 2016, respectively. The decrease for the comparable three month and six month periods was a result of fewer writedowns of foreclosed property. During the first six months of 2017, the Company added $4.2 million to OREO through foreclosures. Sales of OREO in the first six months of 2017 were $3.4 million, resulting in a net loss of approximately $72,000. The components of foreclosed property expense for the three months and six months ended June 30, 2017 and 2016 and the percentage change between periods are shown in the following tables:

	Three months ended June 30,		
	2017	2016	% Change
	(Dollars in thousands)		
Loss on sale of other real estate owned	$ 68	$ 13	423.1 %

Writedown of other real estate owned	262	874	(70.0)
Other foreclosed property expense	630	422	49.3
Total foreclosed property expense	$ 960	$ 1,309	(26.7) %

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	Six months ended June 30,		
	2017	2016	% Change
	(Dollars in thousands)		
Loss on sale of other real estate owned	$ 72	$ 259	(72.2)%
Writedown of other real estate owned	890	1,470	(39.5)
Other foreclosed property expense	1,048	761	37.7
Total foreclosed property expense	$ 2,010	$ 2,490	(19.3)%

While the Company experienced some fluctuations in various components of other noninterest expense, including telecommunications, public relations and computer software, the primary fluctuations included the decrease in legal fees and in other miscellaneous expense for the second quarter and first six months of 2017 compared to the second quarter and first six months of 2016. The decrease in legal fees and other miscellaneous expense is a result of additional legal, consulting and compliance costs recorded during the first six months of 2016 related to ongoing regulatory matters more than offsetting legal, consulting and compliance costs recorded during the first six months of 2017.

Income Tax

The Company recorded income tax expense of $19.2 million and $38.4 million for the second quarter and first six months of 2017, respectively, compared to income tax expense of $16.6 million and $27.4 million for the second quarter and first six months of 2016, respectively. The primary differences between the Company's recorded expense for the second quarter and first six months of 2017 and the expense that would have resulted from applying the U.S. statutory tax rate of 35% to the Company's pre-tax income were primarily the effects of tax-exempt income and other tax preference items. Upon adoption of ASU 2016-09 regarding stock based compensation in the first quarter of 2017, the Company estimates, based on currently enacted tax rates, the change will result in an incremental effect on tax provision ranging from approximately $412,000 to approximately $840,000 of tax benefit. The actual effects of adoption in 2017 will primarily depend upon the share price of the Company' stock, which affects the probability of exercise of certain stock options and the magnitude of windfalls for all awards upon either vesting or exercise.

FINANCIAL CONDITION

The percentage of earning assets to total assets measures the effectiveness of management's efforts to invest available funds into the most efficient and profitable uses. Earning assets at June 30, 2017 were $13.7 billion, or 92.1% of total assets, compared with $13.5 billion, or 92.0% of total assets, at December 31, 2016.

Loans and Leases

The Bank's loan and lease portfolio represents the largest single component of the Company's earning asset base, comprising 79.8% of average earning assets during the second quarter of 2017. The Bank's lending activities include both commercial and consumer loans and leases. Loan and lease originations are derived from a number of sources, including direct solicitation by the Bank's loan officers, existing depositors and borrowers, builders, attorneys, walk-in customers and, in some instances, other lenders, real estate broker referrals and mortgage loan companies. The Bank has established systematic procedures for approving and monitoring loans and leases that vary depending on the size and nature of the loan or lease, and applies these procedures in a disciplined manner. The Company's loans and leases are widely diversified by borrower and industry. Loans and leases, net of unearned income, totaled $11.0 billion and $10.8 billion at June 30, 2017 and December 31, 2016, respectively.

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

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	June 30, 2017	2016	December 31, 2016
	(In thousands)		
Commercial and industrial	$ 1,569,154	$ 1,701,848	$ 1,615,608
Real estate			
Consumer mortgages	2,776,213	2,549,989	2,643,966
Home equity	624,868	614,686	628,846
Agricultural	245,646	251,566	245,377
Commercial and industrial-owner occupied	1,795,321	1,644,618	1,764,265
Construction, acquisition and development	1,156,901	1,021,218	1,157,248
Commercial real estate	2,341,633	2,254,653	2,237,719
Credit cards	104,169	108,101	109,656
All other	423,903	457,868	432,827
Gross Loans Total (1)	11,037,808	10,604,547	10,835,512
Less: Unearned Income	19,268	28,569	23,521
Net Loans	$ 11,018,540	$ 10,575,978	$ 10,811,991

(1) Gross loans and leases are net of deferred costs of $2.2 million, $1.6 million and approximately $282,000 at June 30, 2017 and 2016 and December 31, 2016, respectively.

The following table shows the Company's loans and leases, net of unearned income by segment, class and geographical location as of June 30, 2017:

	Alabama and Florida Panhandle (In thousands)	Arkansas	Louisiana	Mississippi	Missouri	Tennessee	Tex
Commercial and industrial	$ 141,372	$ 193,526	$ 194,235	$ 572,109	$ 91,371	$ 110,161	$
Real estate							
Consumer mortgages	374,392	322,148	239,660	867,821	93,572	305,685	539
Home equity	96,296	45,630	69,035	232,247	21,535	141,970	16,
Agricultural	8,244	83,788	25,615	67,496	8,163	13,577	38,
Commercial and industrial-owner occupied	210,072	195,859	212,839	718,767	46,545	157,145	254
Construction, acquisition and development	120,174	70,919	52,951	352,608	18,399	166,344	375
	305,774	361,460	233,986	581,939	202,629	217,300	438

Commercial real estate							
Credit cards	-	-	-	-	-	-	-
All other	51,849	40,196	24,271	215,870	3,411	21,951	43,4
Total	$ 1,308,173	$ 1,313,526	$ 1,052,592	$ 3,608,857	$ 485,625	$ 1,134,133	$

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The maturity distribution of the Bank's loan portfolio is one factor in management's evaluation by collateral type of the risk characteristics of the loan and lease portfolio. The following table shows the maturity distribution of the Company's loans and leases, net of unearned income, as of June 30, 2017:

	Past Due	One Year or Less	One to Five Years	After Five Years	Total
	(In thousands)				
Commercial and industrial	$ 16,908	$ 506,833	$ 766,282	$ 276,436	$ 1,566,459
Real estate					
Consumer mortgages	3,633	264,641	304,540	2,203,399	2,776,213
Home equity	1,940	76,799	322,273	223,856	624,868
Agricultural	2,981	39,744	46,966	155,955	245,646
Commercial and industrial-owner occupied	2,791	190,452	379,486	1,222,592	1,795,321
Construction, acquisition and development	4,706	593,564	283,077	275,554	1,156,901
Commercial real estate	2,716	248,241	606,601	1,484,075	2,341,633
Credit cards	-	104,169	-	-	104,169
All other	236	183,676	160,976	62,442	407,330
Total	$ 35,911	$ 2,208,119	$ 2,870,201	$ 5,904,309	$ 11,018,540

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. Commercial and industrial loans outstanding decreased 2.8% from December 31, 2016 to June 30, 2017.

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 25 years. The loans are generally secured by properties located within the local market area of the community bank which originates and services the loan. These loans are underwritten in accordance with the Bank's general loan policies and procedures which require, among other things, proper documentation of each borrower's financial condition, satisfactory credit history and property value. Consumer mortgages outstanding increased 5.0% at June 30, 2017 compared to December 31, 2016. In addition to loans originated through the Bank's branches, the Bank originates and services consumer mortgages sold in the secondary market which are underwritten and closed pursuant to investor and agency guidelines. The Bank's exposure to sub-prime mortgages is minimal.

Real Estate – Home Equity - Home equity loans include revolving credit lines which are secured by a first or second lien on a borrower's residence. Each loan is underwritten individually by lenders who specialize in home equity lending and must conform to Bank lending policies and procedures for consumer loans as to borrower's financial condition, ability to repay, satisfactory credit history and the condition and value of collateral. Properties securing home equity loans are generally located in the local market area of the Bank branch or office originating and servicing the loan. The Bank has not purchased home equity loans from brokers or other lending institutions. Home equity loans outstanding decreased by 0.6% at June 30, 2017 compared to December 31, 2016.

Real Estate – Agricultural - Agricultural loans include loans to purchase agricultural land and production lines secured by farm land. Agricultural loans outstanding increased by 0.1% from December 31, 2016 to June 30, 2017.

Real Estate – Commercial and Industrial-Owner Occupied - Commercial and industrial-owner occupied loans include loans secured by business facilities to finance business operations, equipment and owner-occupied facilities primarily for small and medium-sized enterprises. These include both lines of credit for terms of one year or less and term loans which are amortized over the useful life of the assets financed. Personal guarantees are generally required for these loans. Commercial and industrial-owner occupied loans increased 1.8% from December 31, 2016 to June 30, 2017.

Real Estate – Construction, Acquisition and Development - Construction, acquisition and development loans include both loans and credit lines for the purpose of purchasing, carrying and developing land into

commercial developments or residential subdivisions. Also included are loans and lines for construction of residential, multi-family and commercial buildings. The Bank generally engages in construction and development lending only in local markets served by its branches. Construction, acquisition and development loans remained relatively stable from December 31, 2016 to June 30, 2017.

The underwriting process for construction, acquisition and development loans with interest reserves is essentially the same as that for a loan without interest reserves and may include analysis of borrower and guarantor financial strength, market demand for the proposed project, experience and success with similar projects, property values, time horizon for project completion and the availability of permanent financing once the project is completed. The Company's loan policy generally prohibits the use of interest reserves on loans. Construction, acquisition and development loans, with or without interest reserves, are inspected periodically to ensure that the project is on schedule and eligible for requested draws. Inspections may be performed by construction inspectors hired by the Company or by appropriate loan officers and are done periodically to monitor the progress of a particular project. These inspections may also include discussions with project managers and engineers.

At June 30, 2017, the Company had $100.5 million in construction, acquisition and development loans that provided for the use of interest reserves with approximately $941,000 and $1.7 million recognized as interest income during the second quarter and first six months of 2017. There were no construction, acquisition and development loans with interest reserves that were on non-accrual status at June 30, 2017. Interest income is not recognized on construction, acquisition and development loans with interest reserves that are in non-accrual status. Loans with interest reserves normally have a budget that includes the various cost components involved in the project. Interest is such a cost, along with hard and other soft costs. The Company's policy is to allow interest reserves only during the construction phase.

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

Real Estate – Commercial - Commercial loans include loans to finance income-producing commercial and multi-family properties. Lending in this category is generally limited to properties located in the Bank's trade area with only limited exposure to properties located elsewhere but owned by in-market borrowers. Loans in this category include loans for neighborhood retail centers, medical and professional offices, single retail stores, warehouses and apartments leased generally to local businesses and residents. The underwriting of these loans takes into consideration the occupancy and rental rates as well as the financial health of the borrower. The Bank's exposure to national retail tenants is minimal. The Bank has not purchased commercial real estate loans from brokers or third-party originators. Commercial real estate loans increased 4.6% from December 31, 2016 to June 30, 2017.

Credit Cards - Credit cards include consumer and business MasterCard and Visa accounts. The Bank offers credit cards primarily to its deposit and loan customers. Credit card balances decreased 5.0% from December 31, 2016 to June 30, 2017.

All Other - All other loans and leases include consumer installment loans and loans and leases to state, county and municipal governments and non-profit agencies. Consumer installment loans and leases include term loans of up to five years secured by automobiles, boats and recreational vehicles. The Bank offers lease financing for vehicles and heavy equipment to state, county and municipal governments and medical equipment to healthcare providers across the southern states. All other loan and lease balances, net of unearned income decreased 1.3% from December 31, 2016 to June 30, 2017.

NPLs consist of non-accrual loans and leases, loans and leases 90 days or more past due, still accruing, and accruing loans and leases that have been restructured (primarily in the form of reduced interest rates and modified payment terms) because of the borrower's or guarantor's weakened financial condition or bankruptcy proceedings. The Bank's

policy provides that loans and leases are generally placed in non-accrual status if, in management's opinion, payment in full of principal or interest is not expected or payment of principal or interest is more than 90 days past due, unless the loan or lease is both well-secured and in the process of collection. Non-performing assets ("NPAs") consist of NPLs and OREO, which consists of foreclosed properties. NPAs, which are carried either in the loan account or OREO on the Company's consolidated balance sheets, depending on foreclosure status, were as follows as of the dates presented:

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	June 30, 2017	2016	December 31, 2016
	(Dollars in thousands)		
Non-accrual loans and leases	$ 63,585	$ 68,638	$ 71,812
Loans 90 days or more past due, still accruing	1,793	1,875	3,983
Restructured loans and leases, still accruing	6,303	9,687	26,047
Total NPLs	71,681	80,200	101,842
Other real estate owned	7,704	14,658	7,810
Total NPAs	$ 79,385	$ 94,858	$ 109,652
NPLs to net loans and leases	0.65%	0.76%	0.94%
NPAs to net loans and leases	0.72%	0.90%	1.01%

NPLs decreased 29.6% to $71.7 million at June 30, 2017 compared to $101.8 million at December 31, 2016 and decreased 10.6% compared to $80.2 million at June 30, 2016. Included in NPLs at June 30, 2017 were $28.3 million of loans that were impaired. These impaired loans had a specific reserve of $1.9 million included in the allowance for credit losses of $121.6 million at June 30, 2017, and were net of $11.2 million in partial charge-downs previously taken on these impaired loans. NPLs at December 31, 2016 included $38.2 million of loans that were impaired. These impaired loans had a specific reserve of $4.4 million included in the allowance for credit losses of $123.7 million at December 31, 2016. NPLs at June 30, 2016 included $40.2 million of loans that were impaired. These impaired loans had a specific reserve of $3.1 million included in the allowance for credit losses of $126.9 million at June 30, 2016.

Non-accrual loans at June 30, 2017 reflected a decrease of $8.2 million, or 11.5%, compared to December 31, 2016 and a decrease of $5.1 million, or 7.4%, compared to June 30, 2016. While non-accrual loans decreased slightly in several loan categories when comparing June 30, 2017 to June 30, 2016, the primary decreases in non-accrual loans are recognized in the construction, acquisition and development and the commercial real estate portfolios. Non-accrual loans related to the construction, acquisition and development real estate portfolio decreased $4.8 million, or 68.3%, to $2.2 million at June 30, 2017 compared to $7.0 million at December 31, 2016. Non-accrual loans related to the commercial real estate portfolio decreased $7.0 million, or 52.1%, to $6.4 million at June 30, 2017 compared to $13.4 million at December 31, 2016. The decreases in non-accrual loans related to the construction, acquisition and development and commercial real estate portfolios was a result of paydowns on existing non-accrual loans combined with the reclassification of non-accrual loans to accrual loans exceeding the addition of non-accrual loans. The decrease in the construction, acquisition and development and commercial real estate portfolios was partially offset by the increase of $4.6 million, or 299.2%, in the agricultural real estate portfolio to $6.2 million at June 30, 2017 compared to approximately $1.5 million at December 31, 2016.

The Bank's NPLs are primarily located in Arkansas, Mississippi and Texas as these markets represent $53.0 million, or 74.0% of total NPLs of $71.7 million at June 30, 2017. The following table presents the NPLs by geographical location at June 30, 2017:

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	Outstanding	90+ Days Past Due still Accruing	Non-accruing Loans	Restructured Loans, still accruing	NPLs	NPLs as a % of Outstanding
	(Dollars in thousands)					
Alabama and Florida Panhandle	$ 1,308,173	$ -	$ 3,896	$ 30	$ 3,926	0.3 %
Arkansas	1,313,526	115	8,053	2,352	10,520	0.8
Louisiana	1,052,592	-	6,092	783	6,875	0.7
Mississippi	3,608,857	831	32,423	1,617	34,871	1.0
Missouri	485,625	-	2,670	-	2,670	0.5
Tennessee	1,134,133	-	2,045	604	2,649	0.2
Texas	1,913,514	183	7,350	85	7,618	0.4
Other	202,120	664	1,056	832	2,552	1.3
Total	$ 11,018,540	$ 1,793	$ 63,585	$ 6,303	$ 71,681	0.7 %

OREO decreased by approximately $106,000 to $7.7 million at June 30, 2017 compared to $7.8 million at December 31, 2016 and decreased by $7.0 million compared to $14.7 million at June 30, 2016. OREO decreased as a result of sales of foreclosed properties exceeding new foreclosures. Writedowns were the result of continuing processes to value these properties at fair value. 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 Company has processes in place to review credits upon renewal or modification to determine if concessions are being granted that meet the requirements set forth in FASB ASC 310. Loans identified as meeting the criteria set out in FASB ASC 310 are identified as TDRs. The concessions granted most frequently for TDRs involve reductions or delays in required payments of principal and/or interest for a specified time, the rescheduling of payments in accordance with a bankruptcy plan or the charge-off of a portion of the loan. In most cases, the conditions of the credit also warrant non-accrual status, even after the restructure occurs. TDR loans may be returned to accrual status in years after the restructure if there has been at least a six-month sustained period of repayment performance under the restructured loan terms by the borrower and the interest rate at the time of restructure was at or above market for a comparable loan. 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. Total restructured loans were $12.3 million and $40.9 million at June 30, 2017 and December 31, 2016, respectively. Restructured loans of $6.0 million and $14.8 million were included in the non-accrual loan category at June 30, 2017 and December 31, 2016, respectively.

At June 30, 2017, the Company did not have any concentration of loans or leases in excess of 10% of total loans and leases outstanding which were not otherwise disclosed as a category of loans or leases. Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. The Bank conducts business in a geographically concentrated area and has a significant amount of loans secured by real estate to borrowers in varying activities and businesses, but does not consider these factors alone in identifying loan concentrations. The ability of the Bank's borrowers to repay loans is somewhat dependent upon the economic conditions prevailing in the Bank's market areas.

The Company utilizes an internal loan classification system to grade loans according to certain credit quality indicators. These credit quality indicators include, but are not limited to, recent credit performance, delinquency, liquidity, cash flows, debt coverage ratios, collateral type and loan-to-value ratio. The following table provides details of the Company's loan and lease portfolio, net of unearned income, by segment, class and internally assigned grade at June 30, 2017:

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	June 30, 2017						
	Pass	Special Mention	Substandard	Doubtful	Loss	Impaired (1)	Total
	(In thousands)						
Commercial and industrial	$ 1,516,992	$ -	$ 41,604	$ 301	$ -	$ 7,562	$ 1,566,459
Real estate							
Consumer mortgages	2,710,161	-	63,352	276	-	2,424	2,776,213
Home equity	613,216	-	10,802	-	-	850	624,868
Agricultural	225,504	8,157	6,740	-	-	5,245	245,646
Commercial and industrial-owner occupied	1,734,306	3,161	50,644	-	-	7,210	1,795,321
Construction, acquisition and development	1,136,104	6,253	14,298	-	-	246	1,156,901
Commercial real estate	2,299,529	-	37,214	169	-	4,721	2,341,633
Credit cards	104,169	-	-	-	-	-	104,169
All other	400,191	-	6,900	239	-	-	407,330
Total	$ 10,740,172	$ 17,571	$ 231,554	$ 985	$ -	$ 28,258	$ 11,018,540

(1) Impaired loans are shown exclusive of $6.3 million of accruing TDRs and $3.4 million of non-accruing TDRs.

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 currently do not yet meet the criteria for disclosure as NPLs. However, based upon past experiences, some of these loans and leases with potential weaknesses will ultimately be restructured or placed in non-accrual status. At June 30, 2017, the Bank had $5.0 million of potential problem loans or leases or loans and leases with potential weaknesses that were not included in the non-accrual loans and leases or in the loans 90 days or more past due categories. These loans or leases are included in the above rated categories. Loans with identified weaknesses based upon analysis of the credit quality indicators are included in the loans 90 days or more past due category or in the non-accrual loan and lease category which would include impaired loans.

The following table provides details regarding the aging of the Company's loan and lease portfolio, net of unearned income, by internally assigned grade at June 30, 2017:

	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
	(In thousands)				
Pass	$ 10,730,369	$ 6,745	$ 2,953	$ 105	$ 10,740,172
Special Mention	17,571	-	-	-	17,571
Substandard	191,117	12,781	7,002	20,654	231,554
Doubtful	490	-	301	194	985
Loss	-	-	-	-	-
Impaired	5,358	2,323	1,156	19,421	28,258
Total	$ 10,944,905	$ 21,849	$ 11,412	$ 40,374	$ 11,018,540

All loan grade categories increased at June 30, 2017 compared to December 31, 2016 with the exception of the Substandard and Impaired loan grade categories, which decreased $8.7 million, or 3.6%, and $10.0 million, or 26.1%, respectively, at June 30, 2017 compared to December 31, 2016. Of the $231.6 million of Substandard loans and leases, 82.5% remained current as to scheduled repayment of principal and interest, with only 8.9% having outstanding balances that were 90 days or more past due at June 30, 2017. Of the $28.3 million of Impaired loans and leases, 19.0% remained current as to scheduled repayment of principal and/or interest, with 68.7% having outstanding balances that were 90 days or more past due at June 30, 2017.

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

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related to such evaluations, the evaluations of some real property and other collateral are dependent upon third-party independent appraisers employed either by the Bank's customers or as independent contractors of the Bank. During the current economic cycle, some subsequent fair value appraisals have reported lower values than were originally reported. These declining collateral values could impact future losses and recoveries.

The following table provides additional details related to the make-up of the Company's loan and lease portfolio, net of unearned income, and the distribution of NPLs at June 30, 2017:

Loans and leases, net of unearned income	Outstanding	90+ Days Past Due still Accruing	Non-accruing Loans	Restructured Loans, still accruing	NPLs	NPLs as a % of Outstanding
	(Dollars in thousands)					
Commercial and industrial	$ 1,566,459	$ 227	$ 9,988	$ 990	$ 11,205	0.7 %
Real estate						
Consumer mortgages	2,776,213	1,048	24,690	739	26,477	1.0
Home equity	624,868	-	3,183	63	3,246	0.5
Agricultural	245,646	-	6,172	16	6,188	2.5
Commercial and industrial-owner occupied	1,795,321	-	10,215	3,072	13,287	0.7
Construction, acquisition and development	1,156,901	-	2,223	351	2,574	0.2
Commercial real estate	2,341,633	86	6,418	258	6,762	0.3
Credit cards	104,169	432	122	789	1,343	1.3
All other	407,330	-	574	25	599	0.1
Total	$ 11,018,540	$ 1,793	$ 63,585	$ 6,303	$ 71,681	0.7 %

Securities

The Company uses the Bank's securities portfolios to make various term investments, to provide a source of liquidity and to serve as collateral to secure certain types of deposits. Available-for-sale securities were $2.4 billion and $2.5 billion at June 30, 2017 and December 31, 2016, respectively. Available-for-sale securities, which are subject to possible sale, are recorded at fair value. At June 30, 2017, the Company held no securities whose decline in fair value was considered other than temporary.

The following table shows the available-for-sale securities portfolio by credit rating as obtained from Moody's rating service as of June 30, 2017:

	Amortized Cost		Estimated Fair Value	
	Amount	%	Amount	%
Available-for-sale Securities:	(Dollars in thousands)			
Aaa	$ 2,105,120	87.3 %	$ 2,100,780	86.8 %
Aa1 to Aa3	116,668	4.8	123,096	5.1
A1 to A3	37,545	1.6	39,434	1.6
Not rated (1)	153,200	6.3	157,985	6.5
Total	$ 2,412,533	100.0%	$ 2,421,295	100.0%

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

Of the securities not rated by Moody's, bonds with a book value of $56.7 million and a market value of $59.6 million were rated A- or better by Standard and Poor's.

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Goodwill

The Company's policy is to assess goodwill for impairment at the reporting segment level on an annual basis or sooner if an event occurs or circumstances change which indicate that the fair value of a reporting segment is below its carrying amount. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. Accounting standards require management to estimate the fair value of each reporting segment in assessing impairment at least annually. The Company's annual assessment date is during the Company's fourth quarter. No events occurred during the second quarter of 2017 that indicated the necessity of an earlier goodwill impairment assessment.

In the current environment, forecasting cash flows, credit losses and growth, in addition to valuing the Company's assets with any degree of assurance is very difficult and subject to significant changes over very short periods of time. Management will continue to update its analysis as circumstances change. If market conditions continue to be volatile and unpredictable, impairment of goodwill related to the Company's reporting segments may be necessary in future periods. Goodwill was $300.8 million at both June 30, 2017 and December 31, 2016.

Other Real Estate Owned

OREO was $7.7 million and $7.8 million at June 30, 2017 and December 31, 2016, respectively. OREO at June 30, 2017 had aggregate loan balances at the time of foreclosure of $15.9 million. OREO at December 31, 2016 had aggregate loan balances at the time of foreclosure of $12.5 million. The following table presents the OREO by segment and class at the dates indicated:

	June 30, 2017	2016	December 31, 2016
	(In thousands)		
Commercial and industrial	$ -	$ 74	$ -
Real estate			
Consumer mortgages	2,238	2,109	857
Home equity	39	654	39
Agricultural	22	25	22
Commercial and industrial-owner occupied	2,539	1,272	1,958
Construction, acquisition and development	2,668	8,051	3,746
Commercial real estate	166	2,312	1,128
All other	32	161	60
Total	$ 7,704	$ 14,658	$ 7,810

Because of the relatively high number of the Bank's NPLs that have been determined to be collateral- dependent, management expects the resolution of a significant number of these loans to necessitate foreclosure proceedings resulting in further additions to OREO. While management expects future foreclosure activity in virtually all loan

categories, the magnitude of NPLs in the consumer mortgage and commercial and industrial-owner occupied real estate portfolios and the commercial and industrial portfolio at June 30, 2017 indicated that a majority of additions to OREO in the near-term might be from these categories.

At the time of foreclosure, the fair value of construction, acquisition and development properties is typically determined by an appraisal performed by a third party appraiser holding professional certifications. Such appraisals are then reviewed and evaluated by the Company's internal appraisal group. A market value appraisal using a 180-360 day marketing period is typically ordered and the OREO is recorded at the time of foreclosure at its market value less estimated selling costs. For residential subdivisions that are not completed, the appraisals reflect the uncompleted status of the subdivision.

To attempt to ensure that OREO is carried at the lower of cost or fair value less estimated selling costs on an ongoing basis, new appraisals are obtained on at least an annual basis and the OREO carrying values are adjusted accordingly. The type of appraisals typically used for these periodic reappraisals are "Restricted Use Appraisals," meaning the appraisal is for client use only. Other indications of fair value are also used to attempt to ensure that OREO is carried at the lower of cost or fair value. These include listing the property with a broker and acceptance of an offer to purchase from a third party. If an OREO property is listed with a broker at an amount less than the

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current carrying value, the carrying value is immediately adjusted to reflect the list price less estimated selling costs and if an offer to purchase is accepted at a price less that the current carrying value, the carrying value is immediately adjusted to reflect that sales price, less estimated selling costs. The majority of the properties in OREO are actively marketed using a combination of real estate brokers, bank staff who are familiar with the particular properties and/or third parties.

Deposits and Other Interest Bearing Liabilities

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

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

	June 30, 2017	December 31, 2016	% Change
	(Dollars in millions)		
Noninterest bearing demand	$ 3,390	$ 3,251	4.3 %
Interest bearing demand	5,096	5,034	1.2
Savings	1,630	1,562	4.4
Other time	1,822	1,841	(1.0)
Total deposits	$ 11,938	$ 11,688	2.1 %

The 2.1% increase in deposits at June 30, 2017 compared to December 31, 2016 was primarily a result of the increase in noninterest bearing demand, interest bearing and savings deposits more than offsetting the decline in other time deposits. The average maturity of time deposits at June 30, 2017 was 19.5 months, compared to 19.4 months at December 31, 2016.

Liquidity and Capital Resources

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

To provide additional liquidity, the Company utilizes short-term financing through the purchase of federal funds and securities sold under agreements to repurchase. All securities sold under agreements to repurchase are accounted for as collateralized financing transactions and are recorded at the amounts at which the securities were acquired or sold plus accrued interest. The Company had federal funds purchased and securities sold under agreements to repurchase of $464.8 million and $454.0 million at June 30, 2017 and December 31, 2016, respectively. Further, the Company maintains a borrowing relationship with the FHLB which provides access to short-term and long-term borrowings. The Company had short-term borrowings from the FHLB of $300.0 million and $92.0 million at June 30, 2017 and December 31, 2016, respectively. The Company also has access to the Federal Reserve discount window and other bank lines.

On August 8, 2013, the Company entered into a Credit Agreement with U.S. Bank as a lender and administrative agent, and First Tennessee Bank, National Association, as a lender. The Credit Agreement included

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an unsecured revolving loan of up to $25.0 million that terminated and the outstanding balance of which was payable in full on August 8, 2015, which the Bank did not renew, and an unsecured multi-draw term loan of up to $60.0 million, which commitment terminated on February 28, 2014. The proceeds from the term loan were used to repurchase trust preferred securities. All principal and interest due under the Credit Agreement were repaid in full in October 2016.

The Company had long-term borrowings from the FHLB of $230.0 million and $530.0 million at June 30, 2017 and December 31, 2016, respectively. The Company has pledged eligible mortgage loans to secure the FHLB borrowings and had $3.9 billion in additional borrowing capacity under the existing FHLB borrowing agreement at June 30, 2017.

The Company had non-binding federal funds borrowing arrangements with other banks aggregating $790.0 million at June 30, 2017. The unencumbered fair value of the Company's federal government and government agencies securities portfolio may provide substantial additional liquidity.

The ability of the Company to obtain funding from these or other sources could be negatively affected should the Company experience a substantial deterioration in its financial condition or its debt rating, or should the availability of short-term funding become restricted as a result of disruption in the financial markets. Management does not anticipate any short- or long-term changes to its liquidity strategies and believes that the Company has ample sources to meet the liquidity challenges caused by current economic conditions. The Company utilizes, among other tools, maturity gap tables, interest rate shock scenarios and an active asset and liability management committee to analyze, manage and plan asset growth and to assist in managing the Company's net interest margin and overall level of liquidity.

Off-Balance Sheet Arrangements

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

Regulatory Requirements for Capital

The Company is required to comply with the risk based capital guidelines established by the Federal Reserve. These guidelines apply a variety of weighting factors that vary according to the level of risk associated with the assets. Capital is measured in two "Tiers": Tier 1 consists of common shareholders' equity, qualifying non-cumulative perpetual preferred stock and minority interest in consolidated subsidiaries, less goodwill and certain other intangible assets; and Tier 2 consists of general allowance for losses on loans and leases, "hybrid" debt capital instruments and all

or a portion of other subordinated capital debt, depending upon remaining term to maturity. Common equity Tier 1 capital generally consists of common stock (plus related additional paid in capital) and retained earnings plus limited amounts of minority interest in the form of common stock, less goodwill and other specified intangible assets and other regulatory deductions. Total capital is the sum of Tier 1 and Tier 2 capital. The required minimum ratio levels to be considered “well capitalized” for the Company’s Common equity Tier 1 capital, Tier 1 capital, total capital, as a percentage of total risk-adjusted assets, and Tier 1 leverage capital (Tier 1 capital divided by total assets, less goodwill) are 6.5%, 8%, 10% and 5%, respectively. The Company exceeded the required minimum levels for these ratios at June 30, 2017 and December 31, 2016 as follows:

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	June 30, 2017		December 31, 2016	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
BancorpSouth, Inc.				
Common equity Tier 1 capital (to risk-weighted assets)	$ 1,434,469	11.90%	$ 1,467,979	12.23%
Tier 1 capital (to risk-weighted assets)	1,434,469	11.90	1,480,867	12.34
Total capital (to risk-weighted assets)	1,556,176	12.91	1,605,257	13.38
Tier 1 leverage capital (to average assets)	1,434,469	9.93	1,480,867	10.32

The FDIC's capital based supervisory system for insured financial institutions categorizes the capital position for banks into five categories, ranging from "well capitalized" to "critically under capitalized." For a bank to be classified as "well capitalized," the common equity Tier 1 capital, Tier 1 capital, total capital and leverage capital ratios must be at least 6.5%, 8%, 10% and 5%, respectively. The Bank met the criteria for the "well capitalized" category at June 30, 2017 and December 31, 2016 as follows:

	June 30, 2017		December 31, 2016	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
BancorpSouth Bank				
Common equity Tier 1 capital (to risk-weighted assets)	$ 1,281,065	10.64%	$ 1,311,542	10.94%
Tier 1 capital (to risk-weighted assets)	1,281,065	10.64	1,311,542	10.94
Total capital (to risk-weighted assets)	1,402,772	11.65	1,435,932	11.97
Tier 1 leverage capital (to average assets)	1,281,065	8.88	1,311,542	9.17

Federal and state banking laws and regulations and state corporate laws restrict the amount of dividends that the Company may declare and pay. For example, under guidance issued by the Federal Reserve, as a bank holding company, the Company is required to consult with the Federal Reserve before declaring dividends and is to consider eliminating, deferring or reducing dividends if (i) the Company's net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, (ii) the Company's prospective rate of earnings retention is not consistent with its capital needs and overall current and prospective financial condition, or (iii) the Company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

Uses of Capital

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

On December 11, 2014, the Company announced a stock repurchase program whereby the Company could acquire up to an aggregate of 6% or 5,764,000 shares of its common stock in the open market at prevailing market prices or in privately negotiated transactions during the period between December 11, 2014 through November 30, 2016. The extent and timing of any repurchases depended on market conditions and other corporate, legal and regulatory considerations. Repurchased shares are held as authorized but unissued shares. These authorized but unissued shares are available for use in connection with the Company’s stock option plans, other compensation programs, other transactions or for other corporate purposes as determined by the Company’s Board of Directors. On January 27, 2016, the Company announced this stock repurchase plan was terminated. At the time of termination, 2,882,000 shares had been repurchased under this program.

On January 27, 2016, the Company announced a new stock repurchase program whereby the Company may acquire up to an aggregate of 7,000,000 shares of its common stock in the open market at prevailing market

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prices or in privately negotiated transactions during the period between January 27, 2016 through December 29, 2017. The extent and timing of any repurchases depends on market conditions and other corporate, legal and regulatory considerations. Repurchased shares are held as authorized but unissued shares. These authorized but unissued shares are available for use in connection with the Company's stock option plans, other compensation programs, other transactions or for other corporate purposes as determined by the Company's Board of Directors. At June 30, 2017, 3,983,385 shares had been repurchased under this program.

The Company assumed $6.2 million in Junior Subordinated Debt Securities and the related $6.0 million in trust preferred securities pursuant to the merger on December 31, 2004 with Business Holding Corporation. The Company also assumed $6.7 million in Junior Subordinated Debt Securities and the related $6.5 million in trust preferred securities pursuant to the merger on December 1, 2005 with American State Bank Corporation and $18.5 million in Junior Subordinated Debt Securities and the related $18.0 million in trust preferred securities pursuant to the merger on March 1, 2007 with City Bancorp. The Company redeemed $8.2 million of the Junior Subordinated Debt Securities and $8.0 million of the related trust preferred securities assumed in the City Bancorp merger at par on January 8, 2014. The Company redeemed the remaining $10.3 million in Junior Subordinated Debt Securities and the related $10.0 million in trust preferred securities assumed in the City Bancorp merger at par on December 14, 2016. On January 9, 2017, the remaining $12.9 million in Junior Subordinated Debt securities and the related $12.5 million in trust preferred securities assumed in the Business Holding Corporation and American State Bank Corporation mergers were redeemed. At June 30, 2017, there were no additional Junior Subordinated Debt securities outstanding.

Certain Litigation Contingencies

The nature of the Company's business ordinarily results in a certain amount of claims, litigation, investigations and legal and administrative cases and proceedings. Although the Company and its subsidiaries have developed policies and procedures to minimize the impact of legal noncompliance and other disputes, and endeavored to provide reasonable insurance coverage, litigation and regulatory actions present an ongoing risk.

The Company and its subsidiaries are engaged in lines of business that are heavily regulated and involve a large volume of financial transactions and potential transactions with numerous customers or applicants, and the Company is a public company with a large number of shareholders. From time to time, borrowers, customers, shareholders, former employees and other third parties have brought actions against the Company or its subsidiaries, in some cases claiming substantial damages. Financial services companies are subject to the risk of class action litigation and, from time to time, the Company and its subsidiaries are subject to such actions brought against it. Additionally, the Bank is, and management expects it to be, engaged in a number of foreclosure proceedings and other collection actions as part of its lending and leasing collections activities, which, from time to time, have resulted in counterclaims against the Bank. Various legal proceedings have arisen and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations. The Company and its subsidiaries may also be subject to enforcement actions by federal or state regulators, including the Securities and Exchange Commission, the Federal Reserve, the FDIC, the Consumer Financial Protection Bureau (the "CFPB"), the Department of Justice (the "DOJ"), state attorneys general and the Mississippi Department of Banking and Consumer Finance.

When and as the Company determines it has meritorious defenses to the claims asserted, it vigorously defends against such claims. The Company will consider settlement of claims when, in management's judgment and in consultation with counsel, it is in the best interests of the Company to do so.

The Company cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against it, its directors, management or employees, including remedies or damage awards. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of the Company's business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, the Company establishes an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings and the potential loss, however, may turn out to be substantially higher than the amount accrued. Further, the Company's insurance policies have deductibles and they will likely not cover all such litigation, other proceedings or claims, or the costs of defense.

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While the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, if applicable, management believes that the litigation-related expense of $2.9 million accrued as of June 30, 2017, which excludes amounts reserved for regulatory settlement expenses discussed below, is adequate and that any incremental liability arising from the Company's legal proceedings and threatened claims, including the matters described herein and those otherwise arising in the ordinary course of business, will not have a material adverse effect on the Company's business or consolidated financial condition. It is possible, however, that future developments could result in an unfavorable outcome for or resolution of any one or more of the lawsuits in which the Company or its subsidiaries are defendants, which may be material to the Company's results of operations for a particular fiscal period or periods.

On July 31, 2014 the Company, its Chief Executive Officer and former Chief Financial Officer were named in a purported class-action lawsuit filed in the U.S. District Court for the Middle District of Tennessee on behalf of certain purchasers of the Company's common stock. The complaint was subsequently amended to add the former President and Chief Operating Officer. The complaint alleges that the defendants made misleading statements concerning the Company's expectation that it would be able to close two merger transactions within a specified time period and regarding the Company's compliance with certain Bank Secrecy Act and anti-money laundering requirements. On July 10, 2015, the District Court granted in part and denied in part the defendants' motion to dismiss, holding that the statements concerning the Company's expectations about the closing of the mergers were "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, were protected by the safe harbor provision of the Private Securities Litigation Reform Act of 1995, and thus were not actionable. Class certification was granted by the District Court on April 21, 2016, and a petition for immediate appeal of the class certification order was filed and was granted. The U.S. Sixth Circuit Court of Appeals vacated the class certification order and remanded the case to the District Court for further proceedings. On June 26, 2017 the District Court issued a Memorandum Opinion and signed an Order granting class certification. On July 10, 2017 the defendants again filed a Petition for Permission to Appeal Pursuant to Rule of Civil Procedure 23(f) in the U.S. Sixth Circuit Court of Appeals. The plaintiff seeks an unspecified amount of damages and awards of costs and attorneys' fees and such other equitable relief as the District Court may deem just and proper. At this stage of the lawsuit, management cannot determine the probability of an unfavorable outcome to the Company as it is uncertain whether the second class certification order will withstand review and the exact amount of damages is uncertain. Although it is not possible to predict the ultimate resolution or financial liability with respect to the litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company's business, consolidated financial position or results of operations.

On June 29, 2016, the Bank, the CFPB and the DOJ agreed to a settlement set forth in a consent order (the "Consent Order") related to the joint investigation by the CFPB and the DOJ of the Bank's fair lending program during the period between January 1, 2011 and December 31, 2013. The Consent Order was signed by the United States District Court for the Northern District of Mississippi (the "District Court") on July 25, 2016. In the first quarter of 2016, the Bank reserved $13.8 million to cover costs related to this matter, $10.3 million of which was reflected as regulatory settlement expense and $3.5 million of which was included in other noninterest expense. The settlement of this matter did not have a material financial impact on the second and third quarter 2016 financial results. For additional information regarding the terms of this settlement and the Consent Order, see the signed Consent Order and the Company's Current Report on Form 8-K that was filed with the SEC on June 29, 2016 which are incorporated herein by reference.

CRITICAL ACCOUNTING POLICIES

During the three months ended June 30, 2017, there was no material change in the Company’s critical accounting policies and no significant change in the application of critical accounting policies as presented in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

During the three months ended June 30, 2017, there were no significant changes to the quantitative and qualitative disclosures about market risks presented in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES.

The Company, with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the Company's filings under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in the Company's internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The nature of the Company's business ordinarily results in a certain amount of claims, litigation, investigations and legal and administrative cases and proceedings. Although the Company and its subsidiaries have developed policies and procedures to minimize the impact of legal noncompliance and other disputes, and endeavored to provide reasonable insurance coverage, litigation and regulatory actions present an ongoing risk.

The Company and its subsidiaries are engaged in lines of business that are heavily regulated and involve a large volume of financial transactions and potential transactions with numerous customers or applicants, and the Company is a public company with a large number of shareholders. From time to time, borrowers, customers, shareholders, former employees and other third parties have brought actions against the Company or its subsidiaries, in some cases claiming substantial damages. Financial services companies are subject to the risk of class action litigation and, from time to time, the Company and its subsidiaries are subject to such actions brought against it. Additionally, the Bank is, and management expects it to be, engaged in a number of foreclosure proceedings and other collection actions as part of its lending and leasing collections activities, which, from time to time, have resulted in counterclaims against the Bank. Various legal proceedings have arisen and may arise in the future out of claims against entities to which the Company is a successor as a result of business combinations. The Company and its subsidiaries may also be subject to enforcement actions by federal or state regulators, including the Securities and Exchange Commission, the Federal Reserve, the FDIC, the Consumer Financial Protection Bureau (the "CFPB"), the Department of Justice (the "DOJ"), state attorneys general and the Mississippi Department of Banking and Consumer Finance.

When and as the Company determines it has meritorious defenses to the claims asserted, it vigorously defends against such claims. The Company will consider settlement of claims when, in management's judgment and in consultation

with counsel, it is in the best interests of the Company to do so.

The Company cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings filed by or against it, its directors, management or employees, including remedies or damage awards. On at least a quarterly basis, the Company assesses its liabilities and contingencies in connection with outstanding legal proceedings as well as certain threatened claims (which are not considered incidental to the ordinary conduct of the Company’s business) utilizing the latest and most reliable information available. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, the Company establishes an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings and the potential loss, however, may turn out to be substantially higher than the amount accrued. Further, the Company’s insurance policies have deductibles and they will likely not cover all such litigation, other proceedings or claims, or the costs of defense.

While the final outcome of any legal proceedings is inherently uncertain, based on the information available, advice of counsel and available insurance coverage, if applicable, management believes that the litigation-

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related expense of $2.9 million accrued as of June 30, 2017, which excludes amounts reserved for regulatory settlement expenses discussed below, is adequate and that any incremental liability arising from the Company's legal proceedings and threatened claims, including the matters described herein and those otherwise arising in the ordinary course of business, will not have a material adverse effect on the Company's business or consolidated financial condition. It is possible, however, that future developments could result in an unfavorable outcome for or resolution of any one or more of the lawsuits in which the Company or its subsidiaries are defendants, which may be material to the Company's results of operations for a particular fiscal period or periods.

On July 31, 2014 the Company, its Chief Executive Officer and former Chief Financial Officer were named in a purported class-action lawsuit filed in the U.S. District Court for the Middle District of Tennessee on behalf of certain purchasers of the Company's common stock. The complaint was subsequently amended to add the former President and Chief Operating Officer. The complaint alleges that the defendants made misleading statements concerning the Company's expectation that it would be able to close two merger transactions within a specified time period and regarding the Company's compliance with certain Bank Secrecy Act and anti-money laundering requirements. On July 10, 2015, the District Court granted in part and denied in part the defendants' motion to dismiss, holding that the statements concerning the Company's expectations about the closing of the mergers were "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, were protected by the safe harbor provision of the Private Securities Litigation Reform Act of 1995, and thus were not actionable. Class certification was granted by the District Court on April 21, 2016, and a petition for immediate appeal of the class certification order was filed and was granted. The U.S. Sixth Circuit Court of Appeals vacated the class certification order and remanded the case to the District Court for further proceedings. On June 26, 2017 the District Court issued a Memorandum Opinion and signed an Order granting class certification. On July 10, 2017 the defendants again filed a Petition for Permission to Appeal Pursuant to Rule of Civil Procedure 23(f) in the U.S. Sixth Circuit Court of Appeals. The plaintiff seeks an unspecified amount of damages and awards of costs and attorneys' fees and such other equitable relief as the District Court may deem just and proper. At this stage of the lawsuit, management cannot determine the probability of an unfavorable outcome to the Company as it is uncertain whether the second class certification order will withstand review and the exact amount of damages is uncertain. Although it is not possible to predict the ultimate resolution or financial liability with respect to the litigation, management is currently of the opinion that the outcome of this lawsuit will not have a material adverse effect on the Company's business, consolidated financial position or results of operations.

On June 29, 2016, the Bank, the CFPB and the DOJ agreed to a settlement set forth in a consent order (the "Consent Order") related to the joint investigation by the CFPB and the DOJ of the Bank's fair lending program during the period between January 1, 2011 and December 31, 2013. The Consent Order was signed by the United States District Court for the Northern District of Mississippi (the "District Court") on July 25, 2016. In the first quarter of 2016, the Bank reserved $13.8 million to cover costs related to this matter, $10.3 million of which was reflected as regulatory settlement expense and $3.5 million of which was included in other noninterest expense. The settlement of this matter did not have a material financial impact on the second and third quarter 2016 financial results. For additional information regarding the terms of this settlement and the Consent Order, see the signed Consent Order and the Company's Current Report on Form 8-K that was filed with the SEC on June 29, 2016 which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

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ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April 1-April 30	1,037,354	$ 29.89	1,037,354	3,360,895
May 1-May 31	291,497	28.91	291,497	3,069,398
June 1-June 30	52,783	28.92	52,783	3,016,615
Total	1,381,634			

(1) On December 11, 2014, the Company announced a stock repurchase program pursuant to which the Company could purchase up to 5.8 million shares of its common stock during the period between December 11, 2014 and November 30, 2016. On January 27, 2016, the Company announced the termination of this stock repurchase program, under which the Company had repurchased 2,882,000 shares of common stock, and the initiation of a new stock repurchase program pursuant to which the Company may purchase up to 7 million shares of its common stock during the period between January 27, 2016 and December 29, 2017. On July 25, 2016, the Company adopted a Rule 10b5-1 plan in connection with this stock repurchase program. During the second quarter of 2017, 1,381,634 shares were repurchased under the current stock repurchase program.

ITEM 5. OTHER INFORMATION

Restructuring and Plan of Reorganization

On July 26, 2017, the Company, as part of a plan to affect a corporate entity restructuring, entered into an Agreement and Plan of Reorganization (the “Plan of Reorganization”) whereby the Company, subject to regulatory approval, will

be merged with and into the Bank with the Bank continuing as the surviving entity following the restructuring (the “Restructuring”). For information regarding the Restructuring and the corresponding Plan of Reorganization, see the Current Report on Form 8-K that was filed with the SEC on July 27, 2017 which is incorporated herein by reference.

In addition, on August 3, 2017, the Company rescinded its prior declaration to be considered a “financial holding company” under the Bank Holding Company Act, as amended. Until such time as the Restructuring is completed, the Company will, however, continue to be subject to regulation and supervision by the Board of Governors of the Federal Reserve System because the Company continues to be a “bank holding company” under the Bank Holding Company Act of 1956, as amended.

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ITEM 6. EXHIBITS

(2)	(a)	Agreement and Plan of Reorganization, dated as of January 22, 2014, by and between BancorpSouth, Inc. and Central Community Corporation. (1)
	(b)	Amendment No. 1 to Agreement and Plan of Reorganization, dated July 21, 2014, by and between BancorpSouth, Inc. and Central Community Corporation. (2)
	(c)	Amendment No. 2 to Agreement and Plan of Merger, dated June 30, 2015, by and between BancorpSouth, Inc. and Central Community Corporation. (3)
	(d)	Amendment No. 3 to Agreement and Plan of Reorganization, dated October 13, 2016, by and between BancorpSouth, Inc. and Central Community Corporation. (4)
	(e)	Agreement and Plan of Reorganization, dated July 26, 2017, by and between BancorpSouth, Inc. and BancorpSouth Bank. (5)
(3)	(a)	Amended and Restated Articles of Incorporation. (6)
	(b)	Amended and Restated Bylaws. (6)
(4)		Specimen Common Stock Certificate. *
(31.1)		Certification of the Chief Executive Officer of BancorpSouth, Inc. pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
(31.2)		Certification of the Chief Financial Officer of BancorpSouth, Inc. pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
(32.1)		Certification of the Chief Executive Officer of BancorpSouth, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
(32.2)		Certification of the Chief Financial Officer of BancorpSouth, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
(99.1)	(a)	Agreement and Plan of Reorganization, dated January 8, 2014, by and between BancorpSouth, Inc. and Ouachita BancShares Corp. (7)
	(b)	Amendment No. 1 to Agreement and Plan of Reorganization, dated July 21, 2014, by and between BancorpSouth, Inc. and Ouachita Bancshares Corp. (8)
	(c)	Amendment No. 2 to Agreement and Plan of Reorganization, dated June 30, 2015 by and between BancorpSouth, Inc. and Ouachita Bancshares Corp. (9)
	(d)	Amendment No. 3 to Agreement and Plan of Reorganization, dated October 13, 2016 by and between BancorpSouth, Inc. and Ouachita Bancshares Corp. (10)
(101)		Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2017, is formatted in XBRL (Extensible Business Reporting Language) interactive data files: (i) the Consolidated Balance Sheets as of June 30 2017 and 2016, and December 31, 2016, (ii) the Consolidated Statements of Income for the three-month and six month periods ended June 30, 2017 and 2016, (iii) the Consolidated Statements of Comprehensive Income for the three-month and six month periods ended June 30, 2017 and 2016, (iv) the Consolidated Statements of Cash Flows for the six-month period ended June 30, 2017 and 2016, and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text.*

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(1) Filed as Annex A to the Company's registration statement on Form S-4 filed on February 28, 2014 (file number 333-194233) and incorporated by reference thereto.

(2) Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 24, 2014 (file number 1-12991) and incorporated by reference thereto.

(3) Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 1, 2016 (file number 1-12991) and incorporated by reference thereto.

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(4) Filed as an exhibit to the Company’s Current Report on Form 8-K filed on April 27, 2017 (file number 1-12991) and incorporated by reference thereto.
(5) Filed as an exhibit to the Company's Current Report on Form 8-K filed on July 27, 2016 (file number 1-12991) and incorporated by reference thereto.
(6) Filed as an exhibit to the Company's Current Report on Form 8-K filed on April 27, 2016 (file-number 1-12991 and incorporated by reference thereto.
(7) Filed as Annex A to the Company's registration statement on Form S-4 filed on February 12, 2014 (file number 333-193912) and incorporated by reference hereto.
(8) Filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on July 24, 2014 (file number 1-12991) and incorporated by reference hereto.
(9) Filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on July 1, 2015 (file number 1-12991) and incorporated by reference hereto.
(10) Filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on October 14, 2016 (file number 1-12991) and incorporated by reference hereto.
* Filed herewith.
** Furnished herewith.

SIGNATURES

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

	BancorpSouth, Inc. (Registrant)
DATE: August 7, 2017	/s/ John G. Copeland John G. Copeland Senior Executive Vice President and Chief Financial Officer

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INDEX TO EXHIBITS

Exhibit No.		Description
(2)	(a)	Agreement and Plan of Reorganization, dated as of January 22, 2014, by and between BancorpSouth, Inc. and Central Community Corporation. (1)
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(1) Filed as Annex A to the Company's registration statement on Form S-4 filed on February 28, 2014 (file number 333-194233) and incorporated by reference thereto.

(2) Filed as Exhibit 2.1 to the Company’s Current Report on Form 8-K filed on July 24, 2014 (file number 1-12991) and incorporated by reference thereto.

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(3) Filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 1, 2016 (file number 1-12991) and incorporated by reference thereto.
(4) Filed as an exhibit to the Company’s Current Report on Form 8-K filed on April 27, 2017 (file number 1-12991) and incorporated by reference thereto.
(5) Filed as an exhibit to the Company's Current Report on Form 8-K filed on July 27, 2016 (file number 1-12991) and incorporated by reference thereto.
(6) Filed as an exhibit to the Company's Current Report on Form 8-K filed on April 27, 2016 (file-number 1-12991 and incorporated by reference thereto.
(7) Filed as Annex A to the Company's registration statement on Form S-4 filed on February 12, 2014 (file number 333-193912) and incorporated by reference hereto.
(8) Filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on July 24, 2014 (file number 1-12991) and incorporated by reference hereto.
(9) Filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on July 1, 2015 (file number 1-12991) and incorporated by reference hereto.
(10) Filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on October 14, 2016 (file number 1-12991) and incorporated by reference hereto.
* Filed herewith.
** Furnished herewith.

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